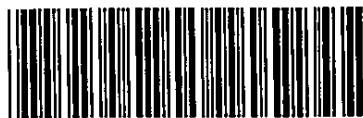


REGISTERED NUMBER: 04401901 (England and Wales)

**REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012
FOR
PLOUGHSHARE INNOVATIONS LIMITED**

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PLOUGHSHARE INNOVATIONS LIMITED (REGISTERED NUMBER: 04401901)

**CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**

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PLOUGHSHARE INNOVATIONS LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2012**

DIRECTORS.

M C H O Alexander
S J Callister
R M Drummond
R Ecclestone
P M Hotten
N H Winterton

SECRETARY.

Mitre Secretaries Limited

REGISTERED OFFICE:

Unit 2, Nine Mile Water Business Park
Nether Wallop
Stockbridge
Hampshire
SO20 8DR

REGISTERED NUMBER.

04401901 (England and Wales)

AUDITORS:

Richardsons
Chartered Accountants
Statutory Auditors
30 Upper High Street
Thame
Oxfordshire
OX9 3EZ

PLOUGHSHARE INNOVATIONS LIMITED (REGISTERED NUMBER: 04401901)

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2012**

The directors present their report with the financial statements of the company for the year ended 31 March 2012

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the management of technology transfer activities on behalf of the Defence Science and Technology Laboratory (Dstl), a trading fund for the UK Ministry of Defence (MOD)

REVIEW OF BUSINESS

Ploughshare continues to deliver on its objectives on behalf of Dstl, MOD and the taxpayer through the general technology transfer activities of licensing and spin-out company formation. The company met its commercial goals for the period.

Technology transfer is a long term commitment. It requires investment in technology, proof of principle, Intellectual Property protection and exploitation activity all of which rely on third parties to deliver any significant long term licence royalties or equity sale value.

DIVIDENDS

No dividends will be distributed for the year ended 31 March 2012.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 April 2011 to the date of this report.

M C H O Alexander
S J Callister
R M Drummond
R Ecclestone
P M Hotten
N H Winterton

Other changes in directors holding office are as follows:

M F Steeden - resigned 30 November 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 judgements and accounting 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

PLOUGHSHARE INNOVATIONS LIMITED (REGISTERED NUMBER: 04401901)

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2012**

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

AUDITORS

The auditors, Richardsons, will be proposed for re-appointment at the forthcoming Annual General Meeting

ON BEHALF OF THE BOARD



P M Hotten - Director

Date 31 July 2012

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PLOUGHSHARE INNOVATIONS LIMITED

We have audited the financial statements of Ploughshare Innovations Limited for the year ended 31 March 2012 on pages six to nineteen. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 a Report of the Auditors 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

As explained more fully in the Statement of Directors' Responsibilities set out on page two, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
PLOUGHSHARE INNOVATIONS LIMITED**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Simon Husband (Senior Statutory Auditor)
for and on behalf of Richardsons
Chartered Accountants
Statutory Auditors
30 Upper High Street
Thame
Oxfordshire
OX9 3EZ

Date 31 July 2012

PLOUGHSHARE INNOVATIONS LIMITED (REGISTERED NUMBER: 04401901)

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2012**

| | Notes | 2012 £ | 2011 £ |
|---|-------|-------------|-------------|
| TURNOVER | 2 | 1,056,737 | 2,856,776 |
| Cost of sales | | (24,589) | 616,543 |
| GROSS PROFIT | | 1,081,326 | 2,240,233 |
| Administrative expenses | | 1,628,627 | 1,551,436 |
| OPERATING (LOSS)/PROFIT | 4 | (547,301) | 688,797 |
| Interest receivable and similar income | 5 | 1,810 | 7,096 |
| | | (545,491) | 695,893 |
| Amounts written off investments | 6 | - | 199 |
| | | (545,491) | 695,694 |
| Interest payable and similar charges | 7 | - | 2,179 |
| (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | (545,491) | 693,515 |
| Tax on (loss)/profit on ordinary activities | 8 | (196,449) | 196,449 |
| (LOSS)/PROFIT FOR THE FINANCIAL YEAR | | (349,042) | 497,066 |
| Deficit brought forward | | (2,259,926) | (2,756,992) |
| | | (2,608,968) | (2,259,926) |
| DEFICIT CARRIED FORWARD | | (2,608,968) | (2,259,926) |

