

**Report of the Directors and
Financial Statements
for the Year Ended 31 March 2007
for
Ploughshare Innovations Limited
Registration No: 4401901**

TUESDAY



LD4 *LT7GDWKU* 22/01/2008 93
COMPANIES HOUSE

Ploughshare Innovations Limited
Contents of the Financial Statements
For the Year Ended 31 March 2007

4401901

	Page
Company Information	3
Report of the Directors	4
Report of the Auditors	6
Profit and Loss Account	7
Balance Sheet	8
Notes to the Financial Statements	9

**Ploughshare Innovations Limited
Company Information
For the Year Ended 31 March 2007**

4401901

DIRECTORS

N K Davis
R Ecclestone
M Hone
D A A Owen
F C Saunders
J Stewart
A M Tulloch

SECRETARY:

Mitre Secretaries Limited
Mitre House
160 Aldersgate Street
London
EC1A 4DD

REGISTERED OFFICE:

B3, 114 Tetnicus Science Park
Salisbury
SP4 0JQ

REGISTERED NUMBER:

4401901 (England and Wales)

AUDITORS:

KPMG LLP
Dukes Keep
Marsh Lane
Southampton
SO14 3EX

THE DIRECTORS PRESENT THEIR REPORT WITH THE FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED 31 MARCH 2007

PRINCIPAL ACTIVITY

Ploughshare Innovations manages technology transfer activities on behalf of Dstl, the Ministry of Defence's Defence Science & Technology Laboratory

In order to exploit Dstl's Intellectual Property (IP) Ploughshare instigates both new license deals, with interested commercial parties and, where necessary, starts up new spin-out or joint venture companies. It also manages Dstl's existing portfolio of IP, license deals and spin-out companies.

REVIEW OF EVENTS

The financial year ended 31st March 2007 was Ploughshare's second as a trading entity and as such saw significant development of the organisation as the staff, systems and resources, newly acquired, were put to work in earnest.

Having taken over the management / ownership of the Dstl equity stakes in the pre-existing spin-out companies, Ploughshare actively pursued its part in the realisation of these assets during the year. Acolyte Biomedica Limited was sold in February 2007 to 3M Corporation providing the financial highlight of the year and enabling Ploughshare to pay off a significant part of its loan from Dstl. Ground-work to move the remaining equity in the portfolio forward continued through the year along with the formation of three diverse new start-up entities.

Licensing income increased during the year with a number of new deals being put in place, that with NP Aerospace for Ceramic Armour being of particular interest. Through deals like that with NP, Ploughshare demonstrated its ability to contribute to the Commercial-off-the-Shelf opportunities that will in time reduce MoD's procurement costs.

Work on securing the pipeline of new Intellectual Property moved on significantly with all Dstl departments actively engaging with Ploughshare, particularly towards the end of the year, this is thanks in large part to the effort of the senior management team in Dstl. The IP review process, successful in its own right at identifying opportunities, has produced quantifiable savings to the Dstl customer over the last 2 years of operation. This success was recognised as an asset that may be of value to other parts of the MoD, resulting in a small consultancy contract for Ploughshare and should lead to further external business in 2007/8.

DIVIDEND

There will be no dividend payment for the year.

DIRECTORS

The directors during the year under review were:

N Davis
R Ecclestone
M Hone
D A A Owen
F C Saunders
J Stewart
A M Tulloch

There were no additional directors appointed to, nor resignations from, the Board during the financial year.

None of the directors holding office on 31 March 2007 held beneficial interests in the issued share capital of the company.

No rights to subscribe for shares in or debentures of the company nor any other group company were granted to any of the directors, or exercised by them during the year

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

COMPANY DEVELOPMENT

Efficient exploitation of the licensing opportunities in the next 12 months requires Ploughshare to build on some key commercial relationships that have developed over the past year, whilst holding the opportunity open for others to take licences where appropriate. To that end significant effort will go into developing these IP licensing pipelines

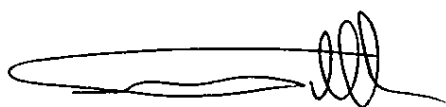
CONTRIBUTIONS

The company made no political or charitable contributions during the year

RE-APPOINTMENT OF AUDITORS

A resolution for the re-appointment of KPMG LLP as auditors of the company is to be put before the Board Meeting to be held on 17 July 2007

ON BEHALF OF THE BOARD:



A M Tulloch (Director)
Ploughshare Innovations Limited

Date

5th July 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PLOUGHSHARE INNOVATIONS LIMITED

We have audited the financial statements of Ploughshare Innovations Limited for the year ended 31 March 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. 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 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 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 UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 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 UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its profit for the year then ended,
- 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

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

Date

5 July 2007

Ploughshare Innovations Limited
Profit and Loss Account
For the Year Ended 31 March 2007

