

DECON SCIENCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

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DECON SCIENCES LIMITED

COMPANY INFORMATION

Company registration number:

05125066

Registered office:

Suite 25
250 South Oak Way
Lime Square
Green Park
Reading
Berkshire
RG2 6UG

Directors:

S L James
A Cottino
D M Hicks
C T Evans
D Imperiali
J Greenstreet

Secretary:

D M Hicks

Bankers:

Lloyds TSB Bank Plc
25 Gresham Street
London
EC2V 7HN

Accountants:

Mazars LLP
The Atrium
Park Street West
Luton
Bedfordshire
LU1 3BE

DECON SCIENCES LIMITED

INDEX

	PAGE
Report of the directors	1-2
Auditors' report	3-4
Consolidated profit and loss account	5
Company profit and loss account	6
Consolidated balance sheet	7
Company balance sheet	8
Notes to the financial statements	9-20

DECON SCIENCES LIMITED

REPORT OF THE DIRECTORS

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

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the company and the group 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;
- comply with applicable accounting standards 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 which disclose with reasonable accuracy at any time the financial position of the company and 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities

Decon Sciences Limited operates in the healthcare sector, building and operating hospital surgical instrument sterilisation facilities.

The group has three main operating units as follows:

- Instrument reprocessing – the management of instrument sterilisation facilities;
- ERP and Tracking – supply and support of its subsidiary Scantrack Healthcare Systems (UK) Limited's IMS which is a software system for managing instrument sterilisation facilities and tracking individual surgical instruments; and
- Instrument services – surgical instrument repair and maintenance, supply of single use instruments and surgical packs.

Decon Sciences Limited operates in the UK market place but Scantrack Healthcare Systems (UK) Limited has installations in Europe and the USA.

Review of the business

There was a loss for the year after taxation amounting to £3,295,750 (2007: £2,507,436). The directors do not recommend payment of a dividend.

Directors

The directors set out below have held office during the whole of the year from 1 January 2008 to the date of this report, unless otherwise stated.

S L James

A Cottino

D M Hicks

C T Evans

M J Docherty (resigned 8 September 2008)

D Imperiali

S Copeland (resigned 30 March 2009)

J P Greenstreet (appointed 8 September 2008)

S Stacey (resigned 6 June 2008)

DECON SCIENCES LIMITED

REPORT OF THE DIRECTORS (continued)

Charitable gifts

During the year Decon Sciences Limited made a payment of £500 for charitable purposes.

Post balance sheet events

The bank loan, as disclosed in note 14 of the financial statements, amounting to £2,900,000 was repaid on 29 May 2009 and was funded by additional equity provided by Merlin General Partner III Limited as general partner of the Merlin Biosciences Fund III LP and Merlin General Partner III Limited as general partner of the Merlin Biosciences Fund III 2007 LP.


Statement as to disclosure of information to auditors

The directors have taken all necessary steps to make us aware, as directors, of any relevant audit information and to establish that the auditors are aware of that information. As far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware.

Auditors

A resolution to reappoint Mazars LLP as auditors to the company and to authorise the directors to fix their remuneration will be proposed at the annual general meeting.

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Approved by the Board on  July 2009
and signed on its behalf by


S L James
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DECON SCIENCES LIMITED

We have audited the financial statements of Decon Sciences Limited for the year ended 31 December 2008 which comprise the Consolidated Profit and Loss Account, the Company's Profit and Loss Account, the Consolidated Balance Sheet, the Company's Balance Sheet, and 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 auditors' 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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, whether the financial statements are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also 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 transactions with the company and other members of the group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement.

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 circumstances of the company and the group, 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, of the state of the company and the group's affairs as at 31 December 2008 and of the group's and company'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.

