

# **Oxford NanoLabs Limited**

## **Directors' report and financial statements**

Registered number 05386273

Period ended 30 June 2006

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## **Company information**

### **Directors**

JHP Bayley  
TJ Nicholls  
DR Norwood  
R Pigliucci  
G Sanghera  
P Triniman  
JP Willcocks

### **Company secretary**

Aldwych Secretaries

### **Registered office**

Begbroke Science Park  
Sandy Lane  
Kidlington  
Oxford  
OX5 1PF

### **Company number**

05386273

### **Auditors**

BDO Stoy Hayward LLP  
Arcadia House  
Maritime Walk  
Southampton  
SO14 3TL

## **Directors' report**

The directors present their initial report and the audited financial statements for the period from inception, being 9 March 2005, to 30 June 2006.

### **Principal activities**

The principal activity of the company is that of research and development focussing on products and services in the fields of molecular diagnostics, bio-terrorism and environmental monitoring.

### **Business review**

In this inaugural period of operation the Company took significant steps towards establishing itself as a leading research and development organisation. The Company has secured exclusive rights to relevant intellectual property from a number of sources as well as filing several patents in its own right that together establish a valuable and solid foundation from which to build. A key feature of the technology is that it is virtually reagent free: the sensing element comprises a suitably modified single NanoPore protein embedded in a low cost disposable chip. The Company expects to identify and exploit a number of applications for the technology. During the period the Company successfully raised some £8.26 million of capital, sufficient to progress development for the foreseeable future. It will also pursue and consider sharing development opportunities with appropriate commercial partners.

### **Research and development**

The Company is building a product portfolio based on a NanoPore Biosensor Platform which exploits naturally occurring nanometer sized channels or NanoPores in biological molecules (proteins). The simplicity of the sensing element will enable the production of cheap, portable readers for both the central laboratory and point of care testing.

### **Results and dividends**

The income statement is set out on page 6.

The directors do not recommend the payment of a dividend.

### **Directors and directors' interests**

The directors of the company during the period were as follows:

DR Norwood (Chairman)	Appointed 12 April 2006
JHP Bayley	Appointed 11 May 2005
S Brooke	Appointed 20 May 2005, Resigned 24 May 2006
G Sanghera	Appointed 23 May 2005
B Seitz	Appointed 19 July 2005, Resigned 1 August 2006
ECF Thomas	Appointed 14 April 2005, Resigned 12 May 2005
P Triniman	Appointed 1 August 2005
JP Willcocks	Appointed 24 May 2006
@UKPLC Client Director Ltd	Appointed 9 March 2005, Resigned 14 April 2005

### **Post balance sheet appointments**

Mr TJ Nicholls and Mr R Pigliucci were appointed to the Board on the 18 October 2006 and 20 November 2006 respectively.

## **Directors' report (continued)**

### **Directors and directors' interests (continued)**

The interests of the directors in the share capital of the company were:

	Ordinary Shares of £0.01 each As at 30 June 2006	Ordinary Shares of £0.01 each On appointment of director
DR Norwood*	6,000	nil
JHP Bayley	62,340	157,500
G Sanghera	50,000	5,000
B Seitz	13,320	13,320
P Triniman	-	-
JP Willcocks	28,221	28,221

\* DR Norwood, Non-Executive Chairman, is also Executive Chairman of IP Group plc a significant shareholder in the Company.

### **Financial Instruments**

Disclosure of the company's financial instruments policies are shown in Note 10.

### **Donations**

The company made no political or charitable contributions during the period.

### **Auditors**

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP were appointed as auditors on 1 August 2006. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of BDO Stoy Hayward LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board



**G Sanghera**  
*Director*

23 November 2006

## **Statement of directors' responsibilities**

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets of the company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985.

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The directors have chosen to prepare financial statements for the company in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs).

