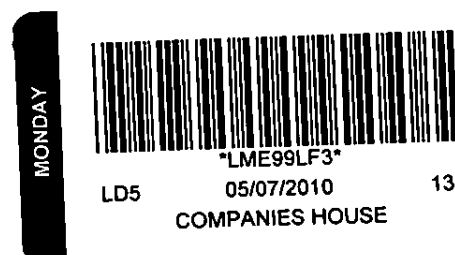


# Bioquell UK Limited

(Registered Number 2520270)

## ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009



**BIOQUELL UK LTD  
ANNUAL REPORT  
YEAR ENDED 31 DECEMBER 2009**

**CONTENTS**

DIRECTORS' REPORT	3
STATEMENT OF DIRECTORS' RESPONSIBILITIES	6
INDEPENDENT AUDITORS' REPORT	7
PROFIT AND LOSS ACCOUNT	9
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	9
BALANCE SHEET	10
STATEMENT OF ACCOUNTING POLICIES	11
NOTES TO THE FINANCIAL STATEMENTS	13

**BIOQUELL UK LTD  
DIRECTORS' REPORT**

The directors submit their annual report, together with the audited financial statements for the year ended 31 December 2009

**PRINCIPAL ACTIVITY**

The principal activity of the company is the design, manufacture and service of bio-decontamination and filtration equipment

**BUSINESS REVIEW**

The company reports turnover for the year ended 31 December 2009 of £24,142,559 (2008 £21,616,688) This reflects the growth in sales of its hydrogen peroxide technology both as equipment sales and the RBDS service offering, which compensated for the decrease in other areas

The company continues to develop new products Expenditure on product development is written off as incurred and in 2009 this amounted to £1,329,809 (2008 £1,195,402) In 2009 the company continues the development of the new wound healing technology To enable the continued growth of manufacturing and development activities the company purchased a new facility during the year effectively doubling the available space at the Andover site

During 2009 the company incorporated a new subsidiary, BIOQUELL Asia Pacific Pte Ltd, in Singapore which will help to grow the company's market in the Asia-Pacific region The trade and assets of the company's French branch was transferred to a newly formed French company at the end of the year

In addition to the development of the business in 2009, the company entered the year with order momentum and new products The company continues to see further opportunities and applications for its technology both at home and overseas The directors expect defence-related turnover to continue to form a significant proportion of turnover in the future

The company reports a pre-tax profit for the year of £4,792,639 (2008 £3,946,150)

**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

**Cash flow risk**

As sales from overseas customers continue to form a greater proportion of the company's turnover the level of risk associated with foreign exchange also grows The company uses foreign exchange forward contracts to hedge these exposures

**Credit risk**

Trade receivables form the main credit risk to the company The debtor balance for trade receivables reported in the balance sheet is shown net of allowances for doubtful debts Allowances for doubtful debts are made as a risk of non-payment is recognised

**BIOQUELL UK LTD**  
**DIRECTORS' REPORT (CONTINUED)**

The company has no concentration of credit risk, with exposure spread over a number of counterparties and customers

**Liquidity risk**

The company operates a bank overdraft within the parent company's Group banking arrangement. This facility enables the company to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments

**DIVIDEND**

The directors do not recommend payment of a dividend (2008 £nil), and the profit (2008 profit) for the year has been transferred to reserves

**GOING CONCERN**

The current economic conditions create uncertainty over the level of demand for the company's products and services. The company is supported by group borrowings and as such has no present requirement for external finance. As a consequence of this, the directors believe that the company is well-placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, we continue to adopt the going concern basis in preparing the annual report and accounts

**DIRECTORS**

The directors listed below held office throughout the year and to the date of the signing of the accounts except for Mr D K Bissell, who resigned 30 March 2009

Mr N M T Adams

Mr B M Bodeker

Mr D K Bissell

Mr M Parks

**AUDITORS**

Each of the persons who is a director at the date of approval of this report confirms that

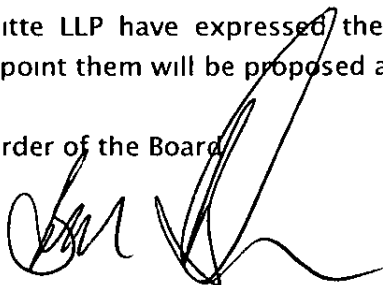
- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

**BIOQUELL UK LTD**  
**DIRECTORS' REPORT (CONTINUED)**

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

By Order of the Board

A handwritten signature in black ink, appearing to be 'Mark Bodeker', written over the text 'By Order of the Board'.

