

BioWisdom Limited

Annual report and consolidated financial statements  
for the year ended 31 December 2007

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# **BioWisdom Limited**

## **Annual report for the year ended 31 December 2007**

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# **BioWisdom Limited**

## **Directors and advisers**

### **Directors**

K A Olisa (Chairman & Non-Executive)  
Dr G S Baxter (Chief Executive)  
S D Lowther  
Dr J Barnes  
Dr J R Gonzalez (Non-Executive)  
J Shackleton (Non-Executive)  
Dr A J M Richards (Non-Executive)  
M J Docherty (Non-Executive)

### **Secretary and Registered Office**

S D Lowther  
Harston Mill  
Harston  
Cambridge  
CB22 7GG

### **Auditors**

PricewaterhouseCoopers LLP  
Abacus House  
Castle Park  
Cambridge  
CB3 0AN

### **Bankers**

Lloyds TSB Bank Plc  
3 Sidney Street  
Cambridge  
CB2 3HQ

# BioWisdom Limited

## Directors' report for the year ended 31 December 2007

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2007. This is the first year that the Company has prepared consolidated financial statements. The balance sheet as at, and results for the year to, 31 December 2006 have also been stated on a consolidated basis.

### Principal activities

BioWisdom's products and services are focused on the access, formatting and visualization of healthcare intelligence for scientists, teams and organisations.

### Business review

In the year under review, turnover increased by over 70% to £3.9 million (2006: £2.2 million) derived from new product sales together with annual license and support renewals from existing customers. The Safety Intelligence Programme (SIP) was launched in the year and two major pharma customers secured multi-year agreements. Following successful pilot projects, the Sofia product suite was deployed at a key customer site, again on a multi-year agreement. These agreements together with annual SRS and OmniViz license renewals provide a firm foundation of contracted revenue to be recognised in 2008.

### Research and development

The Group continues to invest in research and product development. In the year under review the principle focus was the enhancement of existing products including new version releases and the development of the Safety Intelligence Programme. Expenditure for the year was £1.7 million (2006: £1.3 million).

### Financial risk management

The Group's activities expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk.

#### Cash flow risk

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates as its costs are principally in GBP with revenues in GBP, the Euro and the US Dollar. The Group uses foreign currency accounts held with banks to manage these exposures together with the natural hedge provided by the income and costs of its US subsidiaries.

#### Credit risk

The Group's principal financial assets are bank balances, cash and trade receivables. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The Directors consider the credit risk on its trade receivables to be low due to the quality of the customer base. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

#### Liquidity risk

Weekly cash flow forecasts are used to predict and manage working capital, in particular the timing of payables and receivables.

# **BioWisdom Limited**

## **Directors' report for the year ended 31 December 2007 (continued)**

### **Results and dividends**

The net loss for the year was £1.8 million (2006: £1.9 million)

The Consolidated profit and loss for the year is set out on page 7. The Directors do not recommend the payment of a dividend.

### **Directors**

The Directors who served during the year were:

Dr B J Price (resigned 26 October 2007)

Dr G S Baxter

S D Lowther

Dr J Barnes

Dr J R Gonzalez

K A Olisa

R M Pettigrew (resigned 26 October 2007)

Dr A J M Richards

J Shackleton (appointed 19 September 2007)

M J Docherty (appointed 21 November 2007)

### **Charitable and political donations**

BioWisdom made no charitable or political donations during the year (2006: £nil)

### **Subsequent events**

On 22 May 2008, the Company drew down the remaining £500,000 of the term facility with Noble Venture Finance II S.A. on which interest is charged at 12.56%.

A number of changes to the UK Corporation Tax system were announced as part of the March 2007 budget statement. Certain of these changes were substantively enacted in the 2007 Finance Act on 26 June 2007. The impact of these changes has been reflected in the unrecognised deferred tax disclosed in these financial statements.

Certain other changes are expected to be enacted in the 2008 Finance Act. The impact of these changes will be recognised in the period in which the 2008 Finance Act becomes substantively enacted, which is expected to be in the year to 31 December 2008. The impact of these changes is not expected to have a material impact on the financial statements for the year ended 31 December 2008.

### **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 Group and of the profit or loss of the Group for that period.

# BioWisdom Limited

## Directors' report for the year ended 31 December 2007 (continued)

### Statement of Directors' responsibilities (continued)

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements 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, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to 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

### Auditors and disclosure of information to auditors

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

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

### Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting

### Small Company

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

### By order of the Board



S D Lowther

Secretary

28 May 2008

# BioWisdom Limited

## Independent auditors' report to the members of BioWisdom Limited

We have audited the Group and parent Company financial statements (the "financial statements") of BioWisdom Limited for the year ended 31 December 2007 which comprise the Consolidated profit and loss account, the Consolidated statement of total recognised gains and losses, the Consolidated and Company balance sheets and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2007).

