

GENETIX LIMITED

Annual Report and Financial Statements

31 December 2008

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GENETIX LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

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GENETIX LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

C De Rohan
A J Kellett
Prof J F Burke
T W Pizzie

SECRETARY

S C Hedger

REGISTERED OFFICE

Queensway
New Milton
Hampshire
BH25 5NN

BANKERS

Barclays Bank plc
PO Box 612
Ocean Way
Southampton
SO14 2ZP

SOLICITORS

Olswang
90 High Holborn
London
WC1V 6XX

AUDITORS

Deloitte LLP
Southampton, United Kingdom

GENETIX LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITY

The principal activity of the company is the design and manufacture of automated systems and related products for use in systems biology.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The company traded satisfactorily throughout the year under review and the directors are confident that the company will continue to grow and provide profitable returns.

RESEARCH AND DEVELOPMENT

The company continues an active programme of research and development, the costs of which in the year amounted to £1,335,473 (2007: £1,603,571). New and improved products are continuing to be developed.

RESULTS AND DIVIDENDS

The results for the year are set out in detail on page 7. Dividends paid in the year amounted to £3,000,000 (2007: £nil) and no final dividend is proposed (2007: £ nil).

RISKS AND UNCERTAINTIES

The company is subject to the same general risks and uncertainties as any other business, for example, the impact of changes in general economic conditions including currency and interest rate fluctuations and the impact of competition, the impact of natural disasters and sourcing of materials. Senior management conducts regular risk reviews at which time the likelihood and impact of risks are assessed. Outlined below is a description of the principal risks and uncertainties that are specific to our business.

Competitors

Product innovation is essential to retain a competitive edge. There are threats that our competitors can launch new products into our markets before we can effectively respond, thus resulting in lost sales. To reduce this risk we continually invest in R&D and undertake market and customer research. In addition, some of Genetix' competitors in certain markets are larger and have greater financial resources. This may enable them to deliver products on more attractive terms or to invest larger amounts in R&D.

The company also invests in maintaining a patent portfolio to protect our investment in products and technology. We regularly monitor the markets we serve to identify any potential violations of our patents and will take legal action where necessary.

Key markets

The continued organic growth of our business is underpinned by our key market, the United States. Any material decline in the performance of this market may impact future growth and profitability.

Commercial relationships

The company benefits from close commercial relationships with a number of key customers and suppliers. Damage to or loss of any of these relationships could have a negative effect on results. To reduce this risk the company ensures it maintains a close working relationship with its customers at the sales, technical/scientific and support levels. Regular meetings and reviews are also held with our key suppliers.

Manufacturing

The company's manufacturing facilities could be disrupted by events outside of its control such as fire. The company has a detailed contingency plan to ensure, as much as possible, business continuity with all relevant employees appropriately trained. The company also maintains appropriate general commercial insurance policies.

The company's products could also be affected by the introduction of regulations, such as those relating to environmental issues. The company monitors regulations to the effect that they may have an impact on its operations and takes appropriate external advice on compliance.

GENETIX LIMITED

DIRECTORS' REPORT

RISKS AND UNCERTAINTIES (continued)

Employees

The company continually seeks to recruit and retain talented employees who ultimately contribute to our success. In addition the company has certain individuals who have extensive knowledge of markets and customers and R&D. The company undertakes employee attitude surveys and seeks, with employee involvement, to address specific areas.

Exchange rates

As at 31 December 2008, the company was committed to forward exchange contracts totalling US\$7 million at an average rate of £/\$1.7832, all maturing before 31 December 2009. 47% of sales for the year are denominated in US dollars.

HEALTH, SAFETY AND THE ENVIRONMENT

The company is committed to the maintenance of high standards of practice concerning the health and safety of its employees. The company recognises its legal obligations in this respect and compliance with such obligations and a number of policies on such matters are monitored through a health and safety committee. The company is sensitive to the needs of the environment. Such matters are considered in the context of the company's environmental policy which is described in the Genetix Group Plc's Annual Report.

