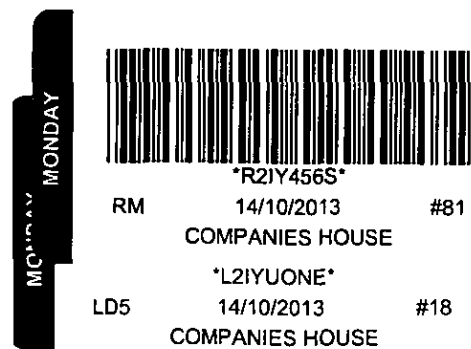


Company Registration No. 5693850

MYCONOSTICA LIMITED

Report and Financial Statements

31 December 2012



MYCONOSTICA LIMITED

REPORT AND FINANCIAL STATEMENTS 2012

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MYCONOSTICA LIMITED

REPORT AND FINANCIAL STATEMENTS 2012

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S D Lowther
G D Mullis

SECRETARY

S D Lowther

REGISTERED OFFICE

184 Cambridge Science Park
Cambridge
CB4 0GA

BANKERS

Santander UK plc
Bootle
Merseyside
L30 4GB

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge, United Kingdom

MYCONOSTICA LIMITED

DIRECTORS' REPORT (continued)

The directors present their annual report and the audited financial statements for the year ended 31 December 2012

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company is the development, commercialisation and supply of molecular diagnostic products to aid rapid and accurate diagnosis of life-threatening fungal infections in humans

The company was acquired by Lab 21 Limited on 19 May 2011

RESULTS AND DIVIDENDS

As shown in the consolidated income statement on page 9, the group's turnover amounted to £762,227 (2011 - £317,526), whilst the group generated a profit before tax of £132,812 (2011 - loss of £3,479,266) for the year

During the year a review of intangible fixed assets was undertaken. This resulted in an impairment expense in the current year, in respect of patents, licences and trademark registrations, for an amount of £141,980

As shown in the consolidated balance sheet on page 10, net assets amounted to £761,478 (2011 - £500,069)

The directors do not recommend payment of a dividend (2011 - £nil)

KEY PERFORMANCE INDICATORS

The principal KPI of the business in the year was the management of cash resources. While this KPI demonstrates relevant factors by reference to which the development, performance and position of the business can be measured effectively, it is in the nature of the business that these KPIs are not readily or meaningfully comparable year on year simply as a measure

Cash management KPI

The cash management KPI, being the operational cash consumed in the business is as follows. 'Operational cash consumed in the business' is defined by reference to the cash flow statement as being the addition of 'Net cash inflow (outflow) from operating activities' and the purchase of tangible and intangible assets

	2012 £	2011 £
Operational cash consumed in the business	<u>(306,388)</u>	<u>829,990</u>

SUBSEQUENT EVENTS

On 18 July 2013, Lab21 Limited successfully completed the sale of certain business assets including i) the development, manufacture, marketing and distribution of its blood banking products and ii) the know-how and capability to develop, manufacture and sell protein and molecular based assays ("the Sale"). The company was a party to the Sale and transferred certain know-how and business assets as part of the Business & Asset Purchase agreement. Following the Sale the company intends to transfer the remaining business assets to Lab21

MYCONOSTICA LIMITED

DIRECTORS' REPORT (continued)

CAPITAL STRUCTURE

Details of the authorised and issued share capital, together with details of the movements in the company's issued share capital during the year are shown in note 20

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the company's shares that may result in restrictions on the transfer of securities or on voting rights

No person has any special rights of control over the company's share capital and all issued shares are fully paid

With regard to the appointment and replacement of directors, the company is governed by its Articles of Association, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders

Under its Articles of Association, the company has authority to issue 2,390,000 ordinary shares

PRINCIPAL RISKS AND UNCERTAINTIES

The group faces various risks and regularly assesses their potential impact and steps to mitigate them. The key risks are broadly grouped as follows

Dependence on key executives and personnel

Myconostica's success is substantially dependent on retaining and incentivising senior management and certain key employees. The loss of the services of key personnel could have an adverse impact on the divisions' business. Such key employees could leave their division for a variety of reasons and Myconostica therefore ensures all key management and executives are appropriately incentivised

Competitive risks

Losing major contracts

Lab21 trades with a number of major diagnostic manufacturers who distribute and brand Lab21 products in key markets and there is always the possibility of losing a major contract. However, the main products sold through this route are considered market leading diagnostic assays and Lab21 is growing this business with expanded distribution in US and European markets

Legislative risks

The manufacturing, marketing and use of the group's products are subject to regulation by government and regulatory agencies in many countries served by Myconostica. Of particular importance is the requirement to obtain and maintain approval for a product from the applicable regulatory agencies to enable Myconostica's products to be marketed. Approvals can require clinical evaluation of data relating to safety, quality and efficacy of a product. Myconostica seeks to mitigate regulatory risk by conducting its operations within recognised quality assurance systems and undergoes external assessment to ensure compliance with these systems. As the group grows, significant investment in quality systems will continue

DIRECTORS' REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Financial risks

Interest rate risk

The group has used debt as a part of its funding strategy and, as such, is exposed to fluctuations in interest rates. However, interest rates are typically fixed over the term of the loan as part of the loan agreement.

Liquidity and cash flow risk

Liquidity risk is the risk that the group will have difficulties in meeting financial obligations while cash flow risk is the risk that variability in cash flows creates a short term problem with availability of cash. These risks are mitigated by managing cash at both divisional and group level through the use of regularly updated forecasts. Cash collections are closely monitored and compared to previous months in order to identify adverse trends and target a particular customer or type of customer.

The group supplies products and services to many countries around the world, and as such, faces risks associated with non-collection of debts or extended credit terms. Other measures taken include upfront pro forma receipts, deposits, credit insurance and letters of credit.

GOING CONCERN

The company is a subsidiary of Lab21 Limited.

On 18 June 2012, Lab21 Limited signed a term loan and confidential invoice discounting facility with Clydesdale Bank including cross guarantees between the group companies. The company's ability to continue as a going concern is therefore reliant on the ability of the Group to continue as a going concern.

The term loan agreement contains a number of financial covenants and conditions subsequent.

As described in the 31 December 2011 financial statements, one of the conditions subsequent was to raise additional equity financing, for an amount of \$1,000,000 (through Lab21 Inc, the company's US subsidiary).

As at 31 December 2012, the company had not raised the full amount and had disposed of the US subsidiary on 24 December 2012, therefore, the company had not met this particular condition subsequent and was also in breach of certain of its financial covenants.

Since that date, and up until the date of approval of these financial statements, Lab21 has not remedied these breaches, which means that the term loan has continued to be repayable on demand.

On 18 July 2013 Lab21 successfully completed the sale of certain business assets related to i) the development, manufacture, marketing and distribution of its blood banking products and ii) the know-how and capability to develop, manufacture and sell protein and molecular based assays ("the Sale"). The cash proceeds were partly used to pay down a substantial portion of the term loan as part of the discussions with Clydesdale Bank to agree an amendment to the loan agreement, including a covenant reset.

At the date of this report, Heads of Terms have been agreed with the bank but the amended loan agreement has not been signed. The directors are confident of a positive outcome. However, until such time as an amendment is signed and Lab21 is no longer in breach of the financial covenants, there remains a material uncertainty as to the company's ability to continue as a going concern.

The directors of Lab21 have prepared a revised cash flow forecast, which reflects the impact of the Sale, for a period that extends to 31 December 2014 and beyond ("the Forecast"). The Forecast includes a number of assumptions, in particular, the level of sales, together with the expected revised term loan repayment terms and financial covenants. This shows that the Lab21 group will be able to meet its liabilities as they fall due and will be able to comply with the revised financial covenants for a period of at least 12 months from the date of approval of these financial statements.

Accordingly, the directors have a reasonable expectation that the company and group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the concern basis of preparation.

Notwithstanding the above, the directors intend to liquidate the company and have therefore prepared the financial statements on a basis other than that of a going concern.

DIRECTORS' REPORT (continued)

DIRECTORS

The directors who served throughout the year, and to the date of this report, were as follows

S D Lowther
G M Mullis

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that directors

- properly select and apply accounting policies, and
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information, and
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the company's ability to continue as a going concern

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.

