

**Medical Device Innovations Limited**

**Financial Statements**

**31 December 2008**

**Company Registration Number 4344782**



**CHAMPION ACCOUNTANTS LLP**

Registered Auditors

2nd Floor

Refuge House

33-37 Watergate Row

Chester

CH1 2LE

# **Medical Device Innovations Limited**

## **Financial Statements**

**Year Ended 31 December 2008**

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# **Medical Device Innovations Limited**

## **Officers and Professional Advisers**

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### **The Board of Directors**

Mr A F Smith (Chairman)  
Mr D Cottier  
Dr D J W Roach

### **Company Secretary**

Mr D Cottier

### **Registered Office**

Daresbury Innovation Centre  
Daresbury Science and Innovation  
Campus  
Halton  
Cheshire  
WA4 4FS

### **Auditor**

Champion Accountants LLP  
Registered Auditors  
2nd Floor  
Refuge House  
33-37 Watergate Row  
Chester  
CH1 2LE

# **Medical Device Innovations Limited**

## **The Directors' Report**

**Year Ended 31 December 2008**

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

### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activity of the company during the year was the development of medical devices and management of the related intellectual property.

The nature of the business is such that the generation of future benefit is uncertain. The Directors therefore monitor and control expenditure so as to ensure that it is relative to the levels of investment received. The Directors also operate an ongoing policy of seeking potential new investment.

The company has made a substantial loss this year. The loss is lower this year than in previous years due to the reduction in project costs and associated administrative expense.

Due to the nature of the business the key financial performance indicator used by the company is the monitoring of income and expenditure against approved budgets.

### **FUTURE DEVELOPMENTS**

The company continues its programme of research and development into new medical devices within the constraints imposed by current funding levels. It is the company's intention to sell or out-licence those technologies to commercial partners.

### **POST BALANCE SHEET EVENTS**

There are no post balance sheet events at present.

### **RESULTS AND DIVIDENDS**

The loss for the year amounted to £836,479. The directors have not recommended a dividend.

### **RESEARCH AND DEVELOPMENT**

All costs are expensed within the profit and loss account as incurred. The programme is devoted to the invention and development of new medical devices and the creation of a related broad intellectual property portfolio.

### **DIRECTORS**

The directors who served the company during the year were as follows:

Mr A F Smith (Chairman)

Mr D Cottier

Dr D J W Roach

Dr P Wall

(Resigned 31 May 2008)

# Medical Device Innovations Limited

## The Directors' Report *(continued)*

Year Ended 31 December 2008

The beneficial interests of the directors in the shares of the company during the year were as follows:

	Class of share	At 31 December 2008	At 1 January 2008
Mr A F Smith (chairman)	Ordinary 10p shares	-	-
	A Ordinary 10p shares	-	-
	B Ordinary 10p shares	-	-
Mr D Cottier	Ordinary 10p shares	833	833
	A Ordinary 10p shares	444	444
	B Ordinary 10p shares	-	-
Dr D J W Roach	Ordinary 10p shares	-	-
	A Ordinary 10p shares	-	-
	B Ordinary 10p shares	-	-
Mr P Wall	Ordinary 10p shares	250	250
	A Ordinary 10p shares	-	-
	B Ordinary 10p shares	-	-

### 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 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;
- 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.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

# Medical Device Innovations Limited

## The Directors' Report *(continued)*

**Year Ended 31 December 2008**

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### AUDITOR

Champion Accountants LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Registered office:  
Daresbury Innovation Centre  
Daresbury Science and Innovation  
Campus  
Halton  
Cheshire  
WA4 4FS

Signed on behalf of the directors



Mr A F Smith

Chairman

Approved by the directors on 14 July 2009

# **Medical Device Innovations Limited**

## **Independent Auditor's Report to the Shareholders of Medical Device Innovations Limited**

**Year Ended 31 December 2008**

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We have audited the financial statements of Medical Device Innovations Limited for the year ended 31 December 2008 on pages 7 to 22, which have been prepared on the basis of the accounting policies set out on pages 12 to 13.

This report is made solely to the company's shareholders, 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 shareholders those matters we are required to state to them in an auditor's 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR**

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 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 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 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.

