

**DECON SCIENCES LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 31 DECEMBER 2004**



**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  
C D Carter  
A Cottino  
C T Evans  
D M Hicks  
N Stafford

Secretary:

D M Hicks

Bankers:

Natwest Bank Plc  
16 South Parade  
Nottingham  
NG1 2JX

Accountants:

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

# **DECON SCIENCES LIMITED**

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## **DECON SCIENCES LIMITED**

### **REPORT OF THE DIRECTORS**

The directors present their report and the financial statements for the period ended 31 December 2004.

#### **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Date of incorporation**

The company was incorporated on 11 May 2004.

#### **Principal activities**

The company is principally involved in the design and management of sterile supply chains to both NHS and Private healthcare providers and is currently engaged in the tendering process with the NHS as part of the National Decontamination Programme.

#### **Review of the business**

There was a loss for the period after taxation amounting to £415,654. The directors do not recommend payment of a dividend.

#### **Directors**

The directors set out below have held office during the whole of the period from the date of incorporation to the date of this report, unless otherwise stated.

The interests of the directors holding office on 31 December 2004 in the shares of the company were as shown below:

	<b>Ordinary shares 31 December 2004</b>	<b>On incorporation</b>
C D Carter (appointed 11 May 2004)	-	-
C T Evans (appointed 19 November 2004)	-	-
N Stafford (appointed 8 December 2004)	-	-
S L James (appointed 16 December 2004)	258	-
A Cottino (appointed 10 August 2005)	156	-
D M Hicks (appointed 10 August 2005)	-	-
	<hr/>	<hr/>

**DECON SCIENCES LIMITED**

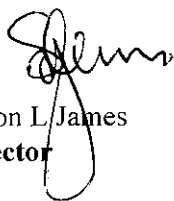
**REPORT OF THE DIRECTORS (continued)**

**Directors (continued)**

No director had an interest in the parent undertaking or the ultimate controlling party.

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 25<sup>th</sup> January 2006  
and signed on its behalf by



Simon L. James  
**Director**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DECON SCIENCES LIMITED**

We have audited the financial statements for the period ended 31 December 2004 which comprise the Profit and Loss Account, the Balance Sheet and related notes. These financial statements have been prepared under the historical cost convention and 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, 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.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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. 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 transactions with the company is not disclosed.

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

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.





MAZARS

### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

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

Date: 26 January 2006

**DECON SCIENCES LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE PERIOD ENDED 31 DECEMBER 2004**

	Notes	2004 £
<b>Turnover</b>	2	-
Cost of sales		-
<b>Gross profit</b>		-
Administrative expenses		(30,131)
<b>Loss on ordinary activities before interest</b>		(30,131)
Interest payable	5	(17,260)
Exceptional costs	6	(368,263)
<b>Loss on ordinary activities before taxation</b>	3	(415,654)
Taxation	7	-
<b>Retained loss for the period</b>	15	(415,654)

The company's expenses all relate to continuing operations.

There were no recognised gains or losses other than the loss for the financial period.

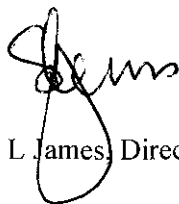


**DECON SCIENCES LIMITED****BALANCE SHEET****AS AT 31 DECEMBER 2004**

	Notes	2004 £
<b>Fixed assets</b>		
Investments	8	235,650
<b>Current assets</b>		
Debtors	9	1,845,981
Cash at bank and in hand		1,000
		<hr/>
		1,846,981
<b>Creditors: amounts falling due within one year</b>	10	(261,588)
		<hr/>
<b>Net current assets</b>		1,585,393
		<hr/>
<b>Total assets less current assets</b>		1,821,043
<b>Creditors: amounts falling due after more than one year (including convertible debt)</b>	11	(2,000,000)
<b>Provisions for liabilities and charges</b>	12	-
		<hr/>
<b>Total assets less liabilities</b>		(178,957)
		<hr/>
<b>Capital and reserves</b>		
Called up share capital	14	1,047
Share premium account	15	235,650
Profit and loss account	15	(415,654)
		<hr/>
<b>Shareholders' funds</b>	16	(178,957)
		<hr/>

The 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 25<sup>th</sup> January 2006  
and signed on its behalf by



Simon L. James, Director

# DECON SCIENCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 31 DECEMBER 2004

#### 1 Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards.

##### a) Accounting convention

The financial statements are prepared under the historical cost convention.