MAZARS LLP

MAZARS LLP
CHARTERED ACCOUNTANTS
and Registered Auditors
The Atrium
Park Street West
Luton
Bedfordshire LU1 3BE

Date: 16 July 2009

DECON SCIENCES LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2008**

	Notes	2008 £	2007 £
Turnover	2	6,137,752	4,293,448
Cost of sales		(3,364,108)	(2,334,709)
Gross profit		<u>2,773,644</u>	<u>1,958,739</u>
Administrative expenses		(5,845,981)	(4,375,136)
Operating loss		<u>(3,072,337)</u>	<u>(2,416,397)</u>
Interest receivable and similar income	6	20,016	8,135
Interest payable and similar charges	7	(243,429)	(99,174)
Loss on ordinary activities before taxation	3	<u>(3,295,750)</u>	<u>(2,507,436)</u>
Taxation on loss on ordinary activities	8	-	-
Loss for the financial year	19	<u><u>(3,295,750)</u></u>	<u><u>(2,507,436)</u></u>

The group's turnover and expenses all relate to continuing operations.

There were no recognised gains or losses other than those passing through the profit and loss account.

DECON SCIENCES LIMITED

COMPANY PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 £	2007 £
Turnover	2	3,908,347	2,327,882
Cost of sales		(3,121,500)	(2,079,194)
Gross profit		<u>786,847</u>	<u>248,688</u>
Administrative expenses		(3,865,006)	(2,675,580)
Operating loss		<u>(3,078,159)</u>	<u>(2,426,892)</u>
Interest receivable and similar income	6	8,653	5,649
Interest payable and similar charges	7	(242,185)	(95,518)
Loss on ordinary activities before taxation	3	<u>(3,311,691)</u>	<u>(2,516,761)</u>
Taxation on loss on ordinary activities	8	-	-
Loss for the financial year	19	<u><u>(3,311,691)</u></u>	<u><u>(2,516,761)</u></u>

The company's turnover and expenses all relate to continuing operations.


There were no recognised gains or losses other than those passing through the profit and loss account.

DECON SCIENCES LIMITED
CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2008

	Notes	2008 £	2007 Restated £
Fixed assets			
Tangible assets	9	329,633	313,673
Goodwill	10	1,185,720	673,080
		<u>1,515,353</u>	<u>986,753</u>
Current assets			
Stocks	12	61,719	41,840
Debtors	13	880,867	901,641
Cash at bank and in hand		233,218	2,507,264
		<u>1,175,804</u>	<u>3,450,745</u>
Creditors: amounts falling due within one year	14	<u>(6,378,364)</u>	<u>(5,997,889)</u>
Net current liabilities		<u>(5,202,560)</u>	<u>(2,547,144)</u>
Total assets less current liabilities		<u>(3,687,207)</u>	<u>(1,560,391)</u>
Creditors: amounts falling due after more than one year	15	<u>(1,698,934)</u>	<u>(530,000)</u>
Net liabilities		<u><u>(5,386,141)</u></u>	<u><u>(2,090,391)</u></u>
Capital and reserves			
Called up share capital	18	3,003,847	3,003,847
Share premium	19	3,032,850	3,032,850
Profit and loss account	19	(11,422,838)	(8,127,088)
Shareholders' deficit	20	<u><u>(5,386,141)</u></u>	<u><u>(2,090,391)</u></u>

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 and the Financial Reporting Standard for Smaller Entities (effective January 2007) relating to small groups.

The financial statements were approved by the Board on 8th July 2009 and signed on their behalf by:

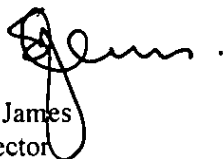

S L James
Director

DECON SCIENCES LIMITED
COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2008