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and 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 legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and 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 United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the Group's and the parent Company's affairs as at 31 December 2007 and of the Group's loss 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.

*PricewaterhouseCoopers LLP*

**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
Cambridge

*30 May 2008*

# BioWisdom Limited

## Consolidated profit and loss account for the year ended 31 December 2007

	Note	2007 £	2006 £
<b>Turnover</b>	2	3,876,710	2,190,511
Cost of sales		(1,235,278)	(920,751)
<b>Gross profit</b>		2,641,432	1,269,760
Research and development expenditure		(1,701,894)	(1,267,621)
Administrative and selling expenses		(2,731,703)	(1,638,048)
Exceptional administrative and selling expenses	3	(16,000)	(304,041)
Total administrative and selling expenses		(2,747,703)	(1,942,089)
Other income	7	49,647	65,235
<b>Operating loss</b>	4	(1,758,518)	(1,874,715)
Interest receivable and similar income	9	12,381	37,288
Interest payable and similar charges	8	(57,796)	(54,817)
<b>Loss on ordinary activities before taxation</b>		(1,803,933)	(1,892,244)
Tax (charge)/credit on loss on ordinary activities	10	(21,730)	37,699
<b>Loss for the financial year</b>	20	(1,825,663)	(1,854,545)

All activities arise from continuing operations

## Consolidated statement of total recognised gains and losses

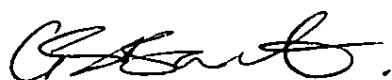
	2007 £	2006 £
Loss for the financial year	(1,825,663)	(1,854,545)
Foreign exchange translation differences arising on consolidation	11,079	53,195
<b>Total recognised losses for the year</b>	(1,814,584)	(1,801,350)

# BioWisdom Limited

## Consolidated Balance sheet as at 31 December 2007

	Note	2007 £	2006 £
<b>Fixed assets</b>			
Intangible assests	11	3,627,787	4,601,023
Tangible assets	12	54,407	147,947
		3,682,194	4,748,970
<b>Current assets</b>			
Debtors	14	1,493,934	962,663
Cash at bank and in hand		393,374	1,453,615
		1,887,308	2,416,278
<b>Creditors: amounts falling due within one year</b>	15	(3,251,292)	(4,382,916)
<b>Net current liabilities</b>		(1,363,984)	(1,966,638)
<b>Total assets less current liabilities</b>		2,318,210	2,782,332
<b>Creditors: amounts falling due after one year</b>	16	(716,868)	(202,789)
Convertible loan	17	(835,625)	-
<b>Net assets</b>		765,717	2,579,543
<b>Capital and reserves</b>			
Called up share capital	18	4,243	4,167
Share premium	20	6,722,143	6,721,461
Merger reserve	20	2,975,250	2,975,250
Profit and loss account	20	(8,935,919)	(7,121,335)
<b>Total shareholders' funds</b>	21	765,717	2,579,543

The financial statements on pages 7 to 27 have been prepared in accordance with the special provisions relating to small companies within Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective January 2007) and were approved by the Board of Directors on 28 May 2008 and were signed on its behalf by



**G Smith Baxter**  
Director

# BioWisdom Limited

## Company Balance sheet as at 31 December 2007

	Note	2007 £	2006 £
<b>Fixed assets</b>			
Tangible assets	12	30,353	60,517
Investments	13	4,555,316	4,555,316
		<b>4,585,669</b>	<b>4,615,833</b>
<b>Current assets</b>			
Debtors	14	1,028,745	475,244
Cash at bank and in hand		278,319	589,417
		<b>1,307,064</b>	<b>1,064,661</b>
<b>Creditors: amounts falling due within one year</b>	15	<b>(2,158,054)</b>	<b>(2,533,503)</b>
<b>Net current liabilities</b>		<b>(850,990)</b>	<b>(1,468,842)</b>
<b>Total assets less current liabilities</b>		<b>3,734,679</b>	<b>3,146,991</b>
<b>Creditors: amounts falling due after one year</b>	16	<b>(638,889)</b>	<b>(3,179)</b>
Convertible loan	17	(835,625)	-
<b>Net assets</b>		<b>2,260,165</b>	<b>3,143,812</b>
<b>Capital and reserves</b>			
Called up share capital	18	4,243	4,167
Share premium	20	6,722,143	6,721,461
Merger reserve	20	2,975,250	2,975,250
Profit and loss account	20	(7,441,471)	(6,557,066)
<b>Total shareholders' funds</b>	21	<b>2,260,165</b>	<b>3,143,812</b>

The financial statements on pages 7 to 27 have been prepared in accordance with the special provisions relating to small companies within Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective January 2007) and were approved by the Board of Directors on 28 May 2008 and were signed on its behalf by



**G Smith Baxter**  
Director

# BioWisdom Limited

## Notes to the financial statements For the period ended 31 December 2007

### 1. Accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the special provisions relating to small companies within Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective January 2007). The principal accounting policies are set out below.