4401901

	Notes	2007 £	2006 £
TURNOVER	2	1,627,420	192,106
Cost of Sales		<u>(343,024)</u>	<u>(76,158)</u>
GROSS PROFIT		1,284,396	115,948
Administrative expenses		<u>(1,258,821)</u>	<u>(809,307)</u>
		25,575	(693,359)
Other operating income		<u>250</u>	<u>-</u>
OPERATING PROFIT/(LOSS)	3	25,825	(693,359)
Interest receivable and similar income		1,789	576
Interest payable	4	<u>(27,001)</u>	<u>(8,464)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		613	(701,247)
Tax on profit on ordinary activities	5	<u>-</u>	<u>-</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION		<u>613</u>	<u>(701,247)</u>
RETAINED PROFIT/(LOSS) FOR THE YEAR		<u><u>613</u></u>	<u><u>(701,247)</u></u>

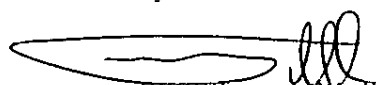
There are no recognised gains or losses for the period other than the profit and loss account. There is no difference between the profit for the period as stated above and the historical cost equivalent.

Ploughshare Innovations Limited
Balance Sheet
For the Year Ended 31 March 2007

4401901

		£	2007 £	£	2006 £
	Notes				
FIXED ASSETS					
Tangible assets	6		5,105		3,913
Investments	7		<u>2,795,208</u>		<u>10,000</u>
			2,800,313		13,913
CURRENT ASSETS					
Debtors	8	154,639		166,280	
Cash at Bank and in hand		<u>735,757</u>		<u>14,648</u>	
		890,396		180,928	
CREDITORS					
Amounts falling due within one year	9	<u>(236,318)</u>		<u>(160,327)</u>	
NET CURRENT ASSETS			<u>654,078</u>		<u>20,602</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			3,454,391		34,515
CREDITORS					
Amounts falling due after more than one year	10		<u>(1,350,698)</u>		<u>(725,761)</u>
			<u>2,103,693</u>		<u>(691,246)</u>
CAPITAL AND RESERVES					
Called up share capital	12		30,001		10,001
Other reserves	13		2,774,326		-
Profit and loss account	13		<u>(700,634)</u>		<u>(701,247)</u>
SHAREHOLDERS' FUNDS			<u>2,103,693</u>		<u>(691,246)</u>

These financial statements were approved by the Board of Directors on 5th July 2007 and were signed on its behalf by


A M Tulloch (Director)

1 ACCOUNTING POLICIES

Basis of Preparation

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of the Company's unlisted investments and in accordance with the applicable Financial Reporting Standards

The financial statements are prepared on a going concern basis, which the directors believe to be appropriate for the following reasons. The company is involved in the development and exploitation of novel technologies and is in the very early stages of its lifecycle. The appropriateness of the going concern basis of preparation is dependent upon the company receiving continued support and funding from its parent company and its bankers. The directors have prepared projected cash flow information for the period to 31 March 2008. The projections include committed financing from the parent entity of 300,000, which is not repayable until 5 July 2008. Dstl confirms that it has no intention of demanding settlement of the Current Account balance due to itself, or any part thereof, prior to 5th July 2008. In addition, Dstl has given an undertaking to continue to provide financial support via the agreed loan and continuing the Current Account arrangement for the coming 12 months, thus ensuring Ploughshare Innovations Ltd remains a viable entity during this period.

As the company is wholly owned by the Defence Science and Technology Laboratory (Dstl), the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

The company also claims exemption under FRS1 from the requirement to prepare a cash flow statement on the grounds both of its size and that the company is included in the published consolidated financial statements of Dstl. The consolidated financial statements of Dstl, within which this company is included, can be obtained from Porton Down, Salisbury, Wiltshire SP4 0JQ.

Turnover

Turnover represents net invoiced sales of services, including consultancy fees, Intellectual Property reviews and royalties receivable for the period, excluding Value Added Tax (VAT). Licence fees (up-front fees charged on the grant of a new licence) are governed by App Note G to FRS5 and have where applicable been treated as Deferred Income being taken to turnover pro rata over the period of the licence. Turnover also includes the proceeds of the sale of the Company's investments in spin-outs or joint venture undertakings and is recognised when the company has an unconditional right to the proceeds on disposal and the share transaction is complete.

Fixed Assets and Amortisation

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Furniture, fixtures and fittings	15% on reducing balance
Computers and Office Equipment	3 years (33.3% per annum)

Investments

Unlisted investments are initially recorded and are then subject to annual revaluations. The valuation of investments is performed by a 3rd party valuation specialist.

1. ACCOUNTING POLICIES (continued)

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Deferred tax assets are recognised to the extent that it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Foreign currencies

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 translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

Employee Share Schemes

No employee share schemes were in place during the year.