	Notes	2008 £	2007 £
Fixed assets			
Tangible assets	9	296,359	310,757
Goodwill	10	552,232	-
Investments	11	235,650	235,650
		<u>1,084,241</u>	<u>546,407</u>
Current assets			
Stocks	12	52,685	26,029
Debtors	13	1,684,663	2,660,065
Cash at bank and in hand		80,280	231,581
		<u>1,817,628</u>	<u>2,917,675</u>
Creditors: amounts falling due within one year	14	<u>(5,985,722)</u>	<u>(4,406,178)</u>
Net current liabilities		<u>(4,168,094)</u>	<u>(1,488,503)</u>
Total assets less current liabilities		<u>(3,083,853)</u>	<u>(942,096)</u>
Creditors: amounts falling due after more than one year	15	<u>(1,169,934)</u>	<u>-</u>
Net liabilities		<u><u>(4,253,787)</u></u>	<u><u>(942,096)</u></u>
Capital and reserves			
Called up share capital	18	3,003,847	3,003,847
Share premium account	19	3,032,850	3,032,850
Profit and loss account	19	(10,290,484)	(6,978,793)
Shareholders' deficit	20	<u><u>(4,253,787)</u></u>	<u><u>(942,096)</u></u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 and the Financial Reporting Standard for Smaller Entities (effective January 2007) relating to small companies.

Approved by the Board on 8th July 2009
and signed on its behalf by


S L James
Director

DECON SCIENCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

1 Accounting policies

a) Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Financial Report Standard for Smaller Entities (effective January 2007).

b) Basis of preparation of group financial statements

The group financial statements consolidate the financial statements of the company and its subsidiary undertaking made up to 31 December 2008.

c) Going concern

The financial statements have been prepared on a going concern basis on the assumption that the directors and shareholders will continue to make adequate funds available to enable the company and group to meet its liabilities as and when they fall due.

d) Cash flow statement

The group qualifies as a small group under the terms of Section 247 of the Companies Act 1985. As a consequence it is exempt from the requirement to publish a cash flow statement.

e) Turnover

Turnover is the amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

f) Tangible fixed assets and depreciation

Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets by equal annual instalments over the shorter of their expected useful lives or the length of the contract the assets relate to. The rates generally applicable are:

Leasehold property & improvements	Over the life of the lease
Computer equipment & software	25% & 33 ¹ / ₃ %
Office equipment & plant and machinery	20% & 33 ¹ / ₃ %

g) Goodwill

Goodwill represents the excess of cost of the acquisition of a business or subsidiary undertaking over the fair value of the separable net assets acquired. This goodwill is capitalised on the balance sheet and amortised over the period expected to benefit.

h) Investments

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

DECON SCIENCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

1 Accounting policies (continued)

i) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is calculated using the first-in-first-out method and consists of material costs together with an appropriate proportion of legal costs in respect of long term contracts.

j) Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

k) Research and development expenditure

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

l) Foreign currencies

Assets, liabilities, revenues and costs expressed in foreign currencies are translated into sterling at rates of exchange ruling on the date on which transactions occur, except for:

- (i) monetary assets and liabilities which are translated at the rate ruling at the balance sheet date (other than in (ii) below); and
- (ii) transactions to be settled at a contracted rate and trading transactions covered by a related or matching forward contract which are translated at those contracted rates.

Differences arising on the translation of such items are dealt with in the profit and loss account.

m) Operating leases

Rental payments under operating leases are charged on a straight line basis over the term of the lease.

n) Pension costs

The pension costs charged against profits represent the amount of the contribution payable to the scheme in respect of the accounting year.

o) Prior year reclassification

In the prior year income which had been deferred to future periods was fully disclosed in creditors due in less than one year. In order to better reflect the timing of deferred income it has now been reclassified to disclose income deferred to periods due than in less than one and greater than one year.

DECON SCIENCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

2 Turnover

The turnover and total assets less current liabilities are attributable to the principal activity of the group. Of the group's total turnover, 97% (2007: 97%) was attributable to the UK market and 3% (2007: 3%) to the European and US markets. All of the turnover of Decon Sciences Limited is attributable to the UK market.

