

EXOSECT LIMITED

ABBREVIATED ACCOUNTS

31 March 2005

Company Registration No: 3762879



REPORT OF THE INDEPENDENT AUDITORS TO

EXOSECT LIMITED

Under section 247B of the Companies Act 1985

We have examined the abbreviated accounts on pages 3 to 6 together with the audited financial statements of Exosect Limited for the year ended 31 March 2005 prepared under section 226 of the Companies Act 1985.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with section 246 of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with section 246(5) and (6) of the Act to the registrar of companies and whether the accounts to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

Basis of opinion

We have carried out the procedures necessary to confirm, by reference to the financial statements that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 246(5) and (6) of the Companies Act 1985, and the abbreviated accounts on pages 3 to 6 have been properly prepared in accordance with those provisions.

Other information

On Date, we reported as auditors to the shareholders of the company on the financial statements prepared under section 226 of the Companies Act 1985 and our report included the following paragraph:

"Going concern

In forming our opinion, we have considered the adequacy of the disclosures in Note 18 concerning the ability of the Company to continue as a going concern. The financial statements have been prepared on a going concern basis, the validity of which depends on future funding being available. The financial statements do not include any adjustments that would otherwise be necessary from a failure to obtain funding. Our opinion is not qualified in this respect."

Wood, Hicks & Co.

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Registered Auditors

16 June 2005

Wood, Hicks & Co.
Chartered Accountants
101a High Street
Gosport
Hampshire PO12 1DS

EXOSECT LIMITED

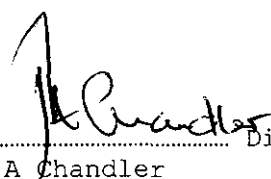
BALANCE SHEET

31 March 2005

	Note	2005 £	2004 £
FIXED ASSETS			
Intangible	2	703,457	670,146
Tangible	3	90,645	38,238
		<u>794,102</u>	<u>708,384</u>
CURRENT ASSETS			
Stock		25,756	22,168
Debtors		120,895	143,473
Short-term deposits		965,974	218,990
Cash at bank and in hand		90,262	27,449
		<u>1,202,887</u>	<u>412,080</u>
CREDITORS: Amounts falling due within one year		<u>166,378</u>	<u>178,558</u>
NET CURRENT ASSETS		<u>1,036,509</u>	<u>233,522</u>
NET ASSETS		<u>£1,830,611</u>	<u>£ 941,906</u>
REPRESENTED BY:			
CAPITAL AND RESERVES			
Called up share capital	4	224	140
Share premium account		4,467,335	2,967,432
Share option reserve		69,203	31,920
Profit and loss account (debit balance)		(2,706,151)	(2,057,586)
SHAREHOLDERS' FUNDS		<u>£1,830,611</u>	<u>£ 941,906</u>

The abbreviated accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Approved by the Board on 16 July 2005
and signed on its behalf


Director
J A Chandler

The notes on pages 4 to 6 form an integral part of these abbreviated accounts.

EXOSECT LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

31 March 2005

NOTE 1 - ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards under historical cost rules.

(b) Intangible fixed assets and amortisation

Patents, licences and trademarks

The patents, licences and trademarks acquired in a business transfer on 29 June 2000 were revalued by the directors to their fair value in accordance with the requirements of the Financial Reporting Standard no. 7.

Acquisition of patents, licences and trademarks and associated application and renewal expenses are otherwise capitalised at cost and amortised over their useful economic lives to the Company from the date that commercial exploitation, whether by direct sale or licensing, is first achieved.

Where the proceeds of the commercial exploitation or disposal of a patent are considered unlikely to exceed its net book value, the value is written down to the higher of the value in use to the Company and net realisable value as defined in Financial Reporting Standard no. 11.

Negative goodwill

The negative goodwill, representing the excess of the assets acquired over the liabilities assumed in a business transfer in a previous year, is amortised and credited to revenue over the useful economic lives of the patents, licences and trademarks from which this negative goodwill derives.