#### Consolidation

The Group financial statements consolidate the financial statements of BioWisdom Limited and its subsidiary undertakings, BioWisdom SRS Limited, BioWisdom SRS Inc and OmniViz Inc. Group comparative figures for 2006 include the annual results for BioWisdom Limited plus the subsidiary results for BioWisdom SRS Limited and BioWisdom SRS Inc for the nine month period to 31 December 2006 and for OmniViz for the ten days to 31 December 2006.

Assets and liabilities of subsidiaries in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year and the results of foreign subsidiaries are translated at the average rate of exchange for the year. Differences on exchange arising from the re-translation of the opening net investment in subsidiary companies, and from the translations of the results of those companies at average rates are taken to reserves and are reported in the statement of total recognised gains and losses.

#### Cash flow statement

The Company has taken advantage of the exemption available to small companies under Financial Reporting Standard ('FRS') 1 (revised 1996) 'Cash flow statements' not to prepare a cash flow statement.

#### Related party transactions

The Company has taken advantage of the exemption available under FRS 8, 'Related party disclosures', not to disclose transactions with Group companies that are included in these consolidated financial statements.

#### Goodwill

Goodwill arising on consolidation is written off on a straight-line basis over the expected useful economic life of the investment which is considered to be 5 years.

#### Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Office equipment, fixtures and fittings	3 – 4 years
Computer equipment	3 years
Leasehold improvements	2 – 3 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

#### Investments

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

# BioWisdom Limited

## 1. Accounting policies (continued)

### Short-term investments

Deposits which are not repayable on demand are treated as short term investments

### Deferred taxation

Full provision is made for deferred taxation in accordance with FRS19 ('Deferred tax') on all material timing differences. Deferred tax assets are recognised to the extent that they are regarded as recoverable. Deferred tax assets and liabilities are not discounted.

### Research and development

All research and development expenditure is charged to the profit and loss account as the costs are incurred.

### Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

### Operating leases

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease term. Benefits, such as lower rental payments in the first year of the lease, received or receivable as incentives to take on operating leases, are spread on a straight-line basis over the period to the first break clause in the lease.

### Assets held under sale and finance leaseback agreements

Assets held under sale and leaseback agreements, in which the new commercial substance of the underlying agreements is considered to be a secured loan and that confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and depreciated over their useful economic lives. The capital element of the leasing commitment is recorded as a liability and is shown as obligations due under finance leases. The lease rental payments are treated as consisting of both a capital and interest element. The capital element is applied to reduce the outstanding obligations under the leasing commitments and the interest element is charged to the profit and loss account over the period of the agreement.

### Pension scheme

The Company operates a defined contribution Group personal pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

### Employee share scheme

As an adopter of the Financial Reporting Standard for Smaller Entities ('FRSSE'), the Company has taken the exemption in FRS20 'Share-based payments' not to apply fair value principles to share options granted to employees and directors of the Company.

### Grants

Government grants relating to funded projects are treated as deferred income and released to the profit and loss account over the life of the project to match the income received to the expenditure incurred. Funds are received in advance and if at the end of the project not all funds received have been spent on eligible expenditure, then the excess of funds will have to be repaid.

# BioWisdom Limited

## 1. Accounting policies (continued)

### Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes

The terms of the agreements typically include a non-refundable software licence and/or technology access fee together with the provision of associated services including technical and scientific consultancy, training, support and maintenance. A description of the different elements of turnover and the related accounting policies which have been applied are given below. However, in principle, revenue is recognised to the extent that the product or service has been delivered or earned in the period.

#### Non-refundable licence fees

Non-refundable licence fees for standard products which are not modified to meet the specific requirements of each customer and for which there is no ongoing future commitment are recognised when the product is delivered and accepted by the customer.

Where a licence is granted to proprietary products or software as part of a fixed term agreement, the revenue is recognised over the period to which the licence relates.

#### Technology access fees

Technology access fees are recognised over the service period or the period of the licence term.

#### Services

Amounts received for services provided are recognised over the period in which the service is provided and for projects containing project milestones, revenue is recognised on a percentage-to-completion basis as milestones are achieved.

Revenue for ongoing technical support and/or maintenance is recognised on a straight-line basis over the period for which the support and/or maintenance is provided.

Where agreements involve multiple elements, the total revenue from such agreements has been allocated to each of the individual elements based on each element's fair value. Evidence of fair value is determined by reference to other agreements where elements are sold separately.