MYCONOSTICA LIMITED

DIRECTORS' REPORT (continued)

AUDITOR

Each of the persons who is a director at the date of approval of this annual report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the 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 auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them as auditor will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors and signed on its behalf



S D Lowther

Director

Date 30 September 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MYCONOSTICA LIMITED

We have audited the financial statements of Myconostica Limited for the year ended 31 December 2012 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Statements of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Changes in Equity and the related notes 1 to 46. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 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 auditor

As explained more fully in the Directors' Responsibilities Statement, 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 group's and the parent 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 annual report 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 group's and of the parent company's affairs as at 31 December 2012 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. As explained in note 1 to the financial statements, there is a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MYCONOSTICA LIMITED

Emphasis of matter - Financial statements prepared other than on a going concern basis

Notwithstanding the above, in forming our opinion on the financial statements, which is not modified, we have also considered the adequacy of the disclosure made in note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern

Opinion on other matter prescribed by the Companies Act 2006

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

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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



Stuart Henderson (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge, United Kingdom

30 September 2013

MYCONOSTICA LIMITED

CONSOLIDATED INCOME STATEMENT Year ended 31 December 2012

	Note	2012 £	2011 £
Revenue	5	762,227	317,526
Cost of sales		(31,473)	(99,686)
Gross profit		730,754	217,840
Research and development expenses		(314,904)	(413,937)
Selling, marketing and distribution expenses		(2,472)	(209,684)
Restructuring costs		(24,181)	(234,628)
Administrative expenses			
Loss on disposal of property, plant and equipment		-	(216,696)
Impairment of intangible assets		(141,980)	(90,760)
Dilapidation costs		-	(50,000)
Other		(109,791)	(364,629)
		(251,771)	(722,085)
Operating profit (loss) on ordinary activities before financing costs	6	137,426	(1,362,494)
Finance income	8	-	605
Finance costs	8	(4,614)	(2,117,377)
Profit (loss) on ordinary activities before taxation		132,812	(3,479,266)
Tax on profit (loss) on ordinary activities	9	129,225	(9,096)
Profit (loss) for the financial year		262,037	(3,488,362)

All activities in the current year and preceding year derive from continuing operations

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME Year ended 31 December 2012

	2012 £	2011 £
Profit (loss) for the financial year	262,037	(3,488,362)
Exchange differences on translating foreign operations net of income tax	1	18,517
Total comprehensive income (loss) for the year	262,038	(3,469,845)

MYCONOSTICA LIMITED

CONSOLIDATED BALANCE SHEET 31 December 2012

	Note	2012 £	2011 £
Assets			
Property, plant and equipment	10	-	63,912
Intangible assets	11	70,151	251,170
Total non-current assets		<u>70,151</u>	<u>315,082</u>
Inventories	13	-	34,651
Trade and other receivables	14	824,163	464,286
Cash and cash equivalents	15	678	73,792
Total current assets		<u>824,841</u>	<u>572,729</u>
Total assets		<u><u>894,992</u></u>	<u><u>887,811</u></u>
Liabilities			
Long-term provisions	18	-	(50,000)
Other non-current liabilities	19	(91,526)	(87,116)
Total non-current liabilities		<u>(91,526)</u>	<u>(137,116)</u>
Borrowings	16	-	(8,704)
Trade and other payables	17	(41,988)	(241,922)
Total current liabilities		<u>(41,988)</u>	<u>(250,626)</u>
Total liabilities		<u>(133,514)</u>	<u>(387,742)</u>
Net assets		<u><u>761,478</u></u>	<u><u>500,069</u></u>
Equity			
Issued capital	20	106,547	106,547
Share premium		8,725,411	8,725,411
Reserves		3,165,060	3,165,060
Retained loss		(11,235,540)	(11,496,949)
Total equity attributable to equity holders		<u><u>761,478</u></u>	<u><u>500,069</u></u>

The financial statements of Myconostica Limited, registered number 5693850, were approved by the Board of Directors and authorised for issue on 30 September 2013

Signed on behalf of the Board of Directors



S D Lowther

Director

MYCONOSTICA LIMITED

CONSOLIDATED CASH FLOW STATEMENT Year ended 31 December 2012

	Note	2012 £	2011 £
Cash flows from operating activities			
Profit (loss) for the year		262,037	(3,488,362)
<i>Adjustments for</i>			
Depreciation	10	16,115	69,240
Amortisation	11	21,418	33,146
Loss on disposal of property, plant and equipment		-	216,696
Impairment of intangible assets		141,980	90,760
Finance income	8	-	(605)
Finance cost	8	4,614	2,117,377
Income tax (income) expense		(129,225)	9,096
Operating cash inflow (outflow) before changes in working capital and provisions		316,939	(952,652)
Decrease (increase) in trade and other receivables		74,008	(4,466)
Decrease in inventories		34,651	51,790
Decrease in trade and other payables		(198,435)	(181,161)
(Decrease) increase in provisions		(50,000)	50,000
Cash used by operations		177,163	(1,036,489)
Income tax credits receivable		129,225	214,415
Net cash inflow (outflow) from operating activities		306,388	(822,074)
Investing activities			
Interest received		-	605
Interest paid		(204)	(2,907)
Purchases of property, plant and equipment		-	(595)
Disposal of property, plant and equipment		47,798	-
Purchases of intangible assets		-	(7,321)
Disposal of intangible assets		17,621	-
Intercompany loan		(435,385)	(373,500)
Net cash used in investing activities		(370,170)	(383,718)
Financing activities			
New loans		-	1,055,000
Repayment of borrowings		(8,704)	(8,820)
Net proceeds on issue of shares		-	4,000
Dividends paid		(629)	-
Net cash (used in) generated from financing activities		(9,333)	1,050,180
Net decrease in cash and cash equivalents		(73,115)	(155,612)
Cash and cash equivalents at the beginning of year		73,792	211,292
Effect of foreign exchange		1	18,112
Cash and cash equivalents at the end of year		678	73,792

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2012

	Share capital £	Share premium account £	Reserves £	Retained loss £	Total £
Balance at 1 January 2011	102,547	8,725,411	-	(8,027,104)	800,854
Loss for the financial year	-	-	-	(3,488,362)	(3,488,362)
Foreign exchange gain	-	-	-	18,517	18,517
Issued share capital	4,000	-	-	-	4,000
Capital contribution	-	-	3,165,060	-	3,165,060
Balance at 31 December 2011	106,547	8,725,411	3,165,060	(11,496,949)	500,069
Profit for the financial year	-	-	-	262,037	262,037
Foreign exchange gain	-	-	-	1	1
Dividends	-	-	-	(629)	(629)
Balance at 31 December 2012	106,547	8,725,411	3,165,060	(11,235,540)	761,478

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2012

1. GENERAL INFORMATION

Myconostica Limited is a limited company incorporated in England and Wales. The principal place of business and registered office is 184 Cambridge Science Park, Cambridge, CB4 0HG. The nature of the company's operations and its principal activities are set out in the Principal Activity and Business Review section of the directors' report on page 1. The immediate and ultimate parent company is Lab 21 Limited, a company incorporated in England and Wales.

These financial statements are presented in pounds sterling as that is the currency of the primary economic environment in which the company operates.

