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If you have sold or transferred all of your Ordinary Shares, please send this document and the accompanying form of proxy (or form of direction as applicable) to the purchaser or transferee or to the stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

**THE WHOLE OF THE TEXT OF THIS DOCUMENT SHOULD BE READ AND IN PARTICULAR YOUR ATTENTION IS DRAWN TO THE SECTION ENTITLED "RISK FACTORS" SET OUT IN PART 2 OF THIS DOCUMENT.**

Nanoscience Inc. ("Company"), the Directors and Proposed Director, whose names appear on page 9 of this document, accept responsibility, individually and collectively, for the information contained in this document and compliance with the AIM Rules. To the best of the knowledge and belief of the Company, the Directors and Proposed Director (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been so authorised. Neither the delivery of this document nor any subscription made pursuant to this document will, under any circumstances, create any implication that there has been any change in the affairs of the Company since the date of this document or that the information in this document is correct at any time subsequent to its date.

This document does not comprise a prospectus and has not been filed with the Financial Services Authority, but comprises an AIM admission document and has been prepared in accordance with the AIM Rules. In accordance with the AIM Rules, application will be made for the Ordinary Shares of the Company already in issue to be re-admitted to trading on AIM and for the new Ordinary Shares of the Company to be admitted to trading on AIM. It is expected that such application to AIM will become effective and that dealings will commence on 3 November 2005.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The AIM Rules are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Ordinary Shares to trading on the Official List. The London Stock Exchange has not itself examined or approved the contents of this document. The Ordinary Shares are not dealt in on any recognised investment exchange and, apart from the application for Admission, no other such applications have been or are intended to be made.

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## **NANOSCIENCE INC.**

(incorporated in the Cayman Islands under the Companies Law (2004 Revision) of the Cayman Islands with registered number 145128)

### **PROPOSED ACQUISITION OF TOUMAZ TECHNOLOGY LIMITED PLACING OF UP TO 47,333,333 ORDINARY SHARES OF 0.25p EACH AT 15p PER SHARE NOTICE OF EXTRAORDINARY GENERAL MEETING AND APPLICATION FOR ADMISSION TO TRADING ON AIM**

*Nominated Adviser*

**STRAND PARTNERS LIMITED**

*Broker*

**TEATHER & GREENWOOD LIMITED**

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The Ordinary Shares being issued pursuant to the Acquisition and Placing will rank equally in all respects with the Existing Ordinary Shares and will rank in full for all dividends or other distributions declared, made or paid on the ordinary share capital of the Company after the date of issue.

Strand Partners Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as nominated adviser to the Company in connection with the proposed admission of the Enlarged Share Capital to trading on AIM. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this document. Teather & Greenwood Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority and is a member of the London Stock Exchange, is acting as broker to the Company in connection with the Placing and proposed admission of the Enlarged Share Capital to trading on AIM. Strand Partners Limited and Teather & Greenwood Limited are not acting for anyone else and will not be responsible to anyone other than the Company for providing the protections afforded to their clients or for providing advice in relation to the contents of this document or the Placing or the Admission of the Enlarged Share Capital to trading on AIM. No representation or warranty, express or implied, is made by either Strand Partners Limited or Teather & Greenwood Limited as to the contents of this document, without limiting the statutory rights of any person to whom this document is issued. Neither Strand Partners Limited nor Teather & Greenwood Limited will be offering advice, nor will they otherwise be responsible for providing customer protections to recipients of this document or for advising them on the contents of this document or any other matter. The information contained in this document is not intended to inform or be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off exchange) and accordingly no duty of care is accepted in relation to them.

