

2298163

Contents

Chairman's Statement	2
Review of Activities	4
Directors and Advisers	6
Report of the Directors	7
Corporate Governance	11
Consolidated Profit and Loss Account	12
Consolidated Balance Sheet	13
Company Balance Sheet	14
Consolidated Cash Flow Statement	15
Notes to the Financial Statements	16
Report of the Auditors	27
Notice of Annual General Meeting	28
Proxy Form	31



Chairman's Statement

Overview

In May 1995, at the time of announcing our interim results and the Placing and Open Offer, we described the actions that were being taken to reduce operating costs and refocus marketing activities. While having only a small impact on the trading result for the year, these actions have allowed us to start the new year with operating costs at less than one-half the level of a year earlier.

The biggest single cost saving has come from the closure of the Warrington facility and the outsourcing of our consumable products. This project is now complete. Our marketing operation in the USA is now being managed with the assistance of an independent importer who will be responsible for administrative and logistical tasks. This has permitted a major reduction in expense while allowing us, in conjunction with our regional distributors, to concentrate our resource on selling systems into hospitals.

Following the termination of the agreement with the Stryker Corporation, the Company's task was to establish and train a network of distributors in the principal markets around the world. At present we have 37 distributors in 39 countries. We are now shifting the focus of our marketing away from the appointment of new distributors and are working more closely with existing distributors in more promising markets to place machines in hospitals and train hospital staff in their use. In the UK we have taken over our own distribution of the System 350 and have appointed our own sales staff to work directly with hospitals. Further actions in this area are discussed in the Review of Activities.

In the field of Analytical Products we continue our announced strategy of working with other companies to bring our products to market. We have concluded an agreement with GEM Biomedical of the USA for the manufacture and distribution of the RMQA System in the Americas.

Discussions are ongoing for similar agreements in other markets as well as in respect of Haemocell's Secondary Filtration Device for which patent protection has been applied.

Financial

Turnover for the year to 31st August 1995 reached £642,000 (1994 £212,000) reflecting the build-up in the number of distributors marketing the Company's products around the world. Administrative expenses at £2,322,000 (1994 £2,533,000) showed some reduction although the major cost savings did not take place until near the end of the year. However, the cost saving actions resulted in exceptional expenses of £404,000 (1994 £nil) so that pre-tax losses were higher at £2,515,000 (1994 £2,354,000).

While there is some satisfaction to be gained from the rising sales, we are obviously disappointed that trading losses continued at high levels. We believe we have taken the right steps in reducing costs but were not able to see real benefit in the year. The current running rate of administrative expenses is at approximately half the level of a year ago and we should therefore see substantial savings in the current year.

Management

As described in last year's report, your Board was substantially restructured in December 1994. The objective was to consolidate all administrative activities in Abingdon and reduce cost through streamlining of management. In February 1995 John Ashley was appointed Company Secretary and Financial Controller and in September joined the Board as Finance Director. John has made a valuable contribution as we have pursued more efficient operations at reduced cost.

Dr Les Russell, who had overseen much of the cost reduction activity and refocusing of sales activity, left the Company in September 1995. The Board is grateful to him for the planning that led to the changes in direction and for his continuing support for the Company.

Chairman's Statement

In August 1995 Jonathan Horrocks was recruited to take responsibility for Sales and Marketing. With a broad background in the marketing of healthcare and surgical products, he is now leading intensive selling activities working more closely with our distributors. His contribution has already seen increased work in hospitals by our distributors in the more promising markets.

Unlisted Securities Market

Having regard to the fact that the London Stock Exchange will be closing the USM on 31st December 1996, as stated in May, it remains the Directors' intention to apply for the Company's securities to be admitted to the Official List.

Outlook

Over the last year Haemocell's System 350 and its associated product range has undergone important refinement in response to feedback from operating theatre staff who have used it during surgery. We have also gained valuable experience that has helped us to optimise user technique and define better those surgical procedures best suited to the system.

As part of this increased experience we have also had to adjust our approach to selling the System 350. We have learned that time and effort is needed to increase awareness of autologous transfusion, provide opportunity for extended evaluation and maintain intensive customer support to ensure that the System is fully understood and appropriately used. We are therefore shifting our priority from appointment and training of distributors to supporting them more closely in their activities in hospitals. In the UK this approach has led us to taking over sales of the System 350 with our own direct sales force.

This change in selling approach has also led us to re-evaluate our strategic direction. The intensity of sales effort required to exploit fully the potential of

the System 350 will be difficult to generate on Haemocell's current narrow product range. We will therefore look to establish strategic alliances either with companies with whom we can share operating expenses or with companies who already have a marketing organisation selling a wider range of products into operating theatres. Success with this approach would bring faster achievement of a significant active installed base of machines and the consequent flow of revenues from the associated consumables.

Throughout this period of cost cutting and reorganisation, Haemocell has ensured that all appropriate regulatory approvals have been maintained and has continued to work for product registration in all important markets. When outsourcing the products previously manufactured in Warrington we have selected suppliers with the highest standards of manufacturing quality and established approvals.

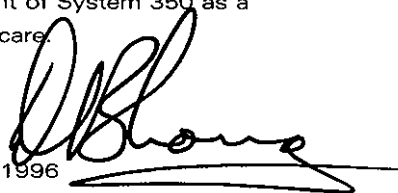
Summary

The year has been a challenging one encompassing an extensive programme of changes in activities and employee reductions. Despite this, our remaining staff have responded well in contributing to the progress in achieving our goals.

We are increasing our promotion of System 350 and its associated products and the contribution they can make to autologous transfusion, which we believe will continue to develop as a most important area of healthcare.

In order to exploit important market developments to the full we consider future collaboration essential to the establishment of System 350 as a standard of care.

D B Long
25 January 1996



Review of Activities

Review of Activities

The period under review was one of continued development of our worldwide distribution network while making reductions to our ongoing operating overheads. As already stated, we have reduced our total overheads by over 50 per cent, while increasing the resources devoted to sales and marketing. The extent and detail of customer feedback has led to the extension of our Autologous Blood Transfusion (ABT) product range by the addition of complementary products that have widened the areas of application and customer acceptance. This strengthening of the product range has been combined with the establishment of competent subcontractors by which all our sterile products are now manufactured.

Medical Products

Haemocell continued to expand and improve the product range available to its Intra and Post-Operative ABT customers. Earlier this year we concluded that some users needed a larger volume collection capacity. A range of blood collection disposables and accessories manufactured by Baxter Healthcare in the US was identified and following product assessment, we reached agreement for Baxter to manufacture specially labelled products for use exclusively with System 350. Marketing commenced last June.