GOING CONCERN

The company has considerable financial resources including a cash balance of £2.6m and is expected to continue to be cash flow positive in 2009. As a consequence the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. Accordingly, the directors have a reasonable expectation that the company has adequate resources to pursue its business plans and they continue to adopt the going concern basis for preparing the financial statements.

DIRECTORS

The following directors served during the year, and to the date of this report unless specified.

M A Reid (Resigned 15 September 2008)

C De Rohan (Appointed 15 September 2008)

A J Kellett

Prof J F Burke

TW Pizie (Appointed 7 January 2008)

C De Rohan, A J Kellett, Prof J F Burke and TW Pizzie are also directors of Genetix Group plc, the ultimate parent undertaking.

GENETIX LIMITED

DIRECTORS' REPORT

AUDITORS


In the case of each of the persons who are directors of the company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- each of the directors has taken all steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information (as defined in the Companies Act 1985) 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 s234ZA of the Companies Act 1985.

A resolution to re-appoint Deloitte LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board


S C Hedger
Secretary

16th July 2009

GENETIX LIMITED

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). The financial statements are required by law to 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;
- make judgments and 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 proper accounting records that 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 1985. 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GENETIX LIMITED

We have audited the financial statements of Genetix Limited for the year ended 31 December 2008, which comprise the profit and loss account, the balance sheet and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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 in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition, we 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.

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 judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, 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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



Deloitte LLP
Chartered Accountants and Registered Auditors
Southampton, United Kingdom

17 July 2009

GENETIX LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2008

	Note	2008 £	2007 £
TURNOVER: continuing operations	2	14,603,742	12,953,448
Cost of sales		<u>(8,059,440)</u>	<u>(6,393,514)</u>
GROSS PROFIT		6,544,302	6,559,934
Administrative expenses		<u>(4,689,140)</u>	<u>(4,521,959)</u>
OPERATING PROFIT: continuing operations	3	1,855,162	2,037,975
Interest receivable and similar income		<u>11,030</u>	<u>51,153</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,866,192	2,089,128
Tax on profit on ordinary activities	5	<u>(477,378)</u>	<u>(368,510)</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR	15, 16	<u>1,388,814</u>	<u>1,720,618</u>

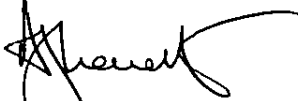
There are no recognised gains and losses for the current and prior year other than as stated above. Accordingly a statement of total recognised gains and losses is not presented.

GENETIX LIMITED

BALANCE SHEET At 31 December 2008

	Note	2008 £	2007 £
FIXED ASSETS			
Intangible assets	6	301,281	333,578
Tangible assets	7	2,128,946	2,186,018
Investments	8	46,317	46,317
		<u>2,476,544</u>	<u>2,565,913</u>
CURRENT ASSETS			
Stocks	9	2,276,076	1,731,390
Debtors	10	9,345,832	8,587,592
Cash at bank and in hand		<u>2,582,840</u>	<u>1,110,606</u>
		14,204,748	11,429,588
CREDITORS: amounts falling due within one year	11	<u>(8,433,923)</u>	<u>(4,477,013)</u>
NET CURRENT ASSETS		<u>5,770,825</u>	<u>6,952,575</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		8,247,369	9,518,488
CREDITORS: amounts falling due after more than one year	12	(190,489)	(172,035)
PROVISIONS FOR LIABILITIES AND CHARGES	13	<u>(453,711)</u>	<u>(282,098)</u>
NET ASSETS		<u><u>7,603,169</u></u>	<u><u>9,064,355</u></u>
CAPITAL AND RESERVES			
Called up share capital	14	101	101
Other reserve	16	150,000	-
Profit and loss account	16	<u>7,453,068</u>	<u>9,064,254</u>
TOTAL SHAREHOLDER'S FUNDS		<u><u>7,603,169</u></u>	<u><u>9,064,355</u></u>

Signed on behalf of the Board of Directors on 16 July 2009.