Research and Development Expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

2. TURNOVER

	2007	2006
<i>By Activity</i>		
Equity Sales	67%	0%
Consultancy Services	10%	27%
Licence Income	4%	30%
Royalties	12%	57%
Public Funding	7%	0%
	<u>100%</u>	<u>100%</u>
<i>By Geographical Market</i>		
United Kingdom	32%	65%
United States of America	68%	18%
Canada	0%	17%
	<u>100%</u>	<u>100%</u>

3. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit/(loss) on ordinary activities before taxation is stated after charging

	2007	2006
	£	£
Remuneration of Auditors		
Auditors' remuneration	15,000	9,500
<i>Audit and these financial statements</i>	<i>14,500</i>	<i>8,500</i>
<i>Other services – related to taxation</i>	<i>500</i>	<i>1,000</i>
Depreciation and other amounts written off owned fixed assets	1,906	440
Research and development expenditure	172,379	74,809
	<u> </u>	<u> </u>
Remuneration of Directors		
Directors' emoluments	184,037	155,488
Company contributions to money purchase schemes (pensions)	11,550	8,333
Amounts paid to third parties in respect of directors' services	6,000	3,500
	<u> </u>	<u> </u>
	<u>201,587</u>	<u>167,321</u>
	<u> </u>	<u> </u>
The number of directors to whom retirement benefits were accruing was as follows		
Money Purchase Schemes	<u>1</u>	<u>1</u>

Remuneration of Staff (including Directors)

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows

Number of employees	2007	2006
Executive Directors	1	1
Non-Executive Directors	3	3
Sales & Marketing	5	3
Administrative	3	2
	<u> </u>	<u> </u>
	12	9
	<u> </u>	<u> </u>

The total payroll costs of these employees were

	2007	2006
	£	£
Wages and salaries	483,273	298,722
Social security costs	55,341	31,505
Pension costs	36,266	23,295
	<u> </u>	<u> </u>
	574,880	353,522
	<u> </u>	<u> </u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £	2006 £
Interest payable on Bank overdraft	1	15
Interest payable on Dstl loan	27,000	8,449
	<u>27,001</u>	<u>8,464</u>

5. TAXATION

Tax credits on Research & Development

The company is currently seeking a ruling from HMRC on the entitlement to claim tax credits on Research & Development expenditure during the year under review as well as the previous financial year

6. TANGIBLE FIXED ASSETS

	Computer & Office Equipment £	Fixtures & Fittings £	Totals £
Cost			
As at 01 April 2006	3,242	1,111	4,353
Additions	2,841	257	3,098
	<u>6,083</u>	<u>1,368</u>	<u>7,451</u>
As at 31st March 2007			
Depreciation			
As at 01 April 2006	398	42	440
Charge for year	1,756	150	1,906
	<u>2,154</u>	<u>192</u>	<u>2,346</u>
As at 31 March 2007			
Net Book Value			
As at 31 March 2007	<u>3,929</u>	<u>1,176</u>	<u>5,105</u>
As at 01 April 2006	<u>2,844</u>	<u>1,069</u>	<u>3,913</u>

7. FIXED ASSET INVESTMENTS

	Unlisted Investments £
Cost	
As at 01 April 2006	10,000
Additions	20,882
Disposals	(10,000)
Revaluation	2,774,326
	<u>2,795,208</u>
As at 31 March 2007	<u>2,795,208</u>
Net Book Value	
As at 31 March 2007	<u>2,795,208</u>
As at 31 March 2006	<u>10,000</u>

On 31 March 2007, the Company's investments were subject to a valuation, carried out by Alivero Limited, using a number of recognised valuation techniques including discounted cash flows of the underlying businesses, the investments, price of recent investment rounds and earnings multiples. Without the revaluation, the historical costs of investments would be £20,882 at 31 March 2007.

The Company's investments at the balance sheet date in the share capital of unlisted companies include the following:

	Number of Shares	Class of Shares	%age holding	Country of Incorporation
Alaska Food Diagnostics Limited				
Nature of business	Specialists in ultra-sensitive rapid detection of pathogens in food			
Shareholding	1,645,001	Ordinary	41%	England & Wales
ProKyma Technologies Limited				
Nature of business	Development of sonic separation technology for analysis in microbiology			
Shareholding	89	Ordinary	89%	England & Wales
Remo Technologies Limited				
Nature of business	Suppliers of remote monitoring solutions in healthcare and research			
Shareholding	1,000	Ordinary	41%	England & Wales
P2i Limited*				
Nature of business	Provision of plasma coating equipment and services			
Shareholding	10,887,500	Ordinary B	24%	England & Wales
Leading Light Scientific Limited				
Nature of business	Manufacture of recombinant enzyme reagents			
Shareholding	300,000	Ordinary B	50%	England & Wales