Following the successful establishment of our Post-Operative Collection Set for orthopaedic surgery last year we are introducing a new and more cost-effective product early in 1996 to build on achievements to date.

Manufacturing

The transition away from disposables manufacturing begun earlier this year was completed successfully following the transfer of finished product assembly to an experienced and competent

manufacturer. Although the benefits of reduced product costs were not realised in the year, due to the cost of creating stocks to cover the hiatus in manufacturing, the impact of the changes will be evident in the 1995/96 financial year.

The infrastructure for the manufacture of System 350 has also been significantly reduced whilst maintaining the required controls and customer service facilities. It is our intention to subcontract System 350 assembly on a demand-led basis to maintain a low cost base.

The closure of our Warrington facility has led us to re-examine our facility requirements. We have now consolidated all our activities in Abingdon and need offices, limited laboratory and assembly space and on-site warehousing for our consumable products. Our present building is designed as office space and offers us no warehousing capability. We therefore decided to sell the property and rent premises that will allow us to have all our requirements under one roof.

Sale of the property has been completed although we shall remain in part of the property until the summer, by which time we will have located suitable alternative premises.

Regulatory Affairs

We have maintained our commitment to international standards of manufacturing practice during the year and have ensured the facilities of our subcontractors meet the standards required by our customers. The manufacturer of our new large collection reservoir product range complies fully with the US Food and Drug Administration (FDA) requirements. The adoption of the Medical Devices Directive across the member states of the European Union has led us to prepare for product registration under the CE mark system.

Review of Activities

Analytical Products

During the year we completed the technical development of our Rapid Microbiological Quality Assurance (RMQA) system. We reported earlier that we would be pursuing commercial development of this product line in collaboration with other companies already in that marketplace. In August we reached agreement with GEM Biomedical under which they will have manufacturing and marketing rights for the product in the Americas. This agreement was based on an up-front payment and ongoing royalties on machines sold.

We are now looking for partners for European and other markets both for the RMQA system and for a new Secondary Filtration Device (SFD). This latter product, a low cost disposable sample preparation device, has numerous applications either with RMQA or on its own. As with the RMQA, we will be looking to develop manufacturing and marketing of the SFD in collaboration with companies already established in the field of microbiological analysis.

Sales and Marketing

During the earlier part of the year we continued our strategy of appointing and training new distributors in markets around the world and have now reached 37 distributors in 39 territories. Towards the end of the period under review we began to refocus our efforts towards working more closely with distributors in the more promising markets. We have learned that selling the System 350 requires targeted and intensive work with surgeons and operating theatre staff and our distributors need our help to become effective. This kind of marketing needs more patience but will result in more machines working harder in the right hospitals with, in the longer term, more use of disposables.

United Kingdom

We have been represented in the UK for the last two years by an independent distributor. It has been very successful in selling our post-operative product but we believed we could market the intra-operative System 350 more effectively ourselves. Since July 1995 we have recruited a small direct sales force and retained a professional PR agency in order to accelerate our sales. The number of machines used in hospitals has increased and we have started to increase public and professional awareness of the benefits of autologous blood and the Haemocell product through TV, radio and press coverage.

Europe

Our programme of increased support to distributors has been targeted at Germany, Italy, Belgium, Spain and Portugal to date. We are already seeing increased activity and sales by our distributors to hospitals in these countries. With achievement of CE marking early in 1996, we will be adding other countries on a gradual basis.

USA

As reported earlier, we have closed our office in the US and appointed a contract importer/distributor to handle the logistical side of our sales there. This has allowed a significant reduction in our costs while permitting us to concentrate our own resources on supporting our distributors in their sales efforts in hospitals.

Other Markets

Success has been achieved in India, South Africa, Hong Kong, China and Egypt. In each of these countries we have worked with effective distributors who are placing machines and selling disposables. In addition to Europe and the US, these will be the key markets on which we concentrate in the medium term.

Directors and Advisers

Directors

David Brian Long (Chairman)
Trevor William Wilson (Operations Director)
Richard Charles Hall BSc, CEng, MIMechE (Technical Director)
John Bedford Ashley BA, ACA (Finance Director)
John Gordon Harris*

*non-executive

Secretary and Registered Office

John Bedford Ashley
12 Napier Court
Abingdon Science Park
Barton Lane
Abingdon
Oxon. OX14 3YT
Registered Number 2298163

Stockbrokers

Greig Middleton & Co. Limited
Beaufort House
94-96 Newhall Street
Birmingham B3 1PE

Beeson Gregory
The Registry
Royal Mint Court
London EC3N 4EY

Financial Advisers

Close Brothers Corporate
Finance Limited
12 Appold Street
London EC2A 2AA

Solicitors

Ashurst Morris Crisp
Broadwalk House
5 Appold Street
London EC2A 2HA

Auditors

Coopers & Lybrand
Chartered Accountants
Albion Court
5 Albion Place
Leeds LS1 6JP

Registrars

Independent Registrars Group
Balfour House
390-398 High Road
Ilford
Essex IG1 1NQ

Bankers

Lloyds Bank Plc
Black Horse House
Wallbrook Court
North Hinksey Lane
Botley
Oxford OX2 0QS
Barclays Bank PLC
City Office
Percy Street
Newcastle upon Tyne NE1 4QL

Financial Calendar

Annual General Meeting	4 March 1996
Announcement of interim results	Late April 1996
Announcement of final results	Mid-December 1996

Report of the Directors

The Directors present their report and the audited financial statements for the year ended 31st August 1995.

Principal Activities and Business Review

The Company's principal activity in the year continued to be the manufacture, sale and marketing of autotransfusion machines incorporating disposable cell separator filters which allows the filtration of autologous blood for reinfusion into patients. A review of the Group's activities during the year is included on pages 4 and 5.

Results and Dividends

The loss for the year after interest was £2.515 million. The Directors do not recommend the payment of a dividend.

Significant Changes in Fixed Assets

Changes in fixed assets are shown in notes 10 and 11 to the Financial Statements.

Directors

The present Directors of the Company are shown on page 6.

D B Long was appointed a Director on 16th December 1994.

J B Ashley was appointed a Director on 20th September 1995.

The following have also served as directors during the period:

A M Priestley (resigned 16th December 1994)

J R M Btsh (resigned 16th December 1994)

J N D Heap (resigned 16th December 1994)

P J L Kesteven (resigned 16th December 1994)

L J Russell (resigned 20th September 1995)

Under the Articles of Association J B Ashley and T W Wilson retire from office and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

No Director has a service contract with an unexpired period in excess of one year.

