

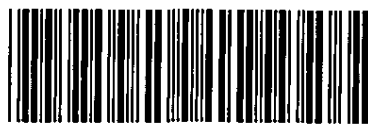
Magnomatics Limited

Directors' report and financial
statements

Registered number 5878200

31 July 2007

TUESDAY



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Directors' report

The directors present their annual report and the audited financial statements for the period ended 31 July 2007

Principal activities

The company was incorporated on 17 July 2006 and is principally engaged in the design and manufacture of electromagnetic and magnetic assemblies

Business review

The company commenced trading on 18 August 2006 and made a profit before tax of £48,887 for the period

The trading results for the period and the company's financial position at the end of the period are shown in the attached financial statements

Proposed dividend

The directors do not recommend the payment of a dividend

Disclosure of information to auditors

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

Directors

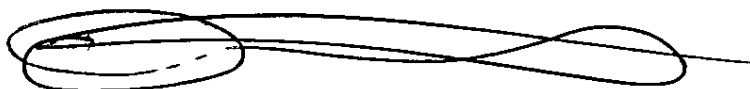
The directors who held office during the period were as follows

C J Kirby	(appointed 19 July 2006)
S D Calverley	(appointed 19 July 2006)
K Atallah	(appointed 19 July 2006)
D Howe	(appointed 19 July 2006)
J Goulding	(appointed 19 July 2006, resigned 2 August 2007)
J J Rens	(appointed 19 July 2006)
D G Baynes	(appointed 14 February 2007, resigned 16 August 2007)
T P Gardiner	(appointed 16 August 2007)

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board



C J Kirby
Director

The Sheffield Bioincubator
40 Leavygreave Road
Sheffield
S3 7RD

30 April 2008

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities



KPMG Audit Plc

1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

Independent auditors' report to the member of Magnomatics Limited

We have audited the financial statements of Magnomatics Limited for the period ended 31 July 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

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

Independent auditors' report to the members of Magnomatics Limited
(continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 July 2007 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

30 April 2008

Profit and loss account
for the period ended 31 July 2007

	<i>Note</i>	2007 £
Turnover	2	102,707
Cost of sales		(14,695)
Gross profit		88,012
Administrative expenses		(40,162)
Operating profit		47,850
Interest payable and similar costs	6	(47)
Interest receivable and similar income	7	1,084
Profit on ordinary activities before taxation	3	48,887
Tax on profit on ordinary activities	8	(9,553)
Profit on ordinary activities after taxation		39,334

All activities were generated by continuing operations

There were no gains or losses other than those recognised in the profit and loss account for the period

Reconciliation of movements in shareholders' funds

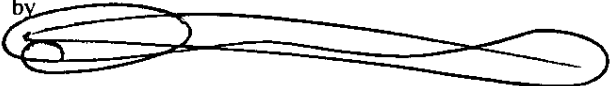
for the period ended 31 July 2007

	2007 £
Profit for the financial period	39,334
New share capital subscribed	15,188
Net addition to shareholders' funds	54,522
Opening shareholders' deficit	-
Closing shareholders' deficit	54,522

Balance sheet
at 31 July 2007

	<i>Note</i>	2007 £	2007 £
Fixed assets			
Tangible assets	9		5,740
Current assets			
Debtors	10	23,848	
Cash at bank and in hand		64,555	
		<u>88,403</u>	
Creditors amounts falling due within one year	11	<u>(39,621)</u>	
Net current assets			48,782
Net assets			<u>54,522</u>
Capital and reserves			
Called up share capital	12		15,188
Profit and loss account	13		39,334
			<u>54,522</u>
Shareholders' funds			<u>54,522</u>

These financial statements were approved by the board of directors on 30 April 2008 and were signed on its behalf by



C J Kirby
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

Under Financial Reporting Standard 1 (revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

Turnover

Turnover represents the invoiced value of goods and services supplied by the company net of value added tax

Going Concern

The accounts have been prepared on a going concern basis which the directors believe to be appropriate

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Plant and machinery	-	33% per annum
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Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions payable for the year are charged in the profit and loss account.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Research and development

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

2 Turnover

Turnover is attributable to the principal activity of the company

Notes (continued)

3 Profit on ordinary activities before taxation

	2007 £
<i>Profit on ordinary activities before taxation is stated after charging</i>	
<i>Auditors remuneration</i> Audit of these financial statements	1,250
Depreciation and other amounts written off tangible and intangible fixed assets - owned	720
	<u>1,970</u>

4 Remuneration of Directors

	2007 £
<i>Directors emoluments</i>	
Remuneration as directors	9,602
	<u>9,602</u>
Company contributions to a money purchase pension scheme	694
	<u>10,296</u>
Retirement benefits are accrued to the following number of directors under	
Money purchase scheme	1
	<u>1</u>