International Accounting Standard 1 requires that financial statements present fairly for each financial period the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

## **Independent Auditor's Report to the Shareholders of Oxford NanoLabs Limited**

We have audited the financial statements of Oxford NanoLabs Limited for the period ended 30 June 2006 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. Additionally we report to you whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

### **Basis of audit opinion**

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 30 June 2006 and of its loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985;
- the information given in the Directors' Report is consistent with the financial statements.

BDO Stoy Hayward LLP  
Chartered Accountants and Registered Auditors  
Southampton



24 November, 2006

## **Income statement**

*for the period 9 March 2005 to 30 June 2006*

	<i>Note</i>	<b>Period to 30 June 2006 £</b>
Direct research & development expenses		271,943
General & administrative expenses		115,161
Facilities and infrastructure expenses		23,992
Depreciation and amortisation expense		5,214
Other expenses		179,857
<b>Total expenses</b>		<b>596,167</b>
<b>Loss from operations</b>	<b>2</b>	<b>(596,167)</b>
Finance income	5	35,956
<b>Loss before tax</b>		<b>(560,211)</b>
Tax expense	6	-
<b>Accumulated loss for the period</b>		<b>(560,211)</b>

The company made no material acquisitions and had no discontinued operations.

## **Statement of changes in equity**

*for the period 9 March 2005 to 30 June 2006*

	<b>Share Capital £</b>	<b>Share Premium (i) £</b>	<b>Retained Earnings (ii) £</b>	<b>Total £</b>
Recognised loss for the period	-	-	(560,211)	(560,211)
Issue of share capital	7,934	8,277,527	-	8,285,461
Employee share benefit expense	-	-	30,069	30,069
<b>Balance as at 30 June 2006</b>	<b>7,934</b>	<b>8,277,527</b>	<b>(530,142)</b>	<b>7,755,319</b>

(i) Share Premium: amount subscribed for share capital in excess of nominal value

(ii) Retained earnings: cumulative net gains and losses recognised in the Income Statement

The notes on pages 9 to 15 form part of these financial statements.



**Balance sheet**  
*as at 30 June 2006*

	Note	30 June 2006
		£                      £
<b>Assets</b>		
<b>Non current assets</b>		
Property, plant and equipment (PPE)	7	21,764
<b>Current assets</b>		
Trade and other receivables	9	39,080
Cash and cash equivalents	10	7,748,170
		<hr/>
Total current assets		7,787,250
		<hr/>
<b>Total assets</b>		7,809,014
		<hr/>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	11	(53,695)
		<hr/>
Total current liabilities		(53,695)
		<hr/>
<b>Total net assets</b>		<b>7,755,319</b>
		<hr/> <hr/>
<b>Capital and reserves attributable to equity holders of the company</b>		
Share capital	12	7,934
Share premium reserve		8,277,527
Retained earnings		(530,142)
		<hr/>
<b>Total equity</b>		<b>7,755,319</b>
		<hr/> <hr/>

The financial statements on pages 6 to 15 were approved by the Board of Directors and authorised for issue on 23 November 2006 and were signed on its behalf by:



**G Sanghera**  
*Director*

The notes on pages 9 to 15 form part of these financial statements

## **Cash flow statement**

*for the period 9 March 2005 to 30 June 2006*

	<i>Note</i>	2006 £
<b>Operating activities</b>		
Net loss from ordinary activities		(560,211)
<b>Adjustments for:</b>		
Depreciation	7	5,214
Interest income	5	(35,956)
Write off of investment	8	39,188
Employee share benefit costs	14	30,069
		<hr/>
<b>Operating loss before changes in working capital and provisions</b>		<b>(521,696)</b>
Increase in trade and other receivables		(18,531)
Increase in trade and other payables		51,024
		<hr/>
<b>Cash absorbed by operations</b>		<b>(489,203)</b>
Income taxes paid		-
<b>Cash flows from operating activities</b>		<b>(489,203)</b>
		<hr/>
<b>Investing activities</b>		
Purchases of PPE		(24,308)
Cash used to purchase investment		(21,188)
Interest received		15,408
		<hr/>
<b>Cash flows from investing activities</b>		<b>(30,088)</b>
		<hr/>
<b>Financing activities</b>		
Issue of ordinary shares		8,267,461
		<hr/>
<b>Cash flows from financing activities</b>		<b>8,267,461</b>
		<hr/>
<b>Increase in cash and cash equivalents (and as at 30 June 2006)</b>		<b>7,748,170</b>
		<hr/>