There were no contracts of significance subsisting during or at the end of the financial year in which a Director of the Company was materially interested.

The independent non-executive Directors during the year were:

D B Long, aged 52, who held various executive positions with Massey Ferguson, before becoming Managing Director of Acorn Computer Group plc and, subsequently, Wheway plc.

As of 20th September 1995, D B Long has become an executive director.

J G Harris, aged 61, formerly held executive board positions at Midland Bank plc and The Great Universal Stores plc.

Directors' Interests

The interests in the share capital of the Company of those Directors in office at the end of the year were as follows:

	<i>Ordinary Shares of 1p each</i>			
	<i>31st August 1995</i>		<i>1st September 1994</i>	
	<i>Beneficial</i>	<i>Non-Beneficial</i>	<i>(or date of appointment if later)</i>	
	<i>Beneficial</i>	<i>Non-Beneficial</i>	<i>Beneficial</i>	<i>Non-Beneficial</i>
D B Long	18,281	—	—	—
R C Hall	19,452	—	937	—
T W Wilson	2,007,625	198,000	1,870,333	207,000
J G Harris	—	—	—	—
L J Russell	18,281	—	—	—

Report of the Directors

Since the end of the financial year, L J Russell has disposed of 18,281 shares in the Company. J B Ashley, who was appointed a director on 20th September 1995, holds 3,657 shares in the Company.

Executive Share Option Scheme

Pursuant to the Haemocell plc Executive Share Option Scheme, the following options have been granted to Directors and former Directors at nominal consideration:

Director	Ordinary Shares of 1p each			
	31st August 1995	1st September 1994 (or date of appointment if later)	Exercise Price	Exercisable between the following dates
R C Hall	21,728	21,728	143.6p	28th January 1995 and 28th January 2002
D B Long	120,000	120,000	26.0p	16th December 1997 and 16th December 2001
L J Russell	175,000	175,000	52.5p	2nd June 1997 and 2nd June 2004

L J Russell's options were cancelled on his resignation from the Company on 20th September 1995.

The directors' share options expire if not exercised between the relevant dates.

Substantial Shareholdings

Other than their own holdings, the Directors have been notified that the following are interested in 3 per cent or more of the issued Ordinary Share capital of the Company:

	No. of shares	%
Newton Investment Managers	4,846,173	18.0
Royal London Mutual Insurance Society	1,770,749	6.6
M & G Investment Management Limited	1,563,248	5.8
British Gas Pension Fund	1,247,850	4.6

Directors' Responsibilities Statement

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss for that period. It is also the Directors' responsibility to ensure that the Company maintains proper accounting records. The Directors have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The Directors consider that appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements, have been used in the preparation of the financial statements and that all accounting standards which they consider to be applicable have been followed.

Special Business at the Annual General Meeting

Three resolutions in addition to the ordinary business of the meeting will be proposed by the Board:

- (i) *Increase of authorised share capital and renewal of allotment authority (Resolution 5)*: This resolution will have the effect of increasing the authorised share capital of the Company by the creation of 7,000,000 new ordinary shares of 1p each. If this resolution is passed, the authorised share

Report of the Directors

capital of the Company will be increased by 24% to £362,000. The increase in authorised share capital will bring the amount of capital available for issue up to the amount permitted by the Investor Protection Committee guidelines following the diminution in available capital consequent upon the Placing and Open Offer of the Company implemented in 1995. The current authority of the Directors to allot shares was granted at the Annual General Meeting held on 23rd January 1995 and this authority is due to expire on 4th March 1996, at the conclusion of the Annual General Meeting. In common with the practice of other listed companies, it is thought appropriate that this power be renewed on an annual basis and therefore shareholders are being asked to renew the authority of the Directors to allot up to 9,261,249 ordinary shares, such authority to continue until the conclusion of the next Annual General Meeting. This number represents the unissued ordinary share capital of the Company (as increased by Resolution 5) and amounts to approximately 34% of the total ordinary share capital in issue as at 25th January 1996 (excluding shares reserved for issue under the Company's share option schemes and other options over the share capital of the Company). The Directors do not have any present intention to exercise this authority, but think it prudent to maintain a degree of flexibility for the future.

- (ii) *Disapplication of pre-emption rights (Resolution 6)*: Your Board also seeks your approval to disapply the pre-emption provisions of the Companies Act 1985 in relation to the allotment of new ordinary shares for cash. If Resolution 6 is passed, your Directors will have authority, until the conclusion of the next Annual General Meeting, to allot for cash (a) ordinary shares in connection with an issue or offer other than strictly in accordance with the statutory provisions, but with adjustments to deal with fractional entitlements and overseas regulatory problems up to the amount of the enlarged authorised share capital, and (b) generally up to an aggregate number of 1,346,900 ordinary shares. This latter limited disapplication represents 5% of the Company's issued ordinary share capital as at 25th January 1996 and accords with Investor Protection Committee guidelines.
- (iii) *Amendment of Articles (Resolution 7)*: The amendments to the existing Articles of Association are being proposed in order to comply with the requirements of the Listing of Rules of The London Stock Exchange ("the Listing Rules"). The principal changes are:

Lien

To provide that the Company shall have a lien on partly paid shares, but not on fully paid shares, to reflect the Listing Rules. The existing Articles provide for a lien also on fully paid shares, which is not permitted by the Listing Rules.

Restriction on transfers

To ensure that restrictions on transfers apply only to partly paid shares, again to comply with the Listing Rules.

Untraced shareholders

To amend the details of the Company's obligations to advertise in newspapers before selling the shares of untraced shareholders, to reflect the Listing Rules.

Report of the Directors

Votes of Members

To ensure that the nature of the restrictions capable of being imposed on members in default of a notice issued under section 212 of the Companies Act 1985 (requiring disclosure of information regarding interests in shares), and the period of their application, comply with the Listing Rules. The period within which a member must comply with a section 212 notice is proposed to be changed to 28 days from the date of service of the notice.

Directors

To make certain changes in line with the Listing Rules to the provisions determining whether a Director may vote at Board Meetings on matters in which he has an interest. The new provisions will allow an interested Director to vote on the giving of guarantees in respect of liabilities that may be incurred in the course of his duties, or the purchase by the Company of insurance from which the individual Director may benefit. The interests of any person connected with a Director will also be taken into account for the purposes of determining whether a Director is interested in a matter.