**Mark Bodeker**

*Secretary*

1 July 2010

**BIOQUELL UK LTD**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- make judgments and accounting estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**BIOQUELL UK LTD**  
**INDEPENDENT AUDITORS' REPORT**

**To the Members of BIOQUELL UK Limited**

We have audited the financial statements of BIOQUELL UK Ltd for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

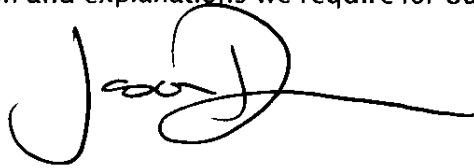
**BIOQUELL UK LTD**  
**INDEPENDENT AUDITORS' REPORT (CONTINUED)**

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Jason Davies (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
Reading, United Kingdom  
1 July 2010





**BIOQUELL UK LTD**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 DECEMBER 2009**

	Notes	2009 £	2008 £
Turnover	1	24,142,559	21,616,688
Cost of sales		(14,260,482)	(12,138,181)
Gross profit		9,882,077	9,478,507
Net operating expenses	2	(6,737,901)	(5,467,140)
Operating profit		3,144,176	4,011,367
Gain on disposal of business	4	1,688,123	-
Profit before interest and tax		4,832,299	4,011,367
Interest payable and similar charges (net)	5	(39,660)	(65,217)
Profit on ordinary activities before tax		4,792,639	3,946,150
Tax on profit on ordinary activities	6	(538,662)	(816,103)
Profit on ordinary activities after tax		4,253,977	3,130,047

The turnover and operating profit in both the current and preceding year relate wholly to continuing activities

Movements in reserves are set out in Note 15

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**YEAR ENDED 31 DECEMBER 2009**

	2009 £	2008 £
Profit for the financial year	4,253,977	3,130,047
Foreign exchange adjustment	(166,213)	188,355
Total recognised gains and losses for the financial year	4,087,764	3,318,402

**BIOQUELL UK LTD**  
**BALANCE SHEET**  
**AT 31 DECEMBER 2009**

	Notes	2009 £	2008 £
<b>FIXED ASSETS</b>			
Tangible assets	7	6,273,810	3,054,767
Investments	8	258,242	-
		6,532,052	3,054,767
<b>CURRENT ASSETS</b>			
Stocks	9	840,296	1,084,844
Debtors			
- due within one year	10	4,536,334	5,935,263
- due in more than one year	10	1,488,994	1,488,994
Cash		3,001	-
		6,868,625	8,509,101
<b>CREDITORS</b>			
Amounts falling due within one year	11	(5,669,095)	(5,542,073)
<b>NET CURRENT ASSETS</b>		<b>1,199,530</b>	<b>2,967,028</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>7,731,582</b>	<b>6,021,795</b>
<b>CREDITORS</b>			
Amounts falling due after more than one year	12	(4,755,007)	(7,159,354)
Provisions for liabilities and charges	13	(95,987)	(238,816)
<b>NET ASSETS/(LIABILITIES)</b>		<b>2,880,588</b>	<b>(1,376,375)</b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	2	2
Equity reserve	15	396,821	227,622
Profit and loss account	16	2,483,765	(1,603,999)
<b>SHAREHOLDERS' FUNDS/(DEFICIT)</b>	<b>16</b>	<b>2,880,588</b>	<b>(1,376,375)</b>

The Financial Statements of BIOQUELL UK Limited, registered number 02520270, were approved by the Board of directors and signed on its behalf by

Nicholas Adams  
Mark Bodeker } *Directors*

1 July 2010

**BIOQUELL UK LTD**  
**STATEMENT OF ACCOUNTING POLICIES**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

**BASIS OF ACCOUNTING**

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The company has taken advantage of the exemption from the requirement to produce consolidated financial statements in accordance with s228(2) Companies Act 2006, since the company is a wholly owned subsidiary undertaking of a UK company which itself prepares consolidated financial statements. The financial statements therefore present information about the company as an individual undertaking and not as a Group.