2. ADOPTION OF NEW AND CURRENT STANDARDS

In the current year, the following new and revised Standards and Interpretations have been adopted. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

IAS 19 – Employee Benefits (revised June 2011)	<i>This standard eliminates the 'corridor approach' which had previously been permitted for defined benefit pension arrangements.</i>
Amendments to IFRS 7 – Financial Instruments Disclosures	<i>The amendments increase the disclosure requirements for certain financial instruments.</i>
Amendments to IAS 12 – Income Taxes	<i>This standard applies to deferred taxes on investment properties.</i>

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 1 (amended)	<i>Government Loans</i>
IFRS 7 (amended)	<i>Disclosures – Offsetting Financial Assets and Financial Liabilities (2009-2011) Cycle</i>
Annual Improvements to IFRSs	<i>Financial Instruments</i>
IFRS 9	<i>Consolidated Financial Statements</i>
IFRS 10	<i>Investment Entities</i>
IFRS 10, IFRS 12 and IAS 27 (amended)	<i>Joint Arrangements</i>
IFRS 11	<i>Disclosures of Interests in Other Entities</i>
IFRS 12	<i>Fair Value Measurement</i>
IFRS 13	<i>Presentation of Items of Other Comprehensive Income</i>
IAS 1 (amended)	<i>Separate Financial Statements</i>
IAS 27 (revised)	<i>Investments in Associates and Joint Ventures</i>
IAS 28 (revised)	<i>Offsetting Financial Assets and Financial Liabilities</i>
IAS 32 (amended)	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
IFRIC 20	

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except as follows:

- IFRS 7 (amended) will increase the disclosure requirements where netting arrangements are in place for financial assets and financial liabilities,
- IFRS 9 will impact both the measurement and disclosures of Financial Instruments,
- IFRS 12 will impact the disclosure of interests Group PLC has in other entities, and
- IFRS 13 will impact the measurement of fair value for certain assets and liabilities as well as the associated disclosures.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2012

3 SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union

The financial statements have been prepared using the historical cost convention, modified for certain items carried at fair value, as stated in the accounting policies. The principal accounting policies adopted are set out below

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities are disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments Recognition and Measurement or, when applicable, the costs on initial recognition of an investment in an associate or jointly controlled entity.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Going Concern

The company is a subsidiary of Lab21 Limited

On 18 June 2012, Lab21 Limited signed a term loan and confidential invoice discounting facility with Clydesdale Bank including cross guarantees between the group companies. The company's ability to continue as a going concern is therefore reliant on the ability of the Group to continue as a going concern.

The term loan agreement contains a number of financial covenants and conditions subsequent.

As described in the 31 December 2011 financial statements, one of the conditions subsequent was to raise additional equity financing, for an amount of \$1,000,000 (through Lab21 Inc, the company's US subsidiary).

As at 31 December 2012, the company had not raised the full amount and had disposed of the US subsidiary on 24 December 2012, therefore, the company had not met this particular condition subsequent and was also in breach of certain of its financial covenants.

Since that date, and up until the date of approval of these financial statements, Lab21 has not remedied these breaches, which means that the term loan has continued to be repayable on demand.

On 18 July 2013 Lab21 successfully completed the sale of certain business assets related to i) the development, manufacture, marketing and distribution of its blood banking products and ii) the know-how and capability to develop, manufacture and sell protein and molecular based assays ("the Sale"). The cash proceeds were partly used to pay down a substantial portion of the term loan as part of the discussions with Clydesdale Bank to agree an amendment to the loan agreement, including a covenant reset.

At the date of this report, Heads of Terms have been agreed with the bank but the amended loan agreement has not been signed. The directors are confident of a positive outcome. However, until such time as an amendment is signed and Lab21 is no longer in breach of the financial covenants, there remains a material uncertainty as to the company's ability to continue as a going concern.

The directors of Lab21 have prepared a revised cash flow forecast, which reflects the impact of the Sale, for a period that extends to 31 December 2014 and beyond ("the Forecast"). The Forecast includes a number of assumptions, in particular, the level of sales, together with the expected revised term loan repayment terms and financial covenants. This shows that the Lab21 group will be able to meet its liabilities as they fall due and will be able to comply with the revised financial covenants for a period of at least 12 months from the date of approval of these financial statements.

Accordingly, the directors have a reasonable expectation that the company and group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the concern basis of preparation.

Notwithstanding the above, the directors intend to liquidate the company and have therefore prepared the financial statements on a basis other than that of a going concern.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

Where a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) are recognised at their fair value at the acquisition date, except that

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively,
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 *Share-based Payment*, and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods,
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- the amount of revenue can be measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the entity, and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Provision of research services & development and supply agreements

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the balance sheet date,
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the service for the product sold, taking into account historical trends in the number of services actually provided on past goods sold, and
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses incurred.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The group as lessee

Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Exchange differences are recognised in profit or loss in the period in which they arise except for

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings,
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments / hedge accounting), and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss.

Operating profit (loss)

Operating profit (loss) is stated after charging restructuring costs and after the share of results of associates but before investment income and finance costs.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis

Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows

Laboratory and office equipment	20.0% straight line
Furniture, fixtures and fittings	10.0% straight line
Computer equipment	33.3% straight line

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred

An internally-generated intangible asset arising from the company's product development is recognised only if all of the following conditions are met

- an asset is created that can be identified,
- the project from which the asset arises meets the company's criteria for assessing technical feasibility,
- it is probable that the asset created will generate future economic benefits, and
- the development cost of the asset can be measured reliably

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred

Patents and trademarks

Patents and trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Financial instruments

Financial Assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL

A financial asset is classified as held for trading if

- it has been acquired principally for the purpose of selling in the near term, or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking, or
- it is a derivative that is not designated and effective as a hedging instrument

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis, or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the income statement.

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Available for sale financial assets (AFS)

Listed shares and listed redeemable notes held by the Group that are traded in an active market are classified as being AFS and are stated at fair value. The Group also has investments in unlisted shares that are not traded in an active market but that are classified as AFS financial assets and stated at fair value (because the directors consider that fair value can be reliably measured). Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty, or
- default or delinquency in interest or principal payments, or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably

Restructurings

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2012

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the group's accounting policies

There are no critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Recoverability of intangible assets

During the year, the directors completed an assessment of the recoverability of the company's intangible assets, those assets which the directors assessed to have both a £nil value in use and £nil net realisable value were fully impaired. The recoverability of the remaining assets is based on the directors' estimate of their value in use, which is calculated by reference to the forecast level of discounted future cash flows.

MYCONOSTICA LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year ended 31 December 2012

5. REVENUE

An analysis of the group's revenue is as follows

	2012 £	2011 £
Product sales		
UK	34,651	26,194
Rest of Europe	-	106,131
Rest of the World	-	3,873
Provision of research services		
UK	-	1,000
Development and supply agreements		
Rest of the World	727,576	180,328
	<u>762,227</u>	<u>317,526</u>
Finance income	-	605
	<u>762,227</u>	<u>318,131</u>

6. OPERATING PROFIT (LOSS) ON ORDINARY ACTIVITIES BEFORE FINANCING COSTS

	2012 £	2011 £
Operating profit (loss) on ordinary activities before financing costs is after charging (crediting):		
Research and development expenses (excluding staff costs)	74,891	196,360
Staff costs (note 7)	266,673	262,825
Depreciation of property, plant and equipment	16,115	69,240
Amortisation intangible assets	21,418	33,146
Net foreign exchange losses	12,749	17,175
Loss on disposal of property, plant and equipment	-	216,696
Impairment of intangible assets	141,980	90,760
Cost of inventories recognised as an expense	49,219	94,722
Restructuring costs	24,181	234,628
Dilapidation costs	-	50,000
Auditor's remuneration		
- Fees payable for the audit of the company's annual accounts	10,500	10,250
Operating lease rentals		
- plant and machinery	7,500	7,500
- other	23,961	114,892
	<u>748,287</u>	<u>1,114,892</u>

MYCONOSTICA LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year ended 31 December 2012

7 STAFF COSTS AND DIRECTORS' EMOLUMENTS

	2012 £	2011 £
The aggregate staff costs were as follows:		
Wages and salaries	240,227	235,588
Compulsory social security contributions	20,257	16,541
Contributions to defined contribution scheme	9,326	(484)
Other benefits	(3,137)	11,180
	<u>266,673</u>	<u>262,825</u>
	No.	No.
The average monthly number of persons employees during the year was as follows		
Finance and administration	-	3
Research and development	-	5
Commercial	-	2
Operation and quality	-	3
	<u>-</u>	<u>13</u>

	2012 £	2011 £
Directors' remuneration		
Emoluments from qualifying services	-	44,705
Payments to defined contribution scheme	-	4,217
Compensation for loss of office	-	41,250
	<u>-</u>	<u>90,172</u>
	No	No

The number of directors accruing retirement benefits was as follows:

Defined contribution scheme	-	1
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In September 2009 the company entered into an arm's length agreement with Amphion Innovations US, Inc ("Amphion") for the services of Mr Jerel Whittingham, the company's Executive Chairman prior to his resignation on 19 May 2011, for a monthly fee of £5,000. The total amount paid to Amphion during the year in respect of these services amounted to £nil (2011 - £10,000)

Jerel Whittingham was a director of Amphion Innovations Plc

MYCONOSTICA LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year ended 31 December 2012