## **Notes (forming part of the financial statements)**

### **1 Accounting policies**

#### ***Basis of preparation***

These financial statements relate solely to the activities of Oxford NanoLabs Limited, the parent entity and ultimate holding company of the group. The group, which is small as defined by the Companies Act 1985, is therefore exempt from preparing consolidated financial statements. The investment in STS Diagnostics GmbH, a wholly owned subsidiary registered in Germany, has been written off and charged to the Income Statement as the directors consider the fair value of the asset to be nil.

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied throughout the period.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) issued by the International Accounting Standards Board (IASB) and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRS.

#### ***Impairment of non-financial assets***

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (ie the higher of value in use and fair value less costs to sell), the asset is written down accordingly. Impairment charges are included in the administrative expenses line item in the income statement, except to the extent they reverse gains previously recognised in the statement of recognised income and expense.

#### ***Financial assets***

The company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. Other than financial assets in a qualifying hedging relationship (see below), the company's accounting policy for each category is as follows:

##### ***- Loans and receivables:***

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), but also incorporate other types of contractual monetary asset. They are carried at cost less any provision for impairment.

##### ***- Held-to-maturity investments:***

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity. These assets are measured at amortised cost, with changes through the income statement.

##### ***- Available-for-sale:***

Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise the company's strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities. They are carried at fair value with changes in fair value recognised directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in the income statement.

#### ***Financial liabilities***

The company classifies its financial liabilities depending on the purpose for which the asset was acquired. Other than financial liabilities, which include trade payables and other short-term monetary liabilities, these are recognised at amortised cost.

#### ***Retirement benefits: Defined contribution schemes***

Contributions to defined contribution pension schemes are charged to the income statement in the year to which they relate.

**Notes (forming part of the financial statements) continued**

**Share-based payments**

Where share options and other equity instruments are awarded to employees, the fair value of the instrument at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of instruments that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received.

**Leased assets**

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the company (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the income statement over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor. Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an "operating lease"), the total rentals payable under the lease are charged to the income statement on a straight-line basis over the lease term. The land and buildings elements of property leases are considered separately for the purposes of lease classification.

**Deferred taxation**

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs to its tax base.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax balances are not discounted.

**Investments**

Investments held as fixed assets are stated at fair value less any provision for any impairment in value.

**Property, plant and equipment**

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. Any corresponding liability is recognised within provisions.

All items of property, plant and equipment are carried at depreciated cost.

Depreciation is provided on all items of property, plant and equipment so as to write off the carrying value of items over their expected useful economic lives. It is applied at the following rates:

Plant and machinery	- 33% per annum straight line
Fixtures and fittings	- over the duration of the lease straight line
Leasehold improvements	- over the duration of the lease straight line
Office equipment	- 33% per annum straight line

**Notes (forming part of the financial statements) continued**

**2 Loss from operations**

	<b>Period to 30 June 2006 £</b>
<i>This is after charging:</i>	
Staff costs	271,073
Depreciation	5,214
Direct non staff research and development costs	114,598
Payments under operating leases	23,568
Auditors' remuneration	5,000
Fees to auditors for non audit services (taxation)	1,200
	<hr/> <hr/>

**3 Staff costs**

	<b>Period to 30 June 2006 £</b>
<i>Staff costs, including directors, consist of:</i>	
Wages and salaries	214,032
Employer's national insurance contributions and similar taxes	26,972
Share based payments	30,069
	<hr/> <hr/>
	271,073

The average monthly number of employees, including directors, during the period was 6. These included 2 executive directors, 2 non executive directors and 2 direct research and development scientists.