**GOING CONCERN**

The directors' report on pages 3 to 5 describes the financial position of the company. The company is supported by group borrowings and as such has no present need of external borrowings. After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

**RESEARCH AND DEVELOPMENT**

Research and development expenditure is written off in the year in which it is incurred.

**TANGIBLE FIXED ASSETS**

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold land and buildings	10 to 25 years
Plant and machinery	3 to 10 years

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

**STOCKS**

Stocks and work in progress are valued at the lower of cost, including factory overheads, and estimated net realisable value. Provision is made for obsolete, slow-moving or defective items where appropriate.

**TAXATION**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on material timing differences at the rate of tax anticipated to apply when these differences crystallise. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. A deferred tax asset is only recognised where it is more likely than not that it will be recoverable in the future. Deferred tax assets and liabilities recognised, have not been discounted.

**BIOQUELL UK LTD**  
**STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

**TURNOVER**

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. In relation to the sale of goods, turnover is recognised on shipment of the goods. In relation to the provision of services, turnover is recognised as the service is performed.

**PENSION COSTS**

The company contributes to a group defined contribution pension scheme covering the majority of employees. The assets of the scheme are held separately from those of the group in independently administered funds. The amounts charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

**FOREIGN CURRENCY**

Amounts receivable and payable in foreign currencies are generally translated into sterling at the rates of exchange ruling at the end of the period, or at the date of settlement. In cases where amounts receivable are covered by the forward sale of foreign currency, the rate at which the forward sale has been negotiated is used. Resulting exchange gains and losses are dealt with in the profit and loss account.

The results of overseas operations are translated at average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date.

**LEASES**

Operating leases and their costs are charged to the profit and loss account as incurred.

**CASH FLOW STATEMENT**

Under Financial Reporting Standard 1 (revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent company includes the Group in its own published consolidated financial statements.

**SHARE-BASED PAYMENTS**

The company has applied the requirements of FRS20 Share Based Payments. In accordance with the transitional provisions, FRS20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005. The company is able to issue equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the company's estimate of shares that will eventually vest. Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

**BIOQUELL UK LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2009**

**1 TURNOVER**

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and Value Added tax. The turnover and pre-tax profit, the majority of which arises in the United Kingdom, is attributable to the company's principal activity being the sale of bio-decontamination and filtration equipment and services.

	2009	2008
	£	£
United Kingdom	7,520,737	8,298,721
Rest of Europe	7,755,848	6,162,818
Rest of World	8,865,974	7,155,149
	<b>24,142,559</b>	<b>21,616,688</b>

**2. NET OPERATING EXPENSES**

	2009	2008
	£	£
<b>Net operating expenses</b>	<b>6,737,901</b>	<b>5,467,140</b>
<b>Operating profit has been stated after charging</b>		
R&D expenditure	1,329,809	1,195,402
Legal costs relating to litigation and patent attorneys	550	411
Depreciation of tangible fixed assets    Owned	771,431	581,013
Auditors' remuneration                      Audit	48,354	56,050
Loss on disposal of fixed assets	-	7,349
Foreign exchange gain	(187,059)	(818,033)
Operating lease rentals	367,077	469,893
<b>Operating profit has been stated after crediting</b>		
Rents receivable	5,200	5,698
Profit on disposal of fixed assets	7,146	-

BIOQUELL UK LTD  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 2009

**3. STAFF COSTS**

The average monthly number of employees (including directors) was

	2009 Number	2008 Number
Production shop-floor	29	28
Engineering directs	85	67
	114	95
Sales & marketing	41	33
Administration	18	15
Other	17	13
	76	61
	190	156

Their aggregate remuneration comprised

	2009 £	2008 £
Wages and salaries	6,194,743	5,334,451
Social security costs	758,025	660,442
Other pension costs	279,591	222,562
	7,232,359	6,217,455

Included above, in respect of directors, are the following amounts

Aggregate emoluments	231,754	240,718
Pension costs to a defined contribution scheme	5,475	14,982
	237,229	255,700

The highest paid director received aggregate emoluments of £154,273 (2008 £164,076) and pension contributions of £4,125 (2008 £11,347). Retirement benefits are accruing to two (2008 two) directors under a defined contribution scheme.