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year

The notes form part of these financial statements

PLOUGHSHARE INNOVATIONS LIMITED (REGISTERED NUMBER: 04401901)

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2012**

| | 2012 £ | 2011 £ |
|---|------------------|------------------|
| (LOSS)/PROFIT FOR THE FINANCIAL YEAR | (349,042) | 497,066 |
| Unrealised gain/(loss) on investments | - | 649,394 |
| Gains realised in the year | - | (1,318,216) |
| | <hr/> | <hr/> |
| TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR | (349,042) | (171,756) |
| | <hr/> | <hr/> |

The notes form part of these financial statements

PLOUGHSHARE INNOVATIONS LIMITED (REGISTERED NUMBER: 04401901)

**BALANCE SHEET
31 MARCH 2012**

| | Notes | 2012 £ | 2011 £ |
|--|-------|------------------|------------------|
| FIXED ASSETS | | | |
| Tangible assets | 9 | 1,608 | 3,287 |
| Investments | 10 | 2,386,371 | 2,321,160 |
| | | <u>2,387,979</u> | <u>2,324,447</u> |
| CURRENT ASSETS | | | |
| Debtors | 11 | 541,695 | 102,270 |
| Investments | 12 | 2 | 1 |
| Cash at bank | | 1,256,257 | 1,908,552 |
| | | <u>1,797,954</u> | <u>2,010,823</u> |
| CREDITORS | | | |
| Amounts falling due within one year | 13 | 244,818 | 737,384 |
| NET CURRENT ASSETS | | <u>1,553,136</u> | <u>1,273,439</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>3,941,115</u> | <u>3,597,886</u> |
| CREDITORS | | | |
| Amounts falling due after more than one year | 14 | 4,199,243 | 3,552,682 |
| NET (LIABILITIES)/ASSETS | | <u>(258,128)</u> | <u>45,204</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 15 | 30,001 | 30,001 |
| Revaluation reserve | 16 | 2,320,839 | 2,275,129 |
| Profit and loss account | | (2,608,968) | (2,259,926) |
| SHAREHOLDERS' FUNDS | 19 | <u>(258,128)</u> | <u>45,204</u> |

The financial statements were approved by the Board of Directors on 31 July 2012 and were signed on its behalf by



P M Hotten - Director

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**

1 ACCOUNTING POLICIES

Basis of preparing the financial statements

The Company has claimed the exemption from the requirement to produce consolidated financial statements under FRS 2, on the grounds that the Company qualifies as a small company and has been included in the published consolidated financial statements of Dstl

The Company has not included the effects of fair value accounting under FRS 26 in the statement of total recognised gains and losses as permitted by FRS 3 26

The Company has also claimed the exemption from the requirement to disclose its financial instrument risks and exposures under FRS 29, on the grounds that this information will be published in the consolidated financial statements of Dstl

Going Concern

The financial statements have been 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 early stages of its lifecycle. The appropriateness of the going concern basis of preparation is dependent on the Company receiving continued support and funding from Dstl. The directors have prepared projected cash flow information for the period to 31 March 2013 which includes committed financing from Dstl. Dstl confirms that it has no intention of demanding settlement of the current account balance due to itself, or any part thereof, prior to this date. In addition, Dstl has given an undertaking to continue to provide support via continuing the current account arrangement, thus ensuring Ploughshare Innovations Limited remains a viable entity.

Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

Financial Reporting Standard Number 1

Exemption has been taken from preparing a cash flow statement on the grounds that the Company qualifies as a small company and is included in the published consolidated financial statements of Dstl.

Turnover

Licence fees (up-front fees charged on the grant of a new licence) are governed by App Note G to FRS 5 and have been taken into turnover in the year the licence is signed.

Where a licence or patent is assigned to a third party, this is treated as a one-off sale and the benefit taken at the date of the transfer (as both the risks and rewards of the patent are passed to the licensee). Turnover also includes the proceeds of sale of, or the benefit of other transactions in, the Company's investment 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.