8. FINANCE INCOME - NET

	2012 £	2011 £
Interest income		
Interest receivable on bank balances	-	605
	<u>-</u>	<u>605</u>
Total interest receivable	-	605
	<u>-</u>	<u>605</u>
Interest expense		
Interest on bank overdrafts and loans	(204)	(356)
Dividend payable on shares classed as financial liabilities	(4,410)	(4,410)
Interest payable on shareholder loans	-	(2,110,060)
Interest payable on other loans	-	(1,159)
Other interest	-	(1,392)
	<u>(4,614)</u>	<u>(2,117,377)</u>
Total interest payable	(4,614)	(2,117,377)
	<u>(4,614)</u>	<u>(2,116,772)</u>
Finance income - net	<u>(4,614)</u>	<u>(2,116,772)</u>

9 TAX ON PROFIT (LOSS) ON ORDINARY ACTIVITIES

	2012 £	2011 £
Current taxation		
United Kingdom corporation tax at 24.5% (2011 - 26.5%)	-	-
Under provision in prior years	(129,225)	9,096
	<u>(129,225)</u>	<u>9,096</u>
Tax (credit) charge on profit (loss) on ordinary activities	<u>(129,225)</u>	<u>9,096</u>

Factors affecting the tax credit for the year

The tax assessed on the loss on ordinary activities for the year differs from the standard rate of corporation tax in the UK. The differences are explained below

	2012 £	2011 £
Profit (loss) on ordinary activities before taxation	<u>132,812</u>	<u>(3,479,266)</u>
Profit (loss) on ordinary activities multiplied by the blended standard rate of corporation tax in the UK of 24.5% (2011 - 26.5%)	32,539	(922,005)
Effect of		
Accelerated capital allowances	13,852	74,346
Under provision in prior years	(129,225)	9,096
Losses carried forward	(46,160)	850,633
Other timing differences	(231)	(2,974)
	<u>(129,225)</u>	<u>9,096</u>
Tax (credit) charge for the year	<u>(129,225)</u>	<u>9,096</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

9. TAX ON PROFIT (LOSS) ON ORDINARY ACTIVITIES (continued)

The Finance Act 2012, which provides for a reduction in the main rate of corporation tax from 24% to 23% effective from 1 April 2013, was substantively enacted on 3 July 2012. This rate reduction has been reflected in the calculation of deferred tax at the balance sheet date.

The Government intends to enact future reduction in the main tax rate down to 21% effective from 1 April 2014 and to 20% by 1 April 2015. As these rates were not substantively enacted at the balance sheet date, the rate reduction is not yet reflected in these financial statements in accordance with FRS 21 as it is a non-adjusting event occurring after the reporting period.

We estimate that the future rate change to 20% would reduce our UK deferred tax asset unrecognised at 31 December 2012 from £1,279,720 to £1,280,240. The actual impact will be dependent on our deferred tax position at the time.

10. PROPERTY, PLANT AND EQUIPMENT

	Laboratory equipment £	Furniture, fixtures and fittings, office and computer equipment £	Total £
Cost			
At 1 January 2011	367,668	285,074	652,742
Additions	-	595	595
Disposals	(110,806)	(286,475)	(397,281)
Exchange difference	-	806	806
	<hr/>	<hr/>	<hr/>
At 1 January 2012	256,862	-	256,862
Disposals	(256,862)	-	(256,862)
	<hr/>	<hr/>	<hr/>
At 31 December 2012	-	-	-
Accumulated depreciation			
At 1 January 2011	214,518	89,377	303,895
Charge for the year	58,760	10,480	69,240
Disposals	(80,328)	(100,257)	(180,585)
Exchange difference	-	400	400
	<hr/>	<hr/>	<hr/>
At 1 January 2012	192,950	-	192,950
Charge for the year	16,115	-	16,115
Disposals	(209,065)	-	(209,065)
	<hr/>	<hr/>	<hr/>
At 31 December 2012	-	-	-
Carrying amount			
At 31 December 2012	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2011	63,912	-	63,912
	<hr/>	<hr/>	<hr/>

MYCONOSTICA LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year ended 31 December 2012

11. INTANGIBLE ASSETS

	Patents £	Licences £	Trademark registrations £	Product development £	Total £
Cost					
At 1 January 2011	182,981	287,167	38,154	51,746	560,048
Additions	6,670	651	-	-	7,321
Disposals	-	(152,576)	-	(51,746)	(204,322)
At 1 January 2012	189,651	135,242	38,154	-	363,047
Disposals	-	(17,679)	-	-	(17,679)
At 31 December 2012	189,651	117,563	38,154	-	345,368
Accumulated amortisation					
At 1 January 2011	27,674	138,659	11,125	14,835	192,293
Charge for the year	6,641	19,236	3,292	3,977	33,146
Disposals	-	(94,750)	-	(18,812)	(113,562)
At 1 January 2012	34,315	63,145	14,417	-	111,877
Charge for the year	6,642	11,484	3,292	-	21,418
Impairment	122,875	14,951	4,096	-	141,922
At 31 December 2012	163,832	89,580	21,805	-	275,217
Carrying amount					
At 31 December 2012	25,819	27,983	16,349	-	70,151
At 31 December 2011	155,336	72,097	23,737	-	251,170

Patents are amortised over their remaining estimated useful lives, which currently are, on average, 10 years (2011 - 5 years). Patent costs are only amortised once an application has been published. At 31 December, 2012 patent costs amounting to £nil (2011 - £122,875) were not being amortised as the applications were awaiting publication.

Licences are amortised over their remaining estimated useful lives, which currently are, on average, 9 years (2011 - 7 years). Licences relate to rights to utilise underlying patent technology. Licence costs are amortised over the period to date of expiry of the underlying patents. Where a licence relates to the period to several underlying patents, unless the cost can be allocated to individual patents, costs are amortised over the period to date of expiry of the first to expire patent.

Amortisation and impairment charge

The amortisation charge is recognised in the following items in the income statement

	2012 £	2011 £
Administrative expenses	21,418	33,146

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2012

12. DEFERRED TAX ASSETS AND LIABILITIES

At 31 December 2012 the group had an unprovided deferred tax asset

The following are the temporary differences for which the group has not recognised deferred tax due to the unpredictability of future profit streams, based on the expected future tax rate for the group of 23% (2011 - 25%)

	2012 £	2011 £
Accelerated capital allowances	-	13,698
Tax value of short term timing differences	-	(235)
Tax value of UK tax losses carried forward	(1,279,720)	(2,056,536)
	<u>(1,279,720)</u>	<u>(2,043,073)</u>

As at 31 December 2012 the group has available for offset against future profits UK tax losses amounting to £5,124,953 (2011 £8,226,144)

13. INVENTORIES

	2012 £	2011 £
Raw materials	<u>-</u>	<u>34,651</u>

During the year £674 (2011 - £94,722) cost of inventory was recognised in cost of sales

14. TRADE AND OTHER RECEIVABLES

	2012 £	2011 £
Trade receivables	9,166	33,603
Other receivables	6,112	14,850
Prepayments	-	40,833
Amounts due from group undertakings	808,885	375,000
	<u>824,163</u>	<u>464,286</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2012

14. TRADE AND OTHER RECEIVABLES (continued)

As at 31 December 2012 the group had an allowance for doubtful debts amounting to £6,632 (2011 - £481)

All trade and other receivables are short term, have a maturity of six months or less and are non-interest bearing. No disclosure of fair value is required as the carrying amount is a reasonable approximation of fair value.

The average credit period taken on sales of goods is 138 days (2011 - 39 days). No interest is charged on the receivables. Trade receivables that are past due are provided for based on estimated irrecoverable amounts determined by reference to past default experience or if there is an indication that the amount receivable may be impaired.

The group is exposed to credit risk from the granting of trade credit for sales to customers. The group mitigates this credit risk by obtaining payments in advance from customers or by the customer providing a letter of credit as the method of payment.

Included in the group's trade receivables balance are debtors (see below for aged analysis) which are past due at the reporting date for which the group has not provided as there has not been a significant change in the credit quality and the amounts are still considered recoverable. The group does not hold collateral over these balances.

