



BIOQUELL
Bio-decontamination solutions



BIOQUELL – an overview

The BIOQUELL Group has two principal divisions: Bio-decontamination (BIO-DECON) and Test, Regulatory and Compliance (TRAC).

BIO-DECON

The bio-decontamination division comprises five businesses:

RBDS – the Room Bio-Decontamination Service (RBDS), which is used throughout the world to sterilise buildings, rooms and equipment across a range of sectors – including the eradication of “superbugs” found in healthcare facilities

Clarus – the Clarus range of bio-decontamination equipment, used principally in the life sciences and healthcare sectors and sold internationally

Laboratory – a range of specialist filtration equipment used principally in the life sciences research sector under the Microflow and Astec brands

Defence – chemical, biological, radiological and nuclear (CBRN) filtration equipment and environmental control systems sold under the MDH Defence brand

Service – an after-sales service and support business, which covers all the products sold by the BIO-DECON division.

In addition the BIO-DECON division carries out extensive research and development (R&D) relating to the technologies exploited by the division’s businesses. It has also been carrying out R&D into novel wound healing technology for a number of years. In addition to the UK headquarters, the division has two facilities in the US and one in France.

TRAC

The Test, Regulatory and Compliance division comprises five businesses:

Cape – environmental testing and finite element analysis, principally for the aerospace and defence sectors

TRL Compliance – electromagnetic compatibility (EMC) testing and other electronic related compliance and regulatory approvals, principally for the aerospace and defence sectors

EMC Projects – EMC testing for clients across a broad range of sectors, principally in the South of England

KTL – specialist telecoms and related electronic testing, regulatory and compliance solutions for a broad range of multi-national clients with a particular focus on DSL (digital subscriber line) testing

KTL Inc – specialist telecoms testing, regulatory and compliance solutions located in Santa Clara, California with a particular focus on DSL



2 Chairman’s statement

4 Review of activities

10 Operations and finance review

11 Directors, officers and professional advisers

12 Directors’ report

14 Corporate governance statement

16 Directors’ remuneration report

20 Statement of directors’ responsibilities

21 Independent auditors’ report

23 Accounts

Year in brief

Bio-decontamination division

- key medical data has now been presented in the US that demonstrates that BIOQUELL's technology:
 - i. is highly effective at eradicating "superbugs" from the hospital environment; and
 - ii. can significantly reduce the patient infection rate of "superbug" Clostridium difficile
- increasing demand for BIOQUELL's Room Bio-Decontamination Service (RBDS) from both hospitals and the life science sector, particularly in the US
- first BIOQUELL RBDS carried out against avian flu for an Asian government research laboratory
- increased demand for bio-decontamination and defence equipment in the second half of 2005

New Wound Healing technology

- encouraging results from clinical trials; first set complete; second set nearing completion – further clinical trials will start later this year
- UK regulatory approval filings are being prepared and UK regulatory approval is expected before the end of the year
- work started on US regulatory filing process
- work underway on the identification of suitable partners in different territories

TRAC – Testing, Regulatory and Compliance – division

- the TRAC division has been established to combine the Group's five specialist testing, regulatory and compliance service companies, including Cape; the Group's environmental test business
- the two businesses, KTL (telecoms) and TRL Compliance (EMC), acquired in October 2005 have performed strongly since acquisition
- the telecoms compliance and testing business set up in California in October 2005 is beginning to show strong growth with high levels of enquiries relating to DSL (digital subscriber line) services and VoIP (voice over internet protocol)
- Cape has changed its management structure to reduce its cost base



Chairman's statement



Significant interest is being shown in BIOQUELL's technology in the US Healthcare Sector

Overview

The BIOQUELL Group comprises two divisions: Bio-decontamination solutions and TRAC – Testing, Regulatory and Compliance – which includes Cape and the new service businesses acquired last year.

Results and finance

The financial information for the BIOQUELL Group published in this document reflects the application of the new International Financial Reporting Standards (IFRS) and includes reconciliations to UK GAAP. Information on the effects of IFRS on the Group's results is set out below and was also provided at the time of the 2005 interim results which was published in September 2005.

Turnover increased by 11% to £17.2 million (2004: £15.5 million), largely due to increases in bio-decontamination services, defence equipment and the turnover attributable to the two businesses acquired in October 2005. Bio-decontamination equipment saw a significant increase in revenues in the second half. The overall consolidated gross margin remained stable at 37%.

IFRS requires a new accounting treatment for research and development costs. Gross expenditure on product development in the period, was £1.2 million (2004: £0.9 million). Following the application of IFRS the total amount relating to research and development charged to the income statement was £0.4 million (2004: £0.4 million). The principal product development activities in the year comprised work associated with hospital acquired infection, wound healing and additions to the Clarus range of bio-decontamination equipment. The Group continues to invest in technological innovation and upgrading its existing product and service ranges.

Loss before tax was £0.5 million (2004: profit of £0.1 million). It is notable that the financial performance of the Group improved in the second half of 2005 with revenues of £10.2 million (2005 H1: £7.0 million), a 46% increase, and profit before tax of £0.2 million (2005 H1 loss: £0.7 million).

Net cash from operating activities improved by 42% to £1.7 million (2004: £1.2 million). Capital expenditure was £1.2 million (2004: £0.8 million), principally relating to investment in bio-decontamination equipment for the Group's service businesses and the TRAC division. During the year £0.4 million (2004: £0.2 million) was paid as consideration for businesses acquired.

Net debt at the year end was £1.6 million (30 June 2005: £0.9 million) and net assets were £10.1 million (30 June 2005: £9.5 million). The Group has overdraft facilities of £2.2 million of which £1.2 million was used at the year end, a euro denominated loan of £0.4 million and other debt finance of £0.1 million.

Activities

Bio-decontamination solutions

Some three years ago, BIOQUELL pioneered the development of new technology which enabled rooms or buildings to be bio-decontaminated and achieve the same level of sterility as that achieved using a steam steriliser. Prior to this innovation it was not realistically practical or feasible for hospitals to sterilise rooms or wards – thereby eradicating problematic bacteria from the environment. Further, BIOQUELL's technology leaves no problematic residues and is compatible with sensitive electronics. The technology has applications in the life sciences sector – including, for example, vaccine production or the eradication of avian flu. It also has significant opportunities in the healthcare sector worldwide to help combat hospital acquired infection, often referred to in the UK as "superbugs".

Last month data was presented at a leading US healthcare infection control conference by a US expert, in conjunction with the US Government's Centers for Disease Control and Prevention ("CDC"), which showed that the use of BIOQUELL's technology reduced significantly the rate of patient infection with *Clostridium difficile*, a problematic "superbug". (*Clostridium difficile* is an antibiotic resistant "superbug" which recently mutated to produce a new, hyper-virulent strain which causes severe disease and sometimes death to patients; it is thought that this new strain is present in at least 40 hospitals in the UK.) These data are extremely important as they demonstrate scientifically for the first time the link between a reduction in the level of bacterial contamination giving rise to a reduction in patient infection rates. (There is constant reintroduction of "superbugs" back into the hospital environment from patients from other healthcare facilities, particularly nursing homes and/or long term care facilities.) Significant interest is being shown in BIOQUELL's technology in the US healthcare sector and the Board anticipates strong growth will follow in this market.

Other opportunities exist for the use of BIOQUELL's bio-decontamination technology in the defence and life sciences sector. Further, BIOQUELL's technology should help combat contamination from avian flu.

New Wound Healing technology

Over the last several years the Group has invested significant resources into the development of its novel new wound healing technology. The technology draws upon the Group's expertise in research and development, complex engineering and the application of peroxy chemistry. Chronic wounds – typically wounds which have not healed after six weeks – are a substantial and expensive problem for healthcare providers. For example, experts have estimated that some 0.2% to 1% of the total population – and between 1% to 3% of the elderly population – suffer from venous

leg ulcers. BIOQUELL carried out successful clinical trials last year with one of the UK's leading wound healing research units; a further set of clinical trials will start later this year. Work is currently underway to secure UK regulatory approval to launch a product on the EU market; we expect to gain UK regulatory approval before the end of the year. Work is also underway to obtain appropriate data to fulfil the requirements of the US regulators.

TRAC – Testing, Regulatory and Compliance – division

Following the acquisition of two specialist testing and compliance businesses last year, it was decided to establish a new division: TRAC (Testing, Regulatory and Compliance). This division comprises all the Group's testing service businesses including Cape, EMC Projects, TRL Compliance and KTL.

Cape, which carries out environmental testing for a range of clients including the aerospace and defence sectors, had a satisfactory first half but started to experience reduced margins in the second half due, in part, to substantially higher electricity costs which have proven difficult to pass on to clients to date. Following the acquisition of the new businesses and the establishment of a separate division the management structure of Cape has been changed to reduce its cost base. We are anticipating that there will be opportunities to increase Cape's revenues as a result of cross referrals from companies within the TRAC division.

Following the "dotcom" collapse in 2000, it is now clear that large parts of the telecoms sector have recovered and appear to be trading strongly. KTL, which focuses on telecoms testing with a particular focus on DSL technology, has seen strong levels of activity in the US and, in the UK, from multi-national groups. A cost reduction programme, which was planned prior to acquisition, has been largely completed and involved making approximately 20% of the employees redundant. The business is now profitable and growing.

KTL Inc's newly established specialist DSL testing laboratory in Santa Clara, California has now been approved by the Regional Bell Operating Companies (RBOCs) for DSL testing and order levels are

increasing. KTL Inc. has been deliberately located close to a number of the large US telecoms hardware manufacturers in California which is helping this business grow fast.

TRL Compliance, which focuses principally on EMC testing, is also seeing strong levels of activity, particularly from the defence sector. TRL Compliance currently operates from six sites, and planned site consolidation will improve the services which TRL Compliance provides to its clients. Plans are underway to ensure closer sales and marketing co-operation between TRL Compliance, Cape and EMC Projects (Cape's existing EMC testing subsidiary).

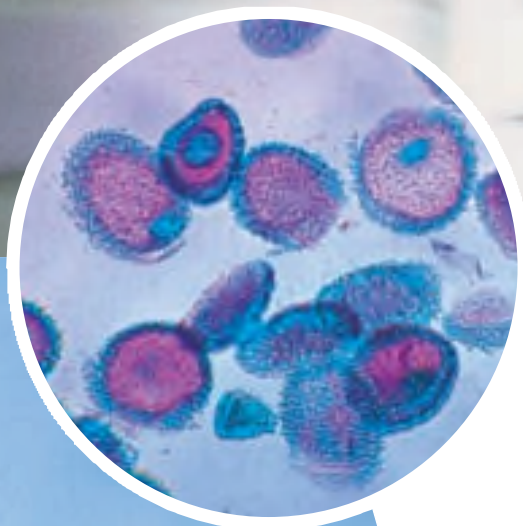
Prospects

The international healthcare markets which the Group is targeting are substantial and the Group, in conjunction with appropriate partners, should benefit significantly from being the first entrant to these markets with new technology. As with all new technologies, forecasting adoption rates is difficult; however, the successful trials in the US and positive market feedback mean that we are increasingly confident about achieving fast growth in North America. The opportunities relating to BIOQUELL's new wound healing technology also look attractive. Moreover, the significant expansion of the Group's testing services via the acquisitions in October 2005 and the establishment of the TRAC division means that the funding of the development of the Group's "blockbuster" technologies will be assisted by this profitable and growing division.



John Salkeld
Chairman

11 April 2006



BIOQUELL's technology is highly effective at eradicating "superbugs" from the hospital environment and can significantly reduce the patient infection rate of "superbug" *Clostridium difficile*

Review of activities



BIOQUELL anticipates significantly faster adoption of its technology in the US healthcare sector than in the UK

Bio-decontamination solutions

RBDS

RBDS – the Group’s Room Bio-Decontamination Service – continues to grow with increasing levels of repeat business particularly from pharmaceutical companies.

In 2004, significant progress was made in demonstrating the effectiveness of the RBDS technology to eradicate problematic micro-organisms – bacteria, viruses and fungi – from the hospital environment. In 2005, the technology was used to stop “superbug” infection outbreaks or reduce infections in endemic settings. In March 2006, Dr John M. Boyce, Professor of Clinical Medicine at Yale University School of Medicine, presented data at SHEA, a leading US infection control conference, which showed the results of a collaborative trial with the US Centers for Disease Control and Prevention (CDC) and BIOQUELL. In summary, the trial showed that by having a BIOQUELL RBDS “implant” permanently on site at the hospital a statistically significant reduction in the level of new strain *Clostridium difficile* infection was seen among its patients.

Clostridium difficile (“*C.diff*”) is a “superbug” which attracted extensive press coverage in 2005 as a new strain (NAP1/BI/027) of *C.diff* has spread widely in the US and the UK. It appears that the new strain is significantly more virulent than previous *C.diff* strains with substantially higher sickness and mortality rates, which can cost hospitals large amounts. In the UK Stoke Mandeville was the first hospital to admit publicly to having a problem with the new *C.diff* strain although at least 40 hospitals in the UK are thought to be suffering from it. BIOQUELL helped Stoke Mandeville eradicate this problematic bacteria from the hospital during last year and we continue to help hospitals in the UK and the US eradicate this hyper-virulent organism from the hospital environment.

Problems with new strains of hospital acquired infection continue to be reported in the scientific literature. At the same time problems with antibiotic resistance continue to increase. For example, a number of US hospitals on the East Coast are believed to be suffering from a new highly resistant strain of *Acinetobacter*. Given the underlying focus on the economics of healthcare in the US and the poor financial state of many NHS hospitals, BIOQUELL anticipates significantly faster adoption of its technology in the US healthcare sector than in the UK.

Hospital Acquired Infection

Hospital Acquired Infection (“HAI”) – technically known as nosocomial infection – is the term given to infection contracted by patients whilst in hospital. HAI can be caused by bacteria, viruses or fungi. HAI is not a new problem – a significant part of Florence Nightingale’s work was designed to reduce HAI by, for example, increasing the distance between beds in hospitals. HAI is a global problem and in addition to the UK causes substantial difficulties in Japan, North America and other parts of Europe.