**4 Directors' emoluments**

	<b>Period to 30 June 2006 £</b>
<i>Directors' emoluments consist of:</i>	
Remuneration for management services	88,337
Amount paid as directors fees	13,967
Share benefit expense	17,550
	<hr/> <hr/>
	119,854
<i>Highest paid director:</i>	
Remuneration for management services	83,269
Share benefit expense	17,550
	<hr/> <hr/>
	100,819

**5 Finance Income**

	<b>Period to 30 June 2006 £</b>
Bank interest	35,955
	<hr/> <hr/>

**Notes (forming part of the financial statements) continued**

**6 Tax expense**

	<b>Period to 30 June 2006 £</b>
<i>Current tax expense:</i>	
UK corporation tax recoverable on loss for the year	-
	<hr/>
Total current tax	-
<i>Deferred tax expense:</i>	
Reversal of timing differences	-
	<hr/>
Tax on loss on ordinary activities	-
	<hr/>

The directors believe that the Company is eligible to claim a Research and Development tax credit and intend to make such a claim. An initial calculation indicates that this claim will be for approximately £58,000. This claim will be subject to HM Revenue and Customs review and approval, the result of which will not be known until a future date. No credit has therefore been taken to the Income Statement with respect to this claim.

**(b) Factors affecting the tax charge for the current year**

The current tax credit for the year is lower than the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	<b>Period to 30 June 2006 £</b>
Loss on ordinary activities before taxation	(560,211)
	<hr/>
Loss on ordinary activities multiplied by expected rate of corporation tax of 30%	(168,063)
<i>Effects of:</i>	
Expenses not deductible for tax purposes	20,912
Capital allowances for the period in excess of depreciation	(5,849)
Unutilised trading losses for which no deferred tax credit is recognised	153,000
	<hr/>
	-
	<hr/>

**(c) Factors that may affect future tax charges**

The company plans to continue to invest in research and development for which substantial tax relief can be obtained.

**Notes (forming part of the financial statements) continued**

**7 Property, Plant and Equipment**

	Plant and machinery £	Office equipment £	Total £
<i>Cost:</i>			
Additions	17,280	9,698	26,978
	<hr/>	<hr/>	<hr/>
At 30 June 2006	17,280	9,698	26,978
	<hr/>	<hr/>	<hr/>
<i>Accumulated depreciation:</i>			
Charge for the period	(2,851)	(2,363)	(5,214)
	<hr/>	<hr/>	<hr/>
At 30 June 2006	(2,851)	(2,363)	(5,214)
	<hr/>	<hr/>	<hr/>
<i>Net book value:</i>			
At 30 June 2006	<u>14,429</u>	<u>7,335</u>	<u>21,764</u>

**8 Investment**

	Company £
<b>Investment in group undertakings:</b>	
Investment in STS Diagnostics GmbH	39,188
Fair value adjustment	(39,188)
	<hr/>
<b>Balance as at 30 June 2006</b>	<u>-</u>

This represents the investment made by the Company to acquire 100% of STS Diagnostics GmbH ('STS') a company incorporated in Germany and with which Professor Hagan Bayley had an involvement as shareholder and director. This was acquired on 18 July 2005 for a total cash consideration of £21,188 made up of £8,683 (being €12,500) for all of the issued share capital, £5,419 (being €7,800) to repay a loan made to STS by one of its shareholders and £7,086 (being €10,200) for technical drawings and know-how relating to scientific instrumentation relevant to the business. In addition, 45,000 ordinary shares in the Company were issued to shareholders in STS in accordance with the terms of an option agreement dated 14<sup>th</sup> April 2005 between the owners of STS and IP2IPO Limited, one of the founding investors in the Company. The shares have been recognised at market value at the date the shares were issued being 40 pence per share. This acquisition facilitated the establishment of the Company and helped form a small part of the patent portfolio established since inception. The directors intend to liquidate STS in the near future. The directors have considered the fair value of the assets of STS as at 30 June 2006 and believe them to be valueless having net assets broadly in line with the anticipated costs of liquidation.