3 Loss on ordinary activities before taxation

	Group		Company	
	2008	2007	2008	2007
Loss on ordinary activities before taxation is stated after charging:	£	£	£	£
Staff costs (note 4)	3,560,099	2,588,271	2,247,029	1,499,550
Depreciation of owned tangible fixed assets	109,906	74,849	107,495	74,840
Amortisation of goodwill	72,072	39,595	32,480	-
Operating leases				
- hire of other assets	4,427	4,427	-	-
- land and buildings	108,858	108,858	108,858	108,858
Auditors' remuneration				
- audit fee	15,000	13,500	7,500	6,200
- non-audit services	26,200	33,504	-	5,795

4 Staff costs

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Wages and salaries	3,167,451	2,271,441	2,003,049	1,310,867
Social security costs	326,253	263,705	196,328	157,075
Other pension costs	66,395	53,125	47,652	31,608
	<u>3,560,099</u>	<u>2,588,271</u>	<u>2,247,029</u>	<u>1,499,550</u>

The average number of employees of the group during the year was 56 (2007: 37).

5 Directors

	Group	
	2008	2007
	£	£
Emoluments	902,279	631,740
Contributions to money purchase pension schemes	23,460	23,490
	<u>925,739</u>	<u>655,230</u>

One director received compensation for loss of office amounting to £39,375 (2007: £nil)

The figures above include two directors remunerated (2007: two) through the groups subsidiary.

During the year four directors (2007: four directors) participated in a money purchase pension scheme.

Consultancy fees of £60,000 (2007: £60,000) were incurred from an entity in which C Evans has a beneficial interest.

DECON SCIENCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

6	Interest receivable and similar income	Group		Company	
		2008 £	2007 £	2008 £	2007 £
	Bank interest receivable	<u>20,016</u>	<u>8,135</u>	<u>8,653</u>	<u>5,649</u>
7	Interest payable and similar charges	Group		Company	
		2008 £	2007 £	2008 £	2007 £
	Bank interest payable	160,273	99,174	159,029	95,518
	Loan interest payable	<u>83,156</u>	<u>-</u>	<u>83,156</u>	<u>-</u>
		<u>243,429</u>	<u>99,174</u>	<u>242,185</u>	<u>95,518</u>
8	Taxation on loss on ordinary activities	Group		Company	
		2008 £	2007 £	2008 £	2007 £
	Current taxation				
	UK Corporation tax charge for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		-	-	-	-
	Deferred tax				
	Origination and reversal of timing differences	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		-	-	-	-
	Tax on loss on ordinary activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

DECON SCIENCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

8 Taxation on loss on ordinary activities (continued)

The applicable rate of tax for the year, based on the UK rate of corporation tax is 28.5% (2007: 30%). The actual tax charge for the current and previous years varies from the standard rate for the reasons set out in the following reconciliation.

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Loss on ordinary activities before tax	(3,295,750)	(2,507,436)	(3,311,691)	(2,516,761)
Tax on loss on ordinary activities at 28.5% (2006: 30%)	(939,289)	(752,231)	(943,832)	(755,028)
Factors affecting charge for the year:				
Capital allowances (in excess)/less than of depreciation	(801)	23,405	(2,020)	15,615
Expenses not deductible for tax purposes	56,329	32,692	47,645	30,769
Other short term timing differences	11,400	(5,401)	11,400	(5,401)
Unrelieved tax losses	883,352	713,299	883,549	713,299
Group relief surrendered	-	-	3,258	746
Utilisation of tax losses	(10,991)	(11,764)	-	-
Total actual amount of current tax	-	-	-	-

9 Tangible fixed assets

Group	Leasehold improvements	Office equipment	Computer equipment	Total
	£	£	£	£
Cost				
At 1 January 2008	247,982	146,321	216,185	610,488
Additions	20,390	83,454	22,022	125,866
At 31 December 2008	268,372	229,775	238,207	736,354
Accumulated depreciation				
At 1 January 2008	65,808	71,415	159,592	296,815
Charge for the year	36,271	44,077	29,558	109,906
At 31 December 2008	102,079	115,492	189,150	406,721
Net book amount				
At 31 December 2008	166,293	114,283	49,057	329,633
At 31 December 2007	182,174	74,906	56,593	313,673