## 2. Turnover

An analysis of turnover by geographical market is given below:

	2007	2006
	£	£
United Kingdom	578,048	94,175
North America	2,004,070	1,315,890
Europe	911,808	621,811
Asia and Pacific	382,784	158,635
	3,876,710	2,190,511

# BioWisdom Limited

## 3. Exceptional administrative and selling expenses

	2007	2006
	£	£
Vacant leasehold property		
– Rent and service charge	-	224,365
– Write down of leasehold improvements	-	49,618
– Provision for dilapidations	16,000	30,058
	16,000	304,041

BioWisdom SRS Limited vacated its office premises in Cambridge, England in May 2006 when all employees moved to premises occupied by BioWisdom Limited. BioWisdom SRS Limited has been unable to sub-let or assign the premises and therefore, in accordance with a Lease Agreement between that company and AXA Sun Life Assurance Limited dated 9 March 2005, BioWisdom SRS Limited exercised its right to break the lease on 9 March 2008. The rent and service charge costs to 9 March 2008, together with the break fee and dilapidations costs were charged to the profit and loss account in 2006 with further dilapidation costs being charged to the profit and loss account in 2007.

## 4. Operating loss

	2007	2006
	£	£
<b>Operating loss is stated after charging:</b>		
Depreciation of tangible fixed assets		
– owned assets	96,530	132,617
– leased assets	21,924	33,156
Goodwill amortisation	973,236	265,157
Operating lease charges		
– land and buildings	101,794	452,665
– plant and machinery	2,130	2,472
Foreign exchange (gain)/loss	(20,147)	64,341
Research and development expenditure written off	1,701,894	1,267,621
Loss on disposal of fixed assets	187	52,869
Services provided by the Company's auditor		
Fees payable to Company's auditor for the audit of parent Company and consolidated accounts	12,000	10,000

# BioWisdom Limited

## 5. Directors' emoluments

	2007	2006
	£	£
Aggregate emoluments in respect of qualifying services	473,486	444,589
Company contributions to money purchase pension schemes	23,666	22,024
Sums paid to third parties for directors' services	16,689	15,000
	513,841	481,613

There were three Directors (2006 three) who were members of the BioWisdom Group Personal Pension Scheme operated by the Company during the period, three of whom (2006 three) received contributions into their plan during the year

Highest paid director	2007	2006
	£	£
Emoluments	160,335	138,038
Pension contributions	9,143	7,607
	169,478	145,645

## 6. Employee information

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
<b>Staff costs</b>				
Wages and salaries	2,761,718	1,948,692	1,597,721	1,495,481
Social security costs	271,835	230,904	181,071	172,975
Pension costs (see note 24)	92,457	88,741	76,369	70,505
	3,126,010	2,268,337	1,855,161	1,738,961

The average monthly number of persons (including executive Directors) employed by the Group and Company during the period was

	Group		Company	
	2007	2006	2007	2006
	Number	Number	Number	Number
<b>By activity</b>				
Scientific and technical	30	27	16	17
Sales and business development	7	4	4	3
Administration	7	7	5	5
	44	38	25	25

# BioWisdom Limited

## 7. Other income

	2007	2006
	£	£
Grant income	49,647	65,235

## 8. Interest payable and similar charges

	2007	2006
	£	£
Interest payable on finance leases	1,901	4,721
Interest payable on venture debt	14,420	-
Interest on convertible loan	29,391	-
Other interest payable	12,084	8,848
Bank guarantee	-	41,248
	57,796	54,817

## 9. Interest receivable and similar income

	2007	2006
	£	£
Bank interest receivable	12,381	34,894
Interest on tax repayment	-	2,394
	12,381	37,288

## 10. Taxation

### (a) Current tax liability

	2007	2006
	£	£
<i>Current tax</i>		
UK corporation tax credit	-	(38,335)
Adjustment in respect of previous period	-	636
Foreign tax charge	21,730	-
Total current tax charge/(credit) (note 10(b)) on loss on ordinary activities	21,730	(37,699)

# BioWisdom Limited

## 10. Taxation (continued)

### (a) Current tax liability (continued)

At 31 December 2007, there were tax losses available to carry forward of £10,760,930 (2006 £9,846,246) subject to agreement by HMRC and IRS. The losses are available to be carried forward indefinitely under current law.