**9 Trade and other receivables - current**

	30 June 06 £
Other debtors	12,100
Accrued income	20,548
Prepayments	6,432
	<hr/>
	<u>39,080</u>

**Notes (forming part of the financial statements) continued**

**10 Financial instruments – risk management**

The Company is exposed through its operations to one or more of the following financial risks:

- Fair value or cash flow interest rate risk
- Foreign currency risk

Policy for managing these risks is set by the Board following recommendations from the Chief Financial Officer. The policy for each of the above risks is described in more detail below.

**Fair value and cash flow interest rate risk**

It is currently Company policy that the majority of external monetary deposits are made on a fixed interest basis over terms varying from one to twelve months depending upon the rate available. Maturities are staggered whenever possible to spread exposure to interest rate movement. Although the board accepts that this policy neither protects the group from the risk of receiving rates below the current market rates nor eliminates fully cash flow risk associated with interest receipts, it considers that it achieves an appropriate balance of exposure to these risks.

**Foreign currency risk**

Foreign exchange risk arises because the Company from time to time enters into transactions denominated in a currency other than Sterling. Where it is considered the risk to the Company is significant, it will enter into a matching forward contract with a reputable bank.

**Financial assets – numerical information**

As at the 30 June 2006 the Company had the following Sterling treasury deposits.

	<b>30 June 06</b>
	<b>£</b>
Floating rate assets	2,348,170
Fixed rate assets	5,400,000
	<hr/>
	7,748,170
	<hr/>

The weighted average interest rate on the fixed term deposits was 4.51%. The weighted average term of fixed interest rate deposits was 6 months.

**11 Trade and other payables - current**

	<b>30 June 06</b>
	<b>£</b>
Trade payables	8,656
Taxation and social security	8,394
Other creditors	7,717
Accruals and deferred income	28,928
	<hr/>
	53,695
	<hr/>



**Notes (forming part of the financial statements) continued**

**12 Share capital**

	<b>30 June 06</b>
	<b>£</b>
<i>Authorised:</i>	
875,000 ordinary shares of £0.01 each	8,750
	<hr/>
<i>Allotted, called up and fully paid:</i>	
210,000 ordinary shares of £0.01 issued on formation	2,100
583,374 ordinary shares of £0.01 issued during the period	5,834
	<hr/>
	7,934
	<hr/>

On 25 October 2006, after the balance sheet date, the Company granted options under an Enterprise Management Incentive Scheme over 25,328 ordinary shares of £0.01 nominal value exercisable at a price of £7 per share. Options under an unapproved share option scheme over a further 13,072 ordinary shares of £0.01 nominal value and 3,000 ordinary shares of £0.01 nominal value were granted on 25 October 2006 and 21 November 2006 respectively. The exercise price per share of these unapproved options was similarly £7 per share.

**13 Commitments under operating leases**

As at 30 June 2006 the company had a commitment to make payments under a short term lease for laboratory and office space of £17,390. This lease was due to expire in 31 December 2006 but was cancellable upon one months written notice. On 31 August 2006 the Company gave notice on this lease and the ultimate total sum due after 30 June 2006 under the terms of the lease amounted to £8,695.

**14 Share based payment**

During the period certain employees acquired 77,100 shares at their nominal value of one penny each. The difference between the price paid and the then market value amounting to £30,069 has been recognised as a charge to the income statement.

**15 Related party transactions**

Details of directors' remuneration are given in note 4. Other related party transactions were as follows:

<b>Related party relationship</b>	<b>Type of transaction</b>	<b>Transaction amount</b>	<b>Balance owed</b>
Organisation for which a director is a director and shareholder	Acquisition of company (see note 8)	39,188	-
Organisation for which a director is an employee	Purchase of services	7,500	-
Organisation for which a director is an employee	Purchase of consumables	28,024	-
Organisation for which a director is an employee	Purchase of patent legal services	6,737	-
Organisation for which a director is an employee	Purchase of goods and services	60,767	-
Organisation for which a director is an employee	Payment of rent under a short term lease	23,568	7,425
		<hr/>	<hr/>