Costs relating to these sales are included in cost of sales.

Tangible fixed assets

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

| | |
|-----------------------|----------------------------------|
| Plant and machinery | - Straight line over 1 - 5 years |
| Fixtures and fittings | - 12.5% on reducing balance |
| Computer equipment | - Straight line over 3 years |

The capitalisation threshold is £1,000.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2012

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

Research and development

Expenditure on research and development is written off in the year in which it is incurred

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.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate.

Investments

Unlisted investments are treated under FRS 29 as available for sale financial assets and are therefore initially recorded at cost and revalued annually. All valuations are performed using an estimation technique based on the prices of the investee's most recent equity issues (note 10). No differences therefore arise between the fair value and carrying value of these investments.

Revaluations are treated as gains and losses through the revaluation reserve except where the value falls below the original cost of the asset, in which case an impairment is recognised in the profit and loss account. These assets are derecognised in the year they are disposed of, at which point the difference between their original cost and any consideration received is taken to the profit and loss account.

2 TURNOVER

The turnover and loss (2011 - profit) before taxation are attributable to the one principal activity of the company.

By Geographical Market

| | 2012 | 2011 |
|--------|-------------|-------------|
| UK | 69% | 95% |
| Europe | 19% | - |
| USA | 9% | 4% |
| Canada | 3% | 1% |
| | <u>100%</u> | <u>100%</u> |

PLOUGHSHARE INNOVATIONS LIMITED (REGISTERED NUMBER: 04401901)

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2012**

3 STAFF COSTS

| | 2012 | 2011 |
|-----------------------|----------------|----------------|
| | £ | £ |
| Wages and salaries | 638,177 | 694,959 |
| Social security costs | 70,694 | 73,916 |
| Other pension costs | 72,528 | 69,132 |
| | <u>781,399</u> | <u>838,007</u> |

The average monthly number of employees during the year was as follows

| | 2012 | 2011 |
|-------------------------|-----------|-----------|
| Executive directors | 2 | 2 |
| Non-executive directors | 5 | 5 |
| Sales and marketing | 5 | 5 |
| Administrative | 3 | 3 |
| | <u>15</u> | <u>15</u> |

4 OPERATING (LOSS)/PROFIT

The operating loss (2011 - operating profit) is stated after charging

| | 2012 | 2011 |
|--|----------------|----------------|
| | £ | £ |
| Other operating leases | 26,507 | 26,216 |
| Depreciation - owned assets | 1,679 | 2,814 |
| Foreign exchange differences | - | 438 |
| Auditors remuneration audit | 9,600 | 9,900 |
| Auditors remuneration other services | 900 | 900 |
| Research and development expenditure | - | 1,414 |
| | <u>271,740</u> | <u>276,973</u> |
| Directors' remuneration | 25,868 | 25,192 |
| Directors' pension contributions to money purchase schemes | <u>25,868</u> | <u>25,192</u> |

The number of directors to whom retirement benefits were accruing was as follows

| | | |
|------------------------|----------|----------|
| Money purchase schemes | <u>2</u> | <u>2</u> |
|------------------------|----------|----------|

Information regarding the highest paid director is as follows

| | 2012 | 2011 |
|---|---------------|---------------|
| | £ | £ |
| Emoluments etc | 152,129 | 126,948 |
| Pension contributions to money purchase schemes | <u>14,516</u> | <u>15,016</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2012

5 INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2012 | 2011 |
|------------------------|--------------|--------------|
| | £ | £ |
| Bank interest received | 1,810 | 1,412 |
| Other interest | - | 5,684 |
| | <u>1,810</u> | <u>7,096</u> |

6 AMOUNTS WRITTEN OFF INVESTMENTS

| | 2012 | 2011 |
|---------------------------|----------|------------|
| | £ | £ |
| Impairment on investments | - | 199 |
| | <u>-</u> | <u>199</u> |

7 INTEREST PAYABLE AND SIMILAR CHARGES

| | 2012 | 2011 |
|--------------------|----------|--------------|
| | £ | £ |
| Dstl loan interest | - | 2,179 |
| | <u>-</u> | <u>2,179</u> |