* Included on the basis of a transfer of economic interest by the parent undertaking

8. DEBTORS

	2007	2006
	£	£
Trade debtors	13,043	43,878
Amounts owed by Parent Company (Dstl)	-	24,265
Other debtors	-	25,000
VAT Repayment	43,451	39,022
Prepayment and accrued income	98,145	34,115
	<u>154,639</u>	<u>166,280</u>

9. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007	2006
	£	£
Trade creditors	42,652	13,449
Social security and other taxes	17,760	15,549
Other creditors	10,371	3,169
Accruals	138,094	98,469
Deferred income	27,441	29,691
	<u>236,318</u>	<u>160,327</u>

10. CREDITORS. AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2007	2006
	£	£
Parent Company (Dstl) Loan	200,000	250,000
Parent Company (Dstl) Loan Interest	27,000	8,449
Parent Company (Dstl) Current account	1,047,662	394,367
Other Loans	25,000	25,000
Interest on Other Loans	6,369	-
Deferred Income	44,667	47,945
	<u>1,350,698</u>	<u>725,761</u>

Dstl Loan amount of £200,000 is the amount outstanding as at 31 March 2007 (£250,000 as at 31 March 2006) of an unsecured loan facility of £750,000 agreed between the Company and The Secretary of State for Defence acting through the Defence Science and Technology Laboratory (Dstl). During the year under review an amount of £200,000 was additionally drawn down, with a total of £250,000 having been repaid by the year end. Interest is payable at the rate of 2% above base rate. Interest for the financial year ending 31 March 2007 amounted to £27,000 (£8,449 for the period ended 31 March 2006). The loan is repayable in full by 6 April 2008.

Other Loans includes the sum of £25,000 repayable to Rainbow Seed Fund

Deferred Income includes licence sign on fees to be amortised over the period of a licence of a duration exceeding the following financial year

11 SECURED DEBTS

The company has no secured debts at the balance sheet date

12. CALLED UP SHARE CAPITAL

Authorised Number:	Class	Nominal Value	2007 £	2006 £
500,000	Ordinary	£1	500,000	500,000

Authorised, issued and fully paid Number:	Class	Nominal Value	2007 £	2006 £
30,001	Ordinary	£1	30,001	10,001

On 16th January 2007 10,000 ordinary £1 shares were issued at par, in exchange for ordinary shares in an unlisted investment. On 7th February 2007 a further 10,000 ordinary £1 shares were issued at par, in exchange for ordinary shares in another unlisted investment.

The directors held no options to subscribe for shares in the company

13. RESERVES

	Profit and Loss account £	Share Premium £	Other Reserves £	Totals £
At 01 April 2006	(701,247)	-	-	(701,247)
Profit for the year	613	-	-	613
Revaluation of unlisted investments	-	-	2,774,326	2,774,326
At 31 March 2007	<u>(700,634)</u>	<u>-</u>	<u>2,774,326</u>	<u>2,073,692</u>

14. SHAREHOLDERS' FUNDS

	2007 £	2006 £
Opening shareholders' funds as at 01 April 2006	(691,246)	1
New subscriptions during year	20,000	10,000
Revaluation of unlisted investments	2,774,326	-
Profit / (Loss) for the year	613	(701,247)
	<u>2,103,693</u>	<u>(691,246)</u>

15. CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 March 2007 (2006 - £NIL)

16. COMMITMENTS

At the end of the financial year the company had entered into commitments with Dstl amounting to a total value of £304,067 in respect of Research and Development Contracts. Of this sum the figure of £74,809 has been incurred within the financial year and charged to the Profit and Loss Account.

17. POST BALANCE SHEET EVENTS

Since the closure of the financial year under review the Company has secured a further licence agreement amounting to an up front sign-on fee of £100,000. This enabled another investment in an unlisted company of £100,000.

18. RELATED PARTY DISCLOSURE

The company is controlled by The Secretary of State for Defence acting through the Defence Science & Technology Laboratory a trading fund for the UK Ministry of Defence (MOD) which holds 100% of the share capital.

The company has bought services from two directors Nigel Davies and Ralph Ecclestone in their capacity as independent consultants. Services valued at £7,000 were bought from Nigel Davies (£NIL y e 31 03 06). Services of £12,091 were bought from Ralph Ecclestone t/a The Commercialisation Company (£NIL y e 31 03 06).

19. ULTIMATE PARENT COMPANY AND PARENT UNDERTAKING OF LARGER GROUP OF WHICH THE COMPANY IS A MEMBER

The company is wholly owned by the Defence Science & Technology Laboratory (Dstl), a trading fund for the UK Ministry of Defence (MOD).

The consolidated accounts of this company are available to the public and may be obtained from Porton Down, Salisbury, Wiltshire SP4 0JQ.