##### b) Group accounts

In accordance with Section 248(1) of the Companies Act 1985, the company has not prepared consolidated financial statements for the group as the group is classified as a small group. The directors will continually review the requirement to prepare consolidated financial statements and the company's eligibility to avoid preparing consolidated financial statements.

##### c) Going concern

The accounts 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 to meet its liabilities as and when they fall due

##### d) 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.

##### e) Cash flow statement

The company qualifies as a small company 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.

#### 2 Turnover

The turnover and total assets less current liabilities are attributable to the principal activity of the company. The company operates wholly in the UK.

#### 3 Loss on ordinary activities before taxation

2004  
£

The loss on ordinary activities is stated after:

Auditors' remuneration - audit fee	6,000
- non-audit services	-

#### 4 Directors

Consultancy fees of £63,282 were paid to an entity in which C D Carter has a beneficial interest.

**DECON SCIENCES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 31 DECEMBER 2004**

<b>5</b>	<b>Interest Payable</b>	<b>2004</b>
		<b>£</b>
	Interest payable	17,260

The interest payable relates to the £1,000,000 of convertible secured 'B' Loan Stock and £1,000,000 of secured 'A' Loan Stock. The loan stock is held by Merlin Biosciences Fund III Limited Partnership and Merlin Biosciences Fund III GmbH & Co. Both companies hold 'A' ordinary shares in Decon Sciences Limited.

**6** **Exceptional costs**

Exceptional costs of £368,263 have been incurred during the period. The costs relate to the fundamental reorganisation and restructuring of the company, including the issue of share capital and loan stock following the acquisition of the subsidiary company.

<b>7</b>	<b>Taxation on loss on ordinary activities</b>	<b>2004</b>
		<b>£</b>
	<b>Current taxation</b>	
	UK Corporation tax charge for the period	-
	<b>Deferred tax</b>	
	Origination and reversal of timing differences	-
	Tax on loss on ordinary activities	-

The applicable rate of tax for the period, based on the UK rate of corporation tax is 30%. The actual tax charge for the current period varies from the standard rate for the reasons set out in the following reconciliation.

	<b>2004</b>
	<b>£</b>
Loss on ordinary activities before tax	(415,654)
Tax on loss on ordinary activities at 30%	(124,696)
<b>Factors affecting charge for the period:</b>	
Expenses not deductible for tax purposes	99,881
Other short term timing differences	5,178
Unrelieved tax losses and other deductions arising in the period	19,637
Total actual amount of current tax	-

**DECON SCIENCES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 31 DECEMBER 2004**

<b>8 Investments</b>	<b>Total £</b>
At incorporation	-
Additions	235,650
	<hr/>
At 31 December 2004	235,650
	<hr/> <hr/>

The addition 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:

<b>Name</b>	<b>Country of incorporation and registration</b>	<b>Class of capital</b>	<b>% of class and equity held</b>	<b>Share capital and reserves</b>	<b>Profit /(loss) for year</b>
Scantrack Healthcare Systems (UK) Limited	England	Ordinary	100	(556,245)	(681,628)

<b>9 Debtors</b>	<b>2004 £</b>
Amounts due from group undertakings	413,833
Other debtors	1,432,148
	<hr/>
	1,845,981
	<hr/> <hr/>

Other debtors includes £1,406,077 of monies owed following the issue of £2 million of loan stock.

<b>10 Creditors: amounts falling due within one year</b>	<b>2004 £</b>
Trade creditors	238,328
Other creditors and accruals	23,260
	<hr/>
	261,588
	<hr/> <hr/>

**DECON SCIENCES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 31 DECEMBER 2004**

<b>11</b>	<b>Creditors: amounts falling due in more than one year</b>	<b>2004</b> <b>£</b>
	Loan stock	2,000,000

The loan stock consists of £1,000,000 of convertible secured 'B' loan stock and £1,000,000 of secured 'A' loan stock. The loan stock is held by Merlin Biosciences Fund III Limited Partnership and Merlin Biosciences Fund III GmbH & Co.