A J Kellett
Director

GENETIX LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. These have been applied consistently in the current and preceding year.

Accounting convention

The financial statements are prepared under the historical cost convention. The principal risks and uncertainties are detailed in the Director's Report. Accordingly the directors continue to adopt the going concern basis in preparing the financial statements.

Group accounts

The company is exempt from the requirement to prepare group accounts by the Companies Act 1985 (S228) and FRS 2 section 2(21) as it is a wholly owned subsidiary undertaking of Genetix Group plc, which itself prepares group accounts. These financial statements therefore present information about the company as an individual undertaking and not about its group.

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.

Sales of instruments are recognised when the title passes, or when the right to consideration in exchange for performance has been completed. Sales of consumables are recognised on delivery of product, and service contracts evenly over the contractual period.

Pensions

The company operates a stakeholder pension scheme for its UK employees.

Foreign currency

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Adjustments resulting from exchange fluctuations have been reflected in the profit and loss account.

The company uses derivative financial instruments solely to reduce the exposure to foreign exchange risk.

Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

Research and development

Research and development expenditure is charged to the profit and loss account as incurred.

Product warranties

Provision is made for the anticipated cost of expected claims against product warranties on products sold.

Intangible assets - patents and licences

Patents and licences are valued at cost on acquisition and are depreciated in equal annual instalments over their estimated useful lives of four years.

Cash flow

The company is exempt from the requirement of FRS1 (Revised) to include a cash flow statement as part of its financial statements because the consolidated accounts of the ultimate parent company in which the subsidiary is included are publicly available.

GENETIX LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

1. ACCOUNTING POLICIES (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation and provision for impairment. Depreciation is provided in equal annual instalments in order to write off the cost of each asset over its estimated useful life at the following rates:

Freehold buildings	2% per annum
Plant and machinery	25-50% per annum
Motor vehicles	25% per annum
Fixtures and fittings	25% per annum

Freehold land is not depreciated.

Investments

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

Stocks

Stocks and work-in-progress are stated at the lower of cost and net realisable value, after making allowance for obsolete and slow moving items.

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 taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets and liabilities are not discounted.

2. TURNOVER

In the opinion of the directors, the company operates only one class of business generated in the United Kingdom. Turnover can be analysed as follows:

	2008 £	2007 £
By geographic destination:		
United Kingdom	1,952,763	1,207,077
Rest of Europe	4,588,285	4,329,699
North America	6,261,624	5,814,765
Asia	958,409	1,047,056
Rest of World	842,661	554,851
	<u>14,603,742</u>	<u>12,953,448</u>

GENETIX LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

3. OPERATING PROFIT

	2008 £	2007 £
Operating profit is stated after charging/(crediting):		
Depreciation of owned assets	280,755	249,402
Amortisation of patents and licences	143,460	113,159
Fees payable to the company's auditors for the audit of the company's annual accounts	26,000	26,000
Research and development (including salaries)	1,335,473	1,603,571
Grant recoveries	(14,009)	(32,890)
Exchange loss / (gain) on foreign currency transactions	531,445	(347,836)
	<u>531,445</u>	<u>(347,836)</u>

The fees payable for the audit of the company's annual accounts are borne by another group company. Fees payable to the company's auditors and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis.

4. INFORMATION REGARDING EMPLOYEES

None of the directors received any remuneration from the company during the year (2007: £nil). The directors of the company are remunerated by Genetix Group Plc and the emoluments they receive are disclosed in the Group's financial statements.