The information concerning directors above excludes Mr N M T Adams and Mr B M Bodeker. They are executives of the holding company, BIOQUELL PLC, and are also directors of TRaC (Testing, Regulatory and Compliance). They received total emoluments of £741,000 (2008 £672,000) from BIOQUELL PLC during the year, but it is not practicable to allocate this between their services as executives of BIOQUELL PLC and the aforementioned Group subsidiaries. In addition, both directors are accruing benefits under money purchase schemes in respect of their services to BIOQUELL PLC and the aforementioned Group subsidiaries.

**BIOQUELL UK LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2009**

**4. GAIN ON DISPOSAL OF BUSINESS**

On 31 December 2009 the company sold the business and assets of its French branch to BIOQUELL SAS - a company registered in France and belonging to the BIOQUELL Group

	£
Consideration received in shares	251,965
Net liabilities of business disposed	1,436,190
	1,688,155

**5. INTEREST PAYABLE AND SIMILAR CHARGES (NET)**

	2009 £	2008 £
<b>Payable</b>		
Bank loans and overdrafts	3,955	31,827
Working capital charges from parent undertaking	36,000	36,000
	39,955	67,827
<b>Receivable</b>		
Bank interest	(295)	(2,610)
	39,660	65,217

**6. TAX ON PROFIT ON ORDINARY ACTIVITIES**

**Analysis of tax charge on ordinary activities**

	2009 £	2008 £
<b>Current tax</b>		
UK corporation tax	(330,879)	(459,806)
Adjustment in respect of prior periods	38,033	-
	(292,846)	(459,806)
<b>Deferred Tax</b>		
Origination and reversal of timing differences	(245,816)	(356,297)
Adjustment in respect of previous periods	-	-
	(538,662)	(816,103)

BIOQUELL UK LTD  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 2009

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

Factors affecting tax charge for period

The tax assessed for the period differs from that resulting from applying the standard rate of corporation tax in the UK (28%) The differences are explained below

	2009 £	2008 £
Profit on ordinary activities before taxation	4,792,639	3,946,150
Tax at 28% (2008 28.5%) thereon	(1,341,939)	(1,124,653)
Effects of		
Non-taxable gain on incorporation of French branch	472,674	-
Expenses not deductible for tax purposes	(81,104)	(15,554)
Capital allowances less than depreciation	95,518	308,904
Movement in short term timing differences	28,376	9,989
Utilisation of losses	93,180	132,583
R&D tax relief	400,627	189,831
Share based payments	1,788	39,094
Adjustment in respect of prior year	38,033	-
	(292,846)	(459,806)

The company estimated to have an overall deferred tax asset of £242,019 at 31 December 2009 (2008 £487,835), which has been recognised in the profit and loss account because the directors believe it to be fully recoverable It is made up as follows

	2009 £	2008 £
Depreciation in excess of capital allowances	20,278	298,541
Short term timing differences	152,472	61,568
Trading losses carried forward	69,269	127,726
Total	242,019	487,835

Movement in deferred tax during the year

	£
At 1 January 2009	487,835
Charge to profit and loss account	(245,816)
At 31 December 2009	242,019

Deferred tax has not been provided in respect of gains arising on the incorporation of the French branch (detailed at note 4) This tax will only become payable if either the whole or part of the shares against which the gains have been rolled over are sold or the transferee company disposes of the chargeable assets within 6 years of the transfer The estimated amount of tax that would become payable in the circumstances is £479,000 (2008 £Nil)



**BIOQUELL UK LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2009**

**7. TANGIBLE FIXED ASSETS**

	Leasehold land and buildings £	Plant and machinery £	Total £
<b>Cost</b>			
As at 1 January 2009	1,659,735	3,675,803	5,335,538
Additions	2,490,614	1,618,275	4,108,889
Disposals	-	(81,132)	(81,132)
Disposal of assets of French branch	-	(305,093)	(305,093)
Effects of foreign exchange		66,049	66,049
<b>As at 31 December 2009</b>	<b>4,150,349</b>	<b>4,973,902</b>	<b>9,124,251</b>
<b>Accumulated depreciation</b>			
As at 1 January 2009	36,678	2,244,093	2,280,771
Charge for the year	131,070	640,361	771,431
Disposals	-	(57,992)	(57,992)
Disposal of assets of French branch		(153,156)	(153,156)
Effects of foreign exchange	-	9,387	9,387
<b>As at 31 December 2009</b>	<b>167,748</b>	<b>2,682,693</b>	<b>2,850,441</b>
<b>Net book value</b>			
<b>As at 31 December 2009</b>	<b>3,982,601</b>	<b>2,291,208</b>	<b>6,273,810</b>
<b>As at 31 December 2008</b>	<b>1,623,057</b>	<b>1,431,710</b>	<b>3,054,767</b>

