

Oxford NanoLabs Limited

Directors' report and financial
statements

Registered number 05386273

Year ended 30 June 2007

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Company information

Directors

JHP Bayley
TJ Nicholls
DR Norwood
R Pighucci
G Sanghera
CP Trniman
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 report and the audited financial statements for the year ended 30 June 2007

Principal activities

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

Business review

During the year the Company made significant progress in establishing itself as a leading player in core nanopore technology winning no less than three competitive grants to support development of the technology which offers numerous commercial applications. Through the creation of a strong intellectual property position in the field of modified nanopores and directed research activities the Company believes it is well positioned to build shareholder value. The principal focus of the Company has been directed at the development of a deoxyribonucleic acid (DNA) sequencing technology that will have significant market advantages. The Company's approach and technology are fundamentally different and afford significant cost and speed advantages over existing technologies that offer the opportunity to open and create brand new markets not previously addressable. 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.

Research and development

The Company's research and development activity is based on an electronic output NanoPore Biosensor Platform which exploits naturally occurring nanometer sized channels or NanoPores in biological molecules (proteins). The simplicity of the sensing element and electrical output modality offer several advantages over approaches used hitherto. The Company anticipates commercial applications over a number of fields but in particular are focusing on genetics and diagnostics.

Results and dividends

The income statement is set out on page 6

The directors do not recommend the payment of a dividend

Directors

The directors of the company during the year were as follows

DR Norwood (Chairman)

JHP Bayley

TJ Nicholls

Appointed 18 October 2006

R Pighiucci

Appointed 20 November 2006

G Sanghera

B Seitz

Resigned 1 August 2006

CP Trniman

JP Willcocks

Directors' report (continued)

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 year

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.

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

3 October 2007

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 year ended 30 June 2007 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 2007 and of its loss for the year 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

16 October, 2007

Income statement
for the year ended 30 June 2007

		Year ended 30 June 2007	Period 9 March 2005 to 30 June 2006
	Note	£	£
Revenue			
Other income		181,641	-
Direct research & development expenses		857,364	271,943
General & administrative expenses		436,442	115,161
Facilities and infrastructure expenses		92,050	23,992
Depreciation and amortisation expense		105,105	5,214
Other expenses		274,933	179,857
Total expenses		1,765,894	596,167
Loss from operations	2	(1,584,253)	(596,167)
Finance income	5	328,887	35,956
Loss before tax		(1,255,366)	(560,211)
Tax credit	6	221,186	-
Accumulated loss for the year		(1,034,180)	(560,211)

The company made no acquisitions and had no discontinued operations

Statement of changes in equity
for the year to 30 June 2007

	Share Capital (i) £	Share Premium (ii) £	Retained Earnings (iii) £	Total £
Balance as at 1 July 2006	7,934	8,277,527	(530,142)	7,755,319
Recognised loss for the year	-	-	(1,034,180)	(1,034,180)
Issue of share capital	36	24,968	-	25,004
Employee share benefit expense	-	-	68,163	68,163
Balance as at 30 June 2007	7,970	8,302,495	(1,496,159)	6,814,306

- (i) Share Capital the aggregate nominal value of all shares in issue
- (ii) Share Premium amount subscribed for share capital in excess of nominal value
- (iii) Retained earnings cumulative net gains and losses recognised in the Income Statement

The notes on pages 9 to 18 form part of these financial statements

Balance sheets
as at 30 June

	<i>Note</i>	2007	2006
		£	£
Assets			
Non current assets			
Property, plant and equipment	7	312,461	21,764
Current assets			
Trade and other receivables	9	312,619	39,080
Cash and cash equivalents	10	6,398,233	7,748,170
Total current assets		<u>6,710,852</u>	<u>7,787,250</u>
Total assets		<u>7,023,313</u>	<u>7,809,014</u>
Liabilities			
Current liabilities			
Trade and other payables	11	(209,007)	(53,695)
Total current liabilities		<u>(209,007)</u>	<u>(53,695)</u>
Total net assets		<u><u>6,814,306</u></u>	<u><u>7,755,319</u></u>
Capital and reserves attributable to equity holders of the company			
Share capital	12	7,970	7,934
Share premium reserve		8,302,495	8,277,527
Retained earnings		(1,496,159)	(530,142)
Total equity		<u><u>6,814,306</u></u>	<u><u>7,755,319</u></u>

The financial statements on pages 6 to 18 were approved by the Board of Directors and authorised for issue on 3 October 2007 and were signed on its behalf by