Appointment of Directors

To extend the period during which a member may give notice of his intention to propose a person for appointment as a Director, to allow delivery of such notice at any time between 7 and 42 days before the meeting date, in line with the Listing Rules. The corresponding period in the current Articles is between 6 and 28 days.

Notices

To clarify the procedure for giving notices in newspapers, to comply with the Listing Rules.

Copies of the Directors' service contracts are available for inspection at the registered office of the Company, 12 Napier Court, Abingdon Science Park, Barton Lane, Abingdon, Oxfordshire, OX14 3YT, and will also be available at this year's Annual General Meeting for 15 minutes prior to, and during the whole course of, the meeting.

The full text of both the existing and the proposed revised Articles of Association are available for inspection during normal business hours on any weekday (Saturday and public holidays excepted) at the registered office of the Company and at the offices of Ashurst Morris Crisp, Broadwalk House, 5 Appold Street, London EC2A 2HA, and will also be available at this year's Annual General Meeting for 15 minutes prior to, and during the whole course of, the meeting.

Close Company Status

So far as the Directors are aware, the Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

Auditors

A resolution to reappoint Coopers & Lybrand as the Company's auditors will be proposed at the Annual General Meeting.

By Order of the Board

J B Ashley
Secretary

25th January 1996



Corporate Governance

The Board has previously stated its views supporting the Code of Best Practice contained in the Report on the Financial Aspects of Corporate Governance prepared by the Cadbury Committee. Those views remain unchanged and procedures have been adopted which effect compliance in most areas.

The main area of non-compliance relates to the number of independent non-executive Directors. Following the Board changes of December 1994, the Company, in common with other smaller listed companies, is unable to confirm compliance with the Cadbury recommendation that at least three non-executive Directors be appointed. The Board holds the view that additional costs in this respect are unwarranted and that the present position is not detrimental to the stewardship of the Company.

The Board is also unable to report compliance with the following recommendations of the Code:

- paragraph 1.5 — there is no formal procedure for Directors to take independent professional advice at the Company's expense; and
- paragraph 2.3 — the Company's non-executive Directors are not appointed for specified terms.

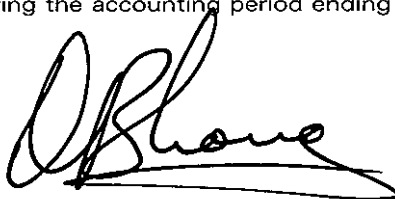
Despite the above areas of departure, the Board remains dedicated to acting within the spirit of the Code.

After making enquiries and having given due consideration to projected sales levels, cost reductions already implemented and the support of the Company's lenders, the Directors have a reasonable expectation that the Company and the Group will continue to have adequate resources to remain in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Guidance for directors on 'Internal Control and Financial Reporting' was published in December 1994 and applied to accounting periods beginning on or after 1st January 1995. The Company intends to comply with the requirements of the Guidance Note during the accounting period ending 31st August 1996.

By Order of the Board

D B Long
Chairman
25th January 1996



Report by the Auditors to Haemocell plc on the statement of compliance with the Code of Best Practice

In addition to our audit of the financial statements, we have reviewed the Directors' statement above on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed.

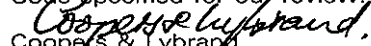
Basis of opinion

We carried out our review in accordance with Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of the Group's corporate governance procedures nor on the ability of the Group to continue in operational existence.

Opinion

With respect to the Directors' statement on going concern above, in our opinion the Directors have provided the disclosures required by paragraph 4.6 of the Code (as supplemented by the related guidance for directors) and their statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain Directors and officers of the Company, and examination of relevant documents, in our opinion the Directors' statement above appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review.


Coopers & Lybrand
Chartered Accountants, Leeds
26th January 1996

Consolidated Profit and Loss Account

For the year ended 31st August 1995

	<i>Notes</i>	1995		1994	
		£'000	£'000	£'000	£'000
Turnover			642		212
Cost of sales			(397)		(126)
<hr/>					
Gross profit			245		86
Administrative expenses			(2,322)		(2,533)
Exceptional administrative expenses	2		(404)		—
<hr/>					
Operating loss	2		(2,481)		(2,447)
Interest receivable	5	49		163	
Interest payable	6	(83)		(70)	
			(34)		93
<hr/>					
Retained loss for the year	<i>18(a)</i>		(2,515)		(2,354)
<hr/>					
Loss per ordinary share	8		(11.0p)		(10.9p)
<hr/>					

As permitted by Section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements (note 9).

The Consolidated profit and loss account above relates to continuing operations.

The Group has no recognised gains and losses other than the losses above and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents.

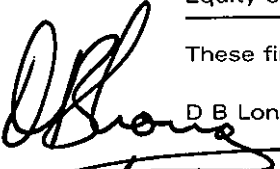
The notes on pages 16 to 26 form part of these financial statements

Consolidated Balance Sheet

As at 31st August 1995

		1995		1994	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	10		81		195
Tangible assets	11(a)		266		1,170
			347		1,365
Current assets					
Stock	13	517		652	
Debtors	14	244		188	
Property held pending sale	11(a)	688		—	
Cash and short-term funds		692		1,759	
			2,141		2,599
Creditors: amounts falling due within one year	15	(1,229)		(416)	
Net current assets			912		2,183
Total assets less current liabilities			1,259		3,548
Creditors: amounts falling due after more than one year	16		(58)		(794)
Net assets			1,201		2,754
Capital and reserves					
Called up share capital	17		269		215
Share premium account	18(a)	13,287		12,379	
Other reserve	18(a)	(801)		(801)	
Accumulated losses	18(a)	(11,554)		(9,039)	
			932		2,539
Equity shareholders' funds			1,201		2,754

These financial statements were approved by the Board of Directors on 25th January 1996.

 D B Long

 J B Ashley

} Directors

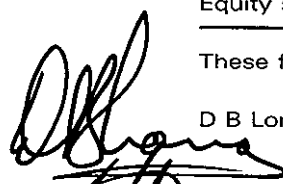

The notes on pages 16 to 26 form part of these financial statements

Company Balance Sheet

As at 31st August 1995

		1995		1994	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	10		81		195
Tangible assets	11(b)		253		1,150
			334		1,345
Current assets					
Stock	13	512		652	
Debtors	14	228		143	
Property held pending sale	11(b)	688		—	
Cash and short-term funds		680		1,755	
			2,108		2,550
Creditors: amounts falling due within one year	15	(1,213)		(404)	
Net current assets			895		2,146
Total assets less current liabilities			1,229		3,491
Creditors: amounts falling due after more than one year	16		(58)		(794)
Net assets			1,171		2,697
Capital and reserves					
Called up share capital	17		269		215
Share premium account	18(b)	13,287		12,379	
Accumulated losses	18(b)	(12,385)		(9,897)	
			902		2,482
Equity shareholders' funds			1,171		2,697

These financial statements were approved by the Board of Directors on 25th January 1996.