# Medical Device Innovations Limited

## Independent Auditor's Report to the Shareholders of Medical Device Innovations Limited *(continued)*

Year Ended 31 December 2008

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### 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 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.

Without qualifying our opinion, we draw attention to Note 19 in the financial statements which indicates the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern.

2nd Floor  
Refuge House  
33-37 Watergate Row  
Chester  
CH1 2LE

14 July 2009

*Champion Accountants LLP*  
CHAMPION ACCOUNTANTS LLP  
Registered Auditors



# Medical Device Innovations Limited

## Profit and Loss Account

Year Ended 31 December 2008

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		2008	2007
	Note	£	£
Turnover	2	40,124	143,607
Cost of sales		258,985	779,877
Gross Loss		(218,861)	(636,270)
Administrative expenses		705,524	803,191
Other operating income	3	(768)	(5,675)
Operating Loss	4	(923,617)	(1,433,786)
Interest receivable and similar income		13,100	14,838
Loss on Ordinary Activities Before Taxation		(910,517)	(1,418,948)
Tax on loss on ordinary activities	7	(74,038)	(297,600)
Loss for the Financial Year		(836,479)	(1,121,348)

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All of the activities of the company are classed as continuing.

The notes on pages 12 to 22 form part of these financial statements.

# Medical Device Innovations Limited

## Statement of Total Recognised Gains and Losses

Year Ended 31 December 2008

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	2008	2007
	£	£
Loss for the financial year		
attributable to the shareholders	(836,479)	(1,121,348)
Exercise of share options during the year	—	11,622
Expiry and forfeiture of share options	56,026	25,284
Total gains and losses recognised since the last annual report	<u>(780,453)</u>	<u>(1,084,442)</u>

The notes on pages 12 to 22 form part of these financial statements.

# Medical Device Innovations Limited

## Balance Sheet

31 December 2008

	Note	2008 £	£	2007 £	£
<b>Fixed Assets</b>					
Tangible assets	8		864		2,919
<b>Current Assets</b>					
Debtors	9	126,588		379,593	
Cash at bank and in hand		338,722		954,445	
		<u>465,310</u>		<u>1,334,038</u>	
<b>Creditors: Amounts Falling due Within One Year</b>	10	<u>53,855</u>		<u>177,997</u>	
<b>Net Current Assets</b>			<u>411,455</u>		<u>1,156,041</u>
<b>Total Assets Less Current Liabilities</b>			<u>412,319</u>		<u>1,158,960</u>
<b>Capital and Reserves</b>					
Called-up equity share capital	14		5,047		5,047
Share premium account	15		5,994,723		5,994,723
Share options reserve	16		190,135		156,323
Profit and loss account	17		(5,777,586)		(4,997,133)
<b>Shareholders' Funds</b>	18		<u>412,319</u>		<u>1,158,960</u>

These financial statements were approved by the directors and authorised for issue on 14 July 2009, and are signed on their behalf by:



Mr A F Smith

The notes on pages 12 to 22 form part of these financial statements.

# Medical Device Innovations Limited

## Cash Flow Statement

Year Ended 31 December 2008

	2008	2007
	£	£
Net Cash Outflow from Operating Activities	(1,027,688)	(1,354,638)
<b>Returns on Investments and Servicing of Finance</b>		
Interest received	13,100	14,838
Interest paid	(555)	—
<b>Net Cash Inflow from Returns on Investments and Servicing of Finance</b>	12,545	14,838
<b>Taxation</b>	309,582	—
<b>Capital Expenditure</b>		
Payments to acquire tangible fixed assets	—	(465)
<b>Net Cash Outflow from Capital Expenditure</b>	—	(465)
<b>Cash Outflow Before Financing</b>	(705,561)	(1,340,265)
<b>Financing</b>		
Issue of equity share capital	—	1,514
Share premium on issue of equity share capital	—	1,923,430
Increase in share option reserve	89,838	85,602
<b>Net Cash Inflow from Financing</b>	89,838	2,010,546
<b>(Decrease)/Increase in Cash</b>	(615,723)	670,281

### RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2008	2007
	£	£
Operating loss	(923,617)	(1,433,786)
Interest payable	555	—
Depreciation	2,055	3,713
Decrease in debtors	17,461	26,977
(Decrease)/increase in creditors	(124,142)	48,458
<b>Net cash outflow from operating activities</b>	(1,027,688)	(1,354,638)

### RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2008	2007
	£	£
(Decrease)/Increase in cash in the period	(615,723)	670,281
<b>Movement in net funds in the period</b>	(615,723)	670,281
Net funds at 1 January 2008	954,445	284,164
<b>Net funds at 31 December 2008</b>	338,722	954,445

# Medical Device Innovations Limited

## Cash Flow Statement *(continued)*

Year Ended 31 December 2008

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### ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Jan 2008 £	Cash flows £	At 31 Dec 2008 £
Net cash:			
Cash in hand and at bank	954,445	(615,723)	338,722
Net funds	<u>954,445</u>	<u>(615,723)</u>	<u>338,722</u>

# **Medical Device Innovations Limited**

## **Notes to the Financial Statements**

**Year Ended 31 December 2008**

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### **1. ACCOUNTING POLICIES**

#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention.

#### **Turnover**

Turnover represents government grants receivable which are recognised in the profit and loss in the same period as the related expenditure.

#### **Research and development**

Research and development expenditure is written off in the year in which it is incurred.

#### **Fixed assets**

All fixed assets are initially recorded at cost.

#### **Depreciation**

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures & Fittings	- 15% on cost
Computer Equipment	- 33% on cost

#### **Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

#### **Pension costs**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions payable for the year are charged in the profit and loss account.

# Medical Device Innovations Limited

## Notes to the Financial Statements

Year Ended 31 December 2008

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### 1. ACCOUNTING POLICIES *(continued)*

#### Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### Share-based payments

Expenses for share-based payment transactions are recognised during the vesting period in the profit and loss account. These expenses recognise the fair value of the share options granted. A corresponding amount is reflected in additional paid-in capital.

#### Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

### 2. TURNOVER

The turnover and loss before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2008	2007
	£	£
Government grant income	<u>40,124</u>	<u>143,607</u>

### 3. OTHER OPERATING INCOME

	2008	2007
	£	£
On-line filing credit	100	150
Consultancy fees and costs recharged	668	4,525
Other operating income	<u>—</u>	<u>1,000</u>
	<u>768</u>	<u>5,675</u>

# Medical Device Innovations Limited

## Notes to the Financial Statements

Year Ended 31 December 2008

### 4. OPERATING LOSS

Operating loss is stated after charging:

	2008	2007
	£	£
Research and development expenditure written off	258,985	779,877
Depreciation of owned fixed assets	2,055	3,713
Auditor's remuneration		
- as auditor	6,400	5,900
- for other services	23,553	33,328

### 5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2008	2007
	No	No
Number of management staff	5	5

The aggregate payroll costs of the above were:

	2008	2007
	£	£
Wages and salaries	305,061	320,276
Social security costs	34,612	36,719
Other pension costs	41,514	28,120
EMI and other share options	89,838	85,602
	471,025	470,717

### 6. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2008	2007
	£	£
Aggregate emoluments	248,541	255,467
Value of company pension contributions to money purchase schemes	38,444	25,065
	286,985	280,532



# Medical Device Innovations Limited

## Notes to the Financial Statements

Year Ended 31 December 2008

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### 6. DIRECTORS' EMOLUMENTS *(continued)*

The number of directors who accrued benefits under company pension schemes was as follows:

	2008	2007
	No	No
Money purchase schemes	<u>2</u>	<u>2</u>

The number of directors who received shares under a long term incentive scheme during the year were as follows:

	2008	2007
	No	No
Directors who exercised share options	-	1
Directors who received shares under a long term incentive scheme	<u>1</u>	<u>2</u>

### 7. TAXATION ON ORDINARY ACTIVITIES

Analysis of charge in the year

	2008	2007
	£	£
Current tax:		
UK Corporation Tax recoverable on Research and Development Tax Credits	(62,056)	(105,658)
Over/under provision in prior year	<u>(11,982)</u>	<u>(191,942)</u>
Total current tax	<u>(74,038)</u>	<u>(297,600)</u>

The company has tax losses to carry forward against future profits of approximately £4,275,000 (2007 - £3,690,000).