G Sanghera
Director



The notes on pages 9 to 18 form part of these financial statements

Cash flow statement
for the year ended 30 June 2007

	<i>Note</i>	2007 £	2006 £
Operating activities			
Loss before tax		(1,255,366)	(560,211)
Adjustments for:			
Depreciation	7	105,105	5,214
Loss on disposal of property, plant and equipment		416	-
Interest income	5	(328,887)	(35,956)
Write off of investment	8	-	39,188
Employee share benefit costs	14	68,163	30,069
		<hr/>	<hr/>
Operating loss before changes in working capital and provisions		(1,410,569)	(521,696)
Increase in trade and other receivables		(127,973)	(18,531)
Increase in trade and other payables		157,983	51,024
		<hr/>	<hr/>
Cash absorbed by operations		(1,380,559)	(489,203)
Income taxes – R&D tax credit received		59,768	-
Cash flows from operating activities		(1,320,791)	(489,203)
		<hr/>	<hr/>
Investing activities			
Purchases of PPE		(405,183)	(24,308)
Receipt from insurance claim on loss of PPE		6,295	-
Cash used to purchase investment		-	(21,188)
Interest received		344,738	15,408
		<hr/>	<hr/>
Cash flows from investing activities		(54,150)	(30,088)
		<hr/>	<hr/>
Financing activities			
Issue of ordinary shares		25,004	8,267,461
		<hr/>	<hr/>
Cash flows from financing activities		25,004	8,267,461
		<hr/>	<hr/>
(Decrease)/Increase in cash and cash equivalents		(1,349,937)	7,748,170
Cash and cash equivalents at start of year		7,748,170	-
Cash and cash equivalents at end of year		6,398,233	7,748,170
		<hr/>	<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. In the prior period, the investment in STS Diagnostics GmbH, a wholly owned subsidiary registered in Germany, was written off and charged to the Income Statement as the directors considered 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 year.

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.

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.

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.

Notes (forming part of the financial statements) continued

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

Government grants

Government grants received are recognised as other income. Where retention of a government grant is dependent on the satisfaction of certain criteria, it is initially recognised as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the income statement.

Notes (forming part of the financial statements) continued

2 Loss from operations

	Year to 30 June 2007 £	9 March 2005 to 30 June 2006 £
<i>This is after charging/(crediting)</i>		
Government grants received	(176,019)	-
Staff costs	783,303	271,073
Depreciation	105,105	5,214
Direct non staff research and development costs	365,841	114,598
Loss on disposal of Property Plant and Equipment	416	-
Payments under operating leases - property	79,044	23,568
Auditors' remuneration	12,377	5,000
Fees to auditors for non audit services (taxation)	6,450	1,200

During the year grants were received from the Department of Trade & Industry and from the Biotechnology and Biological Sciences Research Council for research projects lead by the Company. The amounts shown reflect only those sums attributable to and receivable by the Company.

The loss on disposal of Property Plant and Equipment arose from the theft of computer equipment following a burglary at the Company's premises. The loss was insured and resulted in paid claim amounting to £6,294 which has been credited against other expenses in the income statement.

3 Staff costs

	Year to 30 June 2007 £	9 March 2005 to 30 June 2006 £
<i>Staff costs, including directors, consist of</i>		
Wages and salaries	643,392	214,032
Employee benefits	709	-
Employer's national insurance contributions and similar taxes	71,039	26,972
Share based payments	68,163	30,069
	<u>783,303</u>	<u>271,073</u>

The average monthly number of employees, including directors, during the year was 17 (2006: 6). These included 3 executive directors (2006: 2), 3 non executive directors (2006: 2), 10 direct research and development scientists (2006: 2) and 1 administrator (2006: nil).

Notes (forming part of the financial statements) continued

4 Directors' emoluments

	Year to 30 June 2007 £	9 March 2005 to 30 June 2006 £
<i>Directors' emoluments consist of</i>		
Remuneration for management services	214,624	88,337
Amount paid as directors fees	31,240	13,967
	<hr/>	<hr/>
	245,864	102,304
	<hr/>	<hr/>
<i>Highest paid director</i>		
Remuneration for management services	78,859	83,269
	<hr/>	<hr/>

During the year Mr CP Triniman exercised an unapproved option over 3,572 shares at an exercise price of £7 per share. No other directors exercised any options.