Loan interest payable relates to loans from group undertakings

8 TAXATION

Analysis of the tax (credit)/charge

The tax (credit)/charge on the loss on ordinary activities for the year was as follows

| | 2012 | 2011 |
|---|------------------|----------------|
| | £ | £ |
| Current tax | | |
| UK corporation tax | (196,449) | 196,449 |
| | <u>(196,449)</u> | <u>196,449</u> |
| Tax on (loss)/profit on ordinary activities | <u>(196,449)</u> | <u>196,449</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2012

8 TAXATION - continued

Factors affecting the tax (credit)/charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below.

| | 2012 £ | 2011 £ |
|---|------------------|----------------|
| (Loss)/profit on ordinary activities before tax | <u>(545,491)</u> | <u>693,515</u> |
| (Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2011 - 28%) | (152,737) | 194,184 |
| Effects of | | |
| Expenses not deductible for tax purposes | 618 | 4,395 |
| Capital allowances in excess of depreciation | (30) | - |
| Depreciation in excess of capital allowances | - | 163 |
| Utilisation of tax losses | 65,255 | - |
| Adjustments to tax charge in respect of previous periods | (196,449) | - |
| Indexation on capital disposals | - | (1,977) |
| Prior period disallowed expenditure utilised on capital disposals | - | (316) |
| Unutilised trading losses carried forward | 86,894 | - |
| Current tax (credit)/charge | <u>(196,449)</u> | <u>196,449</u> |

9 TANGIBLE FIXED ASSETS

| | Plant and machinery £ | Fixtures and fittings £ | Computer equipment £ | Totals £ |
|--------------------------------------|-----------------------------|----------------------------------|----------------------------|---------------|
| COST | | | | |
| At 1 April 2011 and 31 March 2012 | <u>3,265</u> | <u>1,368</u> | <u>13,407</u> | <u>18,040</u> |
| DEPRECIATION | | | | |
| At 1 April 2011 | 3,265 | 894 | 10,594 | 14,753 |
| Charge for year | <u>-</u> | <u>72</u> | <u>1,607</u> | <u>1,679</u> |
| At 31 March 2012 | <u>3,265</u> | <u>966</u> | <u>12,201</u> | <u>16,432</u> |
| NET BOOK VALUE | | | | |
| At 31 March 2012 | <u>-</u> | <u>402</u> | <u>1,206</u> | <u>1,608</u> |
| At 31 March 2011 | <u>-</u> | <u>474</u> | <u>2,813</u> | <u>3,287</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2012

10 FIXED ASSET INVESTMENTS

| | Unlisted investments £ |
|--------------------------|------------------------------|
| COST OR VALUATION | |
| At 1 April 2011 | 2,321,160 |
| Additions | 19,500 |
| Revaluations | 45,711 |
| | <u>2,386,371</u> |
| At 31 March 2012 | <u>2,386,371</u> |
| NET BOOK VALUE | |
| At 31 March 2012 | <u>2,386,371</u> |
| At 31 March 2011 | <u>2,321,160</u> |

The Company's investments are valued at fair value, derived by comparing valuations from using valuation techniques such as price of recent investment rounds, discounted cash flows of each business and discounted cash flows from the underlying investments. Without the revaluation, the historical cost of investments would be £65,532 at 31 March 2012 (2011 £46,032)

In addition to the above, account has been taken of market intelligence available to the company to inform the valuations. These market-based adjustments, which have been subject to audit, have a significant effect on the change in investment valuations recognised through the Statement of Total Recognised Gains and Losses. In 2011-12 these adjustments ranged from a discount of 10% (2011 10%) to a discount of 100% (2011 100%) for companies where the degree of risk attached to future financing and operations is too great for a prudent valuation to be reliably determined.