The 'A' loan stock accrues interest at 10% and is repayable on the 2<sup>nd</sup> anniversary of its issue. The loan stock carries a £1,500,000 redemption premium.

The 'B' loan stock accrues interest at 10% and is repayable on the 5<sup>th</sup> anniversary of its issue. The holders of the loan stock have the option to convert the loan stock into 11,364 'A' ordinary shares.

Both the 'A' and 'B' loan stock are secured by a floating charge on all assets.

**Loan stock maturity analysis**

In less than one year	-
In more than one year but not more than two years	1,000,000
In more than two year but not more than five years	1,000,000
In more than five years	-

<b>12</b>	<b>Provision for liabilities and charges</b>	<b>Deferred taxation (note 13) £</b>	<b>Total £</b>
	At incorporation	-	-
	Charge for the period	-	-
	At 31 December 2004	-	-

<b>13</b>	<b>Deferred taxation</b>	<b>2004</b>
	<b>(Asset recognised)/ amount provided £</b>	<b>Amount unprovided £</b>
	Short tem timing differences	(5,178)
	Tax losses carried forward	(19,637)
		(24,815)

# DECON SCIENCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 31 DECEMBER 2004

#### 14 Share capital

	Authorised 2004 £	Allotted, issued and fully paid 2004 £
Class 'A' ordinary shares of £0.01 each	600,000	600
Ordinary shares of £0.01 each	400,000	447
	<u>1,000,000</u>	<u>1,047</u>

On 11 May 2004, 1 ordinary £1 share was issued for £1.

On 11 November 2004, 999 ordinary £1 shares were issued for £999.

On 19 November 2004, the 1,000,000 of authorised ordinary £1 shares were sub-divided into 100,000,000 ordinary £0.01 shares. 60,000,000 of the ordinary £0.01 shares were re-categorised into 'A' ordinary shares.

On 10 December 2004, 4,713 ordinary shares were issued in exchange for the entire share capital of Scantrack Healthcare (UK) Limited.

Any profits resolved to be distributed 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 the 'A' ordinary shares 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 equity 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 the holder.

#### 15 Reserves

	Share Premium £	Profit and loss account £	Total £
At incorporation	-	-	-
Premium arising on the share for share exchange	235,650	-	235,650
Retained loss for the period	-	(415,654)	(415,654)
At 31 December 2004	<u>235,650</u>	<u>(415,654)</u>	<u>(180,004)</u>

# DECON SCIENCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 31 DECEMBER 2004

<b>16</b>	<b>Reconciliation of movements in shareholders' funds</b>	<b>2004</b>
		<b>£</b>
	Loss for the financial period	(415,654)
	New share capital subscribed	236,697
		<hr/>
	Closing shareholders' funds	(178,957)
		<hr/>

### **17 Post balance sheet events**

On 23 December 2005 the £1,000,000 of 'B' Loan Stock was converted into 'A' Preferred Shares and the £1,000,000 of 'A' Loan Stock was converted into 'B' Preferred Shares.

Subsequently an agreement has been reached for a further £2.4 million to be made available for investment in 'A' Preferred Shares. These funds are to be invested in the company during the two years ended 31 December 2007.

In the opinion of the directors the additional £2.4 million of investment is sufficient to cover the expected cash outflow over the next two years.

### **18 Transactions with related parties**

The £413,833 due from group undertakings within debtors is due from Scantrack Healthcare Systems (UK) Limited a subsidiary of Decon Sciences Limited.

The £17,260 of interest payable is due to Merlin Biosciences Fund III Limited Partnership and Merlin Biosciences Fund III GmbH & Co. The interest is payable on the £2 million of loan stock held by these two entities and is included in accruals at the year end. Both entities are regarded as related parties as they hold 'A' ordinary shares in Decon Sciences Limited.

At the year end, Decon Sciences Limited is owed £1,406,077 by Merlin Biosciences Fund III Limited Partnership and Merlin Biosciences Fund III GmbH & Co following the issue of the loan stock to these two entities.

### **19 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.