

**CONSOLIDATED INCOME STATEMENT**

		12 months to 31 Dec 2007 £'000	12 months to 31 Dec 2006 £'000
	Notes		
Revenue		327	305
Cost of sales		(93)	-
Gross profit		234	305
Administration expenses		(1,606)	(1,882)
Other income	1	158	-
Share based payment		(26)	(169)
Operating loss		(1,240)	(1,746)
Finance income	2	37	18
Loss before tax	1	(1,203)	(1,728)
Taxation	3	(17)	(24)
Loss for the year		(1,220)	(1,752)
<b>Loss per share</b>			
Basic and diluted (pence per share)	4	(1.64)	(3.06)

All transactions arose from continuing operations.

CONSOLIDATED BALANCE SHEET

		31 Dec 2007 £'000	31 Dec 2006 £'000
	Notes		
<b>Assets</b>			
Non-current assets			
Property, plant and equipment	6	43	54
Intangible assets	5	441	353
Financial assets		1	1
Total non-current assets		485	408
Current assets			
Trade and other receivables	7	111	115
Inventory	8	13	11
Cash and cash equivalents	9	286	1,467
Total current assets		410	1,593
<b>Total assets</b>		<b>895</b>	<b>2,001</b>
<b>Equity and liabilities</b>			
Capital and reserves			
Issued capital	12	7,442	7,442
Share premium	12	4,612	4,612
Merger reserve		13,279	13,279
Other reserve		-	85
Share based payment reserve		215	189
Translation reserve		(55)	(76)
Retained earnings		(24,934)	(23,799)
Total equity		559	1,732
Non-current liabilities			
Deferred tax liabilities	11	123	106
Total non-current liabilities		123	106
Current liabilities			
Trade and other payables	10	213	163
Total current liabilities		213	163
Total liabilities		336	269
<b>Total equity and liabilities</b>		<b>895</b>	<b>2,001</b>

**CONSOLIDATED CASHFLOW STATEMENT**

	12 months to 31 Dec 2007 £'000	12 months to 31 Dec 2006 £'000
<b>Cash flows from operating activities</b>		
Loss for the period	(1,220)	(1,752)
Finance costs in the income statement	(37)	(18)
Tax in the income statement	17	24
Depreciation of non-current assets	32	36
Amortisation	254	110
Gain on sale of property, plant & equipment	-	(1)
Share based payments	26	169
(Increase) in inventory	(2)	-
Decrease in trade and other receivables	4	75
Increase in trade and other payables	50	53
Net cash used in operations	(876)	(1,304)
Interest received	37	18
Income tax paid	(8)	(8)
Net cash used in operating activities	(847)	(1,294)
<b>Cash flows from investing activities</b>		
Interest paid	-	-
Payments for property, plant and equipment	(20)	(9)
Payments for intangible assets	(342)	(152)
Long term deposits	-	-
Sale of property plant, & equipment	-	1
Net cash used in investing activities	(362)	(160)
<b>Cash flows from financing activities</b>		
Proceeds from issue of equity shares	-	2,900
Issue costs	-	(193)
Net cash generated by financing activities	-	2,707
Net (decrease) / increase in cash and cash equivalents	(1,209)	1,253
Exchange gains / (losses)	28	(72)
Total (decrease) / increase in cash and cash equivalents	(1,181)	1,181
Cash and cash equivalents at the start of the period	1,467	286
Cash and cash equivalents at the end of the period	286	1,467

NOTES TO THE CONSOLIDATED ACCOUNTS

1. Loss before tax

	2007 £'000	2006 £'000
Loss before tax has been arrived at after charging (crediting):		
Foreign exchange gains / (losses)	1	-
Depreciation and amortisation:		
Depreciation of property, plant and equipment	31	36
Amortisation of intangible assets	255	110
Employee benefits expense:		
Employee costs	985	1,139
Land and buildings held under operating leases		
Other operating leases	127	117
Audit and non-audit services:		
Fees payable to the Company's auditor for the audit of the Group accounts	55	53
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	4	1
Tax services	12	26
Other services pursuant to legislation	2	1

During the year the Group's Australian subsidiary received a refund of research and development expenditures from the Australian Government amounting to £151,000 (2006: £146,000).