### (b) Factors affecting current and future tax charges

The tax assessed on the loss on ordinary activities for the year does not equal value that would be produced by applying the UK corporation tax rate of 30% (2006 30%) to the loss before tax for the year. The differences are explained below:

	2007	2006
	£	£
<b>Loss on ordinary activities before tax</b>	<b>(1,803,933)</b>	<b>(1,892,244)</b>
Loss on ordinary activities multiplied by the rate for UK corporation tax of 30% (2006 30%)	(541,180)	(567,673)
Disallowed expenses and non-taxable income	267,076	48,979
Adjustments in respect of previous periods	-	636
Short term timing differences	(7,819)	1,554
Difference between capital allowances and depreciation	16,768	21,126
Foreign tax difference	12,480	-
Rate difference due to R&D tax credits	-	33,543
Utilisation of tax losses	(59,380)	-
Carry forward of tax losses	333,785	424,136
<b>Total current tax charge/(credit) (note 10(a))</b>	<b>21,730</b>	<b>(37,699)</b>

The standard rate of Corporation Tax in the UK changes to 28% with effect from 1 April 2008.

### (c) Deferred tax

The deferred taxation assets not recognised in the financial statements are as follows:

	2007	2006
	£	£
Capital allowances in advance of depreciation	29,431	6,433
Other timing differences	2,937	3,969
Tax losses	3,013,060	2,953,874
	<b>3,045,428</b>	<b>2,964,276</b>

The potential deferred tax asset in respect of cumulative losses has not been recognised in the financial statements as there is no immediate prospect of these being utilised. The losses are available to be carried forward indefinitely under current law.

# BioWisdom Limited

## 10. Taxation (continued)

### (c) Deferred tax (continued)

During the year, as a result of the change in UK Corporation Tax rates which will be effective from 1 April 2008, unrecognised deferred tax balances have been remeasured. Deferred tax relating to timing differences which are expected to reverse prior to 1 April 2008 is measured at 30% and deferred tax relating to timing differences expected to reverse after 1 April 2008 is measured at the tax rate of 28% as these are the tax rates that will apply on reversal. This has not resulted in any movement through the profit and loss account as deferred tax is not recognised in these accounts.

## 11. Intangible fixed assets

<b>Group</b>	<b>Goodwill</b>
	<b>£</b>
<b>Cost</b>	
At 1 January 2007 and 31 December 2007	4,866,180
<b>Amortisation</b>	
At 1 January 2007	265,157
Charge for the year	973,236
<b>At 31 December 2007</b>	<b>1,238,393</b>
<b>Net book value</b>	
<b>At 31 December 2007</b>	<b>3,627,787</b>
At 31 December 2006	4,601,023

# BioWisdom Limited

## 12. Tangible fixed assets

Group	Computer equipment £	Leasehold improvements £	Office equipment, fixtures & fittings £	Total £
<b>Cost</b>				
At 1 January 2007	1,106,288	66,828	117,601	1,290,717
Additions	25,445	-	-	25,445
Disposals	(6,479)	-	-	(6,479)
Exchange differences	(6,978)	(514)	(1,037)	(8,529)
<b>At 31 December 2007</b>	<b>1,118,276</b>	<b>66,314</b>	<b>116,564</b>	<b>1,301,154</b>
<b>Depreciation</b>				
At 1 January 2007	987,788	57,318	97,664	1,142,770
Charge for the year	95,806	8,961	13,687	118,454
Disposals	(6,292)	-	-	(6,292)
Exchange differences	(6,634)	(514)	(1,037)	(8,185)
<b>At 31 December 2007</b>	<b>1,070,668</b>	<b>65,765</b>	<b>110,314</b>	<b>1,246,747</b>
<b>Net book value</b>				
<b>At 31 December 2007</b>	<b>47,608</b>	<b>549</b>	<b>6,250</b>	<b>54,407</b>
At 31 December 2006	118,500	9,510	19,937	147,947

The net book values of tangible fixed assets secured under sale and financing leaseback agreements (see note 15) included in the above balances are as follows

	2007 £	2006 £
Leasehold improvements	-	8,522
Office equipment, fixtures and fittings	-	8,237
Computer equipment	-	5,165
	-	21,924

# BioWisdom Limited

## 12. Tangible fixed assets (continued)

Company	Computer equipment £	Leasehold improvements £	Office equipment, fixtures & fittings £	Total £
<b>Cost</b>				
At 1 January 2007	214,557	39,956	51,800	306,313
Additions	16,380	-	-	16,380
<b>At 31 December 2007</b>	<b>230,937</b>	<b>39,956</b>	<b>51,800</b>	<b>322,693</b>
<b>Depreciation</b>				
At 1 January 2007	178,925	30,446	36,425	245,796
Charge for the period	25,857	8,960	11,727	46,544
<b>At 31 December 2007</b>	<b>204,782</b>	<b>39,406</b>	<b>48,152</b>	<b>292,340</b>
<b>Net book value</b>				
<b>At 31 December 2007</b>	<b>26,155</b>	<b>550</b>	<b>3,648</b>	<b>30,353</b>
At 31 December 2006	35,632	9,510	15,375	60,517