HAI is becoming a large and more difficult problem for healthcare providers due to a number of factors. A major issue is the increasing resistance being displayed by bacteria against antibiotics. Increasing levels of international travel enable organisms to be spread rapidly across the globe, as was illustrated vividly by SARS. Due to advances in modern medicine people are living longer, able to have more challenging operations (such as transplant surgery) and are often sicker – and hence more susceptible to infection – when admitted to hospital. The continued mutation of “superbugs” with increasing antibiotic resistance is considered by many experts to be one of the greatest threats of our times.

MRSA

Increasing levels of antibiotic resistance is widely recognised to be a substantial problem. The best known organism is MRSA – Methicillin-resistant *Staphylococcus aureus*. Some 30% of the population are thought to have *Staphylococcus aureus* residing on the body – for example in the nose. However, currently only a very small proportion of the population, typically less than 1%, who have not been to hospital, or other healthcare facilities, will have a strain which is resistant to methicillin (or other antibiotics). There are signs that distinct types of MRSA are emerging in people who have had no healthcare contact, particularly in the USA and Australia. ‘Community-Acquired MRSA’ (CA-MRSA) usually causes skin infections that can be treated easily, but occasionally causes life-threatening infections. There is evidence that CA-MRSA is beginning to cause HAI, which is significant because CA-MRSA are readily spread between patients. Currently patients who contract MRSA in hospital can normally be cured by the use of other antibiotics including vancomycin, which is often considered to be the antibiotic of “last resort”. However, there are increasing signs – particularly in

Japan and the United States – of *Staphylococcus aureus* becoming increasingly resistant to vancomycin. Panton-Valentine Leukocidin (PVL) producing strains of MRSA are also beginning to cause problems in US healthcare facilities.

Other Bacteria

Unfortunately for healthcare providers MRSA is not their sole problem and there are a number of other highly problematic bacteria infecting patients who stay in hospital, including, for example, *Clostridium difficile* and *Acinetobacter*. We are currently in the midst of a worldwide epidemic (pandemic) caused by a new strain of *C.diff*, which causes more severe infections in younger patients compared to the old *C.diff*. Alarming increases in the prevalence of *C.diff* disease have been reported from the UK and the USA. *Acinetobacter* is becoming resistant to antibiotics significantly more quickly than *Staphylococcus*. Recent reports in the scientific literature have described multiple-drug-resistant (MDR) strains of *Acinetobacter* causing infections in patients all over the world. *Acinetobacter* infections usually affect critically ill patients on Intensive Care Units (ICUs) so due to the nature of the patients affected, combined with high levels of drug resistance, mortality associated with MDR *Acinetobacter* infections is high.

Viruses and Fungi

HAI can also be caused by viruses and fungi. Parainfluenza is a virus which has been known to cause significant trouble in transplant units and Norovirus – which is also found on cruise ships – regularly causes outbreaks in hospitals. Fungal infections can also cause major problems in transplant units or other hospital departments where immuno-suppressed patients are being treated. *Aspergillus* spores, which are often released into the environment after building works, cause *aspergellosis*. *Candida albicans* is another fungus which causes HAI. As a general rule anti-fungal drugs are expensive and toxic.

Role of the Environment

The role of the hospital environment in contributing towards HAI is a controversial area. From the 1960s to the mid 1990s many of the top experts in this field were advising that the hospital environment was not a source of infection. In other words, it was thought that infection could only be caught directly from other patients – or via healthcare workers – and it was thought highly unlikely that infection could be transmitted via inanimate objects in the



Unfortunately for healthcare providers MRSA is not their sole problem and there are a number of highly problematic bacteria infecting patients who stay in hospital

Review of activities

Continued



There is increasing evidence that the hospital environment does contribute to the spread of infection

environment. One of the consequences of this approach was that the emphasis on hospital cleanliness – which had effectively started with Florence Nightingale – was reduced, expenditure on cleaning reduced and it is widely accepted that the UK hospitals were allowed to become dirty. At the same time it was thought that most of the bacteria causing HAI died rapidly when outside of the body. For example, it was thought that MRSA would die within hours when dried in the hospital environment – and as such did not represent a risk within the hospital.

Over the last few years the role of the hospital environment in terms of infection transmission has been reconsidered. There is increasing evidence that the hospital environment can become heavily contaminated. It is now known that many of the organisms causing HAI can survive for long periods in the hospital environment – for example MRSA has been shown to survive for at least 300 days. There is increasing evidence that the hospital environment does contribute to the spread of infection, although the evidence is currently stronger with certain organisms such as *Acinetobacter* and *C.diff*. The latest reports in the scientific literature have provided compelling evidence that MRSA is transmitted from the environment to patients.

BIOQUELL has been carrying out intensive research in this area. A pilot study published in 2004 showed that BIOQUELL's technology is successful for the eradication of MRSA from hospital wards whereas MRSA persists despite terminal cleaning. Several reports published in the scientific literature in the past 12 months have demonstrated the effectiveness of BIOQUELL's technology for bringing nosocomial outbreaks under control. Preliminary results from an "implant" trial in the USA have demonstrated that routine bio-decontamination can reduce the rates of *C.diff*.

Costs of HAI

A number of studies have been undertaken looking at the costs of HAI. A study undertaken for the National Audit Office in 1999 estimated that the cost to the NHS of HAI was approximately £1 billion. The same study estimated that the average cost per HAI was £3,154, covering, among other things, an additional 14 days in hospital. (BIOQUELL believes that this average cost is too low because the implied fully loaded cost of £225 per NHS bed day appears unrealistically low.) Other studies of HAI costs show, in

broad terms, estimates in a range of £4,000 to £11,500. These studies focus on the typical costs associated with extended hospital bed days and increased drug expenditure. They typically do not include an estimate of litigation costs which are increasing fast in the UK. Further, in the private sector hospitals are sensitive to the effect of reputation damage. The United States' Centres for Disease Prevention and Control has estimated that HAI is costing US healthcare providers approximately US \$6 billion, with some two million Americans being affected by HAI and an estimated 88,000 dying annually.

International Problem

HAI and antibiotic resistance is an international problem. Japan is reported to have MRSA rates (the proportion of *Staphylococcus aureus* blood isolates which are resistant to Methicillin) of some 64%, and in China some 82%. The US MRSA rates are estimated to range from 50% - 63%. In Europe, 2004 MRSA rates in Romania (73%) and the UK (44%) are cause for concern. In contrast the success of the Scandinavian and Dutch "search and destroy" policies can be seen with MRSA rates of circa 2%.

BIOQUELL is beginning to see growth and increasing levels of repeat business in its RBDS activities in the life sciences sector in Europe and the US. The RBDS service is quick and highly effective and as a result tends to attract high levels of repeat business. The RBDS service is also helpful in promoting sales of BIOQUELL's bio-decontamination equipment.

Clarus range of bio-decontamination equipment

The Clarus range of bio-decontamination equipment had a good second half with record levels of orders. This was in marked contrast to the first half where we had experienced reduced order intake as a result of reduced levels of capital expenditure by a number of multi-national pharmaceutical groups. Following international concerns over the possibility of pandemic avian flu, there has been an increased level of interest in BIOQUELL's bio-decontamination equipment from vaccine and biologics manufacturers.

The Clarus PORT, a low temperature rapid cycle bio-decontamination unit, enjoyed good levels of orders from hospital pharmacies in 2005; these orders will be converted into revenues in 2006.

Investment in the development of the Clarus range continues as the market opportunities for hydrogen peroxide vapour technology increase. In 2006 resources will also be invested in expanding the international network supporting the Clarus range, particularly in the Far East.

EBDS and Service

BIOQUELL provides an Equipment Bio-Decontamination Service (EBDS) and preventative maintenance service support principally to the life sciences research sector. It also provides service to its bio-decontamination equipment customers on an international basis.

In the UK there is increasing demand for combined EBDS and preventative maintenance service contracts, and on a number of large pharmaceutical sites in the UK the Group has one or more engineers permanently on site. Given the unique nature of the EBDS service, further growth from the larger sites is expected in the UK.

Laboratory equipment

Sales of the Group's HEPA and activated carbon filtered products, which are sold principally into the laboratory sector, grew in 2005. However, the international market for laboratory equipment remains extremely competitive and there is constant pressure on margins. Accordingly, a number of steps have been taken to focus on higher margin work, principally in the UK, and reduce the volumes of lower margin international business. Further the cost base of the direct sales network linked directly or indirectly with the laboratory sector in the UK has been reduced which should significantly help the division's breakeven point.

Investment continues the anticipated decline in volumes, investment continues in key parts of the laboratory equipment product range to ensure that BIOQUELL's products retain their premium position in the market.



In 2006 resources will also be invested in expanding the international network supporting the Clarus range, particularly in the Far East

Review of activities

Continued



The Group's new TRAC (Testing, Regulatory and Compliance) division comprises five businesses

Defence

In contrast with 2004, the Group's CBRN (chemical, biological, radiological and nuclear) filtration defence business showed strong growth in 2005 after securing a large contract from a US military vehicle manufacturer. A further contract has been won in 2006. We anticipate that further overseas contracts will be won this year although predicting the timing of such contract wins remains difficult in the defence market and possible instability in Iraq may affect order levels significantly.

Research and development

The Group continues to invest significant sums in research and development as it believes that innovation is critical to its future success and there are a number of opportunities for it to commercialise its low temperature, residue-free, bio-decontamination technology. In addition to research and development relating to the Group's hydrogen peroxide vapour technology, work continues on aqueous oxygen peroxide-based equipment. Careful analysis of any market, particularly market size, is undertaken prior to any R&D or product development taking place. Significant time and resources are spent in filing appropriate patent protection for the Group's technology and innovations.

New wound healing technology

The Group has been carrying out innovative research and development into novel wound healing technology for over five years using its expertise in applying peroxide-based technology. The wound healing market is large with, for example, one estimate suggesting that 4.5 million Americans per year suffer from chronic wounds with an estimated cost of \$9.5 billion. Appropriate patent applications have been made in a number of jurisdictions and patent examination is underway.

Clinical trials started last year on venous leg ulcers at the Wound Healing Research Unit, part of the University of Wales College of Medicine in Cardiff and one of the UK's leading centres for wound healing research. Venous leg ulcers are generally recognised to be one of the hardest chronic wounds to heal and as a result BIOQUELL has been focusing its trials on such wounds. We also intend to carry out research into other problematic chronic

wounds such as diabetic foot ulcers. The results of these trials are encouraging and should be made public by the academic team leading the trials later this year. The necessary research, development and engineering required to bring a high quality medical device to market is substantially advanced. We anticipate being in a position to launch the product on the UK market at the end of this year. Work has started in relation to the information needed to satisfy the US and other overseas regulators, although at the current time it is difficult to forecast the timing of any international regulatory approvals.

TRAC – Testing, Regulatory and Compliance – division

The Group's TRAC division comprises the following service businesses: Cape, EMC Projects, TRL Compliance, KTL and KTL Inc. The process of integrating fully these businesses within this new division is still underway and the management teams are working on plans to exploit the numerous opportunities for the cross-selling of services.

Cape – environmental testing

Cape had a reasonable first half but saw more varied performance in the second half from its core environmental testing business and finite element analysis consultancy arm. Although the number of long term contracts with large blue chip clients is increasing, the business experienced unacceptably large swings in activity during the year. Given the successful acquisition of two other complementary service businesses in the second half, we have decided to refocus Cape on its core environmental testing business and restructure it to make it better able to cope with the inevitable fluctuations in demand. This should increase the profitability of the business although revenue growth is likely to be more subdued.

TRL Compliance – EMC testing

TRL Compliance is one of the new businesses bought by Cape in October 2005. When combined with Cape's subsidiary, EMC Projects, it is the largest independent supplier of EMC (electro-magnetic compatibility) testing and associated regulatory compliance services in the UK. Further growth in the EMC market, particularly within the substantial and specialist defence and aerospace sector, is likely to increase, in part due to new EU regulations.

During this year we intend to reduce the number of sites from which TRL Compliance is operating. We will also focus on how best to optimise the cross selling of the environmental and EMC testing businesses within the TRAC division.

KTL – telecoms testing

KTL operates from Hull in the UK and KTL Inc from Santa Clara in California. The Hull business was acquired in October 2005. The Californian business was established by BIOQUELL pursuant to a licence agreement in the second half of 2005, and uses specialist software and techniques developed by the UK business. Following the acquisition of KTL a cost reduction programme was implemented and approximately 20% of the employees were made redundant; this action has moved the business into profit.

Many parts of the global telecoms sector are showing strong growth and activity levels are high. KTL has an international reputation in the DSL (digital subscriber line) segment of the market. In summary, DSL relates to the technology required to transmit broadband, high-speed internet information down

telephone (copper) wires which eliminates the need to install high cost coaxial cable or satellite links. In the US KTL Inc. has seen strong demand from the Regional Bell Operating Companies (which in the US are broadly equivalent to British Telecom in the UK) to set up a DSL testing and compliance facility close to the telecoms device manufacturers in California. We are also seeing strong demand for VoIP – voice over internet protocol – testing from large US hardware manufacturers and we are in the process of evaluating this opportunity. We are confident that this business will show strong growth rates in 2006.

Nick Adams
Chief Executive



TRAC division: the management teams are working on plans to exploit numerous opportunities for the cross-selling of services

Operations and finance review



The Group's expansion has particularly focused on the US and we anticipate that this trend will continue

Operations

As the Group increases in size its operations are becoming more complex. There are an increasing number of international sites. The proportion of the Group's revenues attributable to service businesses continues to get larger. More of the Group's products and services are becoming subject to onerous regulatory requirements which in turn adds complexity to the operations, particularly with regard to the quality systems. In order to help us address these challenges we continue to invest substantial sums in systems.