**8. INVESTMENTS**

	Total £
<b>Cost</b>	
As at 1 January 2009	-
Additions	258,242
<b>As at 31 December 2009</b>	<b>258,242</b>
<b>Amortisation</b>	
As at 1 January 2009	-
Effects of foreign exchange	-
<b>As at 31 December 2009</b>	<b>-</b>
<b>Net book value</b>	
<b>As at 31 December 2009</b>	<b>258,242</b>
<b>As at 31 December 2008</b>	<b>-</b>

**BIOQUELL UK LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2009**

**9. STOCK**

There is no material difference between the balance sheet value of stock and its replacement cost

	2009	2008
	£	£
Raw materials, spare parts and consumables	482,604	666,160
Work in progress	315,270	282,494
Finished goods and goods for resale	42,422	136,190
	<b>840,296</b>	<b>1,084,844</b>

**10 DEBTORS**

	2009	2008
	£	£
Amounts falling due within one year		
Trade debtors	3,060,549	4,318,103
Amounts due from group undertakings	972,161	829,079
Other debtors	110,024	109,696
Deferred tax asset (note 5)	242,019	487,835
Prepayments and accrued income	151,581	190,550
	<b>4,536,334</b>	<b>5,935,263</b>
Amounts falling due after more than one year		
Amounts due from group undertakings	1,488,994	1,488,994
	<b>6,025,328</b>	<b>7,424,257</b>

**11. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2009	2008
	£	£
Bank overdraft	1,651,109	620,282
Trade creditors	2,264,236	2,282,802
Amounts due to group undertakings	244,989	242,687
Corporation Tax	-	459,806
Other taxation and social security	(331,677)	522,919
Accruals and deferred income	1,840,438	1,413,577
	<b>5,669,095</b>	<b>5,542,073</b>

The Group had undrawn committed bank overdraft facilities of £2,600,000 (2008 £2,600,000) available at 31 December 2009, as well as a loan bearing a variable interest rate of 1.25% p a over base rate. The total amount outstanding for the Group at the year-end was £1,386,000 (2008 £1,465,000)

**BIOQUELL UK LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2009**

**12 CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2009	2008
	£	£
Amounts owed to the parent undertaking	4,755,007	7,159,354

The amount owed to the parent undertaking is interest free and has no fixed repayment term, although the parent has advised the directors that it will not demand repayment before twelve months from the date of approval of these financial statements

**13. PROVISIONS FOR LIABILITIES AND CHARGES**

	Product Warranties	Other	Total
	£	£	£
As at 1 January 2009	180,800	58,016	238,816
Charge for the year	58,122	–	58,122
Utilised during the year	(142,935)	(58,016)	(200,951)
As at 31 December 2009	95,987	–	95,987

**Warranties**

The provision for warranties relates to expected warranty claims on products sold in the last two years. It is expected that the majority of this expenditure will be incurred in the next financial year

**Other**

The provision related to committed expenditure on the move of the company to new premises in the prior year

**14 CALLED UP SHARE CAPITAL**

	2009		2008	
	Number	£	Number	£
Authorised				
Ordinary shares of £1 each	100	100	100	100
Called up, allotted and fully paid				
Ordinary shares of £1 each	2	2	2	2

BIOQUELL UK LTD  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 2009

**15. PROFIT AND LOSS ACCOUNT**

	Equity reserve	Profit & loss reserve
	£	£
As at 1 January 2009	227,622	(1,603,999)
Profit for the financial year	-	4,253,977
Foreign exchange adjustment	-	(166,213)
Share options charge	169,199	-
As at 31 December 2009	396,821	2,483,765

**16 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' (DEFICIT)/FUNDS**

	£
Shareholders' deficit at 1 January 2008	(4,798,594)
Equity reserve - share based payments	103,817
Profit for the financial year	3,130,047
Foreign exchange adjustment	188,355
Shareholders' deficit at 1 January 2009	(1,376,375)
Equity reserve - share based payments	169,199
Profit for the financial year	4,253,977
Foreign exchange adjustment	(166,213)
Shareholders' funds at 31 December 2009	2,880,588

**BIOQUELL UK LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2009**

**17 EQUITY-SETTLED SHARE OPTION SCHEMES**

BIOQUELL Plc (the ultimate parent undertaking) has a share option scheme for all employees of the Group. Options are exercisable at a price equal to the average quoted market price of the company's shares on the date of grant. The vesting period is 3 years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest except in certain circumstances in accordance with the Scheme Rules.