Ageing of past due but not impaired receivables is as follows:

	2012 £	2011 £
31-60 days	-	11,970
61-90 days	-	5,803
More than 90 days	8,462	9,850
	<u>8,462</u>	<u>27,623</u>

Bank balances and cash comprise cash held by the group and short term deposits with an original term of three months or less and interest is calculated by reference to LIBOR. The carrying amounts of these assets approximate to their fair value. As such no disclosure of fair value is required.

Credit risk

The credit risk on liquid funds and derivative financial instruments is limited because the counterparty, Santander UK plc, is a bank with a high credit rating.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2012

15. FINANCIAL INSTRUMENTS

Capital and liquidity risk management

The group manages its capital to ensure that it will be able to continue as a going concern. An explanation of the company's capital structure is given in the relevant section of the Directors' Report.

Externally imposed capital requirement

The group is not subject to externally imposed capital requirements.

Categories of financial instruments

	2012 £	2011 £
Financial assets		
Loans and receivables	1,117,567	423,453
Cash and cash equivalents	678	73,792
	<u>1,118,245</u>	<u>497,245</u>
Financial liabilities		
Amortised cost	<u>115,191</u>	<u>236,896</u>

The directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Financial risk management objectives

Lab 21 Limited manages the financial risks relating to the operations of the Group, including Myconostica Limited, through internal risk reports which analyse exposure to risk by likelihood and magnitude.

Exposure to foreign exchange risk and the use of financial instruments is monitored. The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rate risks. The group does not use derivative financial instruments to manage its exposure to interest rate risk. Cash deposits are made with the group's bankers at the market rates prevailing at inception of the deposit for the period and currency concerned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

15 FINANCIAL INSTRUMENTS (continued)

Foreign currency risk management

The group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures to US dollar and Euro exchange rates are managed by using US dollar and Euro denominated bank accounts.

The carrying amounts of the group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2012	2011	2012	2011
	£	£	£	£
US dollars	15,569	33,511	9,211	35,393
Euros	120	21,813	7	29,432
	<u>15,689</u>	<u>55,324</u>	<u>9,218</u>	<u>64,825</u>

Foreign currency sensitivity analysis

The following table details the group's sensitivity analysis to a 10% increase in the value of sterling against US dollars and the Euro. 10% is the sensitivity rate used when reporting foreign currency risk internally to management and represents management's assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates an increase in profit, a negative number indicates a reduction in profit.

	US dollars		Euros	
	2012	2011	2012	2011
	£	£	£	£
Profit (loss)	<u>578</u>	<u>(171)</u>	<u>10</u>	<u>(693)</u>

The group is not materially exposed to changes in exchange rates.

Interest rate risk management

The group is not exposed to interest rate risk as it had no interest bearing financial liabilities at either balance sheet date. The group receives interest on its cash and cash equivalents.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Lab 21 Limited board of directors, which has built an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

MYCONOSTICA LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year ended 31 December 2012

16. BORROWINGS

	2012 £	2011 £
Secured borrowing		
Alliance & Leicester Small Firms Guarantee Scheme Loan	-	8,704
	<u>-</u>	<u>8,704</u>
Total borrowings		
Amount due for settlement within 12 months	-	8,704
	<u>-</u>	<u>8,704</u>

In September 2007 the group entered into a loan agreement with the Alliance & Leicester Bank under the Small Firms Guarantee Scheme. The total facility, subject to the group achieving certain commercial milestones, was £250,000 and as at 31 December 2012 (and 31 December 2011) £250,000 had been borrowed, with £nil outstanding at 31 December 2012 (31 December 2011 £8,704). As security the Alliance & Leicester has registered a Debenture with a fixed and floating charge over the company's assets. The Alliance & Leicester facility expired on 8 May 2009 without the company achieving the commercial milestones to allow any further drawdowns although the sums already drawn down did not become repayable on demand.

17. TRADE AND OTHER PAYABLES

	2012 £	2011 £
Trade creditors	20,004	108,637
Amounts due to group undertakings	-	1,500
Other taxes and social security	-	4,000
Corporation tax	10,000	10,000
Accruals and deferred income	8,323	116,473
Other creditors	3,661	1,312
	<u>41,988</u>	<u>241,922</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and on-going costs. The average credit period taken for trade purchases is 180 days (2011 - 92 days) and these are non-interest bearing.

The directors consider that the carrying amount of trade payables approximates to their fair value, as such no disclosure of fair value is required.

MYCONOSTICA LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year ended 31 December 2012

18. PROVISION FOR LIABILITIES

	Dilapidations provision £
At 1 January 2012	50,000
Provision released in the year	<u>(50,000)</u>
At 31 December 2012	<u>-</u>
The dilapidations provision related to obligations to make good dilapidations existing at 31 December 2011	

19. OTHER NON-CURRENT LIABILITIES

	2012 £	2011 £
Cumulative dividend payable in 'A' preference shares	28,526	24,116
Shares classed as financial liabilities (see note 20)	<u>63,000</u>	<u>63,000</u>
	<u>91,526</u>	<u>87,116</u>

The cumulative dividend on 'A' preference shares is payable on 7 July 2015 or, if earlier, on a date of a change in controlling interest or listing (on a recognised investment exchange) of the company's shares

MYCONOSTICA LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year ended 31 December 2012

20 SHARE CAPITAL

	2012 £	2011 £
Authorised		
89,917,000 ordinary shares of £0 01 each	899,170	899,170
1,260,000 A Preference shares of £1 each	1,260,000	1,260,000
2,382,000 B Preference shares of £0 01 each	23,820	23,820
10,700,000 C Preference shares of £0 01 each	107,000	107,000
5,000,000 C1 Preference shares of £0 01 each	50,000	50,000
5,000,000 D Preference shares of £0 01 each	50,000	50,000
1,000 M ordinary shares of £0 01 each	10	10
	<u>2,390,000</u>	<u>2,390,000</u>
Issued and fully paid		
2,411,139 ordinary shares of £0 01 each	24,111	24,111
63,000 A Preference shares of £1 each	63,000	63,000
100 B Preference shares of £0 01 each	1	1
5,489,383 C Preference shares of £0 01 each	54,894	54,894
2,753,058 D Preference shares of £0 01 each	27,531	27,531
1,000 M ordinary shares of £0 01 each	10	10
	<u>169,547</u>	<u>169,547</u>
Amounts presented in equity		
2,411,139 ordinary shares of £0 01 each	24,111	24,111
100 B Preference shares of £0 01 each	1	1
5,489,383 C Preference shares of £0 01 each	54,894	54,894
2,753,058 D Preference shares of £0 01 each	27,531	27,531
1,000 M ordinary shares of £0 01 each	10	10
	<u>106,547</u>	<u>106,547</u>
Amounts presented in liabilities		
29,946 A Preference shares of £1 each	<u>63,000</u>	<u>63,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2012

20. SHARE CAPITAL (continued)

The A preference shares are not redeemable and nor are they convertible into ordinary shares. They are entitled to receive a fixed cumulative preferential net cash dividend ("the A preference shares dividend") at the rate of 7% per annum calculated daily on the issue price of any such A preference shares but they are not entitled to any further or other right of participation in the profits of the company. The accumulated A preference share dividend is payable in full, to the extent that the company is lawfully able, on 7 July 2015 or, if earlier, on the date of a change of controlling interest or listing (on a recognised stock exchange) of the company's shares. In the event of a listing only, if the holders of the A preference shares (acting by majority) shall elect by giving notice in writing to the Board at least 15 business days prior to completion of the listing, in lieu of payment by the company of some or all of the A preference share dividend, the holders of the A preference shares shall be entitled to subscribe for such number of shares (of such class as is to be admitted to listing) at par as when multiplied by the anticipated or recommended price per share on the listing will equal the amount of A preference share dividend to be taken by the holders of the A preference shares in lieu of payment.

The A preference shares are valued at the fair value of intangible assets received in exchange, which have been valued by the directors and the University of Manchester.

The B preference shares are convertible at any time if the holders of at least 75% in nominal value of the B preference shares notify the company, and are convertible automatically immediately on a listing, into ordinary shares on the basis of 1 ordinary share for 1 B preference share.

The C preference shares are convertible at any time if the holders of at least 75% in nominal value of the C preference shares notify the company, and are convertible automatically immediately on a listing, into ordinary shares on the basis of 1 ordinary share for 1 C preference share.