The Group's expansion has particularly focused on the US and we anticipate that this trend will continue. In addition to the Philadelphia office where the Group's US bio-decontamination business is headquartered, the Group's West Coast bio-decontamination business and KTL Inc. are co-located in facilities in Santa Clara, California. In addition, there are two BIOQUELL employees permanently based at an East Coast hospital providing an RBDS implant to help minimise the level of hospital acquired infection within the hospital. During the year we have expanded the size of the operations infrastructure in the US.

The acquisition of TRL Compliance and KTL in October 2005 meant that, initially a further 80 employees joined the Group. Prior to acquisition it was clear that the costs of these businesses were too high and the management teams have implemented a cost reduction programme. The newly formed TRAC division currently has 10 sites in the UK, although at least two of these are expected to be disposed of following this rationalisation programme.

Finance and controls

Despite the expansion of the Group and the continuing investment in research and development, we continue to focus the financial control teams on ways to reduce costs and improve our financial performance including, as appropriate, the disposal of non-core activities. (For example, we disposed of a non-core, small steam steriliser servicing legacy business during the year.) We also continue to invest in new IT and management systems to assist us in managing and monitoring the wide variety of activities within the Group.

The quality of the Group's principal finance team based at Andover continues to improve and the integration of the new businesses within the Group was achieved quickly and efficiently. During the year we improved our working capital controls. Treasury management is becoming more complex as the Group expands internationally and we continue to hedge, as appropriate, a proportion of our expected dollar receipts. We had no open derivative contracts at the balance sheet date.

BIOQUELL's detailed management information helps to ensure that there is a rigorous control of costs and detailed financial data across all parts of the business. This helps us to make informed and appropriate investments in capital equipment and acquisitions, which totalled £1.6 million during 2005 (2004: £1.0 million). The Group generated net cash from operating activities of £1.7 million (2004: £1.2 million).

International Financial Reporting Standards

BIOQUELL has adopted International Financial Reporting Standards (IFRS) as from 1 January 2005. This has affected the reporting of the Group's financial results in a number of ways. For example, IFRS 2 "Share based payment" requires companies to expense via the Income Statement the value intrinsic in share options awarded to employees under the Group's Share Option Schemes. Historically no charges for the award of options arose under UK GAAP. Goodwill arising on acquisition is also frozen and a test for impairment is undertaken annually. As a result charges previously made to the Income Statement relating to goodwill amortisation no longer occur. All development expenditure, previously written off in the year in which it was incurred, is now capitalised and amortised under IAS 38 providing that the costs meet certain criteria. Actuarial gains and losses on the defined benefit pension scheme are, for the first time, recognised within the accounts as an income or expense movement for the period, as part of IAS 19.

Mark Bodeker
Chief Operating Officer and Finance Director

Directors, officers and professional advisers

Directors

John Salkeld, FCA*

Non-Executive Chairman, joined the Board in March 1991. Previously he was a partner in Binder Hamlyn, Chartered Accountants, Director of Finance at GEC and Deputy Chief Executive of Myson Group. He was also Chairman of NEWSCOM PLC and LICA Development Capital Limited and holds a number of other non-executive positions.

Nicholas Adams

Chief Executive, joined the Board in May 1997 and was appointed Chief Executive in May 1998. Previously he was a Director of Corporate Finance at Barings, having spent nine years in Barings' Corporate Finance Department both in the UK and continental Europe. He read chemistry at Durham University.

Mark Bodeker, CA

Chief Operating Officer and Finance Director, joined the Board in April 2000. He qualified with and subsequently worked for Deloitte Haskins and Sells for five years before moving to TI Group, holding a number of financial positions. Latterly he was divisional finance director of Meggitt Aerospace Components.

Simon Constantine, ACA*

Non-Executive Director, joined the Board in November 1999. Previously he held a number of financial and operational positions at Board level within Life Sciences International PLC. He is also a non-executive director of Sterigenics Holdings, Inc and Xena Systems Ltd.

Richard Towner*

Non-Executive Director, joined the Board in 1992. Previously he was a Corporate Finance partner of Richards Butler, a leading firm of City solicitors. He is a non-executive director of a number of private and quoted companies and a consultant with Davenport Lyons.

Secretary

Mark Bodeker

Registered Office

34A Walworth Road
Andover
Hampshire
SP10 5PY

Auditors

Deloitte & Touche LLP
Chartered Accountants
Reading

Stockbrokers

Investec Limited

Bankers

Barclays Bank PLC

Solicitors

Richards Butler

Financial PR

Redleaf Communications

Registrars

Capita IRG Plc

* Member of the Audit and Remuneration Committees.

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

Principal activity

The Company is a holding Company with operating subsidiaries located in the United Kingdom and sales offices in France and the US.

The principal activities of the Group include the design, manufacture and supply of bio-decontamination and containment equipment, related products and services to the pharmaceutical, healthcare and defence industries, and testing, regulatory and compliance services to the aerospace, telecoms, defence and other industries.

Review of developments

The results for the year are set out in the income statement on page 24. A review of the Group's business and future prospects is dealt with in the Chairman's Statement and the Chief Executive's Review of Activities.

Substantial shareholdings

The following interests in three per cent or more of the issued ordinary share capital, excluding Board members whose interests are disclosed in the Directors' Remuneration Report, had been notified to the Company as at 31 March 2006:

Ordinary shareholders	Number	Percentage of issued Ordinary Share Capital
M&G Investment Management Limited*	5,864,522	14.5%
Caledonia Investments PLC*	5,162,499	12.8%
Hermes Investment Management Limited *	4,395,113	10.9%
A.H.J. Muir	1,454,453	3.6%
C.B.T. Adams	1,440,380	3.6%
Thompson Clive Investments Growth Industries Fund *	1,394,192	3.5%

*The registered owners of shares in which these holders have an interest may be subsidiaries and associated companies and/or pension funds, unit trusts or investment trusts under that holder's management.

Directors and directors' interests

The directors of the Company are shown on page 11. All of them served throughout the year. The interests of the directors in ordinary shares and options to acquire ordinary shares in the Company are shown in the Directors' Remuneration Report on pages 16 to 19.

None of the directors had any interest in the preference shares at any time during the year or subsequently.

Mr S J Constantine will retire in accordance with the Articles of Association and being eligible will offer himself for re-election. In common with all the non-executive directors, the services of Mr Constantine are made available to the Company under a letter of appointment terminable at three months' notice.

Supplier payment policy

It is the policy of the Group, in the absence of dispute, to settle amounts due to trade and other creditors as expeditiously as possible within their terms of payment which are normally between thirty and sixty days. At the year end the Group had 56 days (2004: 58 days) of purchase invoices outstanding.

Research and development expenditure

The Group's policy is to develop new and improved existing products and services to meet the needs of its customers. The amount charged to the income statement in the year on research and development under IFRS amounted to £407,000 (2004: £342,000) – the total expenditure was £1,213,000 (2004: £936,000).

Dividends

The Board is proposing the payment of the dividend for the year on the preference shares of 7.5p per preference share, representing a total payment of £11,250. The Board is not recommending the payment of an ordinary dividend.

Credit risk

The Group's financial risk management objectives are covered in note 17 to the accounts.

Disabled employees

The Group continues its policy of giving disabled people full and fair consideration for all job vacancies for which they offer themselves as suitable applicants, having regard to their particular aptitudes and abilities. Training and career development opportunities are available to all employees and the Group endeavours to retain any member of staff who develops a disability during their employment.

Employee consultation

The Group continues to provide employees with information on matters of concern to them and regularly consults them and their representatives about the affairs of the Group.

Every reasonable effort is made to maintain and develop existing arrangements, which include life assurance and pension schemes and to promote awareness amongst the employees of the financial and economic factors affecting the performance of the Group.

Auditors

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

Approved by the Board of Directors,
and signed on behalf of the Board

Mark Bodeker
Secretary

11 April 2006

Corporate governance statement

The Company is committed to the principles of corporate governance contained in the Combined Code on Corporate Governance which is appended to the Listing Rules of the Financial Services Authority ('the Code') for which the Board is accountable to shareholders.

The directors consider that throughout the year ended 31 December 2005 the Company has been in compliance with the Code provisions set out in Section 1 of the Code, except for code provision A.1.2 as the Board has not nominated a senior independent director other than the Chairman and code provision A.4.6 as there is no nominations committee. In both instances these exceptions arise because the Board is small.

The Board comprises two executive and three non-executive directors. The non-executive directors are considered by the Board to be independent in character and judgement; the Board does not consider the fact that the non-executive directors hold shares in the Company impairs their independence. The non-executive directors are required to submit themselves for re-election at regular intervals. Before re-election the Chairman will confirm to the shareholders that the individual's performance continues to be effective and the individual continues to demonstrate their commitment to the role. This composition satisfies the Code's Principles and Provisions that the Board should have a balance of executive and non-executive directors in terms of number and relevant experience to enable it to have effective leadership and control of the Company and its subsidiaries. The directors have access to all information and, if required, independent professional advice at the expense of the Company. The Board normally convenes monthly with attendance by all directors, Mr Towner and Mr Constantine were unable to attend one of the 11 meetings each. The Board has formally adopted a schedule of matters which are specifically reserved for its decision and retains full control over key strategic, financial and organisational issues within the Group.

The Board considers that because of its small size it is impracticable to carry out formal performance evaluations (as required by code provision A.6.1).

The Board has established audit and remuneration committees. Although there is no formal nominations committee, appointments to the Board are made following an interview process carried out by the Chairman and one other non-executive director, again because the Board is small.

The Audit Committee, which met three times, consists of the three non-executive directors and is chaired by Mr J G Salkeld. This committee deals with issues such as the proper observation of accounting standards, the application of the Group's accounting policies, its systems of internal controls and all issues relating to the preparation and approval of the Group's annual and half-yearly Report and Accounts. The Group also considers the objectivity and independence of its Auditors by a process of assessment and keeping the scope of non-audit service and the level of non-audit fees under review. The Board is also involved in the approval of the audit fees and the Auditors' terms of engagement.

The Board has considered the need to introduce a Group internal audit function but has decided that the current control mechanisms are appropriate in the context of the size and complexity of the Group. The Board continues to review this position.

The Remuneration Committee consists of the three non-executive directors and is chaired by Mr R E Towner. This committee, which met three times, is responsible for recommending to the Board the terms of service and remuneration of the executive directors, including the allocation of share options. The report of the Remuneration Committee is included on pages 16 to 19.

The Board attaches a high priority to communications with shareholders. The Group's annual and half-yearly Report and Accounts are sent to all shareholders. The Group meets regularly with its institutional shareholders and there is an opportunity for individual shareholders to question the Chairman and executive directors at the AGM.

An ongoing process for identifying, evaluating and managing significant risks faced by the Group has been in place since 1 January 2005 to the date of approval of the annual Report and Accounts. That process is regularly reviewed by the Board and accords with "Internal Control: Guidance for Directors on the Combined Code" produced by the Tumbull working party.

The directors have overall responsibility for the system of internal control throughout the Group and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, as it can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has conducted a review of the effectiveness of the system of internal controls for the year ended 31 December 2005 and the period up to 11 April 2006. In carrying out this review the Board takes account of material developments through reports by the Group Finance Director and the Audit Committee.

A risk management policy has been adopted by the Board setting out the Board's role and responsibilities and its overall approach to management and acceptance of risk. The directors and senior managers of each Group business are required to undertake their own risk identification and assessment according to their own individual circumstances, and this is then reviewed and evaluated by the Group Finance Director and submitted to the Board for their consideration.

The Board has established an organisation structure with clear lines of accountability. Formalised processes are in place for the preparation, review and approval of business plans, budgets and investment proposals for the Group as a whole and for the individual divisions. Financial results and other key business monitors are reported regularly and variances from approved budgets identified and used to initiate action. The Board has published, internally, management rules which include financial and operating control procedures with which the management of each subsidiary or division is required to comply.

Going concern

In accordance with the Corporate Governance requirements, the directors confirm that after making enquiries they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Directors' remuneration report

Introduction

This report has been prepared in accordance with Schedule 7A of the Companies Act 1985. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles relating to directors' remuneration. As required by the Act, a resolution to approve the report will be proposed at the Annual General Meeting at which the financial statements will be approved.

The Act requires the auditors to report to the Company's members on the 'auditable part' of the Directors' Remuneration Report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 1985. The report has therefore been divided into separate sections for unaudited and audited information.

Unaudited Information Remuneration Committee

The Company has established a Remuneration Committee, which is constituted in accordance with the recommendations of the Combined Code. It consists of three independent non-executive directors: Mr R E Towner (Chairman), Mr J G Salkeld and Mr S J Constantine. No director plays a part in any discussion about his own remuneration.

Remuneration policy

The Committee follows certain fundamental principles in deciding levels and forms of remuneration. This includes providing a base salary, which reflects the current stage of development of the Group and aligning the interests of those executives with those of the shareholders through the use of share options and bonuses linked to, amongst other things, the development of the Group. The remuneration of the non-executive directors is determined by the Board within limits set out in the Articles of Association.

Basic salary

The basic salary of executive directors is determined by the Committee generally during March each year and when an individual changes position or responsibility. In addition to basic salary, the executive directors receive certain benefits-in-kind, principally private medical insurance.

Incentive Schemes/Share Option Schemes

Executive directors are eligible for an annual performance bonus based on attaining agreed profit levels and specific non-profit financial criteria, the amount of which is determined following an assessment by the Remuneration Committee, based on a number of quantitative and qualitative factors including the financial results and prospects of the Company at the relevant time and the implementation of the strategic plan. The Committee views the performance element as important and accordingly the bonus is determined following strict review.

There are no long-term incentive schemes other than the Share Option Schemes. As the Company is at an early stage in its development, share options are considered part of overall remuneration and are issued without pre-conditions, with the exception of the Special Options granted to Mr N M T Adams and Mr B M Bodeker in 2004, which are conditional upon cumulative shareholder return over a three year period.