5 Staff numbers and costs

The average number of staff employed by the company during the financial period amounted to

	2007 No
Number of administrative staff	1
	<u>1</u>

The aggregate payroll costs of the above were

	2007 £
Wages and salaries	9,602
Social security costs	1,007
Pension costs	694
	<u>11,303</u>

Notes (continued)

6 Interest payable and similar charges

	2007 £
Similar charges payable	47
	<u>47</u>

7 Interest receivable and similar income

	2007 £
Bank interest receivable	1,084
	<u>1,084</u>

8 Taxation on profit on ordinary activities

Analysis of charge in period

	2007 £
<i>UK corporation tax</i>	
Current tax on income for the period	9,045
Adjustments in respect of prior periods	-
Deferred tax	508
	<u>9,553</u>
Tax on profit on ordinary activities	<u>9,553</u>

<i>Deferred tax</i>	2007 £
Capital allowances in excess of depreciation	508
	<u>508</u>

Notes (continued)

8 Taxation on profit on ordinary activities (continued)

Factors affecting the tax charge for the current period

Current tax on income for the period is lower than the standard rate of corporation tax in the UK (20%). The differences are explained below

	2007 £
Current tax reconciliation	
Profit on ordinary activities before tax	48,887
	<hr/>
Current tax at 20%	9,777
Effects of	
Expenses not deductible for tax purposes	108
Capital allowances in excess of depreciation	(508)
Change in tax rate	(332)
	<hr/>
Total current tax charge (see above)	9,045
	<hr/> <hr/>

9 Fixed assets

	Office Equipment £
<i>Cost</i>	
Additions	6,460
	<hr/>
At 31 July 2007	6,460
	<hr/> <hr/>
<i>Depreciation</i>	
Charge for period	720
	<hr/>
At 31 July 2007	720
	<hr/> <hr/>
<i>Net book value</i>	
At 31 July 2007	5,740
	<hr/> <hr/>

Notes (continued)

10 Debtors

	2007 £
Trade debtors	21,930
Prepayments and accrued income	1,918
	<hr/> 23,848 <hr/>

11 Creditors: amounts falling due within one year

	2007 £
Trade creditors	1,722
Accruals and deferred income	19,281
Other creditors	4,237
Deferred tax	508
Corporation tax	9,045
Taxation and social security	4,828
	<hr/> 39,621 <hr/>

12 Called up share capital

	2007 £
<i>Authorised</i>	
Equity 100,000 Ordinary shares of £1 each	100,000
	<hr/> 100,000 <hr/>
<i>Allotted, called up and fully paid</i>	
Equity 15,188 Ordinary shares of £1 each	15,188
	<hr/> 15,188 <hr/>

The company was incorporated on 17 July 2006 having allotted share capital of £1

On 24 January 2007, 14,999 Ordinary shares of £1 each were issued at par

On 27 March 2007, 188 Ordinary shares of £1 each were issued at par

Notes (continued)

13 Reserves

	Profit and loss account 2007 £
Balance brought forward	-
Profit for the financial period	39,334
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Balance carried forward	39,334
	<hr/>

14 Pension commitments

The company operates a defined contribution pension scheme. During the period the company paid contributions totalling £694 into the scheme. No contributions were outstanding at the period end.

15 Related party transactions

During the period the company re-imbursed expenses to C Kirby totalling £2,593. At 31 July 2007 the company owed C Kirby £225.

During the period the company purchased consultancy services and re-imbursed expenses to JJJ Rens totalling £947. At 31 July 2007 the company owed JJJ Rens £947.

During the period the company purchased consultancy services and re-imbursed expenses to K Atallah totalling £2,468. At 31 July 2007 the company owed K Atallah £2,472.

During the period the company purchased consultancy services and re-imbursed expenses to S Calverley totalling £8,771. At 31 July 2007 the company owed S Calverley £7,244.

During the period the company purchased rent, office expenses and seconded staff from the University of Sheffield which has an associated interest in Biofusion Plc, totalling £4,715. At 31 July 2007 the company owed the University of Sheffield £4,558.

During the period the company purchased management services from Sheffield University Enterprises Limited, a wholly owned subsidiary of the University of Sheffield totalling £5,249. At 31 July 2007 the company owed Sheffield University Enterprises Limited £1,598.

16 Ultimate parent company and parent undertaking of larger group of which the company is a member

The largest group in which the results of the Company are consolidated is that headed by Biofusion Plc incorporated in the United Kingdom. No other group financial statements include the results of the Company. The consolidated financial statements of these groups are available to the public and may be obtained from BioFusion Plc, The Sheffield Bioincubator, 40 Leavygreave Road, Sheffield, S3 7RD.