 D B Long	}	Directors
 J B Ashley		

The notes on pages 16 to 26 form part of these financial statements

Consolidated Cash Flow Statement

For the year ended 31st August 1995

	<i>Notes</i>	1995		1994	
		£'000	£'000	£'000	£'000
Net cash flow from operating activities	23		(1,938)		(2,426)
Returns on investments and servicing of finance					
Interest received		49		163	
Interest paid		(72)		(45)	
Interest element of finance lease rentals		(11)		(12)	
Net cash (outflow)/inflow from returns on investments and servicing of finance			(34)		106
Investing activities					
Purchase of tangible fixed assets		(9)		(61)	
Sale of tangible fixed assets		5		7	
Net cash outflow from investing activities			(4)		(54)
Net cash outflow before financing			(1,976)		(2,374)
Financing					
Issue of ordinary shares		1,131		—	
Expenses paid in connection with share issue		(169)		—	
Principal payment under capital leases and loans		(53)		(121)	
Net cash inflow/(outflow) from financing	24		909		(121)
Decrease in cash and cash equivalents	25		(1,067)		(2,495)

The notes on pages 16 to 26 form part of these financial statements

Notes to the Financial Statements

1. Accounting Policies

The significant accounting policies are as follows:

(a) Basis of accounting

The financial statements have been prepared under the historical cost basis of accounting and in accordance with applicable Accounting Standards in the United Kingdom.

(b) Basis of consolidation

The results of subsidiaries acquired are included in the consolidated profit and loss account from the date of their acquisition. Intra-Group sales and results are eliminated on consolidation and all sales and results relate to external transactions only.

(c) Goodwill

Goodwill arising on consolidation which represents the excess of consideration over the fair value of the net assets acquired is written off on acquisition against reserves.

(d) Tangible fixed assets

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is charged so as to write off the cost of tangible fixed assets over their estimated useful lives at the following rates:

Land and buildings	2% per annum on cost or valuation
Office equipment	20% per annum on cost
Motor vehicles	25% per annum reducing balance
Plant and machinery	10-25% per annum on cost

(e) Deferred development costs

Development costs incurred prior to commercial production of the Group's products, where their recovery from future revenues can be reasonably expected, are included in the financial statements as intangible fixed assets and amortised over the expected useful commercial life of the product. Amortisation is charged at 20% per annum on cost.

(f) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in, first out basis and includes transport and handling costs; in the case of manufactured products cost includes all direct expenditure and production overheads based on the normal level of activity. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition. Provision is made where necessary for obsolescent, slow moving and defective stocks.

(g) Finance and operating leases

Assets acquired under finance lease agreements and hire-purchase contracts are capitalised at their fair value and depreciated over their expected useful lives. Finance charges are allocated over the period of the lease or contract. Costs in respect of operating leases are charged in arriving at the operating profit.

Notes to the Financial Statements

(h) Pensions

The Group operates a defined contribution pension scheme covering certain of its employees. Contributions are charged against revenue as they are made.

arising from the retranslation of the opening net investment in Haemocell Inc. and from the translation of the results of Haemocell Inc. at average rate are taken to reserves.

(i) Turnover

Turnover is the amount derived from the provision of goods and services falling within the Group's ordinary activities after deduction of trade discounts, sales between Group companies and value added tax.

Turnover has not been disclosed segmentally as, in the opinion of the Directors, such disclosure would be prejudicial to the interests of the Group.

(j) Deferred taxation

No provision for deferred taxation has been made on the basis that revenue losses carried forward exceed any liability which may crystallise with respect to accelerated capital allowances or short-term timing differences.

(k) Foreign currency translation

Transactions denominated in foreign currencies are recorded at exchange rates ruling at the date of the transaction. Monetary assets and liabilities are translated at rates ruling at the balance sheet date. Exchange differences are dealt with through the profit and loss account.

Assets and liabilities of Haemocell Inc. are translated into sterling at the rate of exchange ruling at the end of the financial year. The results of Haemocell Inc. are translated at the average rate of exchange for the year. Differences on exchange

Notes to the Financial Statements

2. Operating loss

	1995	1994
	£'000	£'000
The operating loss is stated after crediting:		
Rental income	9	—
And after charging:		
Depreciation of tangible fixed assets — owned (see below)	176	99
Depreciation of tangible fixed assets — leased	42	42
Loss on sale of tangible fixed assets	2	1
Auditors' remuneration — Audit Fees	20	19
— Rights Issue/Placing	24	—
— Other Fees	1	3
Operating lease rentals		
Land and buildings	41	21
Plant and equipment	3	5
Research and development — current year expenditure	300	277
— amortisation	114	113
Exceptional administrative expenses comprise:		
Costs associated with the restructuring of manufacturing and consolidation of administration	227	—
Compensation for loss of office and termination of consultancy agreement	177	—
	404	—

Depreciation of owned tangible fixed assets includes £95,000 of accelerated depreciation included within the exceptional item above.

3. Directors

	1995	1994
	£'000	£'000
Emoluments of the Directors of the holding company were as follows:		
Fees	26	20
Salary payments (including benefits in kind)	192	280
Pension contributions	11	23
Compensation for loss of office	133	30
	362	353

Emoluments of Directors include:

Chairmen — D B Long	17	—
A M Priestley	15	52
Highest paid Director	64	59

Number of Directors whose emoluments were within the ranges:	Number	Number
£ 0 — £ 5,000	2	1
£ 5,001 — £10,000	1	2
£10,001 — £15,000	1	—
£15,001 — £20,000	2	—
£25,001 — £30,000	—	1
£40,001 — £45,000	1	2
£45,001 — £50,000	1	1
£50,001 — £55,000	—	1
£55,001 — £60,000	—	1
£60,001 — £65,000	1	—

Options granted to Directors under the Executive Share Option Scheme are detailed in the Report of the Directors on page 8.