The Committee is responsible for supervising the Company's Share Option Schemes in accordance with the rules approved by shareholders.

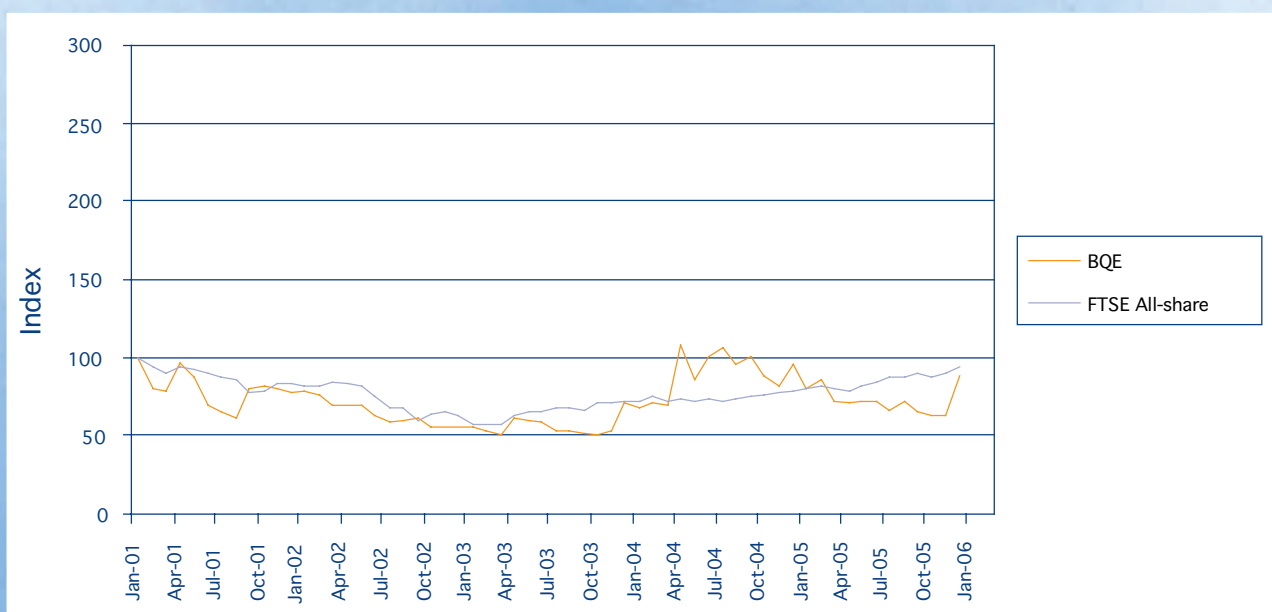
Pension arrangements

The Group operates a defined contribution pension scheme for employees and executive directors.

Performance graph

The following graph shows the Company's performance, measured by total shareholder return, compared with the performance of the FTSE All Share Index also measured by total shareholder return. The FTSE All Share Index is considered the most appropriate benchmark against which to measure Group performance. The graph is prepared on the basis of constituent companies in the Index at a point in time.

5 Year Index of BIOQUELL share price relative to FTSE All-share Index



Directors' contracts

The executive directors have service contracts with an indefinite term with notice periods of 12 months in respect of Mr N M T Adams and 6 months in respect of Mr B M Bodeker. The contract date for Mr N M T Adams and Mr B M Bodeker is 16 April 2000. In the event of a change of control of the Company, the notice periods of Mr Adams and Mr Bodeker are extended to two years, and this may be treated by the individual as a terminating event. In the event of early termination, the directors' contracts provide for basic compensation up to a maximum of basic salary for the notice period.

The Remuneration Committee considers these notice periods to be reasonable and proper and in the interests of both the Company and the directors, having regard to market conditions and current practice.

Non-executive directors

All non-executive directors have specific terms of engagement terminable on three months notice and their remuneration is determined by the Board within the limits set by the Articles of Association. The non-executive directors receive no further fees for additional work performed for the Company both in respect of membership of both the Remuneration Committee and Audit Committee. Non-executive directors have historically participated in the Company's share option schemes, with the last grant of such options on 4 October 2001, but are not eligible to join the Company's pension scheme. The terms of engagement of the non-executive directors are available for inspection.

Directors' remuneration report

Continued

Audited Information Aggregate directors' remuneration

The total amount for directors' remuneration was as follows:

	2005 £'000	2004 £'000
Emoluments	385	329
Gains on exercise of share options	–	256
Money purchase pension contributions	13	13
	406	598

Directors' emoluments

	Fees/basic salary £'000	Benefits in kind £'000	Annual bonuses £'000	2005 £'000	2004 £'000
Executive					
Nicholas Adams	136	11	20	167	145
Mark Bodeker	126	7	20	153	131
	262	18	40	320	276
Non-executive					
John Salkeld	27	–	–	27	23
Richard Towner	19	–	–	19	15
Simon Constantine	19	–	–	19	15
Aggregate emoluments	327	18	40	385	329

Directors' interest in ordinary shares

The directors who held office at 31 December 2005 had the following interests in the ordinary shares of the Company:

Beneficial holdings*	31 December 2005	Percentage of share capital	1 January 2005
J G Salkeld	2,001,477	5.0%	2,001,477
N M T Adams	674,113	1.7%	667,562
S J Constantine	360,000	0.9%	300,058
R E Towner	309,369	0.8%	309,369
B M Bodeker	14,367	–	10,000
	3,299,384	8.2%	3,288,466

*Beneficial holdings include holdings of spouses and infant children

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the directors.

Details of options for directors who served during the year are as follows:

Name of director	1 Jan 2005	Granted/ (exercised)	31 Dec 2005	Exercise price (p)	Date from which exercisable	Expiry date
Nicholas Adams	150,000	–	150,000	23.0	17.06.02	16.06.06
	200,000	–	200,000	44.0	19.04.03	18.04.07
	120,000	–	120,000	123.0	30.04.04	29.04.08
	80,000	–	80,000	107.5	30.04.05	29.04.09
	50,000	–	50,000	84.0	17.04.06	16.04.10
	400,000	–	400,000	120.5	07.04.07	06.04.11
Mark Bodeker	100,000	–	100,000	123.0	30.04.04	29.04.08
	80,000	–	80,000	107.5	30.04.05	29.04.09
	100,000	–	100,000	84.0	17.04.06	16.04.10
	400,000	–	400,000	120.5	07.04.07	06.04.11
John Salkeld	25,000	–	25,000	44.0	19.04.03	18.04.07
	20,000	–	20,000	93.5	04.10.04	04.10.11
Richard Towner	25,000	–	25,000	44.0	19.04.03	18.04.07
	20,000	–	20,000	93.5	04.10.04	04.10.11
Simon Constantine	25,000	–	25,000	44.0	19.04.03	18.04.07
	20,000	–	20,000	93.5	04.10.04	04.10.11
	1,815,000		1,815,000			

Further information on the Share Option Schemes can be found in the unaudited section of this report, on pages 16 and 17. There have been no variations to the terms and conditions or performance criteria for share options during the last year. None of the directors' share options lapsed during the year.

The market price of the ordinary shares at 31 December 2005 was 139p (2004: 150p) and the range during the year was 94p to 150p.

Directors' pension entitlements

No directors are members of, or have any accrued benefits from, the Company's defined benefit scheme, which relates solely to former employees of the Group, details of which can be found in note 33 to the Financial Statements. This scheme was closed to new members in May 1990.

Two directors are members of money purchase schemes, and the contributions paid by the Company in respect of such directors were as follows:

Name of director	2005 £'000	2004 £'000
Nicholas Adams	7	7
Mark Bodeker	6	6
	13	13

This report was approved by the Board of Directors, and signed on behalf of the Board

Richard Towner
Chairman of the Remuneration Committee

11 April 2006

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements. The directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards (IFRS). Company law requires the directors to prepare such financial statements in accordance with IFRS, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

- Properly select and apply accounting policies;
- 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 IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 1985.

The directors are responsible for the maintenance and integrity of the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report

To the members of BIOQUELL PLC

We have audited the Group financial statements (the "financial statements") of BIOQUELL PLC for the year ended 31 December 2005 which comprise the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated balance sheet, the consolidated cash flow statement, and the related notes 1 to 35. These Group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

We have reported separately on the individual Company financial statements of BIOQUELL PLC for the year ended 31 December 2005.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, the directors' remuneration report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted for use in the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the Group financial statements and the part of the directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view in accordance with the relevant financial reporting framework and whether the Group financial

statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We report to you if, in our opinion, the directors' report is not consistent with the Group financial statements. We also report to you if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' transactions with the Company and other members of the Group is not disclosed.

We also report to you if, in our opinion, the Company has not complied with any of the four directors' remuneration disclosure requirements specified for our review by the Listing Rules of the Financial Services Authority. These comprise the amount of each element in the remuneration package and information on share options, details of long-term incentive schemes, and money purchase and defined benefit schemes. We give a statement, to the extent possible, of details of any non-compliance.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the directors' remuneration report and we consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements.

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 Group financial statements and the part of the directors' remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the directors in the

Independent auditors' report

Continued

preparation of the Group 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 Group financial statements and the part of the directors' remuneration report described as having been audited 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 Group financial statements and the part of the directors' remuneration report described as having been audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted for use in the European Union, of the state of the Group's affairs as at 31 December 2005 and of its loss for the year then ended; and
- the Group financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

Separate opinion in relation to IFRS

As explained in Note 2 of the Group financial statements, the Group, in addition to complying with its legal obligation to comply with IFRS as adopted for use in the European Union, has also complied with the IFRS as issued by the International Accounting Standards Board. Accordingly, in our opinion the financial statements give a true and fair view, in accordance with IFRS, of the state of the Group's affairs as at 31 December 2005 and of its loss for the year then ended.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Reading

11 April 2006

Accounts

24	Consolidated income statement
24	Consolidated statement of recognised income and expense
25	Consolidated balance sheets
26	Consolidated cash flow statement
27	Notes to the financial statements
50	Five year summary
61	Notice of meeting
63	Form of proxy

Consolidated income statement

for the year ended 31 December 2005

	Notes	2005 £'000	2004 £'000
Revenue	4	17,220	15,494
Cost of sales		(10,925)	(9,736)
Gross profit		6,295	5,758
		37%	37%
Operating expenses:			
Sales & marketing costs		(3,118)	(2,425)
Administration costs before share based payments and non-recurring inventory write off		(2,507)	(2,380)
Share based payments		(196)	(137)
Non-recurring inventory write off on business disposal	10	(101)	–
Administration costs		(2,804)	(2,517)
R&D and Engineering costs		(767)	(615)
(Loss)/profit from operations before share based payments and non-recurring inventory write off on business disposal		(97)	338
(Loss)/profit from operations	6	(394)	201
Finance costs	8	(100)	(72)
Pension scheme net interest		(7)	–
(Loss)/profit before tax		(501)	129
Tax	9	177	173
(Loss)/profit for the year		(324)	302
(Loss)/earnings per share – basic	11	(0.8)p	0.8p
– diluted		(0.8)p	0.7p

Movements in reserves are set out in note 28.

All amounts are derived from continuing operations.

Consolidated statement of recognised income and expense

for the year ended 31 December 2005

	2005 £'000	2004 £'000
Net (loss)/profit for the year	(324)	302
Actuarial loss on defined benefit pension scheme	(57)	5
Exchange differences on translation of foreign operations	105	(136)
Prior year adjustment (note 16)	(186)	–
Total recognised (expense)/income since last annual report	(462)	171

Consolidated balance sheet

as at 31 December 2005

	Notes	2005 £'000	2004 £'000 *(restated)
Non-current assets:			
Goodwill	12	665	333
Other intangible assets	13	5,666	4,570
Property, plant & equipment	14	3,263	2,849
		9,594	7,752
Current assets:			
Inventories	16	2,147	2,348
Trade and other receivables	17	5,573	4,591
Deferred tax	19	55	55
Cash and cash equivalents		113	430
		7,888	7,424
Total assets		17,482	15,176
Current liabilities:			
Trade and other payables	21	(4,451)	(3,438)
Obligations under finance leases	20	(30)	(30)
Bank overdraft	18	(1,189)	(569)
Provisions	22	(820)	(180)
Net current assets		1,398	3,207
Non-current liabilities			
Total non-current liabilities	23	(847)	(858)
Total liabilities		(7,337)	(5,075)
Net assets		10,145	10,101
Equity			
Share capital	24	4,032	4,016
Share premium account	25	10,393	10,285
Equity reserve	26	365	169
Capital reserve	24	255	255
Translation reserve	27	(31)	(136)
Retained earnings/(deficit)	28	(4,869)	(4,488)
Equity attributable to equity holders of the parent		10,145	10,101

* restated – see note 16, inventories.

The Financial Statements were approved by the Board of Directors and authorised for issue on 11 April 2006.

They were signed on its behalf by:

Nicholas Adams }
Mark Bodeker } Directors

11 April 2006

Consolidated cash flow statement

for the year ended 31 December 2005

	Notes	2005 £'000	2004 £'000
Net cash from operating activities	30	1,691	1,246
Investing activities			
Proceeds on disposal of property, plant & equipment		46	105
Purchases of property, plant & equipment		(1,192)	(755)
Expenditure on product development		(1,182)	(906)
Acquisition of trade and assets	29	(364)	(222)
Net cash used in investing activities		(2,692)	(1,778)
Financing activities			
Proceeds on issue of ordinary shares		124	188
Repayment of borrowings		(25)	(35)
Repayment of obligations under finance leases		(35)	(29)
Net cash (used in)/from financing activities		64	124
Increase in bank overdrafts		(937)	(408)
Bank (overdraft)/cash at beginning of year		(139)	269
Bank (overdraft)/cash at end of year		(1,076)	(139)

Notes to the financial statements

for the year ended 31 December 2005

1. General

BIOQUELL PLC (the Company) is a Public Limited Company incorporated in the United Kingdom. The address of the registered office is given on page 11. The nature of the Group's operations and its principal activities are set out on page 12. The financial statements are presented in pounds sterling (£) since that is the currency in which the majority of the Group's transactions are denominated.

2. Significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for the first time as issued by the International Accounting Standards Board. BIOQUELL PLC has elected to adopt the amendments to IAS 19 'Employee Benefits', issued in December 2004, in advance of their effective date of 1 January 2006 and is presenting actuarial gains and losses arising on defined benefit pension schemes in the Consolidated Statement of Recognised Income and Expense. The disclosures required by IFRS concerning the transition from UK GAAP to IFRS are given in note 35. The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below. They have been applied consistently throughout the year and in the preceding year.

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.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the 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, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed. Revenue from services is recognised throughout the contract as services are provided or upon completion dependent upon contractual terms.

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.

Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Short-term leasehold improvements	10 years
Fixtures and equipment	3 to 8 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, over the term of the relevant lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour cost and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion.

Notes to the financial statements

for the year ended 31 December 2005

Continued

2. Significant accounting policies continued

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. 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 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 tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates 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. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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 Group intends to settle its current tax assets and liabilities on a net basis.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded as the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually and whenever there is an indication that it may be impaired. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

Goodwill arising on acquisitions prior to the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1988 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

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 Group's development activity is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as products and new processes related to decontamination solutions);
- 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 which is deemed to be 15 years. Where no internally-generated intangible asset can be recognised, development expenditure is expensed in the period in which it is incurred.

2. Significant accounting policies continued

Intangible assets – customer relationships

Customer relationship intangible assets acquired in a business combination are initially measured at cost, based on discounted cash flows, and amortised over their estimated useful lives of 5 years on a straight line basis.

Patents and trademarks

Patents and trademarks are measured initially at purchase cost. They are amortised over their estimated useful lives, which is on average 15 years, although patent protection extends to 20 years.

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 these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Provision is made for any impairment and immediately expensed in the period.

Foreign currencies

Transactions in currencies other than sterling are initially recorded at the rate of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rate prevailing on the balance sheet date. Non-monetary items are not re-translated. Gains and losses arising on exchange are included in net profit or loss for the period.

For the purpose of presenting 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.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Groups' foreign operations are translated at the average 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 classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Leasing

Leases are classified as finance leases wherever 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.

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 charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, 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).

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. The defined benefit scheme has been closed to new members since May 1990 and related solely to former employees of the Group. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of the plan assets. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside profit or loss and presented in the statement of recognised income and expense.

Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Notes to the financial statements

for the year ended 31 December 2005

Continued

2. Significant accounting policies continued

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.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Provisions

Provisions for warranty costs are recognised at the date of sales of the relevant products, at management's best estimate of the expenditure required to settle the Group's liability.

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to affected parties. Other provisions represent property maintenance required under lease obligations.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005. The Group is able to issue equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

3. Critical accounting judgements and 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.

Internally generated intangible assets

Internally generated intangible assets arising from the Group development activity are recognised when certain conditions are met. Management applies certain assumptions in measuring development activity cost and in assessing future economic benefits. Development assets are subject to annual review.

Valuation of share based payments

In order to determine the value of share based payments, management are required to make an estimation of the effects of non-transferability, exercise restrictions and behavioural considerations. Fair value is measured by use of the Black Scholes Model and the inputs used are set out in note 32.

Impairment of goodwill and other intangible assets

Management applies certain assumptions in assessing impairment of goodwill and intangible assets. These assumptions are subject to annual review.

4. Revenue

An analysis of the Group's revenue is as follows:

	2005 £'000	2004 £'000
Sales of goods	7,413	7,608
Revenue from the rendering of services	9,807	7,886
	17,220	15,494

5. Business and geographical segments

For management purposes, the Group is currently organised into two divisions: Bio-decontamination Solutions and Testing, Regulatory and Compliance. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below

Year ended 31 December 2005

	Bio- decontamination £'000	Testing, regulatory & compliance £'000	Consolidated £'000
Revenue			
Total revenue	11,483	5,737	17,220
Result			
Segment result	(309)	795	486
Unallocated head office costs			(880)
Loss from operations			(394)
Finance costs and pension scheme net interest			(107)
Loss before tax			(501)
Tax			177
Loss for the year			(324)
Other information			
Capital additions	1,642	1,909	3,551
Depreciation and amortisation	1,021	371	1,392

Balance sheet as at 31 December 2005

	Bio- decontamination £'000	Testing, regulatory & compliance £'000	Consolidated £'000
Assets			
Segment assets	12,018	5,362	17,380
Unallocated corporate assets			102
Consolidated total assets			17,482
Liabilities			
Segment liabilities	(4,083)	(2,273)	(6,356)
Unallocated corporate liabilities			(981)
Consolidated total liabilities			(7,337)

Notes to the financial statements

for the year ended 31 December 2005

Continued

5. Business and geographical segments continued

Year ended 31 December 2004

	Bio- decontamination £'000	Testing, regulatory & compliance £'000	Consolidated £'000
Revenue			
Total revenue	11,267	4,227	15,494
Result			
Segment result	492	623	1,115
Unallocated head office costs			(914)
Profit from operations			201
Finance costs			(72)
Profit before tax			129
Tax			173
Profit after tax			302
Other information			
Capital additions	1,390	913	2,303
Depreciation and amortisation	897	266	1,163
Impairment losses	–	14	14

Balance sheet as at 31 December 2004

	Bio- decontamination £'000	Testing, regulatory & compliance £'000	Consolidated £'000
Assets			
Segment assets	11,716	3,233	14,949
Unallocated corporate assets			227
Consolidated total assets			15,176
Liabilities			
Segment liabilities	(2,714)	(1,465)	(4,179)
Unallocated corporate liabilities			(896)
Consolidated total liabilities			(5,075)

5. Business and geographical segments continued

Geographical segments

The Group's Bio-decontamination equipment is manufactured within the UK and sold into the UK, Europe and Rest of World markets. The Testing, Regulatory and Compliance segment offers services from bases within the UK and the USA.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods or services:

Sales revenue by geographical market

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
UK	10,727	9,657
Rest of Europe	2,520	2,435
Rest of World	3,973	3,402
	17,220	15,494

The following is an analysis of the carrying amount of segments assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant & equipment and intangible assets	
	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
UK	15,480	13,479	3,085	2,246
Rest of Europe	869	745	3	22
Rest of World	1,133	952	463	35
	17,482	15,176	3,551	2,303

6. (Loss)/profit from operations

(Loss)/profit from operations has been arrived at after charging:

	2005 £'000	2004 £'000
Research and development costs	31	29
Depreciation of property, plant and equipment	950	824
Amortisation of internally generated intangible assets	376	313
Amortisation of customer relationships	66	26
Impairment of goodwill	–	14
Staff costs (see note 7)	7,752	6,686
(Gain)/loss on disposal of property, plant & equipment	(16)	5
Auditors' remuneration for audit services (see below)	80	58
Auditors' remuneration for tax services	17	18

Amounts payable to Deloitte & Touche LLP by the Company and its UK subsidiary undertakings in respect of non-audit services were £17,000 (2004: £18,000).

Notes to the financial statements

for the year ended 31 December 2005

Continued

6. (Loss)/profit from operations continued

A more detailed analysis of auditors' remuneration is provided below:

	2005		2004	
	£'000	%	£'000	%
Audit services				
– statutory audit	65	76%	54	93%
– audit-related regulatory reporting	15	24%	4	7%
	80	100%	58	100%
Tax services				
– compliance services	17	100%	16	89%
– advisory services	–	–	2	11%
	17	100%	18	100%

A description of the work of the audit committee is set out in the Corporate Governance Statement on page 14 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

7. Staff costs

The average monthly number of employees (including executive directors) was:

	2005 Number	2004 Number
Production shop-floor	68	68
Engineering directs	59	46
	127	114
Sales & marketing	44	37
Administration	24	25
Other	14	13
	82	75
	209	189

Their aggregate remuneration comprised:

	2005 £'000	2004 £'000
Wages and salaries	6,689	5,772
Social security costs	756	652
Other pension costs	307	262
	7,752	6,686

Details of directors' remuneration, share options and pension contributions are included in the element of the Directors' Remuneration Report, marked as audited, on pages 18 and 19.

8. Finance costs

	2005 £'000	2004 £'000
Interest on bank loans and overdrafts	83	51
Interest on obligations under finance leases	6	10
Dividend payable on 7.5% preference shares	11	11
	100	72

9. Tax

	2005 £'000	2004 £'000
Current tax credit	177	116
Deferred tax credit	–	57
	177	173

Corporation tax is calculated at 30% (2004: 30%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the profit per the income statement as follows

	2005 £'000	2004 £'000
(Loss)/profit before tax	(501)	129
Tax at the UK corporation rate of 30% (2004: 30%)	150	(39)
Adjusted for:		
Tax effect of expenses not deductible in determining taxable profit	(92)	(52)
Tax effect of utilisation of tax losses not previously recognised	76	313
Utilisation of tax losses brought forward	70	–
R&D tax credit	(44)	(26)
Tax effect of different tax rate of subsidiaries operating in other jurisdictions	17	4
Prior year adjustment	–	(27)
	177	173

10. Business disposal

In October 2005 the Group entered into an agreement to dispose of the steriliser servicing business. This business had not made a material contribution to the Group in the preceding years. The disposal has resulted in an inventory write down of £101,000.

Notes to the financial statements

for the year ended 31 December 2005

Continued

11. (Loss)/earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

(Loss)/earnings	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
(Loss)/earnings for the purposes of basic earnings per share being net (loss)/profit attributable to equity holders of the parent	(324)	302

Number of shares	Year ended 31 December 2005	Year ended 31 December 2004
Weighted average number of ordinary shares for the purposes of basic earnings per share	40,225,216	39,967,560
Effect of dilutive potential ordinary shares:		
– share options	3,615,000	3,470,900
Weighted average number of ordinary shares for the purposes of diluted earnings per share	43,840,216	43,438,460

For a loss making company with outstanding share options, net loss per share would only be increased by the exercise of out-of-the-money options. Since option holders would normally only exercise for gain and there are no other diluting future share issues, diluted EPS equals basic EPS.

12. Goodwill

	£'000
Cost	
As at 1 January 2004	279
Recognised on acquisition of a subsidiary	68
As at 1 January 2005	347
Recognised on acquisition of a subsidiary (note 29)	572
Adjustment to deferred consideration on prior period acquisition	(240)
As at 31 December 2005	679
Accumulated impairment	
As at 1 January 2004	14
Impairment losses for the year	–
As at 1 January 2005	14
Impairment losses for the year	–
As at 31 December 2005	14
Carrying amount	
As at 31 December 2005	665
As at 31 December 2004	333

12. Goodwill continued

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2005 £'000	2004 £'000
Bio-decontamination segment	–	–
Testing, Regulatory & Compliance segment	665	333
	665	333

The Group tests goodwill annually for impairment, based on estimated future cash flows and discounted at a rate reflecting current market assessments of the time value of money and the risks specific to the business segments, or more frequently if there are indications that goodwill might be impaired.

13. Other intangible assets

	Customer relationships £'000	Development costs £'000	Total Intangible assets £'000
Cost			
As at 1 January 2004	–	4,263	4,263
Additions	–	906	906
Acquired on acquisition of a subsidiary	263	–	263
As at 1 January 2005	263	5,169	5,432
Additions	–	1,182	1,182
Acquired on acquisition of a subsidiary	403	–	403
Adjustment to fair value	(47)	–	(47)
As at 31 December 2005	619	6,351	6,970
Amortisation			
As at 1 January 2004	–	523	523
Charge for the year	26	313	339
As at 1 January 2005	26	836	862
Charge for the year	66	376	442
As at 31 December 2005	92	1,212	1,304
Carrying amount			
As at 31 December 2005	527	5,139	5,666
As at 31 December 2004	237	4,333	4,570

The amortisation period for development costs incurred on the Group's product development is 15 years. Patents and trademarks are amortised over their estimated useful lives, which is on average 15 years, although patent protection extends to 20 years. Customer relationships are amortised over 5 years.

Notes to the financial statements

for the year ended 31 December 2005

Continued

14. Property, plant and equipment

	Short-term leasehold improvements £'000	Fixtures and equipment £'000	Total £'000
Cost			
As at 1 January 2004	870	6,637	7,507
Additions	3	752	755
Acquisition of subsidiary	–	311	311
Disposals	–	(341)	(341)
As at 1 January 2005	873	7,359	8,232
Additions	74	1,118	1,192
Acquisition of business	–	202	202
Disposals	–	(371)	(371)
As at 31 December 2005	947	8,308	9,255
Accumulated depreciation			
As at 1 January 2004	206	4,580	4,786
Charge for the year	56	768	824
Disposals	–	(227)	(227)
As at 1 January 2005	262	5,121	5,383
Charge for the year	65	885	950
Disposals	–	(341)	(341)
As at 31 December 2005	327	5,665	5,992
Carrying amount			
As at 31 December 2005	620	2,643	3,263
As at 31 December 2004	611	2,238	2,849

The carrying amount of the Group's fixtures and equipment includes an amount of £137,000 (2004: £154,000) in respect of assets held under finance leases.

The Group had no capital expenditure contracted but not provided for at the year end (2004: £19,125).

15. Subsidiaries

A list of the significant investments in subsidiaries, including name and country of incorporation, is given in note 5 to the company's separate financial statements.

16. Inventories

	2005 £'000	2004 £'000 *Restated
Raw materials, spare parts and consumables	1,688	1,941
Work in progress	259	223
Finished goods and goods for resale	200	184
	2,147	2,348

*The Group has reconsidered the basis of accounting for material handling in raw materials as a result of the closure of the Weston-super-Mare site and no longer considers it appropriate to include the cost of materials handling in the valuation of inventories. Consequently opening equity and inventories have been reduced by £186,000. This valuation has remained substantially unchanged and consequently has no material impact on the income statements for the reported periods.