A deferred tax asset has not been recognised in respect of these losses as the likelihood of sufficient future taxable profits to utilise these losses is uncertain. The estimated value of the deferred tax asset not recognised, if measured at the small companies rate for the year of 21%, is £897,750 (2007 - £738,000 at 20%).

# Medical Device Innovations Limited

## Notes to the Financial Statements

Year Ended 31 December 2008

### 8. TANGIBLE FIXED ASSETS

	Fixtures & Fittings £	Computer Equipment £	Total £
<b>Cost</b>			
At 1 January 2008 and 31 December 2008	<u>237</u>	<u>14,225</u>	<u>14,462</u>
<b>Depreciation</b>			
At 1 January 2008	93	11,450	11,543
Charge for the year	<u>35</u>	<u>2,020</u>	<u>2,055</u>
At 31 December 2008	<u>128</u>	<u>13,470</u>	<u>13,598</u>
<b>Net Book Value</b>			
At 31 December 2008	<u>109</u>	<u>755</u>	<u>864</u>
At 31 December 2007	<u>144</u>	<u>2,775</u>	<u>2,919</u>

### 9. DEBTORS

	2008 £	2007 £
Corporation tax repayable	62,056	297,600
VAT recoverable	6,830	42,097
Other debtors	52,124	36,520
Prepayments and accrued income	<u>5,578</u>	<u>3,376</u>
	<u>126,588</u>	<u>379,593</u>

### 10. CREDITORS: Amounts Falling due Within One Year

	2008 £	2007 £
Trade creditors	20,343	110,264
Other taxation and social security	18,466	10,759
Accruals and deferred income	<u>15,046</u>	<u>56,974</u>
	<u>53,855</u>	<u>177,997</u>

# Medical Device Innovations Limited

## Notes to the Financial Statements

Year Ended 31 December 2008

### 11. SHARE-BASED PAYMENTS

#### (a) Share-based payments to third parties

The company has entered into various share-based arrangements with third-party inventors and suppliers of services.

Under Deeds for the Transfer of Intellectual Property the company has agreed that, in consideration of inventors assigning and transferring intellectual property, it will make payments in cash and grant to the inventors options to subscribe for shares, vesting and exercisable on various dates during a period from the date of the Deeds to the dates of achieving certain milestones. In event that the share options are not exercised within five years from the date of the Deeds the options will lapse.

Using the Intrinsic Method of measuring fair value of the options and having regard to the vesting periods the expenses recognised in the profit and loss account are as follow:

	2008 £	2007 £
Option-based expenses attributable to services	-	-

The movements in options granted to third parties were:

	Number of Shares under option 2008	2007	Weighted average exercise price 2008 £	2007 £
Outstanding at 1 January	745	645	290.51	227.59
Options granted	-	100	-	400.00
Outstanding at 31 December	<u>745</u>	<u>745</u>	<u>279.19</u>	<u>279.19</u>

Range of exercise price of options outstanding at 31 December 2008:

Exercise Price Range	Average contractual life in years	Average remaining expected life in years
£100	5.0	1.1
£400	5.0	2.5

# Medical Device Innovations Limited

## Notes to the Financial Statements

Year Ended 31 December 2008

### 11. SHARE-BASED PAYMENTS *(continued)*

#### (b) Share-based plans for executives and employees

Under the Medical Device Innovations Limited 2003 Enterprise Management Investment Scheme the company has granted options to executive directors and selected employees for them to acquire shares in the company. Under the terms of the Scheme the options lapse on the tenth anniversary of the date of the grant.

On 30 January 2003 and 23 December 2004 Mr D Cottier and Dr P Wall were each granted options to acquire shares in the company at an exercise price of 10p per share; the earliest date that such options can be exercised being the first to occur of a sale of business and assets of the company or the sale of the entire share capital of the company or the admission of any of the company's shares to be dealt with on a Recognised Investment exchange.