Notes to the Financial Statements

4. Employees

The average number of persons employed by the Group, which includes executive Directors within each category of persons, was:

	1995 Number	1994 Number
Production	27	27
Development	9	11
Sales	10	7
Administration	7	13
	<hr/> 53	<hr/> 58
The costs incurred in respect of the employees were:	£'000	£'000
Wages and salaries	1,059	1,085
Social security costs	87	89
Pension costs	35	44
	<hr/> 1,181	<hr/> 1,218

5. Interest receivable

	1995 £'000	1994 £'000
Bank interest receivable	49	163

6. Interest payable

	1995 £'000	1994 £'000
On bank loans and overdrafts repayable within 5 years, not by instalments (see note 15)	72	1
On bank loan not wholly repayable within 5 years, by instalments	—	57
On finance leases and hire-purchase contracts	11	12
	<hr/> 83	<hr/> 70

Notes to the Financial Statements

7. Taxation

No charge to taxation arises because the Group has incurred trading losses during the year.

8. Loss per Ordinary Share

The loss per Ordinary Share has been calculated by dividing the loss attributable to ordinary shareholders for the year ended 31st August 1995 of £2,515,000 (1994: loss £2,354,000) by the average number of Ordinary Shares in issue during that year of 22,835,204 (1994: 21,551,001) and amounted to 11.0 pence per share (1994: loss 10.9 pence per share).

9. Loss for the financial year of Haemocell plc

The loss for the financial year dealt with in the financial statements of Haemocell plc was £2,488,000 (1994: £2,411,000).

10. Intangible assets

Intangible assets comprise deferred development costs as follows:

	Group	Company
	£'000	£'000
Cost		
At 1st September 1994		
and		
At 31st August 1995	567	567
Amortisation		
At 1st September 1994	372	372
Charge for the year	114	114
At 31st August 1995	486	486
Net book value:		
At 31st August 1995	81	81
At 1st September 1994	195	195

Notes to the Financial Statements

11. Tangible fixed assets

	Freehold property £'000	Office & computer equipment £'000	Tooling £'000	Motor vehicles £'000	Plant, machinery £'000	Total £'000
(a) Group						
Cost:						
At 1st September 1994	738	457	200	31	473	1,899
Additions	—	1	2	—	6	9
Transfer to current assets	(738)	—	—	—	—	(738)
Disposals	—	—	—	(23)	—	(23)
At 31st August 1995	—	458	202	8	479	1,147
Depreciation:						
At 1st September 1994	38	246	177	20	248	729
Charge for year	12	99	12	3	92	218
Transfer to current assets	(50)	—	—	—	—	(50)
Disposals	—	—	—	(16)	—	(16)
At 31st August 1995	—	345	189	7	340	881
Net book value:						
At 31st August 1995	—	113	13	1	139	266
At 1st September 1994	700	211	23	11	225	1,170

The freehold property was sold on 29th December 1995 and as a result is shown as a current asset in these financial statements.

Of the charge for depreciation of £218,000, £95,000 has been included within exceptional administrative expenses.

The net book value of assets held under finance leases and hire-purchase contracts was £143,000 at 31st August 1995 (1994: £185,000).

	Freehold property £'000	Office & computer equipment £'000	Tooling £'000	Motor vehicles £'000	Plant, machinery £'000	Total £'000
(b) Company						
Cost:						
At 1st September 1994	738	432	200	31	473	1,874
Additions	—	1	2	—	6	9
Transfer to current assets	(738)	—	—	—	—	(738)
Disposals	—	—	—	(23)	—	(23)
At 31st August 1995	—	433	202	8	479	1,122
Depreciation:						
At 1st September 1994	38	241	177	20	248	724
Charge for year	12	92	12	3	92	211
Transfer to current assets	(50)	—	—	—	—	(50)
Disposals	—	—	—	(16)	—	(16)
At 31st August 1995	—	333	189	7	340	869
Net book value:						
At 31st August 1995	—	100	13	1	139	253
At 1st September 1994	700	191	23	11	225	1,150

Notes to the Financial Statements

12. Investments

	Company £'000
Cost	
At 31st August 1995 and 1st September 1994	533
Provisions for diminution in value	
At 31st August 1995 and 1st September 1994	533
Net book value at 31st August 1995 and at 1st September 1994	—

The subsidiary companies which in the opinion of the Directors principally affected the results of the Group comprise:

	Nature of business	Country of incorporation, registration and operation	Proportion held
Bellhouse Technology Limited	Holder of patents and intellectual property	England and Wales	100%
Haemocell Inc.	Marketing and distribution of System 350	USA	100%

13. Stocks

	Group		Company	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Raw materials	278	380	278	380
Work in progress	3	33	3	33
Finished goods	236	239	231	239
	517	652	512	652

14. Debtors

	Group		Company	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Trade debtors	178	86	166	58
Prepayments	34	53	34	43
Other debtors	32	49	28	42
	244	188	228	143

Notes to the Financial Statements

15. Creditors: amounts falling due within one year

	Group		Company	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Bank loan (see note (a))	723	35	723	35
Trade creditors	190	144	183	133
Other creditors including taxation and social security costs (see note (b))	23	31	23	30
Obligations under hire-purchase contracts and finance leases	42	47	42	47
Accruals and deferred income	251	159	242	159
	1,229	416	1,213	404

(a) The bank loan is secured by way of a legal mortgage over the Company's freehold property. The loan was scheduled for repayment in equal monthly instalments during the period ending May 2016 but was repaid in full in December 1995, following the sale of the Company's freehold property.

(b) Included within "Other creditors including taxation and social security costs" are the following:

PAYE and NIC	23	27	23	27
--------------	----	----	----	----

16. Creditors: amounts falling due after more than one year

	Group		Company	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Obligations under hire-purchase contracts and finance leases repayable between				
1-2 years	37	42	37	42
2-5 years	21	58	21	58
Bank loans, repayable by instalments between				
1-2 years	—	35	—	35
2-5 years	—	106	—	106
over 5 years	—	553	—	553
	58	794	58	794

17. Share capital

	1995	1994
	£'000	£'000
Authorised:		
29,200,000 Ordinary Shares of 1p each	292	292
Allotted, called up and fully paid:		
26,938,751 (1994: 21,551,001) Ordinary Shares of 1p each	269	215

During the year the Company issued 5,387,750 ordinary 1p shares at an issue price of 21p per share in order to provide the Company with additional working capital and strengthen its financial position.