On 15 October 2006 Mr CP Triniman ceased to be a Non-Executive member of the Board when he took the executive position of Chief Financial Officer with the Company. Prior to that date Mr Triniman had from time to time charged the Company for services to provide accounting and financial input as a consultant. In that capacity the Company paid Mr Triniman £34,312 during the period from 1 July to 15 October 2006.

Similarly Mr R Pigliucci provides services to the Company under separate contract in his capacity as a consultant. These services are over and above those necessary to fulfil his role as a director. During the year the Company has charged £37,288 to its income statement with respect to those services.

5 Finance Income

	Year to 30 June 2007 £	9 March 2005 to 30 June 2006 £
Bank interest receivable	328,887	35,956
	<hr/>	<hr/>

Notes (forming part of the financial statements) continued

6 Tax credit

	Year to 30 June 2007 £	9 March 2005 to 30 June 2006 £
<i>Current tax credit</i>		
Research and development tax credit for the year	161,418	-
Adjustment for under provision of research and development tax credit in prior period	59,768	-
	<hr/>	<hr/>
Total current tax credit	221,186	-
<i>Deferred tax expense</i>		
Reversal of timing differences	-	-
	<hr/>	<hr/>
Tax credit on loss on ordinary activities	221,186	-
	<hr/>	<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 £161,000. 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. Credit has been taken to the Income Statement with respect to this claim due to the Company's history of successful claims.

(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:

	Year to 30 June 2007 £	9 March 2005 to 30 June 2006 £
Loss on ordinary activities before taxation	(1,255,366)	(560,211)
	<hr/>	<hr/>
Loss on ordinary activities multiplied by expected rate of corporation tax of 20% (2006: 30%)	(251,073)	(168,063)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	13,644	20,912
Capital allowances for the year in excess of depreciation	(58,115)	(5,849)
Unutilised trading losses for which no deferred tax credit is recognised	167,728	153,000
R&D tax relief	(33,602)	-
Under provision for tax recoverable in prior period	(59,768)	-
	<hr/>	<hr/>
	221,186	-
	<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

	Leasehold improvements £	Plant and machinery £	Office equipment £	Total £
<i>At 30 June 2006</i>				
Cost	-	17,280	9,698	26,978
Accumulated depreciation	-	(2,851)	(2,363)	(5,214)
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value	-	14,429	7,335	21,764
	<hr/>	<hr/>	<hr/>	<hr/>
<i>At 30 June 2007</i>				
Cost	68,359	313,240	40,339	421,938
Accumulated depreciation	(17,088)	(81,305)	(11,084)	(109,477)
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value	51,271	231,935	29,255	312,461
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Period 9 March 2005 to 30 June 2006</i>				
Additions	-	17,280	9,698	26,978
Depreciation charge for the period	-	(2,851)	(2,363)	(5,214)
	<hr/>	<hr/>	<hr/>	<hr/>
Closing net book value	-	14,429	7,335	21,764
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Year ended 30 June 2007</i>				
Opening net book value	-	14,429	7,335	21,764
Additions	68,359	295,964	38,190	402,513
Disposals	-	-	(6,711)	(6,711)
Depreciation charge for the year	(17,088)	(78,458)	(9,559)	(105,105)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2007	51,271	231,935	29,255	312,461
	<hr/>	<hr/>	<hr/>	<hr/>

8 Investment

	Company £
Investment in group undertakings	
Investment in STS Diagnostics GmbH	39,188
Fair value adjustment	(39,188)
	<hr/>
Balance as at 30 June 2006 and 2007	-
	<hr/>

This represents the investment made by the Company to acquire 100% of STS Diagnostics GmbH ('STS') a company incorporated in Germany. This acquisition facilitated the establishment of the Company and helped form a small part of the patent portfolio established since inception. The directors are in the process of liquidating STS in the near future. The directors have considered the fair value of the assets of STS as at 30 June 2007 and believe them to be valueless having net assets broadly in line with the anticipated costs of liquidation.

Notes (forming part of the financial statements) continued

9 Trade and other receivables - current

	30 June 07 £	30 June 06 £
Other debtors	108,856	-
Accrued income	4,698	20,548
R&D tax credit recoverable	161,418	-
Other taxes	26,330	12,100
Prepayments	11,317	6,432
	<u>312,619</u>	<u>39,080</u>

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 the Company had the following Sterling treasury deposits

	30 June 07 £	30 June 06 £
Floating rate assets	648,233	2,348,170
Fixed rate assets	5,750,000	5,400,000
	<u>6,398,233</u>	<u>7,748,170</u>

The weighted average interest rate on the fixed term deposits was 4.8625% (2006: 4.51%). The weighted average term of fixed interest rate deposits was 4.4 months (2006: 6 months).