DECON SCIENCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

9 Tangible fixed assets (continued)

Company	Leasehold improvements £	Office equipment £	Computer equipment & software £	Total £
Cost				
At 1 January 2008	245,967	106,614	102,168	454,749
Additions	20,390	65,207	7,500	93,097
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	266,357	171,821	109,668	547,846
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation				
At 1 January 2008	65,699	42,719	35,574	143,992
Charge for the year	26,822	38,305	42,368	107,495
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	92,521	81,024	77,942	251,487
	<hr/>	<hr/>	<hr/>	<hr/>
Net book amount				
At 31 December 2008	173,836	90,797	31,726	296,359
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2007	180,268	63,895	66,594	310,757
	<hr/>	<hr/>	<hr/>	<hr/>

10 Goodwill

Group	Acquisitions £
Cost	
At 1 January 2008	791,865
Additions	584,712
	<hr/>
At 31 December 2008	1,376,577
	<hr/>
Amortisation	
At 1 January 2008	118,785
Charge for the year	72,072
	<hr/>
At 31 December 2008	190,857
	<hr/>
Net book amount	
At 31 December 2008	1,185,720
	<hr/>
At 31 December 2007	673,080
	<hr/>

The company acquired two new businesses in the year. Goodwill arising on the acquisitions amounted to £584,712 (2007: £nil). An amortisation of £32,480 (2007: £nil) was charged to the profit and loss account, resulting in a net book value at 31 December 2008 of £552,232 (2007: £nil)

Goodwill arising on the acquisitions is amortised on a straight line basis from the date of acquisition (ranging from 10 to 20 years).

DECON SCIENCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

11 Investments - company **Total** **£**

At 1 January 2008 and 31 December 2008 235,650

The investment relates to the acquisition of the entire share capital of Scantrack Healthcare Systems (UK) Limited. The acquisition was funded by a share for share exchange. The shareholders of Scantrack Healthcare Systems (UK) Limited received 4,713 ordinary £0.01 shares in Decon Sciences Limited.

The company holds the following amounts of share capital in the following companies at 31 December 2008:

Name	Country of incorporation and registration	Class of capital	% of class of equity held	Share capital and reserves	Profit /(loss) for year
Scantrack Healthcare Systems (UK) Limited	England	Ordinary	100	(1,488,659)	49,243

12 Stocks	Group		Company	
	2008 £	2007 £	2008 £	2007 £
Stocks	<u>61,719</u>	<u>41,840</u>	<u>52,685</u>	<u>26,029</u>

13 Debtors	Group		Company	
	2008 £	2007 £	2008 £	2007 £
Trade debtors	732,037	830,154	418,888	618,054
Amounts owed by group undertakings	-	-	1,131,811	1,991,253
Other debtors	21,015	-	21,015	-
Prepayments and accrued income	127,815	71,487	112,949	50,758
	<u>880,867</u>	<u>901,641</u>	<u>1,684,663</u>	<u>2,660,065</u>

DECON SCIENCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

14 Creditors: amounts falling due within one year

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
		Restated		
Bank loans	2,900,000	2,625,000	2,900,000	2,600,000
Other loans	580,066	-	580,066	-
Trade creditors	509,978	479,319	473,007	440,340
Other creditors	374,500	-	374,500	-
Other taxed and social security	251,394	447,047	128,673	73,179
Accruals and deferred income	1,762,426	2,446,523	1,529,476	1,292,659
	<u>6,378,364</u>	<u>5,997,889</u>	<u>5,985,722</u>	<u>4,406,178</u>

15 Creditors: amounts falling due in more than one year

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
		Restated		
Other loans	1,169,934	-	1,169,934	-
Accruals and deferred income	529,000	530,000	-	-
	<u>1,698,934</u>	<u>530,000</u>	<u>1,169,934</u>	<u>-</u>

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Bank loan maturity analysis				
In less than one year	<u>2,900,000</u>	<u>2,625,000</u>	<u>2,900,000</u>	<u>2,600,000</u>

The bank loan of £2,900,000 (2007: £2,600,000) has been guaranteed by the parent undertaking, Merlin Biosciences Fund III Limited Partnership and the ultimate controlling party, Merlin General Partner III Limited