Special options, with market-based conditions, have also been granted to certain directors and senior members of staff.

Details of the share options outstanding during the year are as follows:

	2009		2008	
	Number of share options	Weighted average exercise price (pence)	Number of share options	Weighted average exercise price (pence)
Outstanding at beginning of period	1,312,500	131.0	1,215,500	108.4
Adjustment of opening balance	-	-	(80,000)	145.9
Transferred from other Group company	99,500	139.0	-	-
Granted during the year	410,000	113.0	414,000	174.3
Lapsed during the year	(41,022)	136.6	(76,000)	146.2
Exercised during the year	(9,978)	82.8	(161,000)	68.8
<b>Outstanding at the end of the year</b>	<b>1,771,000</b>	<b>127.4</b>	<b>1,312,500</b>	<b>131.0</b>
<b>Exercisable at the end of the year</b>	<b>619,000</b>	<b>113.8</b>	<b>572,500</b>	<b>113.5</b>

The weighted average share price at the date of exercise for share options exercised during the year was 82.8p. The options outstanding at 31 December 2009 had a weighted average exercise price of 127.4p, and a weighted average remaining contractual life of 5.3 years. In 2009, 410,000 options were granted on 27 March. The aggregate of the estimated fair values of the options granted on that date was £199,260. In 2008 options were granted on 27 May and 3 September. The aggregate of the estimated fair values of the options granted on those dates was £201,680.

The Black-Scholes model has been adopted as the directors believe it provides a reasonable approximation to the fair values of the options concerned.

The inputs into the Black-Scholes model are as follows:

	2009	2008
Weighted average share price	113.0p	174.3p
Expected volatility	45 %	40 %
Expected life	4.5 yrs	4.5 yrs
Risk free rate	4.43 %	4.85 %
Expected dividends	1 %	1 %

Each tranche of share options was valued separately using the actual exercise price.

**BIOQUELL UK LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2009**

**17 EQUITY-SETTLED SHARE OPTION SCHEMES (Continued)**

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Tranches of special options were issued in September 2006 (275,000 options) at an exercise price of 109.0p, in March 2007 (90,000 options) at an exercise price of 128.0p and in May 2008 (167,200 options) at an exercise price of 174.5p to certain senior members of staff, again conditional upon the market-based condition. The inputs into the Black-Scholes model are as set out in the table above, adjusted by a factor based on the probability of meeting the market-based conditions.

The company recognised total expenses of £169,199 and £103,817 related to equity-settled share-based payment transactions in 2009 and 2008 respectively.

**18 FINANCIAL COMMITMENTS**

Annual commitments under non-cancellable operating leases are as follows:

	Land & buildings		Other	
	2009	2008	2009	2008
	£	£	£	£
Expiry date				
Within one year	5,801	–	5,315	–
Between two and five years	–	7,790	313,251	222,569
	<b>5,801</b>	<b>7,790</b>	<b>318,566</b>	<b>222,569</b>

**19 RELATED PARTY TRANSACTIONS**

The revised FRS8, effective for years beginning on or after 6 April 2008 provides exemption for disclosure of transactions between two or more members of a group, provided that all subsidiaries which are party to the transaction are wholly-owned by the group. Under the 1985 Act this exemption was available for 90 per cent subsidiaries.

**20. PARENT UNDERTAKING AND CONTROLLING PARTY**

The ultimate parent company, for whom financial statements are prepared, is BIOQUELL PLC. This is both the smallest and the largest group into which the company's results are consolidated. BIOQUELL PLC is incorporated in Great Britain and is also regarded as the ultimate controlling party. A copy of the financial statements of BIOQUELL PLC may be obtained from the company's registered office at 52 Royce Close, West Portway, Andover, Hampshire SP10 3TS.