Notes to the Financial Statements

18. Reserves

	Share Accumulated		Other reserve
	premium	losses	
	£'000	£'000	£'000
(a) <i>Group</i>			
At 1st September 1994	12,379	(9,039)	(801)
Premium on shares issued	908	—	—
Loss for the year	—	(2,515)	—
At 31st August 1995	13,287	(11,554)	(801)

	Share Accumulated	
	premium	losses
	£'000	£'000
(b) <i>Company</i>		
At 1st September 1994	12,379	(9,897)
Premium on shares issued	908	—
Loss for the year	—	(2,488)
At 31st August 1995	13,287	(12,385)

19. Reconciliation of Movements in Shareholders' Funds

	1995	1994
	£'000	£'000
Loss for the financial year	(2,515)	(2,354)
Release of Revaluation Reserve	—	(211)
Proceeds of Share Issue	1,131	—
Expenses of Share Issue	(169)	—
Net deduction from Shareholders' Funds	(1,553)	(2,565)
Opening Shareholders' Funds	2,754	5,319
Closing Shareholders' Funds	1,201	2,754

20. Other reserve

The negative balance on other reserve arises from the write-off of goodwill on the acquisition of the Group's interest in B&P Biotechnology Limited and its subsidiaries.

Notes to the Financial Statements

21. Contingent liabilities and financial commitments

These are as follows:

(a) Contingent liabilities

Neither the Company nor the Group has any contingent liabilities.

(b) Capital expenditure

Capital expenditure approved and contracted for at 31st August 1995 amounted to £nil (1994 £7,000).

In addition, the Group leases certain land and buildings on short-term leases. The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The Group pays all insurance, maintenance and repairs of these properties. The total rental payable under these leases in the next year is as follows:

	£'000
Date of lease termination:	
After five years	25

22. Deferred taxation

The provision for deferred taxation is as follows:

	Group and Company	
	1995 £'000	1994 £'000
Short-term timing differences	27	64
Tax losses	(27)	(64)
	—	—

Notes to the Financial Statements

23. Net cash flow from operating activities

	1995	1994
	£'000	£'000
Continuing activities		
Operating loss	(2,481)	(2,447)
Amortisation of intangible fixed assets	114	113
Depreciation of tangible fixed assets	218	141
Loss on disposal of tangible fixed assets	2	1
Decrease/(increase) in stocks	135	(77)
Increase in trade debtors	(92)	(76)
Decrease/(increase) in prepayments	19	(18)
Decrease in other debtors	17	8
Increase/(decrease) in trade creditors	46	(70)
Decrease in other creditors	(8)	(13)
Increase in accruals	92	12
Net cash flow from operating activities	(1,938)	(2,426)

24. Analysis of changes in financing during the year

	Share capital (including premium)		Loans and finance lease obligations	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Balance at 1st September 1994	12,594	12,594	876	923
New capital leases	—	—	—	74
Net proceeds of share issue	962	—	—	—
Cash (outflow) from financing	—	—	(53)	(121)
Balance as at 31st August 1995	13,556	12,594	823	876

25. Analysis of changes in cash and cash equivalents

	1995	1994
	£'000	£'000
Balance at 1st September 1994	1,759	4,254
Net cash (outflow)	(1,067)	(2,495)
Balance as at 31st August 1995	692	1,759

Analysis of the balances of cash and cash equivalents as shown in the Consolidated Balance Sheets

	Change		Change		
	1995	in year	1994	in year	
	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand	692	(1,067)	1,759	(2,500)	4,259
Bank overdrafts	—	—	—	5	(5)
	692	(1,067)	1,759	(2,495)	4,254

Report of the Auditors to the Members of Haemocell plc

We have audited the financial statements on pages 12 to 26.

Respective responsibilities of Directors and Auditors

As described on page 8, the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material 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 state of affairs of the Company and the Group at 31st August 1995 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Cooper's & Lybrand
Chartered Accountants and Registered Auditors
Leeds

26th January 1996

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at 12 Appold Street, London EC2A 2AA on 4th March 1996 at 10.00 a.m. for the following purposes:

As Ordinary Business

1. To receive and adopt the financial statements for the year ended 31st August 1995 and the Report of the Directors and auditors thereon.
2. To re-elect T W Wilson as a Director who retires pursuant to Article 108 of the Articles of Association of the Company and who offers himself for re-election.
3. To re-elect J B Ashley as a Director who retires pursuant to Article 113 of the Articles of Association of the Company and who offers himself for re-election.
4. To reappoint Coopers & Lybrand as auditors of the Company and to authorise the Directors to fix their remuneration.

As Special Business

To consider and, if thought fit, pass the following resolutions, which will be proposed as to Resolution number 5 as an Ordinary Resolution, and as to Resolution numbers 6 and 7 as Special Resolutions:

5. THAT:
 - (i) The authorised share capital of the Company be increased from £292,000 to £362,000 by the creation of 7,000,000 ordinary shares of 1p each, each ranking *pari passu* with the existing ordinary shares; and
 - (ii) The Directors be and are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities (as defined by section 80(2) of the Act) up to an aggregate nominal amount of £92,612, such authority to expire at the conclusion of the next Annual General Meeting of the Company unless previously renewed, varied or revoked by the Company in general meeting but so that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the
6. THAT:

Subject to the passing of Resolution number 5, the Directors be and are hereby generally and unconditionally authorised and empowered pursuant to section 95 of the Act, to allot equity securities (as defined in section 94 of the Act) for cash pursuant to the authority referred to in Resolution number 5(ii) above as if section 89(1) of the Act did not apply to any such allotment, provided that such authority and power shall be limited to:

 - (i) the allotment of equity securities in connection with an issue or offer in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders on a fixed record date are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or to deal with any legal or practical problems under the laws of any overseas territory or the requirements of any regulatory body or any stock exchange in any territory; and
 - (ii) the allotment (otherwise than pursuant to the power referred to in (i) above) of equity securities up to an aggregate nominal amount of £13,469,

and shall expire at the conclusion of the next Annual General Meeting of the Company, save that the Company may before such expiry make an offer, agreement or other arrangement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer, agreement or other arrangement as if the authority conferred hereby had not expired.