(c) Tangible fixed assets and depreciation

Tangible fixed assets are capitalised at cost and depreciated over their useful economic lives to the Company as follows:

Motor vehicles	25% reducing balance
Plant and machinery	33% reducing balance
Fixtures, fittings, tools and equipment	33% reducing balance

(d) Stock

Stocks of raw materials and bought-out supplies are valued at the lower cost and net realisable value.

(e) Turnover

Turnover represents the amounts invoiced in the ordinary course of business for the provision of goods and services to customers exclusive of value added tax.

(f) Government grants

Grants are recognised in the profit and loss account to the extent that they are matched with the revenue expenditures in respect of which the grant is considered to apply. Insofar as grants contribute towards expenditures that have been capitalised in accordance with these Accounting Policies, they are treated as deferred income and credited to profit and loss account in the same proportions as apply to the assets to which they relate.

(g) Pension scheme

The Company operates a defined contribution pension scheme.

EXOSECT LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

31 March 2005

NOTE 1 - ACCOUNTING POLICIES (continued)

(h) Employee share-based incentive scheme

The value of services recognised in respect of share options granted to directors and staff are charged to revenue:

- (i) immediately, in the case where the options vest at the date of grant;
- (ii) over the period of service where the options vest at a specified future time.

(i) Research and development expenditure

Expenditure on research and development is charged against revenue as incurred.

(j) Taxation

The Company is currently claiming tax credits at the effective rate of 24% on qualifying research and development expenditures. Deferred tax is included on the face of the financial statements to the extent that events have given rise to a deferred tax liability or that a deferred tax asset is more likely than not to be recovered.

NOTE 2 - INTANGIBLE FIXED ASSETS

	£
Cost	
Balance at 31 March 2004	670,146
Acquisitions during year	33,311
	<hr/>
Cost at 31 March 2005	<u>£703,457</u>

NOTE 3 - TANGIBLE FIXED ASSETS

	£
Cost	
Balance at 31 March 2004	78,626
Acquisitions during year	71,391
	<hr/>
Cost at 31 March 2005	<u>150,017</u>
Depreciation	
Balance at 31 March 2004	40,388
Charge for year	18,984
	<hr/>
Depreciation at 31 March 2005	<u>59,372</u>
Net book value	
At 31 March 2005	<u>£ 90,645</u>
At 31 March 2004	<u>£ 38,238</u>

EXOSECT LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

31 March 2005

NOTE 4 - CALLED UP SHARE CAPITAL

	<u>2005</u> £	<u>2004</u> £
Authorised		
99,980,000 Ordinary shares of £0.01 each	999,800	1,000,000
20,000 Preferred shares of £0.01 each	200	-
	<u>£1,000,000</u>	<u>£1,000,000</u>
	£	£
Allotted, called up and fully paid		
14,485 (2004: 14,019) Ordinary shares of £0.01 each	145	140
7,914 (2004: None) Preferred shares of £0.01 each	79	-
	<u>£224</u>	<u>£140</u>

The following share allotments were made:

	<u>2005</u>		<u>2004</u>	
	<u>No. of shares</u>	£	<u>No. of shares</u>	£
Ordinary of £0.01	466	50,000	1,337	250,000
Preferred of £0.01	7,914	1,449,987	-	-
	<u>8,380</u>	<u>1,499,987</u>	<u>1,337</u>	<u>250,000</u>
Less: Nominal value:				
466 (2004: 1,337) Ordinary of £0.01		(5)		(13)
7,914 (2004: nil) Preferred of £0.01		(79)		-
Share premium		<u>£1,499,903</u>		<u>£249,987</u>

NOTE 5 - RELATED PARTY TRANSACTIONS

Transactions involving directors

Ento-Elect Limited, of which Prof P E Howse is a substantial shareholder and director, has been engaged by the Company for the provision of entomological and related services on normal commercial terms. The value of the services rendered to the Company by Ento-Elect Limited in the year was £3,403 (2004: £9,932). Of that amount, £nil (2004: £776) was outstanding at the balance sheet date. Ento-Elect Limited ceased trading on 31 August 2004.

Since 1 September 2004, Prof P E Howse, trading as 'Ento-Elect', has been providing his services on a self-employed basis. The value of the services rendered to the Company by him in the year was £7,175 (2004: nil). Of that amount, £900 (2004: nil) was outstanding at the balance sheet date.