PLOUGHSHARE INNOVATIONS LIMITED (REGISTERED NUMBER: 04401901)

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2012**

10 FIXED ASSET INVESTMENTS - continued

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 | % holding in 2012 (2011) |
|---|---|------------------------|-----------------------------|
| ProKyma Technologies Limited (5663740) | | | |
| Nature of business | Suppliers of sonic separation technology for analysis in microbiology | | |
| Shareholding | 8,277 | Ordinary | 4 53% (17 76%) |
| Remo Technologies Limited (4917524) | | | |
| Nature of business | Suppliers of remote monitoring solutions in healthcare and research | | |
| Shareholding | 1,000 | Ordinary | 6 55% (6 55%) |
| P2i Limited (4814350) | | | |
| Nature of business | Provision of plasma coating equipment and services | | |
| Shareholding | 7,409,944 | Ordinary | 3 34% (4 71%) |
| Enigma Diagnostics Limited (5114005) | | | |
| Nature of business | Polymerase chain re-action bio-detection | | |
| Shareholding | 3,824,186 | Preferred Ord | 0 65% (0 69%) |
| Subsea Asset Location Technologies Limited (6436264) | | | |
| Nature of business | Provision of passive acoustic sonar reflector technology | | |
| Shareholding | 3,643 | Ordinary | 15 36% (19 66%) |
| Claresys Limited (6501929) | | | |
| Nature of business | Development and provision of optical lenses | | |
| Shareholding | 199 | Ordinary | 21 47% (22 69%) |
| Esroe Limited (6852991) | | | |
| Nature of business | Electronic surveillance and support software solutions | | |
| Shareholding | 227 573 | Ordinary Preference | 53 87% (53 87%) |

All investments were incorporated in England and Wales

Ploughshare Innovations Limited does not consolidate the financial results or year end position of its spin-out companies under FRS 9 since it does not seek to exercise significant influence over any operating and financial policies of its spin-outs in the long term. Since the company's strategy is to retain shares in spin-outs only with a view to sale in the wider market, they are treated as investments only, and accounted for as financial assets under FRS 26

11 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2012 £ | 2011 £ |
|--------------------------------|----------------|----------------|
| Trade debtors | 451,071 | 74,967 |
| Other debtors | 19,000 | 19,000 |
| Tax | 64,084 | - |
| Prepayments and accrued income | 7,540 | 8,303 |
| | <u>541,695</u> | <u>102,270</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2012

11 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR - continued

Included in other debtors is a balance of £19,000 (2011 £19,000) relating to loans to spin-out companies

12 CURRENT ASSET INVESTMENTS

| | 2012 | 2011 |
|----------------------|----------|----------|
| | £ | £ |
| Unlisted investments | <u>2</u> | <u>1</u> |

Included in current asset investments is an amount of £2 (2011 £1) relating to 2,738,098 (2011 2,738,098) preferred shares in Enigma Diagnostics Limited. These shares are attached to an option allowing an unrelated third party to purchase the shares for £2 aggregate. The transaction is expected to occur within one year and the voting rights of these shares has already been assigned to the purchaser in substance.

In 2011 a profit on disposal of investments was recognised in the profit and loss account to account for the part disposal of shares in relation to the purchase of the option. The amount recognised was £605,017.

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2012 | 2011 |
|---------------------------------|----------------|----------------|
| | £ | £ |
| Trade creditors | 26,779 | 47,815 |
| Corporation tax | - | 196,449 |
| Social security and other taxes | 32,253 | 26,715 |
| Other creditors | 17,063 | 9,597 |
| Accruals and deferred income | 168,723 | 456,808 |
| | <u>244,818</u> | <u>737,384</u> |

Included in accruals and deferred income is an amount of £21,615 (2011 £29,872) which is held on behalf of the Ministry of Defence, being a cash pool relating to various ongoing technology transfer projects.

Also included in accruals and deferred income is an amount of £16,011 (2011 £34,021) relating to accrued invoices from the parent, Dstl.

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2012 | 2011 |
|-------------------------------------|------------------|------------------|
| | £ | £ |
| Intercompany trading account (Dstl) | <u>4,199,243</u> | <u>3,552,682</u> |

Dstl Intercompany Trading Account is the balance outstanding for services provided at arms length rates for which credit terms of more than one year have been agreed.