The net book values of tangible fixed assets secured under sale and financing leaseback agreements (see note 15) included in the above balances are as follows

	2007 £	2006 £
Leasehold improvements	-	8,522
Office equipment, fixtures and fittings	-	8,237
Computer equipment	-	5,165
	-	21,924

## 13. Investments

	Company	
	2007 £	2006 £
<b>Investment in subsidiary undertakings at cost</b>		
At 1 January and 31 December	4,555,316	4,555,316

# BioWisdom Limited

## 13. Investments (continued)

### Principal Group investments

The Company has investments in the following subsidiary undertakings

Subsidiary undertakings	Country of incorporation	Principal activity	Holding	%
BioWisdom Corporation	USA	Dormant	100 \$0.01 common stock	100
BioWisdom SRS Limited	UK	Development and distribution of the SRS products	50,000 £1.00 ordinary shares	100
BioWisdom SRS Inc *	USA	Selling and support of the SRS products	100 \$0.01 voting shares	100
OmniViz Inc	USA	Development and distribution of the OmniViz products	10 million \$0.01 voting common shares and 148,932 non-voting common shares	100

\* BioWisdom SRS Inc is a wholly owned subsidiary of BioWisdom SRS Limited

The Company owns 100% of the common stock of BioWisdom Corporation, a company incorporated in Delaware, USA. BioWisdom Corporation did not trade in the year ended 31 December 2007.

The Company owns 100% of the ordinary shares of BioWisdom SRS Limited, a company incorporated in England. BioWisdom SRS Limited wholly owns BioWisdom SRS Inc, a company incorporated in Delaware, USA.

The Company also owns 100% of the common stock of OmniViz Inc, a company incorporated in Delaware, USA.

## 14. Debtors

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
<b>Amounts falling due within one year</b>				
Trade debtors	1,012,301	441,944	664,789	213,254
Amounts due from Group undertakings	-	-	170,997	-
Other debtors	131,784	67,465	56,854	26,251
Corporation tax recoverable	37,699	109,273	37,699	109,273
Prepayments and accrued income	312,150	343,981	98,406	126,466
	<b>1,493,934</b>	<b>962,663</b>	<b>1,028,745</b>	<b>475,244</b>

Included in Group prepayments is a rent deposit deed of £69,908 (2006: £69,908), secured by a mortgage charge dated 15 March 2005.

# BioWisdom Limited

## 15. Creditors: amounts falling due within one year

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Venture debt	333,333	-	333,333	-
Bank overdraft	-	123,847	-	-
Trade creditors	265,812	145,696	246,741	132,667
Amounts due to Group undertakings	-	-	-	445,680
Obligations under finance leases	2,830	36,247	2,830	36,247
Taxation and social security	49,922	69,897	46,192	55,734
Other creditors	184,193	1,084,494	64,189	825,150
Accruals and deferred income	2,286,360	2,795,872	1,335,927	911,162
Deferred grant income	128,842	126,863	128,842	126,863
	<b>3,251,292</b>	<b>4,382,916</b>	<b>2,158,054</b>	<b>2,533,503</b>

Included in the Group's other creditors is an amount of £75,398 (2006 £254,423) for the provision of rent, service charge and dilapidation obligations for office premises which are no longer occupied and £nil (2006 £798,570) in respect of deferred consideration for the acquisition of BioWisdom SRS Limited

On 4 February 2005, BioWisdom Limited entered into two agreements to borrow a total of £99,088 secured on certain tangible fixed assets (see note 12) The Company is repaying the amount borrowed over thirty-six months

As the Directors consider the commercial substance of the transactions to be a secured loan, no adjustments have been made to the carrying value of the tangible fixed assets and they continue to be depreciated over their useful economic lives The proceeds have been accounted for as a liability shown as "obligations under finance leases" with the interest element charged to the profit and loss account over the period of the agreement

## 16. Creditors: amounts falling due after one year

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Venture debt	638,889	-	638,889	-
Obligations under finance leases	-	3,179	-	3,179
Accruals and deferred income	77,979	199,610	-	-
	<b>716,868</b>	<b>202,789</b>	<b>638,889</b>	<b>3,179</b>

# BioWisdom Limited

## 17. Loans and other borrowings

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Venture debt	972,222	-	972,222	-
Convertible loan	835,625	-	835,625	-
Obligations under finance leases	2,830	39,426	2,830	39,426
	1,810,677	39,426	1,810,677	39,426
Repayable				
Within one year	336,163	36,247	336,163	36,247
Between one and two years	1,168,958	3,179	1,168,958	3,179
Between two and five years	305,556	-	305,556	-
	1,810,677	39,426	1,810,677	39,426

On 4 February 2005, the Company entered into two agreements to borrow a total of £99,088 secured on certain tangible fixed assets (see note 12). The Company is repaying the amount borrowed over thirty-six months.