On 9 March 2007 Mr D Cottier, Dr P Wall and Mr T Kink were each granted options to acquire shares in the company at an exercise price of 10p per share; the earliest date that such options can be exercised being the first to occur of a sale of business and assets of the company or the sale of the entire share capital of the company or the admission of any of the company's shares to be dealt with on a Recognised Investment exchange.

On 6 November 2007 Dr P Wall and Mr T Kink were each granted options under an unapproved share option scheme to acquire shares in the company at an exercise price of 10p per share; the earliest date that such options can be exercised being the first to occur of a sale of business and assets of the company or the sale of the entire share capital of the company, the admission of any of the company's shares to be dealt with on a Recognised Investment exchange or the receipt of at least £2 million in equity funding.

All options granted to Dr P Wall lapsed on 30 November 2008 when he left the Company.

Using the Intrinsic Method of measuring fair value of the options and having regard to the vesting periods the expenses recognised in the profit and loss account are as follow:

	2008 £	2007 £
Option-based expenses attributable to EMI options	<u>36,168</u>	<u>57,525</u>

The movements in options granted under the Medical Device Innovations Limited 2003 Enterprise Management Investment Scheme were:

	Number of Shares under EMI options 2008	2007	Weighted average exercise price 2008 £	2007 £
Outstanding at 1 January	7,218	3,599	0.10	0.10
Options granted	—	3,952	—	0.10
Options exercised	—	(333)	—	(0.10)
Options lapsed	(3,126)	—	(0.10)	—
Outstanding at 31 December	<u>4,092</u>	<u>7,218</u>	<u>0.10</u>	<u>0.10</u>

The weighted average contractual life and remaining expected life of options outstanding at 31 December 2008 were 9 years and 1 year respectively.

# Medical Device Innovations Limited

## Notes to the Financial Statements

### Year Ended 31 December 2008

#### 11. SHARE-BASED PAYMENTS *(continued)*

On 9 March 2007 and 6 November 2007 Mr D Cottier and Mr A Smith were each granted options under an unapproved share option scheme to acquire shares in the company at an exercise price of 10p per share; the earliest date that such options can be exercised being the first to occur of a sale of business and assets of the company or the sale of the entire share capital of the company or the admission of any of the company's shares to be dealt with on a Recognised Investment exchange or, in the case of the 6 November 2007 options, a receipt of at least £2 million in equity funding.

			2008 £	2007 £
Option-based expenses attributable to unapproved options			<u>53,671</u>	<u>28,077</u>
	Number of Shares under unapproved options	Weighted average exercise price		
	2008	2007	2008 £	2007 £
Outstanding at 1 January	<u>2,979</u>	<u>2,979</u>	<u>0.10</u>	<u>0.10</u>
Outstanding at 31 December	<u>2,979</u>	<u>2,979</u>	<u>0.10</u>	<u>0.10</u>

#### (c) Further information on share-based payments

In view of the difficulty in measuring directly the fair value of the services received from employees and the fair value of the intellectual property rights that it has acquired, the company has measured the fair value of the services and intellectual property rights by reference to the fair value of the options granted.

Furthermore, in view of the fact that the company is unlisted and there is no historical data regarding share price volatility, the Intrinsic Method of measuring the fair value of the options has been used. Under this method the company has accounted for the options by recognising the difference between the market value of the shares at the year end and the exercise price of the options, so that over the vesting period an expense is charged which is equivalent to the option holder's gains on exercise.

#### 12. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2008 the company had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings	
	2008 £	2007 £
Operating leases which expire:		
Within 1 year	-	4,987
Within 2 to 5 years	<u>26,591</u>	<u>-</u>
	<u>26,591</u>	<u>4,987</u>

# Medical Device Innovations Limited

## Notes to the Financial Statements

Year Ended 31 December 2008

### 13. RELATED PARTY TRANSACTIONS

The company was under the control of Avlar Bioventures Fund II Limited Partnership, who owned 88.9% of the ordinary share capital.

During the year directors' fees of £10,000 (2007 - £10,000), consultancy fees of £44,208 (2007 - £44,208) and arrangement fees of £Nil (2007 - £52,498) were payable to Avlar Bioventures Limited.