	2008 No.	2007 No.
Average number of persons employed in the year:		
Sales and marketing	11	11
Research and development	28	30
Production and customer support	27	29
Administration	11	10
Laboratory	1	4
	<u>78</u>	<u>84</u>
	2008 £	2007 £
Staff costs incurred during the year in respect of these employees were:		
Wages and salaries	2,755,491	2,725,306
Social security costs	292,993	290,442
Pension costs	59,184	-
	<u>3,107,668</u>	<u>3,015,748</u>

GENETIX LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2008	2007
	£	£
Current tax		
United Kingdom corporation tax at 28.5% (2007: 30%)	487,955	522,921
Adjustment in respect of prior years	(165,369)	-
Total current tax	<u>322,586</u>	<u>522,921</u>
Deferred tax		
Timing differences	(23,364)	(128,425)
Adjustment in respect of prior years	178,156	(14,302)
Decrease in tax rate	-	(11,684)
Total deferred tax	<u>154,792</u>	<u>(154,411)</u>
Total tax on profit on ordinary activities	<u><u>477,378</u></u>	<u><u>368,510</u></u>

The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the UK of 28.5% (2007: 30%).

The differences are detailed below:

	2008	2007
	%	%
Standard tax rate for year as a percentage of profits	28	30
Effects of:		
Expenses not deductible for tax purposes	2	-
Movement in short term timing differences	-	7
Capital allowances in excess of depreciation	1	(1)
R&D tax credit	(6)	(11)
Prior year adjustment	(8)	-
Current tax rate for year as a percentage of profits	<u><u>17</u></u>	<u><u>25</u></u>

GENETIX LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2008**

6. INTANGIBLE FIXED ASSETS

	Patents and licences £
Cost	
At 1 January 2008	1,100,458
Additions	111,163
	<hr/>
At 31 December 2008	1,211,621
	<hr/>
Accumulated amortisation	
At 1 January 2008	766,880
Charge for the year	143,460
	<hr/>
At 31 December 2008	910,340
	<hr/>
Net book value	
At 31 December 2008	301,281
	<hr/>
At 31 December 2007	333,578
	<hr/>

7. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost					
At 1 January 2008	2,032,412	1,724,920	43,806	206,771	4,007,909
Additions	17,193	219,348	-	-	236,541
Disposals	-	(697,556)	-	(128,683)	(826,239)
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At 31 December 2008	2,049,605	1,246,712	43,806	78,088	3,418,211
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation					
At 1 January 2008	302,833	1,269,759	42,528	206,771	1,821,891
Charge for the year	41,680	237,797	1,278	-	280,755
Disposals	-	(684,698)	-	(128,683)	(813,381)
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At 31 December 2008	344,513	822,858	43,806	78,088	1,289,265
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 December 2008	1,705,092	423,854	-	-	2,128,946
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At 31 December 2007	1,729,579	455,161	1,278	-	2,186,018
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GENETIX LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

8. INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiaries £
At 1 January 2008 and 31 December 2008	<u>46,317</u>

Subsidiaries	Country of incorporation/ registration and operation	Principal activity	Percentage of equity shares held %
Genescreen Limited	England and Wales	Provision of scientific services	100

9. STOCKS

	2008 £	2007 £
Raw materials	1,146,524	681,385
Work in progress	-	6,427
Finished goods	<u>1,129,552</u>	<u>1,043,578</u>
	<u>2,276,076</u>	<u>1,731,390</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

10. DEBTORS

	2008 £	2007 £
Trade debtors	3,375,553	2,910,864
Amounts owed by group undertakings	5,894,724	5,561,479
Other debtors	-	-
Prepayments and accrued income	<u>75,555</u>	<u>115,249</u>
	<u>9,345,832</u>	<u>8,587,592</u>

All debtors are due within one year.