15 CALLED UP SHARE CAPITAL

| Allotted, issued and fully paid | | | 2012 | 2011 |
|---------------------------------|----------|---------------|---------------|---------------|
| Number | Class | Nominal value | £ | £ |
| 30,001 | Ordinary | 1 | <u>30,001</u> | <u>30,001</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2012

15 CALLED UP SHARE CAPITAL - continued

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

16 RESERVES

| | Revaluation reserve £ |
|--|-----------------------------|
| At 1 April 2011 | 2,275,129 |
| Revaluation of unlisted investments | <u>45,710</u> |
| At 31 March 2012 | <u><u>2,320,839</u></u> |

17 RELATED PARTY DISCLOSURES

Directors of the Company who also hold posts on the board of directors for spin-out companies and/or equity stakes in them are provided below,

Dstl

Parent of Ploughshare Innovations Limited

During the year the Company made sales of £114,801 (2011 £196,690) to its parent Dstl. The Company also operated a loan with Dstl which is disclosed in note 15 of the financial statements. Included in accruals and deferred income is also an amount due to Dstl (note 13).

| | 2012 £ | 2011 £ |
|---|-----------|--------------|
| Amount due from related party at the balance sheet date | <u>-</u> | <u>9,118</u> |

Subsea Asset Location Technologies Limited

Investment held in year and P Hotten is a director in common

During the year the Company made sales of £16,379 (2011 £49,087) and purchases of £100 (2011 £Nil) to Subsea Asset Location Technologies Limited

| | 2012 £ | 2011 £ |
|---|-----------|---------------|
| Amount due from related party at the balance sheet date | <u>-</u> | <u>52,108</u> |

Claresys Limited

Investment held in year and S Callister is a director in common

During the year the Company made sales of £25,232 (2011 £Nil) and continued to provide a loan of £19,000 (2011 £19,000) to Claresys Limited

| | 2012 £ | 2011 £ |
|---|---------------|---------------|
| Amount due from related party at the balance sheet date | <u>49,533</u> | <u>19,374</u> |

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2012**

17 RELATED PARTY DISCLOSURES - continued

Esroe Limited

Investment held in year and S Callister is a director in common

During the year the Company made sales of £19,271 (2011 £6,124) to Esroe Limited

RMD 100 Limited

R Drummond is a director in common

During the year the Company made purchases to the value of £37,250 (2011 £Nil) from RMD 100 Limited

| | 2012 £ | 2011 £ |
|---|-----------|-----------|
| Amount due to related party at the balance sheet date | 3,000 | - |

R Ecclestone t/a The Commercialisation Company

An entity in which Director R Ecclestone is the owner

During the year the Company made purchases to the value of £Nil (2011 £6,678) from The Commercialisation Company

18 ULTIMATE CONTROLLING PARTY

The company's ultimate controlling party, and 100% shareholder, is the Secretary of State for defence represented by Dstl, a trading fund for the UK MOD

The consolidated financial statements for Dstl are available to the public and may be obtained from,

Porton Down
Salisbury
Wiltshire
SP4 0JQ

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2012 £ | 2011 £ |
|--|------------------|------------------|
| (Loss)/profit for the financial year | (349,042) | 497,066 |
| Other recognised gains and losses relating to the year (net) | - | (668,822) |
| Movement from revaluation reserve | 45,710 | - |
| Net reduction of shareholders' funds | (303,332) | (171,756) |
| Opening shareholders' funds | 45,204 | 216,960 |
| Closing shareholders' funds | (258,128) | 45,204 |

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2012**

20 DEFERRED TAX

The Company has unutilised gross trading losses carried forward of £3.7m (2011 £3.5m). In accordance with FRS 19 no deferred tax has been recognised in respect of these losses due to the uncertainty of the future taxable profits arising against which these losses will become utilised.

On the same grounds, no deferred tax asset or liability has been recognised either in respect of depreciation in advance of capital allowances or revaluation of investments.

Were these effects to be recognised in the financial statements, the company would carry a deferred tax asset of £1,061,341 (2011 £974,448) in respect of its carried forward tax loss, a deferred tax asset of £1,550 (2011 £1,580) relating to depreciation in advance of capital allowances, and a deferred tax liability of £392,720 (2011 £726,172) relating to the revaluation of investments. This would result in a net deferred tax asset of £670,171 (2011 £249,856).