Notice of Annual General Meeting

7. THAT:
The Articles of Association of the Company shall be amended as follows:
- (i) Article 13 shall be deleted and the following shall be substituted therefor:
- "The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such share; but the Directors may at any time waive any lien which has arisen and may declare any share to be wholly or in part exempt from the provisions of this Article. The Company's lien, if any, on a share shall extend to all amounts payable in respect of it."
- (ii) Article 33 shall be amended by the deletion of the words "and they may also refuse to register any transfer of shares on which the Company has a lien";
- (iii) Article 44.1(ii) shall be amended by:
- (a) deleting the words "leading London" in line 2 and substituting therefor the word "national"; and
- (b) deleting the words "other person" in line 4 and substituting therefor the words "the address at which service of notices may be effected in the manner herein authorised".
- (iv) Article 77 shall be amended by:
- (a) deleting the words, from lines 3 and 4, "or to exercise any privilege of a Member in relation to meetings of the Company,";
- (b) the addition, in line 9, after the words "from the date of" and before the words "such notice", of the words: "the service of"; and
- (c) the addition of the following words at the end of Article 77:
- "Restrictions imposed by this Article on the rights of a member who is in default in complying with a notice served under Section 212 of the 1985 Act shall cease to apply after a period of seven days after the earlier of (i) receipt by the
- Company of notice that the shareholding has been sold to a bona fide unconnected third party (such as a sale through the London Stock Exchange Limited or by the acceptance of a takeover offer) and (ii) due compliance, to the satisfaction of the Company, with the notice under Section 212 of the 1985 Act."
- (v) Article 102 shall be deleted and the following words shall be substituted therefor:
- "A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:
- (a) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (b) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (c) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- (d) any contract, arrangement, transaction or other proposal concerning any other body corporate in which he or any person connected with him (within the meaning of Section 346 of the 1985 Act) is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he and any persons so connected

Notice of Annual General Meeting

with him do not to his knowledge hold an interest (within the meaning of Sections 198-211 of the 1985 Act) in one per cent or more of any class of the equity share capital of such body corporate or of the voting rights available to members of the relevant body corporate;

- (e) any contract, arrangement, transaction or other proposal concerning the adoption, modification or operation of a pension, superannuation or similar fund, trust or scheme or retirement, death or disability benefit scheme under which he may benefit which has been approved by the Inland Revenue or which is conditional upon such approval or which does not accord to him any privilege or advantage not generally accorded to the employees to whom such scheme, trust or fund relates;
- (f) any contract, arrangement, transaction or other proposal concerning the adoption, modification or operation of any employees share scheme (within the meaning of Section 743 of the 1985 Act) which has been approved by the Inland Revenue or which is conditional upon such approval, or which does not accord to him any privilege or advantage not generally accorded to the employees to whom the scheme relates; and
- (g) any proposal concerning any insurance which the Company is to purchase and/or maintain for or for the benefit of any Directors or for the benefit of persons who include Directors.
- (vi) Article 110 shall be amended by the deletion of the word "six" in line 3 and the substitution therefor of the word "seven" and the deletion of the words "twenty-eight" in line 4 and the substitution therefor of the words "forty-two".
- (vii) Article 148 shall be amended by the addition after the words "declaration thereof" and before the word "shall" in line 2, of the words "or on which such dividend became due for payment".
- (viii) Article 170 shall be amended by the deletion of the words "leading daily

newspaper published in London" and the substitution therefor of the words "national newspaper".

By Order of the Board Registered Office:
John Ashley 12 Napier Court
Secretary Abingdon Science
25th January 1996 Park
 Barton Lane
 Abingdon
 Oxon. OX14 3YT



Notes

- (i) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
- (ii) A Form of Proxy is enclosed for holders of ordinary shares.
- (iii) To be effective the Form of Proxy and any power of attorney or other authority under which it is signed must be lodged with the Company's registrars, Independent Registrars Group, Balfour House, 390-398 High Road, Ilford, Essex, IG1 1NQ, not later than 48 hours before the time appointed for holding the meeting. Completion and return of the Form of Proxy will not preclude shareholders attending and voting at the Meeting should they subsequently decide to do so.
- (iv) In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority is determined by the order in which the names stand in the Register of Members in respect of the joint holding.
- (v) In the case of a member being a corporation a Form of Proxy must be under its seal or under the hand of an officer, or agent duly authorised to sign the same.
- (vi) The service contracts between the Company and the Directors, and the Articles of Association (as they are at present and as they will be following the Annual General Meeting if Resolution 7 is passed) will be available for inspection at 12 Napier Court, Abingdon Science Park, Barton Lane, Abingdon, Oxon. OX14 3YT during normal business hours on any weekday (Saturdays and Public Holidays excepted) from 25th January 1995 until 4th March 1996 and at the Annual General Meeting.

Haemocell plc Proxy Form

Proxy card for use by shareholders at the Annual General Meeting to be held on 4 March 1996 at 10.00 a.m.

I/We
of
being (a) member(s) of the above company and entitled to vote at general meetings of the Company hereby appoint the Chairman of the Meeting (see note (ii) below)
..... as my/our proxy to vote for me/us and on my/our behalf in the manner indicated below (and on any other resolution) at the Annual General Meeting of the Company to be held on 4th March 1996 and at any adjournment thereof.
Please indicate with an X in the appropriate column how you wish your votes to be cast. Unless otherwise instructed, the proxy will vote or abstain as he/she thinks fit.

ORDINARY BUSINESS	FOR	AGAINST
1. To adopt and receive the financial statements for the year ended 31st August 1995 and the Report of the Directors and auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect T W Wilson as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect J B Ashley as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To reappoint Coopers & Lybrand as auditors of the Company and to authorise the Directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
SPECIAL BUSINESS		
5. Increase in authorised share capital and authority to allot relevant securities.	<input type="checkbox"/>	<input type="checkbox"/>
6. Authority to disapply Companies Act pre-emption rights.	<input type="checkbox"/>	<input type="checkbox"/>
7. Authority to amend Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>

Signature Dated

Notes

- (i) This Form of Proxy, together with any power of attorney or other authority under which it is signed, or a certified copy of such power or authority, must be deposited with the Company's registrars, Independent Registrars Limited, Balfour House, 390-398 High Road, Ilford, Essex, IG1 1NQ, not later than 48 hours before the time appointed for the Meeting.
- (ii) If you wish to appoint a person other than the Chairman as your proxy please insert his/her name and address, initial the insertion and strike out the words "the Chairman of the Meeting". A proxy need not be a member of the Company.
- (iii) In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of other joint holders. For this purpose seniority is determined by the order in which the names stand in the Register of Members in respect of the joint holding.
- (iv) Completion and return of the Form of Proxy will not preclude shareholders attending and voting at the Meeting should they subsequently decide to do so.
- (v) In the case of a corporation this form must be under its seal or under the hand of an officer or agent duly authorised to sign the same.
- (vi) Any alterations made to this form should be initialled.

Second fold

BUSINESS REPLY SERVICE
Licence No. IY592

2



Independent Registrars Limited,
Balfour House,
390-398 High Road,
Ilford,
Essex,
IG1 1NQ.

First fold

Third fold
and tuck in flap opposite