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**Notice of an extraordinary general meeting of Nanoscience Inc. to be held at Rue Pierre-Fatio 12, 1211 Geneva 3, Switzerland at 11 a.m. GMT (12 noon CET) on 2 November 2005 is set out on page 117 of this document. Whether or not you intend to attend the meeting, it is important that you complete and return the form of proxy (or form of direction as applicable) accompanying this document as soon as possible and in any event so as to be received by the UK Transfer Agents, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4BR not later than 11.00 a.m. GMT on 30 October 2005 in the case of forms of direction and 11.00 a.m. GMT on 31 October 2005 for forms of proxy.**

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	10 October 2005
Latest time and date for receipt of forms of direction	11 a.m. GMT on 30 October 2005
Latest time and date for receipt of forms of proxy	11 a.m. GMT on 31 October 2005
Payment to be received from the investors (other than through CREST) pursuant to the Placing in cleared funds	12 p.m. GMT on 1 November 2005
Extraordinary general meeting	11 a.m. GMT on 2 November 2005
Admission effective and dealings expected to commence in the Enlarged Share Capital on AIM	3 November 2005
Completion of the Acquisition	3 November 2005
CREST accounts expected to be credited in respect of Depository Interests	3 November 2005
Definitive share certificates for the Acquisition Shares and Placing Shares expected to be despatched (where applicable) by	16 November 2005

## ACQUISITION AND PLACING STATISTICS

Number of Existing Ordinary Shares	40,100,000
Number of Acquisition Shares	96,337,210
Placing Price	15p
Number of Placing Shares	47,333,333
Number of Ordinary Shares in issue on Admission	183,770,543
Percentage of the Enlarged Share Capital represented by the Acquisition Shares*	46.47 per cent.
Percentage of the Enlarged Share Capital represented by the Placing Shares	25.76 per cent.
Percentage of the Enlarged Share Capital held by the Directors and Proposed Director at Admission	7.48 per cent.
Gross proceeds of the Placing	£7,100,000
Proceeds of the Placing net of expenses	£6,400,000

\*excluding the interests of the Proposed Director whose holding is included in the percentage represented by the Directors

## DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“Acquisition”	the proposed acquisition by the Company of the entire issued share capital of Toumaz pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional agreement dated 10 October 2005 between the Company and the Sellers relating to the Acquisition, details of which are set out in paragraph 14.1.13 of Part 6 of this document
“Acquisition Shares”	the 96,337,210 Ordinary Shares in the Company to be allotted and issued pursuant to the Acquisition Agreement
“Act” or “CA 1985”	the Companies Act 1985, as amended
“Admission”	the effective admission of the Enlarged Share Capital of the Company to trading on AIM in accordance with the AIM Rules
“AIM”	the AIM market operated by the London Stock Exchange
“AIM Rules”	the rules applicable to companies whose shares are traded on AIM published by the London Stock Exchange from time to time
“AppliedSensor”	AppliedSensor Sweden AB
“Bio-Nano” or “BNST”	Bio Nano Sensium Technologies Limited (a company incorporated in England with number 5183262) whose registered office is at Savannah House, Charles II Street, Piccadilly, London SW1Y 4QU
“Board”	the directors of the Company from time to time
“City Code”	the City Code on Takeovers and Mergers
“Combined Code”	the corporate governance code issued by the Financial Reporting Council
“Company” or “Nanoscience”	Nanoscience Inc., incorporated and registered in the Cayman Islands with number 145128
“Completion”	completion of the Proposals
“CREST”	the system for paperless settlement of trades and the holding of uncertificated securities administered by CRESTCo Limited
“Deed Poll”	the deed poll dated 16 March 2005 made by Capita IRG Trustees Limited dealing with the creation and issue of Depositary Interests in respect of the Company
“Depositary Interests”	interests in uncertificated form, representing Ordinary Shares, that can be settled electronically through and held in CREST, as issued by Capita IRG Trustees Limited who hold the underlying securities on trust, further details of which are set out on page 28 of this document
“Directors”	the existing directors of the Company as at the date of this document whose names are listed on page 9 of this document
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company, notice of which is set out at the end of this document
“EMI Scheme”	an enterprise management incentive share options scheme adopted by Toumaz, details of which are set out in paragraph 13 of Part 6 of this document