16 Provision for liabilities and charges

	Group	Company
	Deferred	Deferred
	taxation	taxation
	(note 17)	(note 17)
	£	£
At 1 January 2008	-	-
Utilised in the year	-	-
	<u>-</u>	<u>-</u>
At 31 December 2008	<u>-</u>	<u>-</u>

DECON SCIENCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

17 Deferred taxation

Group	2008		2007	
	(Asset recognised)/ amount provided £	Amount unprovided £	(Asset recognised)/ amount provided £	Amount unprovided £
Excess of capital allowances over depreciation	-	(40,072)	-	(44,601)
Short term timing differences	-	(11,760)	-	(579)
Tax losses carried forward	-	(3,319,487)	-	(2,538,465)
	-	(3,371,319)	-	(2,583,645)

Company	2008		2007	
	(Asset recognised)/ amount provided £	Amount unprovided £	(Asset recognised)/ amount provided £	Amount unprovided £
Excess of capital allowances over depreciation	-	(20,322)	-	(23,103)
Short term timing differences	-	(11,760)	-	(579)
Tax losses carried forward	-	(2,547,647)	-	(1,739,528)
	-	(2,579,729)	-	(1,763,210)

18 Share capital

	Authorised		Allotted, issued and fully paid	
	2008 £	2007 £	2008 £	2007 £
60,000,000 Class 'A' ordinary shares of £0.01 each	600,000	600,000	3,400	3,400
40,000,000 Ordinary shares of £0.01 each	400,000	400,000	447	447
3,400,000 Class 'A' convertible preferred shares of £1 each (non-equity)	3,400,000	3,400,000	1,000,000	1,000,000
2,000,000 Class 'B' convertible preferred shares of £1 each (non-equity)	2,000,000	2,000,000	2,000,000	2,000,000
	6,400,000	6,400,000	3,003,847	3,003,847

On 23 December 2005, 3,400,000 'A' preferred shares and 2,000,000 'B' preferred shares of £1 each were authorised. The loan stock of £3,000,000 was converted into £1,000,000 'A' preferred shares and £2,000,000 'B' preferred shares on 23 December 2005.

On 22 December 2006, 280,000 'A' ordinary shares of £0.01 each were issued for £2,800,000.

Any profits resolved to be distributed shall be distributed amongst the holders of 'A' preferred shares in priority until the aggregate dividend is a sum equal to the sum required to give a return of 10% per annum.

DECON SCIENCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

18 Share capital (continued)

The holders of 'B' preferred shares will then receive in priority any further distributable profits until the aggregate dividend is a sum equal to the sum required to give a return of 10% per annum. Any further profits shall be distributed amongst the holders of the equity shares, pro rata to the number of equity shares respectively held by them.

On a return of assets, the holders of 'A' preferred shares and 'B' preferred shares will receive their respective redemption amounts. The holders of 'A' ordinary shares shall receive twice the applicable price before distributing the balance of assets amongst the holders of the equity shares pro rata to the number of equity shares respectively held by them.

Each holder of ordinary shares holding not less than 5% of all the issued ordinary shares present in person, or by proxy, or other voting representative, shall be entitled on a show of hands to one vote and, on a poll, to one vote for every equity share of which they are a holder. Each holder of preferred shares present in person or by proxy, or other voting representative, shall be entitled on a show of hands to one vote and, on a poll, to one vote for every equity share of which they would be a holder if the preferred shares were converted into ordinary shares.

The preferred shares are redeemable by the company as per the conditions described in the Articles of Association and at the redemption price set within the Articles of Association.

The preferred shares can be converted by their holders as per the conditions described in the Articles of Association and at the conversion price set within the Articles of Association. The 'A' preferred shares could not be converted until after 1 May 2007 and the 'B' preferred shares can not be converted before 1 May 2008.

The company has no plans to redeem the preferred shares at present.