17. Trade and other receivables

	2005 £'000	2004 £'000
Trade debtors	4,698	3,644
Other debtors	198	217
Corporation and other tax	326	364
Prepayments and accrued income	351	366
	5,573	4,591

Credit risk

The Group's principal financial assets are trade and other receivables and investments.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Group has no significant concentration of credit risk.

18. Bank overdrafts and loans

	2005 £'000	2004 £'000
Bank overdraft	1,189	569
Bank loans (see note 23)	430	467
	1,619	1,036
The borrowings are repayable as follows:		
On demand or within one year	1,189	569
In the second year	28	53
In the third to fifth years inclusive	–	–
After five years	402	414
	1,619	1,036

Analysis of borrowings by currency:

31 December 2005

	Total £'000	Sterling £'000	Euros £'000
Bank overdrafts	1,189	1,189	–
Bank loans	430	28	402
	1,619	1,217	402

Analysis of borrowings by currency:

31 December 2004

	Total £'000	Sterling £'000	Euros £'000
Bank overdrafts	569	569	–
Bank loans	467	53	414
	1,036	622	414

Notes to the financial statements

for the year ended 31 December 2005

Continued

18. Bank overdrafts and loans continued

The weighted average interest rates paid were as follows:

	Year ended 2005 %	Year ended 2004 %
Bank overdrafts	5.6%	5.5%
Bank loans	4.7%	4.8%

The Group had committed overdraft facilities available at 31 December 2005 of £2,200,000 (2004: £2,200,000). The facility is reviewed each year.

The Company has a currency denominated loan in Euros bearing interest at a fixed rate of 4.54%. In addition EMC Projects Ltd, a wholly owned subsidiary of Cape Engineering UK Ltd, has a sterling denominated loan bearing interest at a floating rate that is repayable in the next 12 months.

19. Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting period.

	Deferred development costs £'000	Retirement benefit obligations £'000	Tax losses £'000	Total £'000
At 1 January 2004	–	–	–	–
Charge to income	2	(14)	67	55
Charge to equity	–	–	–	–
Exchange differences	–	–	–	–
At 1 January 2005	2	(14)	67	55
Charge/(credit) to income	–	–	–	–
Charge to equity	–	–	–	–
Exchange differences	–	–	–	–
At 31 December 2005	2	(14)	67	55

At the balance sheet date, the Group had an unused deferred tax asset of £520,000 (2004: £783,000) relating primarily to trade losses available for offset against future profits. A deferred tax asset of £55,000 (2004: £55,000) has been recognised in respect of such losses. No deferred tax asset has been recognised in respect of the remaining £465,000 (2004: £728,000) due to the unpredictability of future profit streams.

20. Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Amounts payable under finance leases:				
Within one year	30	30	30	30
In the second to fifth years inclusive	68	103	62	95
After five years	–	–	–	–
	98	133	92	125
Less: future finance charges	6	8		
Present value of lease obligations	92	125		
Less: amount due for settlement within 12 months (shown under current liabilities)			30	30
Amount due for settlement after 12 months			62	95

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 5 years. For the year ended 31 December 2005, the average effective borrowing rate was 6.4% (2004: 7.4%). All lease obligations are denominated in sterling. The fair value of the Group's lease obligations approximates their carrying amount. The Group's obligations under finance leases are secured by the lessors' rights over the leased assets.

21. Trade and other payables

	2005 £'000	2004 £'000
Trade creditors	2,135	1,613
Accruals and deferred income	2,316	1,825
	4,451	3,438

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 74 days. The directors consider that the carrying amount of trade payables approximates to their fair value.

22. Provisions

	Warranty provision £'000	Restructuring provision £'000	Other £'000	Total £'000
At 1 January 2005	53	–	127	180
Additional provision in the year	1	764	–	765
Adjustment of provision	–	–	(38)	(38)
Utilisation of provision	(7)	(80)	–	(87)
At 31 December 2005	47	684	89	820
Included in current liabilities				820
Included in non-current liabilities				–
				820

The warranty provision represents management's best estimate of the Group's liability under 12 month warranties granted on products and services, based on past experience. The restructuring provision represents the estimated cost of moving the newly acquired businesses as required in the purchase agreement. Other provisions represent property maintenance required under lease obligations.

Notes to the financial statements

for the year ended 31 December 2005

Continued

23. Non-current liabilities

	2005 £'000	2004 £'000
Bank loans (see note 18)	430	467
Retirement benefit obligations (see note 33)	199	138
Non equity preference shares	150	150
Obligations under finance leases (see note 20)	68	103
	847	858

The fair value of the financial liabilities is approximately equal to book value due to the short maturity of the liabilities or because they bear interest at rates approximate to the market.

24. Share capital

	2005		2004	
	Number	£'000	Number	£'000
Authorised:				
Ordinary shares of 10p each	55,947,780	5,595	55,947,780	5,595
Redeemable deferred ordinary shares of £1 each	255,222	255	255,222	255
		5,850		5,850
Called up, allotted and fully paid:				
Ordinary shares of 10p each	40,320,220	4,032	40,160,596	4,016
		4,032		4,016

During the year the Company issued a total of 159,624 ordinary shares of 10p each for £124,000 on the conversion of options under the executive share option schemes, which is being used to provide additional working capital.

25. Share premium account

	£'000
Balance at 1 January 2004	10,139
Premium arising on issue of equity shares	146
Balances at 31 December 2004	10,285
Premium arising on issue of equity shares	108
Balance at 31 December 2005	10,393

26. Equity reserve

	£'000
Balance at 1 January 2004	32
Credit to equity for share-based payments	137
Balance at 31 December 2004	169
Credit to equity for share-based payments	196
Balance at 31 December 2005	365

27. Translation reserve

	£'000
Balance at 1 January 2004	–
Effects of foreign exchange in the period	(136)
Balance at 31 December 2004	(136)
Effects of foreign exchange in the period	105
Balance at 31 December 2005	(31)

28. Retained earnings/(deficit)

	£'000
Balance at 1 January 2004 as previously stated	(4,604)
Stock adjustment (see note 16)	(186)
Balance at 1 January 2004 – restated	(4,790)
Net profit for the year	302
Balance at 1 January 2005	(4,488)
Net loss for the year	(324)
Actuarial loss on defined benefit pension scheme	(57)
Balance at 31 December 2005	(4,869)

29. Acquisition of trade and assets

On 27 October 2005 Cape Engineering UK Ltd acquired certain assets and goodwill of two businesses formerly known as Laboratory Accreditation Services Ltd (KTL) and TRL Compliance Solutions Ltd (TRL) for a total consideration of £413,000. The companies are involved in Telecoms, Digital and EMC testing services. These transactions have been accounted for using the purchase method of accounting. The purchase agreement allowed the businesses to remain in the current premises for a period of six months under a licence to occupy. As a result there is an additional restructuring cost to the Group which will be incurred upon relocation. This has been recognised as a provision.

	TRL Book & fair value £'000	KTL Book & fair value £'000	Combined Book & fair value £'000
Net assets acquired:			
Property, plant & equipment	152	50	202
Total assets acquired	152	50	202
Restructuring liability	(684)	(80)	(764)
Goodwill	535	37	572
Fair value of customer relationships	309	94	403
Total consideration	312	101	413
Satisfied by:			
Cash	241	80	321
Directly attributable cost of acquisition	22	21	43
Pre-acquisition debt	49	–	49
	312	101	413

The fair value of the assets and liabilities of the acquired businesses shown above are provisional.

TRL and KTL generated revenues of £1,132,000 and net income (based on assessed tax rate of 30%) of £259,000 in the post acquisition period from 27 October 2005 to 31 December 2005. The results are recorded in the Testing, Regulatory and Compliance segment. As the accounting records prior to acquisition of the trade and assets are not available it has not been possible to determine what Group revenues and results would have been had the acquisition taken place on the first day of the financial year.

Notes to the financial statements

for the year ended 31 December 2005

Continued

30. Notes to the cash flow statement

	2005 £'000	2004 £'000
(Loss)/profit from operations	(394)	201
Adjustments for:		
Depreciation of property, plant and equipment	950	824
Amortisation and impairment losses of intangible assets	442	339
Share based payments	196	137
(Gain)/loss on disposal of property, plant and equipment	(16)	5
(Decrease)/increase in provisions	(124)	102
Operating cash flows before movements in working capital	1,054	1,608
Decrease in inventories	201	82
Increase in receivables	(854)	(759)
Increase in payables	1,390	388
Cash generated by operations	1,791	1,319
Non equity preference share dividends paid	(11)	(11)
Interest paid	(89)	(62)
Net cash from operating activities	1,691	1,246

None of the additions to fixtures and equipment during the year were financed by new finance leases. 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.

31. Operating lease arrangements

	2005 £'000	2004 £'000
Minimum lease payments under operating leases recognised in income for the year	887	704

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:

	2005 £'000	2004 £'000
Within one year	502	490
In the second to fifth years inclusive	776	1,229
After five years	151	200
	1,429	1,919

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 4 years and rentals are generally fixed for the period of the lease.

32. Share-based payments

Equity-settled share option schemes

The Company has a share option scheme for all employees of the Group. Options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. The vesting period is 3 years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest except in certain circumstances in accordance with the Scheme Rules.

Special options, with market-based conditions, have also been granted to certain directors as disclosed in the Directors' Remuneration Report.

Details of the share options outstanding during the year are as follows:

	2005		2004	
	Number of share options	Weighted average exercise price (pence)	Number of share options	Weighted average exercise price (pence)
Outstanding at beginning of period	3,470,900	96.5p	2,460,400	73.7p
Granted during the period	332,000	113.9p	1,614,500	120.8p
Lapsed during the period	(149,900)	112.8p	(205,500)	116.3p
Exercised during the period	(38,000)	49.0p	(398,500)	43.8p
Outstanding at the end of the period	3,615,000	97.6p	3,470,900	96.5p
Exercisable at the end of the period	1,421,000	75.9p	1,161,000	66.9p

The weighted average share price at the date of exercise for share options exercised during the period was 130p. The options outstanding at 31 December 2005 had a weighted average exercise price of 98p, and a weighted average remaining contractual life of 7.6 years. In 2005 options were granted on 11 April. The aggregate of the estimated fair values of the options granted on that date is £152,082. In 2004 options were granted on 7 April and 16 November. The aggregate of the estimated fair values of the options granted on those dates is £673,350.

The Black-Scholes model has been adopted as the directors believe it provides a reasonable approximation to the fair values of the options concerned.

The inputs into the Black-Scholes model are as follows:

	2005	2004
Weighted average share price	110.5p	120.5p
Expected volatility	45 %	45 %
Expected life	4.5 yrs	4.5 yrs
Risk-free rate	4.43 %	4.43 %
Expected dividends	—	—

Each tranche of share options was valued separately using the actual exercise price.

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Outstanding at the beginning and end of the period were 800,000 directors' special options, issued in April 2004 at an exercise price of 120.5p, conditional upon the market-based performance condition. The inputs into the Black-Scholes model are as set out in the table above, adjusted by a factor based on the probability of meeting the market-based performance condition.

The Group recognised total expenses of £196,000 and £137,000 related to equity-settled share-based payment transactions in 2005 and 2004 respectively.

Notes to the financial statements

for the year ended 31 December 2005

Continued

33. Pension arrangements

The Group operates a number of defined contribution pension schemes. The pension cost charge for the year represents contributions payable by the Group to the funds and amounted to £307,000 (2004: £262,000). Amounts owing to schemes at 31 December 2005 amounted to £58,000 (2004: £21,000).

The Group also operates a defined benefit scheme which has been closed to new members since May 1990 and whose assets are held separately from those of the Company. A full actuarial valuation was carried out at 5 April 2005 and updated to 31 December 2005 by a qualified actuary. The overall expected rate of return of the plan assets has been based on the average expected return for each asset class, weighted by the amount of assets in each class. Actuarial gains and losses which arose during the year have been deferred. The following disclosures have been produced in line with the December 2004 Amendments to IAS 19.

The major assumptions used for the actuarial valuation were:

	2005	2004
Rate of increase in salaries	N/a	N/a
Rate of increase in pension payment	3.0%	3.0%
Discount rate	4.75%	5.5%
Inflation assumption	3.0%	3.0%

In the year to 31 December 2005, the Company made contributions of £3,600 (2004: £1,000). There was no pension cost charge for this scheme in the year, other than a finance cost of £7,000 (2004: £6,000). The Company expects to make contributions of £15,900 during 2006.

Amounts recognised in income in respect of the Group's defined benefit scheme are as follows:

	2005 £'000	2004 £'000
Employers current service cost	–	–
Interest on obligation	31	30
Expected return on pension plan assets	(24)	(24)
Total included in employee benefits expense	7	6

Amounts included in the balance sheet in respect of the defined benefit scheme are as follows:

	2005 £'000	2004 £'000
Present value of defined benefit obligation	655	570
Fair value of plan assets	(456)	(432)
Liability recognised in the balance sheet	199	138

Movements in the present value of defined benefit obligations were as follows:

	2005 £'000	2004 £'000
Opening defined benefit obligation	570	565
Employer's current service cost	–	–
Interest on obligation	31	30
Actuarial (gains)/losses on obligations	79	–
Benefits paid	(25)	(25)
	655	570

33. Pension arrangements continued

Movements in the fair value of the scheme assets were as follows:

	2005 £'000	2004 £'000
As at 1 January	432	427
Expected return on scheme assets	24	24
Actuarial gains and losses	22	5
Contributions	3	1
Benefits paid	(25)	(25)
As at 31 December	456	432

The analysis of the scheme assets and the expected rate of return at the balance sheet date is as follows:

	Expected return		Fair value of assets	
	31 December	31 December	31 December	31 December
	2005 %	2004 %	2005 £'000	2004 £'000
Equities	7.75%	7.5%	62	76
Bonds	4.75%	5.5%	342	309
Other	4.50%	3.5%	52	47
			456	432

The five-year history of experience adjustments is as follows:

	2005 £'000	2004 £'000	2003 £'000	2002 £'000	2001 £'000
Present value of defined benefit obligation	(655)	(570)	(565)	(540)	(533)
Fair value of scheme assets	456	432	427	422	430
Deficit in the scheme	(199)	(138)	(138)	(118)	(103)
Experience adjustments on scheme liabilities:					
Amount (£'000)	3	–	–	31	–
Percentage of scheme liabilities (%)	–	–	–	6%	–
Experience adjustments on scheme assets:					
Amount (£'000)	23	5	–	(35)	–
Percentage of scheme assets (%)	5%	1%	–	(8%)	–

34. Related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are therefore not disclosed.

Notes to the financial statements

for the year ended 31 December 2005

Continued

35. Explanation of transition to IFRS

This is the first year that the Group has presented its financial statements under IFRS. The following disclosures are required in the year of transition. The last financial statements under UK GAAP were for the year ended 31 December 2004 therefore the date of transition to IFRS was 1 January 2004.