2. Finance income

	2007 £'000	2006 £'000
Interest	37	18
	37	18
	37	18

3. Income tax expense

	2007 £'000	2006 £'000
<b>Current Tax:</b>		
Corporation tax on loss for the year	8	8
Overseas tax	-	-
Adjustment in respect of previous periods	-	-
Total current tax	8	8
<b>Deferred Tax:</b>		
Origination and reversal of timing differences		
-current period	26	16
-attributable to the reduction in the rate of domestic income tax	(9)	-
Total income tax on loss for the year	17	24

**NOTES TO THE CONSOLIDATED ACCOUNTS**

The tax assessed for the period differs from the standard rate of corporation tax as applied in the respective trading domains where the Group operates. The tax charge on ordinary activities is explained below:

	2007 £'000	2006 £'000
Loss for the period before tax	(1,203)	(1,728)
Loss for period multiplied by the respective standard rate of corporation tax applicable in each domain (28% 2007, 30% 2006).	(337)	(518)
Effects of:		
Higher foreign tax rates	(1)	(28)
Expenses not deductible for tax purposes	42	11
Tax losses carried forward	317	503
Other timing differences	(30)	24
Foreign withholding tax	(8)	(8)
	<hr/>	<hr/>
Total income tax on loss for the year	<u>(17)</u>	<u>(16)</u>

There are substantial unrelieved tax losses of £20,749,000 (2006: £19,179,000) across the Group companies as set out below:

	USA £'000	UK £'000	Canada £'000	Australia £'000	Total £'000
<b>At 31 December 2007</b>					
Unrelieved tax loss	7,783	1,492	1,510	9,964	20,749
Local rate of tax	34%	28%	30%	30%	n/a
Unprovided potential deferred tax asset	2,646	418	453	2,989	6,506
<b>At 31 December 2006</b>					
Unrelieved tax loss	7,494	1,231	1,415	9,039	19,179
Local rate of tax	34%	30%	30%	30%	n/a
Unprovided potential deferred tax asset	2,548	369	424	2,712	6,053

At 31 December 2007, the availability to offset unrelieved tax losses against future taxable trading profits may be subject to restrictions in the respective tax jurisdictions. The potential deferred tax asset of £6,506,000 (2006: £6,053,000) has not been recognised due to the uncertainty of the timing and recoverability of the asset. The asset will be recovered in line with future profits.

NOTES TO THE CONSOLIDATED ACCOUNTS

4. Loss per share

	2007 £'000	2006 £'000
Loss for the year attributable to equity shareholders	(1,220)	(1,752)
Loss per share		
Basic & diluted (pence per share)	(1.64)	(3.06)
	Shares	Shares
Issued ordinary shares at start of the period	74,416,547	46,566,547
Ordinary shares issued in the period	-	27,850,000
Issued ordinary shares at end of the period	<u>74,416,547</u>	<u>74,416,547</u>
Weighted average number of shares in issue for the period.	<u>74,416,547</u>	<u>57,315,680</u>

The diluted loss per share does not differ from the basic loss per share as the exercise of share options would have the effect of reducing the loss per share and is therefore not dilutive under the terms of IAS 33.

5. Intangible assets

	Capitalised development costs £'000	Patents £'000	Total £'000
Cost			
At January 1 2006	301	192	493
Additions	<u>153</u>	<u>-</u>	<u>153</u>
At 31 December 2006	454	192	646
Additions	<u>342</u>	<u>-</u>	<u>342</u>
At 31 December 2007	<u>796</u>	<u>192</u>	<u>988</u>
Amortisation			
At January 1 2006	-	182	182
Charge for the year	<u>101</u>	<u>10</u>	<u>111</u>
At 31 December 2006	101	192	293
Charge for the year	<u>254</u>	<u>-</u>	<u>254</u>
At 31 December 2007	<u>355</u>	<u>192</u>	<u>547</u>
Net book value			
At January 1 2006	301	10	311
At 31 December 2006	353	-	353
At 31 December 2007	<u>441</u>	<u>-</u>	<u>441</u>

NOTES TO THE CONSOLIDATED ACCOUNTS

6. Property, plant and equipment

	Leasehold improvements £'000	Furniture fittings and equipment £'000	Total £'000
<b>Cost or valuation</b>			
At 1 January 2006	12	430	442
Additions		9	9
Disposals		(172)	(172)
Exchange rate differences		(24)	(24)
At 31 December 2006	12	243	255
Additions		20	20
Disposals			
Exchange rate differences	1	(2)	(1)
At 31 December 2007	13	261	274
<b>Depreciation</b>			
At 1 January 2006	7	350	357
Provided in the year	2	34	36
Disposals	-	(172)	(172)
Exchange rate differences	(2)	(18)	(20)
At 31 December 2006	7	194	201
Provided in the year	1	31	32
Disposals			
Exchange rate differences	1	(3)	(2)
At 31 December 2007	9	222	231
<b>Net book value</b>			
At 1 January 2006	5	80	85
At 31 December 2006	5	49	54
At 31 December 2007	4	39	43