The C1 preference shares are convertible at any time if the holders of at least 75% in nominal value of the C1 preference shares notify the company, and are convertible automatically immediately on a listing, into ordinary shares on the basis of 1 ordinary share for 1 C1 preference share.

The D preference shares are convertible at any time if the holders of at least 75% in nominal value of the D preference shares notify the company, and are convertible automatically immediately on a listing, into ordinary shares on the basis of 1 ordinary share for 1 D preference share.

In the event that there is a sale of all or substantially all of the company or its assets, or a listing of the company's shares on a recognised stock exchange, which values the company at £15,000,000 or above, the company will declare and, subject to it being lawfully able, will pay to the holders of the B preference shares an aggregate special dividend equivalent to between 0.75% and 1.75% of the company valuation. The precise percentage is dependent on the overall company valuation. The special dividend will be divided amongst the holders of the B preference shares pro rata to the number of shares held by them, subject to an aggregate maximum amount of £2,000,000.

The holders of the ordinary shares and the B, C, C1 and D preference shares are each entitled to receive notice of, to attend and speak, and to vote, at any general meetings of the company. The holders of the A preference shares and M ordinary shares are entitled to receive notice of, to attend and speak, but not to vote, at any general meetings of the company.

M ordinary shares are not convertible into ordinary shares, carry no right to receive notice of or to attend any general meeting of the company and shall not be transferable without the consent of the company. On a capital reduction or winding up the holders of M ordinary shares shall be entitled, in the event of a return on capital, to receive an amount equal to the amount paid for the M ordinary shares held by them at the time such shares were allotted. In some circumstances (in the event of an exit on a Sale or Liquidation Event, as defined in the Company's Articles) the Holders of M ordinary shares shall be entitled to receive consideration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2012

20. SHARE CAPITAL (continued)

Subject to the provisions of Article 2 1 (D) on a return of capital following a Sale or Liquidation Event the Available Assets or Sale Proceeds (as applicable) shall be applied amongst and distributed to, the Holders of shares in the following order of priority

- 1) First in paying to the Holders of the B preference shares, the C preference shares, the C1 preference shares, and the D preference shares pari passu as if the same constituted one class of share the Issue Price paid therefore together with any declared and unpaid dividends in respect thereof,
- 2) Second in paying to the Holders of the ordinary shares the next £500,000 in aggregate out of such surplus assets, to be divided between them pro rata their holdings of ordinary shares,
- 3) Third, in paying to the holders of the A preference shares the Issue price paid therefore together with any declared and unpaid dividends in respect thereof,
- 4) Fourth, if applicable, in paying the Holders of M ordinary shares such amount as may become due and payable in accordance with Schedule 2,
- 5) Thereafter the balance of such assets (if any) shall be distributed amounts the Holders of the ordinary shares, the B preference shares, the C preference shares, the C1 preference shares, and the D preference shares pari passu by reference to the number of such shares held by them as a proportion of the aggregate number of such shares then in issue, as if the same constituted one class of share

21. GUARANTEES

As explained in the Going Concern section in note 1, Lab21 Limited, the parent company, entered into a loan facility with Clydesdale Bank plc ("Clydesdale") in June 2012. Under the terms of this agreement, Clydesdale has been granted a first and only debenture comprising fixed and floating charges over all the property, assets and undertaking (including uncalled capital) from time to time of Lab21 Limited as Borrower and Lab21 Healthcare Limited, Microgen Bioproducts Limited and Myconostica Limited as Guarantors.

22. CAPITAL COMMITMENTS

The group had no capital commitments as at 31 December 2012 (2011 - £nil)

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short term highly liquid investments with a maturity of three months or less

MYCONOSTICA LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year ended 31 December 2012

23 OPERATING LEASE ARRANGEMENTS

	2012 £	2011 £
Minimum lease payments under operating leases recognised in the income statement for the year	<u>31,461</u>	<u>122,392</u>

At the balance sheet date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows

	2012 £	2011 £
Within one year	3,430	39,966
Between one and two years	<u>-</u>	<u>4,327</u>
	<u>3,430</u>	<u>44,293</u>

Operating lease payments represent rentals payable by the group in respect of leased office equipment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year ended 31 December 2012

24. RELATED PARTY TRANSACTIONS

Trading transactions

During the year the group entered into the following transactions with related parties which are members of the Lab 21 Limited group

Related party	Nature of transaction	Sales to related parties 2012 £	Purchases from related parties 2012 £
Lab21 Healthcare Ltd	Goods and services	130,841	-
Lab21 Limited	Goods and services	601,609	-
		<u>732,450</u>	<u>-</u>
		Amounts owed by related parties 2012 £	Amounts owed to related parties 2012 £
Lab21 Healthcare Limited	Loan	505,841	-
Lab21 Limited	Loan	303,044	-
		<u>808,885</u>	<u>-</u>

Sales of goods to related parties were made at arm's length prices. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Remuneration of key management personnel

The remuneration of the directors of the group is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

Related party	Nature of transaction	2012 £	2011 £
Directors	Short term employee benefits	-	44,705
Directors	Post-employment benefits	-	4,217
Directors	Termination benefits	-	41,250
		<u>-</u>	<u>90,172</u>

At 31 December 2012, none of the directors received any share-based payments for their services to the company (2011 - £nil).

MYCONOSTICA LIMITED

COMPANY STATEMENT OF COMPREHENSIVE INCOME Year ended 31 December 2012

	2012 £	2011 £
Profit (loss) for the financial year	259,774	(3,798,492)
Total comprehensive gain (loss) for the year	<u>259,774</u>	<u>(3,798,492)</u>

MYCONOSTICA LIMITED

COMPANY BALANCE SHEET 31 December 2012

	Note	2012 £	2011 £
Assets			
Property, plant and equipment	27	-	63,912
Intangible assets	28	70,151	251,170
Investments	29	-	540
Total non-current assets		<u>70,151</u>	<u>315,622</u>
Inventories	31	-	34,651
Trade and other receivables	32	824,163	464,286
Cash and cash equivalents	33	678	73,858
Total current assets		<u>824,841</u>	<u>572,795</u>
Total assets		<u>894,992</u>	<u>888,417</u>
Liabilities			
Long-term provisions	36	-	(50,000)
Other non-current liabilities	37	(91,526)	(87,116)
Total non-current liabilities		<u>(91,526)</u>	<u>(137,116)</u>
Borrowings	34	-	(8,704)
Trade and other payables	35	(41,988)	(240,893)
Total current liabilities		<u>(41,988)</u>	<u>(249,597)</u>
Total liabilities		<u>(133,514)</u>	<u>(386,713)</u>
Net assets		<u>761,478</u>	<u>501,704</u>
Equity			
Issued capital	20	106,547	106,547
Share premium		8,725,411	8,725,411
Reserves		3,165,060	3,165,060
Retained loss	39	(11,235,540)	(11,495,314)
Total equity attributable to equity holders		<u>761,478</u>	<u>501,704</u>

The financial statements of Myconostica Limited, registered number 5693850, were approved by the Board of Directors and authorised for issue on 30 September 2013

Signed on behalf of the Board of Directors

S. D Lowther

S D Lowther

Director

MYCONOSTICA LIMITED

COMPANY CASH FLOW STATEMENT Year ended 31 December 2012

	Note	2012 £	2011 £
Cash flows from operating activities			
Profit (loss) for the year		259,774	(3,798,492)
<i>Adjustments for</i>			
Depreciation	27	16,115	63,006
Amortisation	28	21,418	33,146
Loss on disposal of property, plant and equipment		-	73,908
Impairment of intangible assets		141,922	90,760
Finance income		-	(4,598)
Finance cost		4,614	2,116,104
Impairment of investment		-	529,472
Income tax (income) expense		(129,225)	9,095
Operating cash inflow (outflow) before changes in working capital and provisions		314,618	(887,599)
Decrease (increase) in trade and other receivables		74,008	(4,841)
Decrease in inventories		34,651	51,790
Decrease in trade and other payables		(196,759)	(183,296)
(Decrease) increase in provision		(50,000)	50,000
Cash generated by operations		176,518	(973,946)
Income tax credits receivable		129,225	214,415
Net cash inflow (outflow) from operating activities		305,743	(759,531)
Investing activities			
Interest received		-	4,598
Interest paid		(204)	(1,634)
Purchases of property, plant and equipment		-	(596)
Disposal of property, plant and equipment		47,798	-
Purchases of intangible assets		-	(7,321)
Disposal of intangible assets		17,679	-
Intercompany loan		(436,032)	(422,762)
Net cash used in investing activities		(370,759)	(427,715)
Financing activities			
New loans		-	1,055,000
Repayment of borrowings		(8,704)	(8,820)
Net proceeds on issue of shares		-	4,000
Disposal of investment		540	-
Net cash (used in) generated from financing activities		(8,164)	1,050,180
Net decrease in cash and cash equivalents		(73,180)	(137,066)
Cash and cash equivalents at the beginning of year		73,858	210,924
Cash and cash equivalents at the end of year		678	73,858