GENETIX LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £	2007 £
Trade creditors	1,310,950	980,961
Amounts owed to group undertakings	6,042,707	2,016,819
Corporation tax	128,182	426,694
Other taxation and social security	152,210	118,791
Other creditors	28,533	60,346
Accruals and deferred income	771,341	873,402
	<u>8,433,923</u>	<u>4,477,013</u>

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2008 £	2007 £
Deferred service income	<u>190,489</u>	<u>172,035</u>

13. PROVISIONS FOR LIABILITIES AND CHARGES

	Product warranties £	Deferred tax £	Total £
Balance at 1 January 2008	118,524	163,574	282,098
Utilised in year	(59,321)	-	(59,321)
Profit and loss charge	76,142	154,792	230,934
	<u>135,345</u>	<u>318,366</u>	<u>453,711</u>
Balance at 31 December 2008			

Product warranties

A provision of £135,345 has been recognised for expected claims against product warranties on products sold during the year. It is expected that most of this expenditure will be incurred in the next financial year.

Deferred taxation

Deferred taxation has been provided in the financial statements as follows:

	2008 £	2007 £
Capital allowances in excess of depreciation	337,787	354,148
Other timing differences	(19,421)	(190,574)
	<u>318,366</u>	<u>163,574</u>

From 1 April 2008, the UK corporation tax rule has changed from 30% to 28%. Deferred tax has been recognised at the balance sheet date at 28% as this is the rate at which it is expected to unwind in the future.

GENETIX LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2008

14. SHARE CAPITAL

	Number	2008 £	2007 £
Authorised:			
Ordinary shares of 1p each	200,000	2,000	2,000
Called up, allotted and fully paid:			
Ordinary shares of 1p each	10,150	101	101

15. PROFIT AND LOSS ACCOUNT

	2008 £	2007 £
At 1 January 2008	9,064,254	7,343,636
Retained profit for the year	1,388,814	1,720,618
Dividends paid	(3,000,000)	-
At 31 December 2008	7,453,068	9,064,254

16. RESERVES

	Other Reserves £	Retained Earnings £	2008 Total £	2007 Total £
Balance at 1 January 2008	-	9,064,254	9,064,254	7,343,636
Retained profit for the financial year	-	1,388,814	1,388,814	1,720,618
Capital contribution – FRS 20	150,000	-	150,000	-
Dividends paid	-	(3,000,000)	(3,000,000)	-
Balance at 31 December 2008	150,000	7,453,068	7,603,068	9,064,254

GENETIX LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

17. SHARE BASED PAYMENTS

The company participates in share-based compensation arrangements operated by the parent company, Genetix Group plc, to provide incentives to the Group's senior management and other eligible employees. Options granted under these schemes are exercisable at an option price established at the time of grant which equates to the closing middle market quotation for the Company shares on the AIM on the date of grant. Other than in exceptional circumstances the normal vesting period is between three and five years. In the case of options granted after the flotation of the Company such vesting is, other than in exceptional circumstances, contingent on the achievement of performance conditions. Other than in exceptional circumstances options will lapse in the event that performance conditions are not achieved and also in the case of termination of employment.

Details of the options outstanding during the year which in view of their similarity are summarised together as follows:

	2008		2007	
	Number of share options	Weighted average exercise price (pence)	Number of share options	Weighted average exercise price (pence)
Outstanding at beginning of period	3,663,633	71.9	3,762,011	72.6
Granted during the period	1,004,773	61.1	625,476	59.0
Exercised during the period	-	-	(80,301)	50.0
Expired during the period	(761,142)	69.7	(643,553)	66.1
Outstanding at the end of the period	3,907,264	69.5	3,663,633	71.9
Exercisable at the end of the period	2,078,154	81.8	2,058,251	83.7

There were 761,142 (2007: 643,553) share options lapsed and nil (2007: 80,301) share options exercised during the year ended 31 December 2008. The exercisable options outstanding at 31 December 2008 had a weighted average exercise price of 81.8 pence and a weighted average remaining contractual life of five years. In 2008, options were granted on 4 March and 15 September. The aggregate of the estimated fair values of the options granted on those dates is £20,044. In 2007, options were granted on 3 September and 19 September. The aggregate of the estimated fair values of the options granted on these dates was £47,871.