As the Directors consider the commercial substance of the transactions to be a secured loan, no adjustments have been made to the carrying value of the tangible fixed assets and they continue to be depreciated over their useful economic lives. The proceeds have been accounted for as a liability shown as "obligations under finance leases" with the interest element charged to the profit and loss account over the period of the agreement. The finance lease obligations stated above exclude finance charges.

On 4 May 2007, the Company issued convertible loan notes to existing shareholders which raised £806,000. The loan notes will convert into Ordinary shares in the Company immediately prior to a return of capital, a sale of the Company or prior to a listing. If the repayment date of 31 December 2008 is reached and no such conversion has taken place, the Company can decide to either repay the principal sum together with accrued interest to the loan holder or convert the loan notes into Preferred Ordinary shares. Accrued interest is being added to the convertible loan notes at base rate.

On 30 October 2007, the Company entered into an agreement with Noble Venture Finance II S.A. in respect of a £1.5 million term facility. On 5 November 2007, the Company drew down £1 million of this facility, the balance being available until 30 June 2008. Interest is charged at 12.66% and the loan is repayable with interest in 36 monthly instalments. Early repayment of the loan is permitted after 12 months.

# BioWisdom Limited

## 18. Called up share capital

	2007 £	2006 £
<b>Authorised</b>		
100,000,000 (2006 100,000,000) Ordinary shares of £0 01 each	1,000,000	1,000,000
200,000,000 (2006 200,000,000) Preferred Ordinary shares of £0 01 each	2,000,000	2,000,000
	<b>3,000,000</b>	<b>3,000,000</b>
<b>Allotted, called up and fully paid</b>		
73,998 (2006 66,418) Ordinary shares of £0 01 each	740	664
350,288 (2006 350,288) Preferred Ordinary shares of £0 01 each	3,503	3,503
	<b>4,243</b>	<b>4,167</b>

During the year 7,580 Ordinary shares of £0 01 each were issued to current and former employees following the exercise of share options, for total consideration of £758

### Class rights

The Company has in issue two classes of shares Ordinary shares of £0 01 each and Preferred Ordinary shares of £0 01 each

Preferred Ordinary shares rank pari passu with Ordinary shares and are freely transferable Transfers of Ordinary shares require the consent of all the members of the Company

### Dividend rights

All shares rank pari passu in all respects as to dividends and in respect of the amount payable

### Return of capital

On a return of capital, Preferred Ordinary shareholders shall receive an amount equal to the higher of a) one times the subscription price paid for them for each Preferred Ordinary share then held together with a sum equal to all accrued, unpaid dividends to be calculated to the date of the return of capital and to be payable irrespective of whether or not the Company has sufficient profits available for distribution and whether or not such dividends have been declared or earned, and b) the pro rata proportion of the amount to be distributed to which the holders of the Preferred Ordinary shares would be entitled, as if the Preferred Ordinary shares had been converted into Ordinary shares at the conversion price then applying

The remaining assets of the Company available for distribution among the shareholders (if any such assets remain) shall be distributed among the Ordinary shareholders pro rata to their holdings of fully paid up Ordinary shares

In the event of a listing each Preferred Ordinary Share will automatically convert into one Ordinary Share immediately prior to the listing If the price per share at which shares are sold or offered to be sold, is less than the price paid at the time of the last issue of shares, additional Ordinary shares pro rata to the amount subscribed will be issued

### Voting rights

Each shareholder shall have one vote for each share held at general meetings of the Company

# BioWisdom Limited

## 19. Share options

Total share options existing over the Ordinary shares of £0.01 each in the Company are summarised below

Date granted	Exercise price £	Period when exercisable	Number of shares
20 March 2001	31.52	20 March 2003 to 19 March 2011	1,876
15 November 2001	31.52	15 November 2003 to 14 November 2011	1,871
16 December 2003	0.10	16 December 2005 to 15 December 2013	8,410
18 June 2004	0.10	18 June 2006 to 17 June 2014	10,650
23 December 2004	15.00	23 December 2006 to 22 December 2014	8,200
8 December 2005	15.00	8 December 2007 to 7 December 2015	7,400
8 December 2005	0.01	See note 1	900
4 September 2006	11.35	4 September 2008 to 3 September 2016	4,550
4 May 2007	11.35	4 May 2009 to 3 May 2017	6,300
<b>Total</b>			<b>50,157</b>

Note 1 The share options may only be exercised as follows

- a In respect of half of the options granted to each employee, when the market capitalisation of the Company is more than or equal to £20million but less than £25million, and
- b In respect of half of the options granted to each employee when the market capitalisation of the Company is more than or equal to £25million