MYCONOSTICA LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY Year ended 31 December 2012

	Share capital £	Share premium account £	Reserves £	Retained loss £	Total £
Balance at 1 January 2011	102,547	8,725,411	-	(7,696,822)	1,131,136
Loss for the financial year	-	-	-	(3,798,492)	(3,798,492)
Issued share capital	4,000	-	-	-	4,000
Capital contribution	-	-	3,165,060	-	3,165,060
Balance at 31 December 2011	106,547	8,725,411	3,165,060	(11,495,314)	501,704
Profit for the financial year	-	-	-	259,774	259,774
Balance at 31 December 2012	106,547	8,725,411	3,165,060	(11,235,540)	761,478

MYCONOSTICA LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Year ended 31 December 2012

25 SIGNIFICANT ACCOUNTING POLICIES

The separate financial statements of the company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the European Union.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in note 3 to the consolidated financial statements except as noted below.

Investments

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

26. COMPANY STATEMENT OF INCOME

Profit (loss) for the year

As permitted by section 408 of the Companies Act 2006, the company has elected not to present its own Statement of income for the year. Myconostica Limited reported a profit for the year of £259,774 (2011 - loss of £3,798,492).

27. PROPERTY, PLANT AND EQUIPMENT

	Laboratory equipment £	Furniture, fixtures and fittings, office and computer equipment £	Total £
Cost			
At 1 January 2011	367,668	100,964	468,632
Additions	-	595	595
Disposals	(110,806)	(101,559)	(212,365)
	<hr/>	<hr/>	<hr/>
At 1 January 2012	256,862	-	256,862
Disposals	(256,862)	-	(256,862)
	<hr/>	<hr/>	<hr/>
At 31 December 2012	-	-	-
Accumulated depreciation			
At 1 January 2011	214,518	53,882	268,400
Charge for the year	58,760	4,246	63,006
Disposals	(80,328)	(58,128)	(138,456)
	<hr/>	<hr/>	<hr/>
At 1 January 2012	192,950	-	192,950
Charge for the year	16,115	-	16,115
Disposals	(209,065)	-	(209,065)
	<hr/>	<hr/>	<hr/>
At 31 December 2012	-	-	-
Carrying amount			
At 31 December 2012	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2011	63,912	-	63,912
	<hr/>	<hr/>	<hr/>

MYCONOSTICA LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS Year ended 31 December 2012

28. INTANGIBLE ASSETS

	Patents £	Licences £	Trademark registrations £	Product development £	Total £
Cost					
At 1 January 2011	182,981	287,167	38,154	51,746	560,048
Additions	6,670	651	-	-	7,321
Disposals		(152,576)	-	(51,746)	(204,322)
At 1 January 2012	189,651	135,242	38,154	-	363,047
Disposals	-	(17,679)	-	-	(17,679)
At 31 December 2012	189,651	117,563	38,154	-	345,368
Accumulated amortisation					
At 1 January 2011	27,674	138,659	11,125	14,835	192,293
Charge for the year	6,641	19,236	3,292	3,977	33,146
Disposals	-	(94,750)	-	(18,812)	(113,562)
At 1 January 2012	34,315	63,145	14,417	-	111,877
Charge for the year	6,642	11,483	3,292	-	21,418
Impairment	122,875	14,952	4,096	-	141,922
At 31 December 2012	163,832	89,580	21,805	-	275,217
Carrying amount					
At 31 December 2012	25,819	27,983	16,349	-	70,151
At 31 December 2011	155,336	72,097	23,737	-	251,170

Patents are amortised over their estimated useful lives, which currently are, on average, 10 years (2011 - 5 years). Patent costs are only amortised once an application has been published. At 31 December 2011 patent costs amounting to £nil (2011 - £122,875) were not being amortised as the applications were awaiting publication.

Licences are amortised over their estimated useful lives, which currently are, on average, 9 years (2011 - 7 years). Licences relate to rights to utilise underlying patent technology. Licence costs are amortised over the period to date of expiry of the underlying patents. Where a licence relates to the period to several underlying patents, unless the cost can be allocated to individual patents, costs are amortised over the period to date of expiry of the first to expire patent.

MYCONOSTICA LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Year ended 31 December 2012

29. INVESTMENTS

	Subsidiary undertakings £
Cost	
At 1 January 2012 and 31 December 2012	540
Impairment	
At 1 January 2012	-
Charged in the year	(540)
At 31 December 2012	(540)
Net book value	
At 31 December 2012	-
At 31 December 2011	540

The company owns 100% of the common stock of Myconostica USA Inc , a US company incorporated in the state of Delaware, struck off in 2012. Myconostica USA Inc was established during 2008 to carry out the US operations of the group. The company also owns 100% of the issued ordinary share capital of Myconostica Trustee Company Limited, a company incorporated in England and Wales. Myconostica Trustee Company Limited is a dormant company.

30. DEFERRED TAX ASSETS AND LIABILITIES

At 31 December 2012 the company had an unprovided deferred tax asset

The following are the temporary differences for which the company has not recognised deferred tax due to the unpredictability of future profit streams, based on the expected future tax rate for the company of 23% (2011 - 25%)

	2012 £	2011 £
Accelerated capital allowances	-	13,698
Tax value of short term timing differences	-	(235)
Tax value of UK tax losses carried forward	(1,280,240)	(2,056,536)
	<u>(1,280,240)</u>	<u>(2,043,073)</u>

As at 31 December 2012 the company has available for offset against future profits UK tax losses amounting to £5,566,261 (2011 £8,226,144)

MYCONOSTICA LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS Year ended 31 December 2012

31 INVENTORIES

	2012 £	2011 £
Raw materials	-	34,651

During the year, £49,219 cost of inventory was recognised in cost of sales (2011 - £94,722)

32 OTHER FINANCIAL ASSETS

Trade and other receivables

	2012 £	2011 £
Trade receivables	9,166	33,603
Other receivables	6,112	14,850
Prepayments	-	40,833
Amounts due from group undertakings	808,885	375,000
	<u>824,163</u>	<u>464,286</u>

As at 31 December 2012 the company had an allowance for doubtful debts amounting to £6,632 (2011 - £481)

All trade and other receivables are short term, have a maturity of six months or less and are non-interest bearing. No disclosure of fair value is required as the carrying amount is a reasonable approximation of fair value.

The average credit period taken on sales of goods is 138 days (2011 - 39 days). No interest is charged on the receivables. Trade receivables that are past due are provided for based on estimated irrecoverable amounts determined by reference to past default experience or if there is an indication that the amount receivable may be impaired.

The company is exposed to credit risk from the granting of trade credit for sales to customers. The company mitigates this credit risk by obtaining payments in advance from customers or by the customer providing a letter of credit as the method of payment.

Included in the company's trade receivables balance are debtors (see below for aged analysis) which are past due at the reporting date for which the company has not provided as there has not been a significant change in the credit quality and the amounts are still considered recoverable. The company does not hold collateral over these balances.

Ageing of past due but not impaired receivables is as follows

	2012 £	2011 £
31-60 days	-	11,970
61-90 days	-	5,803
More than 90 days	8,462	9,850
	<u>8,462</u>	<u>27,623</u>

MYCONOSTICA LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Year ended 31 December 2012

32. OTHER FINANCIAL ASSETS (continued)

Bank balances and cash comprise cash held by the company. The carrying amounts of these assets approximate to their fair value. As such no disclosure of fair value is required.

Credit risk

The credit risk on liquid funds and derivative financial instruments is limited because the counterparty, Santander UK plc, is a bank with a high credit rating.

33. FINANCIAL INSTRUMENTS

Capital and liquidity risk management

The company manages its capital to ensure that it will be able to continue as a going concern.