There were no material adjustments to the cashflow statement, apart from presentational changes.

Reconciliation of equity at 1 January 2004 (date of transition to IFRS)

	Notes	UK GAAP *Restated £'000	Effect of transition to IFRS £'000	IFRS £'000
Goodwill		265		265
Other intangible assets	3	–	3,740	3,740
Property, plant & equipment		2,721		2,721
Total non-current assets		2,986	3,740	6,726
Inventories		2,413		2,413
Trade and other receivables		2,731		2,731
Other receivables		773		773
Cash and cash equivalents		269		269
Total current assets		6,186		6,186
Total assets		9,172	3,740	12,912
Current liabilities		(2,470)		(2,470)
Non current liabilities	4,5	(543)	(288)	(831)
Total liabilities		(3,013)	(288)	(3,301)
Net assets		6,159	3,452	9,611
Share capital		4,124	(150)	3,974
Share premium account		10,139		10,139
Equity reserve	6	–	32	32
Capital reserve		255		255
Retained earnings		(8,359)	3,570	(4,789)
Total equity		6,159	3,452	9,611

Notes:

- Cumulative capitalised net development expenditure (IAS 38)
- Pension liability of £138,000 (IAS 19) recognised on the balance sheet
- Reclassification of preference share capital of £150,000 to non-current liabilities
- Share based payments (IFRS 2)

* Opening equity and inventory balances as at 1 January 2004 have been restated by £186,000 to reflect the change of accounting policy for material handling charges on the closure of the Group's Weston-super-Mare site in 2002.

35. Explanation of transition to IFRS continued

Reconciliation of balance sheet at 31 December 2004 (date of last UK GAAP financial statements)

	Notes	UK GAAP *Restated £'000	Effect of transition to IFRS £'000	IFRS £'000
Goodwill	1,2	550	(217)	333
Other intangible assets	2,3	–	4,570	4,570
Property, plant & equipment		2,849		2,849
Total non-current assets		3,399	4,353	7,752
Inventories		2,348		2,348
Trade and other receivables		3,644		3,644
Other receivables		1,002		1,002
Cash and cash equivalents		430		430
Total current assets		7,424		7,424
Total assets		10,823	4,353	15,176
Current liabilities		(4,217)		(4,217)
Non current liabilities	4,5	(570)	(288)	(858)
Total liabilities		(4,787)	(288)	(5,075)
Net assets		6,036	4,065	10,101
Share capital	5	4,166	(150)	4,016
Share premium account		10,285		10,285
Equity reserve	6	–	169	169
Capital reserve		255		255
Translation reserve	7	–	(136)	(136)
Retained earnings		(8,670)	4,182	(4,488)
Total equity		6,036	4,065	10,101

Notes:

1. Reversal of goodwill amortisation of £46,000 (IFRS 3)
 2. Capitalisation of value of customer relationships acquired with EMC Projects Ltd (£263,000) net of amortisation of £26,000
 3. Cumulative capitalised net development expenditure of £4,333,000 (IAS 38)
 4. Pension liability of £138,000 (IAS 19) recognised on the balance sheet
 5. Reclassification of preference share capital of £150,000 to non-current liabilities
 6. Share based payments (IFRS 2)
 7. Exchange gain on translation of foreign operations now shown in translation reserve
- * Equity and inventory balances as at 31 December 2004 have been restated by £186,000 to reflect the change of accounting policy for material handling charges on the closure of the Group's Weston-super-Mare site in 2002.

Notes to the financial statements

for the year ended 31 December 2005

Continued

35. Explanation of transition to IFRS continued

Reconciliation of profit for the year ended 31 December 2004

	UK GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Revenue	15,494		15,494
Cost of sales	(9,782)	46	(9,736)
Gross Margin	5,712 37%	46	5,758 37%
Administration costs	(3,572)	431	(3,141)
Other operating costs	(2,416)		(2,416)
Finance costs	(61)	(11)	(72)
Total Costs	(6,049)	420	(5,629)
(Loss)/profit on ordinary activities before tax	(337)	466	129

Adjustments:

£46,000 reversal of goodwill amortisation. Valuation of customer relationships acquired with EMC results in amortisation in the period of £26,000, which is included in the £431,000 along with £594,000 net capitalisation of development expenditure and £137,000 cost of share based payments. Non-equity preference dividends of £11,000 is now included in Finance costs.

Five year summary

	IFRS 2005 £'000	IFRS 2004 £'000	UK GAAP 2003 £'000	UK GAAP 2002 £'000	UK GAAP 2001 £'000
Revenue	17,220	15,494	12,575	12,243	15,869
Operating (loss)/profit	(397)	201	(2,050)	(2,529)	(1,202)
(Loss)/profit for the year before tax	(504)	129	(2,061)	(2,535)	(1,344)
Equity	10,145	10,101	6,345	8,190	4,146
(Loss)/earnings per share	(0.8p)	0.8p	(4.7p)	(5.9p)	(4.2p)

The amounts disclosed for 2003 and earlier periods are stated on the basis of UK GAAP because it is not practicable to restate amounts for periods prior to the date of transition to IFRS. The principal differences between UK GAAP and IFRS are explained in note 35 to the financial statements, which provides an explanation of the transition to IFRS.

Company Accounts

- 52 Statement of Directors' Responsibilities
- 53 Independent Auditor's Report
- 54 Company Balance Sheet
- 55 Company Cash Flow Statement
- 56 Notes to the financial statements
- 62 Notice of Annual General Meeting

Statement of directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that year. In preparing these financial statements, the directors consider they have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- followed applicable United Kingdom accounting standards.

The directors are responsible for keeping proper accounting records which 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 1985. They are also responsible for the Company's system of internal financial controls, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

We have audited the individual company financial statements of BIOQUELL plc for the year ended 31 December 2005 which comprise the balance sheet and the related notes 1 to 15. These individual company financial statements have been prepared under the accounting policies set out therein.

The Corporate Governance Statement and the Directors' Remuneration Report are included in the Group annual report of BIOQUELL plc for the year ended 31 December 2005. We have reported separately on the group financial statements of BIOQUELL plc for the year ended 31 December 2005 and on the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the individual company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the individual company financial statements give a true and fair view in accordance with the relevant financial reporting framework and whether the individual company financial statements have been properly prepared in accordance with the Companies Act 1985. We report to you if, in our opinion, the directors' report is not consistent with the individual company financial statements. We also report to you if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the individual company financial statements.

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 individual company financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the individual company 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 individual Company 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 individual Company financial statements.

Opinion

In our opinion:

- the individual Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005; and
- the individual Company financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Reading

11 April 2006

Company balance sheet

At 31 December 2005

Results for the Company are presented under UK GAAP

	Notes	2005 £'000	2004 £'000 *(restated)
Fixed assets:			
Investments	5	7,446	7,454
Fixed assets	4	11	12
		7,457	7,466
Current assets:			
Debtors	6	2,057	1,263
Cash at bank and in hand		9,018	9,974
		11,075	11,237
Creditors: Amounts falling due within one year			
Other creditors	7	(1,392)	(1,995)
Net current assets		9,683	9,242
Total assets less current liabilities			
Creditors: Amounts falling due after more than one year	7	(790)	(551)
Net assets		16,350	16,157
Capital and reserves			
Called up share capital	8	4,032	4,166
Share premium account	9	10,393	10,285
Equity reserve	10	178	79
Capital reserve	11	255	255
Profit and loss account	12	1,492	1,372
Shareholders' funds		16,350	16,157

*Restated, see note 13, reconciliation of movement in shareholders' funds.

The financial statements were approved by the board of directors and signed on its behalf by:

N M T Adams }
B M Bodeker } Directors

11 April 2006

Notes to the company financial statements

for the year ended 31 December 2005

Continued

3. Staff costs

The average monthly number of employees (including executive directors) of the company was:

	2005	2004
Administration	3	3
Total	3	3

Their aggregate remuneration comprised:

	2005 £'000	2004 £'000
Wages and salaries	349	298
Social security costs	47	40
Other pension costs	18	17
	414	355

4. Fixed assets

	Plant, vehicles & machinery £'000
Cost	
As at 1 January 2005	49
Additions	–
As at 31 December 2005	49
Accumulated amortisation	
As at 1 January 2005	37
Charge for the year	1
As at 31 December 2005	38
Net book value	
As at 31 December 2005	11
As at 31 December 2004	12

5. Fixed asset investments

The companies listed below are wholly owned subsidiaries of the Company, incorporated in Great Britain, unless otherwise stated.

	Location
BIOQUELL UK Limited	Andover, UK and Paris, France
Cape Engineering UK Limited	Warwick, Ringwood, Hull and Tewkesbury, UK & Santa Clara, USA
BIOQUELL Inc	Philadelphia, USA

The principal activities of the above companies include the design, manufacture and supply of bio-decontamination and containment equipment, related products and services to the pharmaceutical, healthcare and defence industries, and testing, regulatory and compliance services to the aerospace, telecoms, defence and other industries.

	Investment in Subsidiaries		
	Shares £'000	Loans £'000	Total £'000
Cost			
As at 1 January 2005	111	8,002	8,113
Foreign exchange differences	–	(8)	(8)
As at 31 December 2005	111	7,994	8,105
Provision for impairment			
As at 1 January 2005	(103)	(556)	(659)
As at 31 December 2005	(103)	(556)	(659)
Net book value			
As at 31 December 2005	8	7,438	7,446
As at 1 January 2005	8	7,446	7,454

6. Debtors

	2005 £'000	2004 £'000
Amounts due from subsidiary undertakings	1,900	1,132
Other debtors	19	11
Corporation and other tax	27	12
Deferred tax	64	64
Prepayments	47	44
	2,057	1,263

Notes to the company financial statements

for the year ended 31 December 2005

Continued

7. Creditors

	2005 £'000	2004 £'000
Amounts falling due within one year:		
Amounts due to subsidiary undertakings	1,185	1,792
Accruals	201	197
Preference dividend due	6	6
	1,392	1,995
Amounts falling due after one year:		
Bank loan	401	413
Provision	40	–
Retirement benefit obligations	199	138
First preference shares of £1 each	150	–
	790	551

8. Called up share capital

	2005		2004	
	Number	£'000	Number	£'000
Authorised				
Ordinary shares of 10p each	55,947,780	5,595	55,947,780	5,595
First preference shares of £1 each	150,000	150	150,000	150
Redeemable deferred ordinary shares of £1 each	255,222	255	255,222	255
		6,000		6,000
Called up, allotted and fully paid up				
Ordinary shares of 10p each	40,320,220	4,032	40,160,596	4,016
First preference shares of £1 each	–	–	150,000	150
		4,032		4,166

During the year the Company issued a total of 159,624 ordinary shares of 10p each for £124,000 on the conversion of options under the executive share options schemes, which is being used to provide additional working capital. Under FRS 25 'Financial instruments: disclosure and presentation' the first preference shares are reclassified from called up share capital to Creditors: amounts falling due after more than one year with effect from 1 January 2005.

9. Share premium account

	£'000
Balance at 1 January 2004	10,139
Premium arising on issue of equity shares	146
Balance at 1 January 2005	10,285
Premium arising on issue of equity shares	108
Balance at 31 December 2005	10,393

10. Equity reserves

	£'000
Balance at 1 January 2004 – as previously stated	–
Credit to equity for share-based payments	11
Balance at 1 January 2004 – restated	11
Credit to equity for share-based payments	68
Balance at 1 January 2005	79
Credit to equity for share-based payments	99
Balance at 31 December 2005	178

11. Capital reserves

	£'000
Balance at 1 January 2004 & 1 January 2005	255
Additions	–
Balance at 31 December 2005	255

12. Profit and loss account

	£'000
Balance at 1 January 2004 – as previously stated	1,054
Pension liability	(138)
Share-based payments	(11)
Balance at 1 January 2004 – restated	905
Profit for the financial year	462
Actuarial gain on defined benefit pension scheme	5
Balance at 1 January 2005 – restated	1,372
Profit for the financial year	177
Actuarial loss on defined benefit pension scheme	(57)
Balance at 31 December 2005	1,492

Under FRS 20 'Share based payments', equity settled share based payments to employees are part of employee benefit expense in the profit and loss account. A corresponding increase in equity reserves has been made.

Under FRS 17 'Retirement benefits' the defined benefit pension liability has been recognised. See note 33 of the consolidated financial statements.