These options expire on 7 December 2015

Reconciliation of movement in share options	Number of options
At 1 January 2007	61,679
Options granted during the year	11,000
Options exercised in the year	(7,580)
Options lapsed in the year	(14,942)
<b>At 31 December 2007</b>	<b>50,157</b>

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## 20. Reserves

<b>Group</b>	<b>Share premium account</b>	<b>Merger reserve</b>	<b>Profit and loss account</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2007	6,721,461	2,975,250	(7,121,335)
Premium on shares issued during the year (net of issue costs of £nil)	682	-	-
Loss for the financial year	-	-	(1,825,663)
Exchange differences	-	-	11,079
<b>At 31 December 2007</b>	<b>6,722,143</b>	<b>2,975,250</b>	<b>(8,935,919)</b>

<b>Company</b>	<b>Share premium account</b>	<b>Merger reserve</b>	<b>Profit and loss account</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2007	6,721,461	2,975,250	(6,557,066)
Premium on shares issued during the year (net of issue costs of £nil)	682	-	-
Loss for the financial year	-	-	(884,405)
<b>At 31 December 2007</b>	<b>6,722,143</b>	<b>2,975,250</b>	<b>(7,441,471)</b>

The merger reserve represents the premium on the shares issued as consideration for the acquisition of OmniViz Inc on 21 December 2006

## 21. Reconciliation of movements in shareholders' funds

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Opening shareholders' funds	2,579,543	1,404,615	3,143,812	1,404,616
Loss for the financial year	(1,825,663)	(1,854,545)	(884,405)	(1,237,082)
Issue of shares on acquisition of OmniViz Inc	-	2,976,000	-	2,976,000
Net proceeds from issue of shares	758	278	758	278
Exchange differences	11,079	53,195	-	-
<b>Closing shareholders' funds</b>	<b>765,717</b>	<b>2,579,543</b>	<b>2,260,165</b>	<b>3,143,812</b>

# BioWisdom Limited

## 21. Reconciliation of movements in shareholders' funds (continued)

As permitted by section 230 of the Companies Act 1985, the Company's profit and loss account has not been included in these financial statements. The loss on ordinary activities after taxation for the year ended 31 December 2007 in the accounts of the Company was £884,405 (2006 £1,237,082)

## 22. Capital commitments

At 31 December 2007, there were no capital commitments contracted for but not provided for in the financial statements (2006 £nil)

## 23. Operating lease commitments

At 31 December 2007, the Group and the Company had annual commitments under non-cancellable operating leases expiring as follows

	Group		Company	
	Land and buildings 2007	Land and buildings 2006	Land and buildings 2007	Land and buildings 2006
	£	£	£	£
Within one year	32,033	73,303	-	73,303
Between two and five years	163,208	220,880	113,404	-
	195,241	294,183	113,404	73,303

## 24. Pension commitments

The Company operates a defined contribution pension scheme, the BioWisdom Group Personal Pension Scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. Details of contributions for the period are given in note 5. At 31 December 2007, there were outstanding contributions totalling £10,489 (2006 £9,213)

## 25. Related party transactions

During the year, the Company incurred costs of £310 (2006 £279) in respect of expenses incurred by Restoration Partners Limited, a company of which K A Olisa (Director) is a director, of which £nil was outstanding at 31 December 2007 (2006 £nil)

During the year, the Company incurred costs of £7,746 (2006 £9,136) in respect of expenses incurred by Croggan Ltd, a company of which Dr A Richards (Director) is a director, of which £nil was outstanding at 31 December 2007 (2006 £nil)

During the year, the Company incurred costs of £501 (2006 £503) in respect of expenses incurred by Alice Ventures SRL, a company to which Dr J Gonzalez (Director) consults, of which £nil (2006 £nil) was outstanding at 31 December 2007

During the year, the Company incurred costs of £403 (2006 £615) in respect of expenses incurred by Merlin Biosciences Limited, a company in which M J Docherty is a Director, of which £33 was outstanding at the year end (2006 £nil)

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## 26. Subsequent events

On 22 May 2008, the Company drew down the remaining £500,000 of the term facility with Noble Venture Finance II S A on which interest is charged at 12.56%

A number of changes to the UK Corporation Tax system were announced as part of the March 2007 budget statement. Certain of these changes were substantively enacted in the 2007 Finance Act on 26 June 2007. The impact of these changes has been reflected in the unrecognised deferred tax disclosed in these financial statements.

Certain other changes are expected to be enacted in the 2008 Finance Act. The impact of these changes will be recognised in the period in which the 2008 Finance Act becomes substantively enacted, which is expected to be in the year to 31 December 2008. The impact of these changes is not expected to have a material impact on the financial statements for the year ended 31 December 2008.

## 27. Ultimate controlling party

The Directors consider that at 31 December 2007, there was no ultimate controlling party.