At the year end Medical Device Innovations Limited owed £4,626 (2007 - £11,855) to Avlar Bioventures Limited.

During the year £8,828 (2007 - £8,484) was paid to YFM Private Equity, in respect of monitoring fees.

YFM Private Equity act on behalf of Northwest Business Investment Scheme who are shareholders in the company.

### 14. SHARE CAPITAL

#### Authorised share capital:

	2008	2007
	£	£
12,000 Ordinary shares of £0.10 each	1,200	1,200
24,000 A Ordinary shares of £0.10 each	2,400	2,400
48,000 B Ordinary shares of £0.10 each	4,800	4,800
	<u>8,400</u>	<u>8,400</u>

#### Allotted, called up and fully paid:

	2008		2007	
	No	£	No	£
Ordinary shares of £0.10 each	1,083	108	1,083	108
A Ordinary shares of £0.10 each	14,001	1,400	14,001	1,400
B Ordinary shares of £0.10 each	35,382	3,538	35,382	3,538
	<u>50,466</u>	<u>5,047</u>	<u>50,466</u>	<u>5,047</u>

In the event of a return of assets the holders of B Ordinary shares are entitled to repayment of the amount of any premium paid thereon and the par value of such shares in priority to any premium and par value paid on the A Ordinary shares, which in turn are paid in priority to any premium paid on the Ordinary shares and the par value of the Ordinary shares; any balance of net assets is distributable amongst the shareholders pari passu pro rata to the number of shares held.

# Medical Device Innovations Limited

## Notes to the Financial Statements

Year Ended 31 December 2008

### 15. SHARE PREMIUM ACCOUNT

	2008 £	2007 £
Balance brought forward	5,994,723	4,071,293
Cash share issue	—	1,923,430
Balance carried forward	<u>5,994,723</u>	<u>5,994,723</u>

### 16. SHARE OPTIONS RESERVE

	2008 £	2007 £
Balance brought forward	156,323	107,627
Increase in share option reserve	89,838	85,602
Exercise of share options during the year	—	(11,622)
Expiry and forfeiture of share options	(56,026)	(25,284)
Balance carried forward	<u>190,135</u>	<u>156,323</u>
Represented by:		
Fair value of share options:		
Nil (2007 - 167) Ordinary shares of 10p	—	5,828
7,071 (2007 - 8,930) Ordinary shares of 10p	190,135	150,495
	<u>190,135</u>	<u>156,323</u>

### 17. PROFIT AND LOSS ACCOUNT

	2008 £	2007 £
Balance brought forward	(4,997,133)	(3,912,691)
Loss for the financial year	(836,479)	(1,121,348)
Exercise of share options in the year	—	11,622
Expiry and forfeiture of share options	56,026	25,284
Balance carried forward	<u>(5,777,586)</u>	<u>(4,997,133)</u>

# Medical Device Innovations Limited

## Notes to the Financial Statements

Year Ended 31 December 2008

### 18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008		2007	
	£	£	£	£
Loss for the financial year		(836,479)		(1,121,348)
New equity share capital subscribed	—		1,514	
Premium on new share capital subscribed	—		1,923,430	
		—		1,924,944
Increase in share option reserve		89,838		85,602
Net (reduction)/addition to shareholders' funds		(746,641)		889,198
Opening shareholders' funds		1,158,960		269,762
Closing shareholders' funds		412,319		1,158,960

### 19. GOING CONCERN

The financial statements have been prepared on a going concern basis.

The Directors have reviewed the funding position of the Company for the forward period and considered the viability of business plans and budgets for the twelve month period to July 2010. Further funding will be required to finance planned expenditure on the development of the Company's IP over this period but the Company is in a position to significantly reduce this planned expenditure level should this prove necessary.

Talks are continuing to take place with the aim of obtaining further funding from the sale of IP or generating income from royalties. In addition, the Directors are confident that further funds will be available from existing investors. The Directors have plans in place to reduce, if necessary, the level of expenditure to keep it within the funds that they confidently believe will be obtained so that the business can continue to trade over the next twelve months.

Accordingly the Directors consider that the going concern basis is appropriate for the preparation of these financial statements.