The inputs into the Black-Scholes model (only applied to options granted post 7 November 2002) are as follows:

	2008	2007
Weighted average share price	54.3p	55.8p
Weighted average exercise price	69.5p	71.9p
Expected volatility	46%	39%
Expected life	5 years	5 years
Risk-free rate	1.5%	5.5%
Expected dividends	1.4%	-

Expected volatility was determined by reference to data for the technology sector and the Group's share price volatility over the last five years. The charge is adjusted, based on management's best estimate, for the effects of achieving the earnings per share targets for exercise of options.

The Company recognised total expenses of £150,000 for the year (2007: £nil) relating to equity-settled share-based payment transactions.

GENETIX LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

18. ULTIMATE PARENT COMPANY

The ultimate parent company is Genetix Group plc, a company incorporated in the United Kingdom. Genetix Group plc is the largest and smallest group for which group financial statements are prepared. Copies of the group financial statements can be obtained from Queensway, New Milton, Hampshire, BH25 5NN.

19. ULTIMATE CONTROLLING PARTY

M A Reid, is the ultimate controlling party of the company by virtue of his interests in the shares of Genetix Group plc.

20. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption contained in paragraph 3(c) of FRS 8 not to present details of transactions with other group entities as it is a wholly owned subsidiary of Genetix Group plc, whose accounts are publicly available, and such transactions are eliminated on consolidation.

21. CONTINGENT LIABILITY

At 31 December 2008, the company was committed to forward exchange contracts totalling US \$7m at an average rate of £/\$ 1.7832 (2007: US \$9,000,000 at £/\$ 2.0026), all maturing before 31 December 2009, with an unrecognised loss of £842,000 (2007: £152,000 loss), recognised in 2009.

GENETIX LIMITED

ADDITIONAL INFORMATION

The additional information on page 20 has been prepared from the accounting records of the company. While it does not form part of the statutory financial statements, it should be read in conjunction with them and the auditors' report thereon.

GENETIX LIMITED**TRADING PROFIT AND LOSS ACCOUNT**
Year ended 31 December 2008

	2008 £	2007 £
SALES	<u>14,603,742</u>	<u>12,953,448</u>
COST OF SALES		
Purchases	3,588,493	3,397,563
Direct carriage	316,808	353,674
Sales commissions payable non-group	-	90,052
Sales commissions payable group	2,422,658	1,826,656
Licence fees payable	-	11,855
Sales installation costs	238,153	181,443
Direct wages	770,811	696,126
Other direct expenses	191,072	183,981
Exchange loss / (gain) on foreign currency transactions	531,445	(347,836)
	<u>8,059,440</u>	<u>6,393,514</u>
GROSS PROFIT	<u>6,544,302</u>	<u>6,559,934</u>
OTHER INCOME		
Interest receivable	<u>11,030</u>	<u>51,153</u>
ADMINISTRATIVE EXPENSES		
Staff salaries (R&D)	1,061,989	1,161,376
Research and development (net of grant monies received)	259,475	409,305
Staff salaries	1,234,714	1,158,246
Recruitment, training and relocation	173,699	140,275
Rent and rates	61,695	57,947
Repairs and renewals	76,135	48,962
Insurance	51,453	50,470
Telephone	64,873	54,410
Printing, stationery and advertising	52,458	61,692
Entertaining	7,470	8,405
Legal and professional fees	67,217	47,263
Audit and accountancy	-	42,026
Sales promotion expenses	262,262	302,748
Motor and travel expenses	305,554	280,338
Licence fees	44,255	44,929
Sundry costs	66,912	67,826
Depreciation and amortisation	424,215	362,562
Bank charges	21,354	21,296
Exhibition and office costs	243,553	178,595
Profit on disposal of fixed asset	12,857	-
Bad debt provision	(13,000)	23,288
Bonus provision	60,000	-
Share option charge	150,000	-
	<u>4,689,140</u>	<u>4,521,959</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>1,866,192</u>	<u>2,089,128</u>