Notes (forming part of the financial statements) continued

11 Trade and other payables - current

	30 June 07 £	30 June 06 £
Trade payables	46,424	8,656
Taxation and social security	29,330	8,394
Other creditors	84,801	7,717
Accruals and deferred income	48,452	28,928
	<u>209,007</u>	<u>53,695</u>

12 Share capital

	30 June 07 £	30 June 06 £
<i>Authorised</i>		
875,000 ordinary shares of £0.01 each	8,750	8,750
	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid</i>		
210,000 ordinary shares of £0.01 issued on formation	-	2,100
At 1 July	7,934	
3,572 ordinary shares (2006 583 374) of £0.01 issued during the year	36	5,834
	<u> </u>	<u> </u>
At 30 June	7,970	7,934
	<u> </u>	<u> </u>

13 Commitments under operating leases

As at 30 June 2007 the company had a commitment to make payments under three separate but co-terminous operating leases for laboratory and office space of £121,400. These leases are due to expire in 23 July 2009 but are cancellable upon six months written notice.

	30 June 07 £	30 June 06 £
<i>The total of future minimum non-cancellable lease payments due for each of the following periods are</i>		
Later than one year and not later than five years	59,200	8,695
	<u> </u>	<u> </u>

14 Retirement benefits

The Company runs a defined contribution scheme for its employees. The scheme is open to all employees at their own discretion. The Company makes no contribution to pension benefits for any of its employees.

Notes (forming part of the financial statements) continued

15 Share based payment

The company operates only one equity-settled share based remuneration scheme for employees the Oxford Nanolabs Share Option Scheme. The Scheme allows the Company to award both HM Revenue & Customs approved Executive Management Incentive (EMI) share options to qualifying individuals and unapproved share options. All options may be subject to performance criteria and vesting schedules set at the Board's discretion. All UK resident employees working 25 hours a week, or if less, 75% of their working time are eligible to be awarded EMI share options. All options have a life of ten years from date of grant.

On 25 October 2006 the Company granted options under the Enterprise Management Incentive Scheme over 25,328 ordinary shares of £0.01 nominal value exercisable at a price of £7 per share. Options over a further 1,800 ordinary shares of £0.01 nominal value also with an exercise price of £7 per share were issued on 21 February 2007. 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. On 30 October 2006 options were exercised over 3,572 shares.

	2007		9 March 2005 to 30 June 2006	
	Weighted average exercise price	Number	Weighted average exercise price	Number
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	£7.00	43,200	£0.40	52,200
Forfeited during the year	-	-	£0.40	(52,200)
Exercised during the year	£7.00	(3,572)	-	-
Lapsed during the year	-	-	-	-
Outstanding at the end of the year	£7.00	39,628	-	-

The exercise price of all options outstanding at the end of the year was £7.00 per share and their weighted average contractual life was 9.35 years.

All options outstanding at year end vest equally over their lifetime in quarterly instalments. Of the total number of options outstanding at the end of the year, 5,348 had vested and were exercisable.

The weighted average share price (at the date of exercise) of options exercised during the year was £7.00.

The weighted average fair value of each option granted during the year was £3.00 (2006 £0.40).

The following information is relevant in the determination of the fair value of options granted during the year under the equity share based remuneration schemes operated by the Company:

	30 June 07
Option pricing model used	Binomial
Weighted average share price at grant date	£7.00
Exercise price	£7.00
Volatility	60%
Risk free interest rate	4.59%
Dividend yield	Nil
Weighted average contractual life	10 yrs

Notes (forming part of the financial statements) continued

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices of comparable companies over various periods of no less than one year. The risk free interest rate used reflects the UK Government 5 year Gilt rate as reported by the Bank of England.

16 Related party transactions

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

Related party relationship	Type of transaction	Transaction amount		Balance owed	
		2007 £	2006 £	2007 £	2006 £
Organisation for which a director is a director and shareholder	Acquisition of company (see note 8)	-	39,188	-	-
Organisation for which a director is a director and shareholder	Recharge for executive services	5,622	-	-	-

17 Ultimate Controlling Party

There is no overall controlling party of the company.

Notes (forming part of the financial statements) continued

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices of comparable companies over various periods of no less than one year. The risk free interest rate used reflects the UK Government 5 year Gilt rate as reported by the Bank of England.

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Organisation for which a director is a director and shareholder	Recharge for executive services	5,622	-	-	-

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