NOTES TO THE CONSOLIDATED ACCOUNTS

7. Trade and other receivables

	2007 £'000	2006 £'000
Trade receivables	79	82
Restricted cash	-	1
Prepayments	21	22
Other receivables	11	10
	<u>111</u>	<u>115</u>

The following financial assets are aged as follows:

	2007 £'000	2006 £'000
<b>Trade receivables</b>		
Not more than 3 months	76	30
More than 3 months but not more than 6 months	2	1
More than 6 months but not more than 1 year	1	1
More than one year	-	-
	<u>79</u>	<u>32</u>

No receivables are currently judged to be impaired and therefore there are no allowance account balances.

8. Inventory

	2007 £'000	2006 £'000
Finished goods	<u>13</u>	<u>11</u>

9. Cash and cash equivalents

	2007 £'000	2006 £'000
Cash at bank and in hand	<u>286</u>	<u>1,467</u>

**NOTES TO THE CONSOLIDATED ACCOUNTS**

**10. Trade and other payables**

	2007 £'000	2006 £'000
Non-current liabilities		
Deferred tax liabilities	123	106
Current liabilities		
Trade payables	44	5
Accrued expenses	169	158
	213	163

**11. Deferred tax**

	2007 £'000	2006 £'000
1 January	106	90
Timing differences	26	16
Change in income tax rate on deferred tax	(9)	-
31 December	123	106

**12. Issued share capital**

	Shares	Nominal Value (10p) £'000	Premium net of costs £'000	Total £'000
In issue 1 January 2006	46,566,547	4,657	4,690	9,347
Issue 17 February	11,500,000	1,150	32	1,182
Option exercise 10 March	50,000	5	-	9
Issue 12 December	16,300,000	1,630	(110)	1,520
31 December 2006	74,416,547	7,442	4,612	12,054
31 December 2007	74,416,547	7,442	4,612	12,054

There have been no share issues during the period and no options have been exercised.

**Events after the balance sheet date**

On April 23<sup>rd</sup>, 2008, the Company announced that it had raised £510,000 through the issue of Convertible Loan Notes ("Notes") to certain Directors of the Group and to Arisawa pursuant to the existing authorities granted to the board of Directors. The Notes have an annual interest rate of 8%. The Notes can be converted by the holders into ordinary shares of 10 pence each in the capital of the Company ("Shares") at a conversion price of 10 pence nominal amount of Notes per Share. The Company has the option to redeem the Notes at any time at a 5% premium to their nominal value plus accrued interest. Any Notes outstanding on 17 April 2010 will at the option of the Company be repaid in cash or settled by the issue of Shares at the conversion price; in both cases accrued interest will be payable in cash.

Arisawa, currently a holder of 28.64% of the existing issued ordinary share capital of the Group acquired £425,000 of the Notes (the "Transaction"). Upon full conversion, this would increase Arisawa's current interest to 25,564,807 ordinary shares representing 32.13% of the enlarged issued ordinary share capital of the Group (assuming full conversion of all the Notes).

The Transaction is a related party transaction for the purpose of AIM rule 13, Arisawa and certain Directors being related parties within the meaning of the AIM rules. The Directors of the Company, other than Messrs. Yewdall, Littlefield and Snook and Dr Sanji Arisawa, consider, having consulted

**NOTES TO THE CONSOLIDATED ACCOUNTS**

with the Company's nominated adviser, that the terms of the Transaction are fair and reasonable insofar as the shareholders are concerned.

In view of the potential for the transaction to result in Arisawa's future ownership of more than 30% of the issued shares of the Company that would require Arisawa to tender an offer for the outstanding shares of the Company, the Company's nominated adviser has discussed whether Rule 9 of the Takeover Code applies to the Company with the Takeover Panel. The Takeover Panel has confirmed to the Company's nominated adviser that the Company is not subject to the Takeover Code (including Rule 9) since the Company's central management and control is based outside the United Kingdom.

**NOTE TO THE ANNOUNCEMENT**

The financial information set out in this announcement does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985.

This announcement includes extracts from the audited statutory accounts for the year to 31 December 2007. The comparative figures relating to the year to 31 December 2006 are taken from the audited statutory accounts for that year.

END