19 Reserves

	Share premium £	Group Profit and loss account £	Total £	Share premium £	Company Profit and loss account £	Total £
At 1 January 2008	3,032,850	(8,127,088)	(5,094,238)	3,032,850	(6,978,793)	(3,945,943)
Loss for the financial year	-	(3,295,750)	(3,295,750)	-	(3,311,691)	(3,311,691)
At 31 December 2008	<u>3,032,850</u>	<u>(11,422,838)</u>	<u>(8,389,988)</u>	<u>3,032,850</u>	<u>(10,290,484)</u>	<u>(7,257,634)</u>

None of the reserves are available for distribution.

DECON SCIENCES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2008****20 Reconciliation of movements in shareholders' deficit**

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Loss for the financial year	(3,295,750)	(2,507,436)	(3,311,691)	(2,516,761)
Net depletion to shareholders' (deficit)/funds	(3,295,750)	(2,507,436)	(3,311,691)	(2,516,761)
Opening shareholders' (deficit)/funds	(2,090,391)	417,045	(942,096)	1,574,665
Closing shareholders' deficit	<u>(5,386,141)</u>	<u>(2,090,391)</u>	<u>(4,253,787)</u>	<u>(942,096)</u>

21 Share options

On 19 December 2006, Decon Sciences Limited established a share option scheme for certain employees of the company. There are presently 5 employees who have share options under the scheme.

Under the share option scheme the company is permitted to grant over "A" ordinary shares to employees of the company, over a maximum of 12.5% of the issued share capital of the company from time to time and at all times. The agreed exercise price is £0.01 per "A" ordinary share.

The options are exercisable as follows:

- one third one year from the employment start date.
- one third two years from the employment start date.
- one third three years from the employment start date.
- no option will be granted after the tenth anniversary of the date of grant.

No options were exercised during the year under review.

22 Pension commitments

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund.

The pension cost charge represents contributions payable by the group to personal pension schemes and amounted to £66,395 (2007: £53,125).

At 31 December 2008 contributions amounting to £nil (2007: £1,997) were accrued in respect of the schemes and are included in creditors.

23 Capital commitments

The company had no capital commitments at 31 December 2008.

DECON SCIENCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

24 Other financial commitments

Group

At 31 December 2008 the group was committed to making the following payments under non-cancellable operating leases in the year to December 2009.

	2008	Land and buildings	2008	Other
	2007	2008	2007	2007
	£	£	£	£
Operating leases which expire:				
Between two and five years	108,858	108,858	4,427	4,427

Company

At 31 December 2008 the company was committed to making the following payments under non-cancellable operating leases in the year to December 2009.

	Land and buildings	
	2008	2007
	£	£
Operating leases which expire:		
Between two and five years	108,858	108,858

25 Transactions with related parties

Interest payable of £239,626 (2007: £239,626) is due to Merlin Biosciences Fund III Limited Partnership. The interest was accrued on the £3 million of loan stock held by this entity and is included in accruals and deferred income at the year end. This entity is regarded as a related party as it holds 'A' ordinary shares in Decon Sciences Limited.

Consultancy fees of £60,000 (2007: £60,000) were incurred from an entity in which C Evans has a beneficial interest. The amount outstanding at the year end was £58,750 (2007: £11,750).

Expenses of £8,645 (2007: £4,700) were recharged to Decon Sciences Limited by an entity in which C Evans, M J Docherty and J Greenstreet have a beneficial interest. The amount outstanding at the year end was £6,325 (2007: £nil).

At the year end, the company had a short-term loan of £374,000 (2007: £nil) owing to Merlin Biosciences Fund III Limited Partnership. The loan accrues interest at 8% per annum.

26 Parent undertaking and ultimate controlling party

The parent undertaking is considered to be Merlin Biosciences Fund III Limited Partnership, a limited partnership registered in the United Kingdom.

The ultimate controlling party is considered to be Merlin General Partner III Limited, a company incorporated in the United Kingdom.

27 Post balance sheet events

The bank loan, as disclosed in note 14 of the financial statements, amounting to £2,900,000 was repaid on 29 May 2009 and was funded by additional equity provided by Merlin General Partner III Limited as general partner of the Merlin Biosciences Fund III LP and Merlin General Partner III Limited as general partner of the Merlin Biosciences Fund III 2007 LP.