Externally imposed capital requirement

The company is not subject to externally imposed capital requirements.

Categories of financial instruments

	2012 £	2011 £
Financial assets		
Loans and receivables	917,066	423,453
Cash and cash equivalents	678	73,858
	<u>917,744</u>	<u>497,311</u>
Financial liabilities		
Amortised cost	<u>20,004</u>	<u>115,665</u>

The directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Financial risk management objectives

Lab 21 Limited manages the financial risks relating to the operations of the Group, including Myconostica Limited, through internal risk reports which analyse exposure to risk by likelihood and magnitude.

Exposure to foreign exchange risk and the use of financial instruments is monitored. The company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rate risks. The company does not use derivative financial instruments to manage its exposure to interest rate risk. Cash deposits are made with the company's bankers at the market rates prevailing at inception of the deposit for the period and currency concerned.

MYCONOSTICA LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Year ended 31 December 2012

33. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk management

The company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures to US dollar and Euro exchange rates are managed by using US dollar and Euro denominated bank accounts.

The carrying amounts of the company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2012	2011	2012	2011
	£	£	£	£
US dollars	15,569	31,768	9,211	35,393
Euros	120	21,813	7	29,432
	<u>15,689</u>	<u>53,581</u>	<u>9,218</u>	<u>64,825</u>

Foreign currency sensitivity analysis

The following table details the company's sensitivity analysis to a 10% increase in the value of sterling against US dollars and the Euro. 10% is the sensitivity rate used when reporting foreign currency risk internally to management and represents management's assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates an increase in profit, a negative number indicates a reduction in profit.

	US dollars		Euros	
	2012	2011	2012	2011
	£	£	£	£
Profit (loss)	<u>578</u>	<u>(330)</u>	<u>10</u>	<u>(693)</u>

The company is not materially exposed to changes in exchange rates.

Interest rate risk management

The company is not exposed to interest rate risk as it had no interest bearing financial liabilities at either balance sheet date. The company receives interest on its cash and cash equivalents.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Lab 21 Limited board of directors, which has built an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. The company manages liquidity risk by maintaining adequate reserves, banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

At 31 December 2012 and 31 December 2011 the company had no interest bearing financial liabilities.

MYCONOSTICA LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS Year ended 31 December 2012

34. BORROWINGS

	2012 £	2011 £
Secured borrowing		
Alliance & Leicester Small Firms Guarantee Scheme Loan	-	8,704
	<u> </u>	<u> </u>
Total borrowings		
Amount due for settlement within 12 months	-	8,704
	<u> </u>	<u> </u>

In September 2007 the company entered into a loan agreement with the Alliance & Leicester Bank under the Small Firms Guarantee Scheme. The total facility, subject to the company achieving certain commercial milestones, was £nil and as at 31 December 2012 (and 31 December 2011) £250,000 had been borrowed, with £nil outstanding at 31 December 2012 (31 December 2011 £8,704). As security the Alliance & Leicester had registered a Debenture with a fixed and floating charge over the company's assets. The Alliance & Leicester facility expired on 8 May 2009 without the company achieving the commercial milestones to allow any further drawdowns although the sums already drawn down did not become repayable on demand.

35. OTHER FINANCIAL LIABILITIES

Trade and other payables

	2012 £	2011 £
Trade creditors	20,004	106,961
Amounts due to group undertakings	-	2,147
Other taxes and social security	3,561	4,000
Corporation tax	10,000	10,000
Accruals and deferred income	8,323	116,473
Other creditors	100	1,312
	<u> </u>	<u> </u>
	41,988	240,893
	<u> </u>	<u> </u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and on-going costs. The average credit period taken for trade purchases is 180 days (2011 – 92 days) and these are non-interest bearing.

The directors consider that the carrying amount of trade payables approximates to their fair value, as such no disclosure of fair value is required.

MYCONOSTICA LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS Year ended 31 December 2012

36. PROVISION FOR LIABILITIES

	Dilapidations provision £'000
At 1 January 2012	50,000
Provision released in the year	(50,000)
At 31 December 2012	-

The dilapidations provision related to obligations to make good dilapidations existing at 31 December 2011

37. OTHER NON-CURRENT LIABILITIES

	2012 £	2011 £
Cumulative dividend payable in 'A' preference shares	28,526	24,116
Shares classed as financial liabilities (see note 20)	63,000	63,000
	<u>91,526</u>	<u>87,116</u>

The cumulative dividend on 'A' preference shares is payable on 7 July 2015 or, if earlier, on a date of a change in controlling interest or listing (on a recognised investment exchange) of the company's shares

38. SHARE CAPITAL

The movements on these items are disclosed in note 20 to the consolidated financial statements

39. RETAINED EARNINGS

	£
Balance at 31 December 2010	(7,696,822)
Loss for the financial year	(3,798,492)
Balance at 31 December 2011	(11,495,314)
Profit for the financial year	259,774
Balance at 31 December 2012	<u>(11,235,540)</u>

40. CAPITAL COMMITMENTS

The company had no capital commitments as at 31 December 2012 (2011 - £nil)

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short term highly liquid investments with a maturity of three months or less

MYCONOSTICA LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Year ended 31 December 2012

41. OPERATING LEASE ARRANGEMENTS

	2012 £	2011 £
Minimum lease payments under operating leases recognised in the income statement for the year	40,867	93,328

At the balance sheet date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows

	2012 £	2011 £
Within one year	3,430	39,966
Between one and two years	-	4,327
	3,430	44,293

Operating lease payments represent rentals payable by the company in respect of property occupied by the company and leased office equipment

42. RELATED PARTY TRANSACTIONS

Trading transactions

During the year the company entered into the following transactions with related parties who are members of the Lab 21 Limited group

Related party	Nature of transaction	Sales to related parties		Purchases from related parties	
		2012 £	2011 £	2012 £	2011 £
Lab21 Healthcare Limited	Goods and services	34,651	-	-	-
Lab21 Limited	Goods and services	-	-	-	1,500
Myconostica USA Inc	Goods and services	-	45,918	-	-
		34,651	45,918	-	1,500

In addition, Myconostica Limited charged £nil (2011 - £4,003) interest to Myconostica Inc and fully impaired the £nil (2011 - £529,472) receivable balance from Myconostica Inc

During the year, Myconostica Limited loaned £nil (2011 - £nil) of cash to Myconostica USA Inc

		Amounts owed by related parties		Amounts owed to related parties	
		2012 £	2011 £	2012 £	2011 £
Lab21 Healthcare Limited	Loan	505,841	375,000	-	-
Lab21 Limited	Loan	303,044	-	-	1,500
Myconostica USA Inc	Loan	-	-	-	647
		808,885	375,000	-	2,147

MYCONOSTICA LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Year ended 31 December 2012

42. RELATED PARTY TRANSACTIONS (continued)

Sales of goods to related parties were made at arm's length prices. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

43. GUARANTEES

As explained in the Going Concern section in note 1, Lab21 Limited, the parent company, entered into a loan facility with Clydesdale Bank plc ("Clydesdale") in June 2012. Under the terms of this agreement, Clydesdale has been granted a first and only debenture comprising fixed and floating charges over all the property, assets and undertaking (including uncalled capital) from time to time of Lab21 Limited as Borrower and Lab21 Healthcare Limited, Microgen Bioproducts Limited and Myconostica Limited as Guarantors.

44. ULTIMATE PARENT COMPANY

The company is a subsidiary undertaking of Lab 21 Limited, a company incorporated in England & Wales.

The largest and smallest group in which the results of the company are consolidated is that headed by Lab 21 Limited. The consolidated accounts of Lab 21 Limited are available to the public and may be obtained from 184 Cambridge Science Park, Cambridge, CB4 0GA.

45. CONTROLLING PARTY

In the opinion of the directors, there is no single ultimate controlling party.

46. SUBSEQUENT EVENTS

On 18 July 2013, Lab21 Limited successfully completed the sale of certain business assets including i) the development, manufacture, marketing and distribution of its blood banking products and ii) the know-how and capability to develop, manufacture and sell protein and molecular based assays ("the Sale"). The company was a party to the Sale and transferred certain know-how and business assets as part of the Business & Asset Purchase agreement. Following the Sale the company intends to transfer the remaining business assets to Lab21.