Notes to the company financial statements

for the year ended 31 December 2005

Continued

13. Reconciliation of movements in Shareholders' funds

	£'000
Balance at 1 January 2004 – as previously stated	15,572
Pension liability	(138)
Balance at 1 January 2004 – restated	15,434
Issue of equity shares	188
Profit for the financial year	462
Actuarial gain on defined benefit pension scheme	5
Equity reserve – share based payments	68
Balance at 1 January 2005	16,157
Issue of equity shares	124
Equity reserve – share based payments	99
Reclassification of preference shares as creditors: due after one year	(150)
Profit for the financial year	177
Actuarial loss on defined benefit pension scheme	(57)
Balance at 31 December 2005	16,350

FRS 25 'Financial instruments: disclosure and presentation' has been implemented with effect from 1 January 2005. Accordingly preference share capital has been reclassified as a long-term liability.

14. Share-based payments

Equity settled share option schemes

The Company's employees are able to participate in the Group's share option schemes. Details of the schemes as given in note 32 of the Group's accounts.

Details of the share options outstanding with employees of the Company during the year are as follows:

	2005		2004	
	Number of share options	Weighted average exercise price (pence)	Number of share options	Weighted average exercise price (pence)
Outstanding at beginning of period	1,702,000	99.7p	1,165,000	69.2p
Granted during the period	5,000	110.5p	810,000	120.5p
Lapsed during the period	–	–	–	–
Exercised during the period	–	–	(273,000)	43.5p
Outstanding at the end of the period	1,707,000	99.8p	1,702,000	99.7p
Exercisable at the end of the period	737,000	77.8p	1,161,000	69.2p

Note 32 of the Group accounts describes the valuation of share options.

15. Pension arrangements

The company pension arrangements are discussed in note 33 of the Group accounts.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of BIOQUELL PLC will be held at the offices of the Company, 34A Walworth Road, Andover, Hampshire, SP10 5PY on 18 May 2006 at 12.00pm for the following purposes:

1. To receive and consider the report of the Directors and the audited accounts for the year ended 31 December 2005.
2. To approve the Directors' Remuneration Report for the year ended 31 December 2005.
3. To reappoint Deloitte & Touche LLP as auditors of the Company and to authorise the Directors to determine the remuneration of the Auditors.
4. To re-elect Mr Constantine as a director of the Company.
5. To authorise the payment of the dividend for the year on the 7.5 per cent redeemable cumulative preference shares (First Preference Shares) as specified in the accompanying Directors' Report.

As special business to consider and if thought fit, pass the following resolutions, of which resolution number 6 will be proposed as an ordinary resolution and resolution number 7 as a special resolution.

Ordinary Resolution

6. (1) The Directors be and they are hereby generally and unconditionally authorised for the purpose of section 80 of the Companies Act 1985 to allot and to grant rights to subscribe for securities or to convert securities into unissued shares of the Company up to a maximum aggregate nominal amount of £1,344,007 at any time on or before the conclusion of the Annual General Meeting of the Company to be held in 2007 or the date falling 15 months after the passing of this resolution (whichever is the earlier);
- (2) The Company be allowed to make any offer or agreement which will or might require any such relevant securities to be allotted or any such rights to be granted after the expiry of this authority and the Directors may, notwithstanding such expiry, allot shares and grant such rights pursuant to any such offer or agreement made by the Company before the expiry of this authority; and
- (3) This authority be in substitution for all existing authorities given by the Company for the purpose of section 80 of the Companies Act 1985 to the extent such authorities are unused.

Special Resolution

7. That the Directors of the Company be and they are generally and unconditionally authorised at any time during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the Annual General Meeting of the Company to be held in 2007 or on the date falling 15 months after the passing of this resolution (whichever is the earlier) and at any time thereafter, notwithstanding that this authority has expired, pursuant to any offer or agreement made by the Company before the expiry of such period, to allot any equity securities of the Company under any authority conferred on them from time to time pursuant to section 80 of the Companies Act 1985 or any re-enactment thereof ("the Act") as if section 89(1) of the Act did not apply thereto, provided that such authority and power shall be limited to the allotment of equity securities (as defined for the purpose of section 95 of the Act), as follows:
 - (a) in connection with any rights issue or issues of equity securities to the holders of relevant shares of the Company in proportion (as nearly as may be) to their respective holdings of such shares or (where applicable) in accordance with the rights for the time being attached to such shares (but subject to statutory exclusion, or other arrangements as the Directors may deem necessary or expedient to deal with problems under the laws of any territory or the requirements of any regulatory body or any stock exchange in any territory or in connection with fractional entitlements or otherwise howsoever); and
 - (b) any other allotment for cash of equity securities up to a maximum aggregate nominal value of £201,601.

Registered office
34A Walworth Road
Andover
Hampshire
SP10 5PY

By order of the Board
B M Bodeker
Secretary

11 April 2006

Notice of Annual General Meeting

Continued

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his or her behalf. A proxy need not be a member of the Company. Holders of First Preference Shares are not entitled, as such, to attend and vote at the Annual General Meeting.
2. A form of proxy is provided with this notice and instructions for use are shown on the form. To be valid, forms of proxy must be completed in accordance with the instructions set out in the form and returned so as to be received at the offices of the Company's Registrars, Capita IRC plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours before the time fixed for the Annual General Meeting (i.e. no later than 12.00pm on 16 May 2006) or any adjournment thereof. Completion of the form of proxy will not preclude a member from attending and voting in person at the meeting if the member so wishes.
3. Copies of the Directors' letters of appointment and service contracts are available for inspection at the registered office of the Company, 34A Walworth Road, Andover, Hampshire, SP10 5PY during usual business hours on each business day and will also be available at the place of the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting. The register of Directors' interests will be available for inspection at the commencement of, and during, the Annual General Meeting.
4. As permitted by regulation 41 of the Uncertificated Securities Regulations 2002, only those shareholders who are registered on the Company's register of members at 12.00pm on 16 May 2006 or, in the event that the Annual General Meeting is adjourned, on the register of members 48 hours before the time of any adjourned meeting, shall be entitled to attend the Annual General Meeting and to vote in respect of the number of ordinary shares registered in their names at that time. Changes to entries on the register of members after 12.00pm on 16 May 2006 or, in the event that the Annual General Meeting is adjourned, on the register of members 48 hours before the time of any adjourned meeting, shall be disregarded in determining the right of any person to attend and/or vote at the Annual General Meeting.

Explanatory notes

1. Resolutions 1 & 2: Report of Directors and Accounts

The Directors must lay the Company's Accounts, the Directors' Report, the Directors' Remuneration Report and the Auditors' Report before the members in general meeting. This is a legal requirement once the Directors have approved the Accounts and the Directors and the Auditors have prepared their respective reports.

2. Resolution 3: Appointment of Auditors

At each Annual General Meeting, the Company is required to appoint auditors to serve until the next such meeting. Resolution 3 proposes the re-appointment of the Company's present auditors, Deloitte & Touche LLP. In accordance with normal practice, the Directors should be authorised to fix their remuneration.

3. Resolution 4: Re-election of Directors retiring by rotation

Article 69 of the Company's Articles of Association states that one third of the directors, subject to retirement by rotation, shall retire from office at each Annual General Meeting. Mr S J Constantine has agreed, in accordance with the Company's Articles of Association, that he shall retire and, being eligible, offers himself for re-appointment. Biographical details of Mr S J Constantine are set out in the Report and Accounts.

4. Resolution 5: Payment of dividend

Article 119 of the Company's Articles of Association requires dividends to be declared by ordinary resolution of the Company. No dividend may exceed the amount recommended by the directors. The directors recommend a payment of £11,250 on the First Preference Shares representing 7.5p per First Preference Share.

5. Resolution 6: Renewal of Section 80 authority

This Resolution provides for the grant of authority to the Directors pursuant to Section 80 of the Companies Act 1985 to allot shares to a nominal value of £1,344,007. The authority will terminate no later than 15 months after the Annual General Meeting.

6. Resolution 7: Renewal of directors' authority to allot shares for cash

Section 89 of the Companies Act 1985 requires ordinary shares allotted for cash (other than pursuant to employee share schemes) to be offered to existing shareholders on a pro rata basis. Resolution 7 allows the directors to allot shares other than in accordance to Section 89 in connection with rights issues and other offers, and otherwise up to a maximum nominal amount of £201,601, representing approximately 5% of the Company's issued ordinary share capital as at 11 April 2006. The authority will terminate no later than 15 months after the Annual General Meeting.

Form of proxy

BIOQUELL PLC

FOR USE BY HOLDERS OF ORDINARY SHARES OF 10P EACH AT
THE ANNUAL GENERAL MEETING OF BIOQUELL PLC ON 18 MAY 2006

*I/We
(PLEASE USE BLOCK CAPITALS)

Address:
being (a) member(s) of BIOQUELL PLC ('the Company') by virtue of my/our holding of ordinary shares of 10p each hereby appoint the
Chairman of the Meeting or (see note (2) below)

of
as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 12.00 p.m., and at any
adjournment of the Annual General Meeting. I/We direct my/our proxy to vote on the under-mentioned resolutions as follows:

Please insert an X in the appropriate boxes alongside the resolutions.

ORDINARY RESOLUTIONS	FOR	AGAINST
1 To receive the Accounts for the year ended 31 December 2005		
2 To approve the Directors' Remuneration Report for the year ended 31 December 2005		
3 To re-appoint Deloitte & Touche LLP as auditors and to authorise the Directors to fix their remuneration		
4 To re-appoint Mr Constantine as a director		
5 To declare a dividend on the First Preference Shares		
6 To renew the Directors' authority to allot shares		
SPECIAL RESOLUTION		
7 To authorise the Directors' authority to allot shares for cash		

If this form is signed and returned without any indication as to how the proxy shall vote, the proxy will exercise discretion both as to how the proxy votes and whether or not the proxy abstains from voting. The proxy will also exercise discretion as to voting (and whether or not the proxy abstains from voting) on any other business transacted at the Annual General Meeting.

Signed this day of 2006

Signature

NOTES

- To be effective this form of proxy (together with the power of attorney (if any) under which it is signed (or a notarily certified copy of that power of attorney)) must be lodged with the Company's Registrars, Capita IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time appointed for the holding of the Annual General Meeting or any adjournment of that Meeting.
- If you wish to appoint someone other than the Chairman of the Meeting as your proxy, you should complete in block capitals his or her full name and address in the space provided and delete the words "the Chairman of the Meeting or". Such proxy need not be a member of the Company. Any alteration to this form should be initialled by the person signing the form.
- In the case of joint holders, the signature of any holder will be sufficient but the names of the joint holders should be stated. In the event of more than one joint holder voting in person or by proxy, the vote of the senior holder who tenders a vote whether by proxy or in person shall be accepted to the exclusion of the votes of the other joint holders, seniority being determined by the order in which their names stand in the register of members.
- In the case of a corporation, the proxy must be under the common seal or signed on its behalf by a duly authorised officer of the corporation.
- You are requested to complete and return this form of proxy even if you intend to attend and vote at the Annual General Meeting. Completion of a form of proxy will not preclude a member from attending and voting in person at the Meeting.
- Every holder of ordinary shares present in person and entitled to vote shall have one vote on a show of hands and every holder of ordinary shares present in person or by proxy shall on a poll be entitled to one vote for every ordinary share held. Holders of First Preference Shares are not entitled to attend or vote at the Annual General Meeting.
- A member entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and vote on his behalf and a proxy need not be a member of the Company. If a member appoints more than one proxy, the form of proxy must specify the number of ordinary shares in respect of which the proxy is entitled to vote and no member is permitted to appoint more than one proxy (save in the alternate) to vote in respect of any one ordinary share held by that member.

SECOND FOLD

BUSINESS REPLY SERVICE
Licence No. MB 122

1



Capita IRG Plc (proxies)
Proxy Department
PO Box 25
Beckenham
Kent
BR3 4BR

FIRST FOLD

THIRD FOLD

BIOQUELL (UK) Limited

34 Walworth Road, Andover,
Hampshire, SP10 5AA

Tel: +44 (0) 1264 835 835

Fax: +44 (0) 1264 835 836

BIOQUELL Inc.

101 Witmer Road, Suite 500
Horsham, Philadelphia PA 19044 USA

Tel: +1 215 682 0225

Fax: +1 215 682 0395

BIOQUELL Defence

34 Walworth Road, Andover,
Hampshire, SP10 5AA

Tel: +44 (0) 1264 835 888

Fax: +44 (0) 1264 835 889

BIOQUELL France

Zac d'Alfortville, Rue de Grenoble,
No 14 BAT A, 94140 Alfortville, Paris, France

Tel: +33 1 4378 1594

Fax: +33 1 4378 1584

BIOQUELL Service

34 Walworth Road, Andover,
Hampshire, SP10 5AA

Tel: +44 (0) 1264 835 800

Fax: +44 (0) 1264 835 801

Cape Engineering

Rothwell Road, Warwick,
Warwickshire, CV34 5JX

Tel: +44 (0) 1926 478 478

Fax: +44 (0) 1926 478 479

EMC Projects

Holly Grove Farm, Ashley,
Ringwood, Hampshire BH24 2BB

Tel: +44 (0) 1425 479 979

Fax: +44 (0) 1425 480 637

KTL

Saxon House, Priory Park West
Kingston upon Hull, HU13 9PB

Tel: +44 (0) 1482 801 801

Fax: +44 (0) 1482 801 806

KTL Inc.

4701 Patrick Henry Drive
Santa Clara, California, CA 95054, USA

Tel: +1 408 850 4489

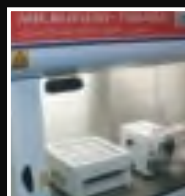
Fax: +1 408 855 0686

TRL Compliance

Long Green, Forthampton
Gloucester, GL19 4QH

Tel: +44 (0) 1684 835 818

Fax: +44 (0) 1684 835 858





BIOQUELL PLC

34A Walworth Road, Andover, Hampshire, SP10 5PY, United Kingdom

BIOQUELL Sales 0800 220 700

BIOQUELL Service 0800 052 7 800

Tel: +44 (0) 1264 835 900

Fax: +44 (0) 1264 835 901

enquiries@bioquell.com

www.bioquellplc.com