“Enlarged Group”	together, the Company and Toumaz following Completion
“Enlarged Share Capital”	the issued ordinary share capital of the Company immediately following completion of the Acquisition and the Placing
“Existing Ordinary Shares”	the 40,100,000 Ordinary Shares in issue at the date of this document
“Future Waves”	Future Waves Pte Limited (a company incorporated in Singapore with number C001732005M), whose registered office is at 6 Temasek Boulevard, #29 00 Suntec City, Tower 4, Singapore 038986
“Generics”	The Generics Group AG, one of Toumaz’s shareholders
“Gennum”	Gennum Corporation, one of Toumaz’s substantial shareholders
“Glastad”	Glastad Invest Limited, one of Toumaz’s substantial shareholders
“Group”	the Company and any subsidiary of the Company
“IC Innovations”	Imperial College Innovations Limited, Imperial College’s technology transfer company, of Level 12, Electrical and Electronic Engineering Building, Imperial College of Science, Technology and Medicine, London, SW7 2AZ
“Imperial College”	Imperial College of Science, Technology and Medicine
“Independent Directors”	Richard Rose, Serge Grisard and Graham Porter
“Institute”	Imperial College’s Institute of Biomedical Engineering
“IP Option Agreement”	the intellectual property option agreement dated 4 October 2000 between the Company (1), Professor Chris Toumazou (2) and IC Innovations (3), further details of which are set out in paragraph 14.2.1 of Part 6 of this document
“Investment” or “Investments”	investment in Nanotechnology Funds or the investment in or acquisition of an interest in a Target Entity
“London Stock Exchange”	London Stock Exchange plc
“Nanotechnology Funds”	funds whose portfolio largely comprises interests in nanotechnology related entities
“New IP Option Agreement”	the intellectual property option agreement dated 22 July 2005 between the Company (1), Professor Chris Toumazou (2) and IC Innovations (3), further details of which are set out in paragraph 14.2.2 of Part 6 of this document
“Official List”	the official list of the United Kingdom Listing Authority
“Ordinary Shares”	ordinary shares of 0.25p each in the capital of the Company
“Placees”	subscribers for Placing Shares
“Placing”	the proposed conditional placing of the Placing Shares by Teather & Greenwood at the Placing Price pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 10 October 2005 between the Company (1), the Directors (2), the Proposed Director (3), Strand Partners (4) and Teather & Greenwood (5), further details of which are set out in paragraph 14.1.14 of Part 6 of this document
“Placing Price”	15p per Placing Share
“Placing Shares”	the 47,333,333 new Ordinary Shares which are proposed to be issued pursuant to the Placing

“Proposals”	together the Acquisition, the appointment of the Proposed Director, the Placing and Admission, each as described in the letter from the Chairman on behalf of the Independent Directors in Part 1 of this document
“Proposed Director”	Professor Christofer Toumazou
“Resolutions”	the resolutions to be proposed at the EGM as set out in the notice of EGM at the end of this document and reference to a “Resolution” is to the relevant resolution set out in the notice of EGM
“Sellers”	the shareholders in Toumaz at the date of this document, details of whom are set out on page 26 of Part 1 of this document
“Share Dealing Code”	the code on dealings in the Company’s securities adopted by the Company, that complies with the AIM Rules
“Shareholders”	shareholders in the Company
“Strand Partners”	Strand Partners Limited, the Company’s nominated adviser
“Strand Warrant”	the warrant instrument dated 14 March 2005 in favour of Strand Associates Limited for the right to subscribe for new Ordinary Shares as described in paragraph 14.1.4 of Part 6 of this document
“subsidiary” or “subsidiary undertaking”	have the meanings given to them by the Act
“Target Entity” or “Target Entities”	businesses and/or corporate entities whose characteristics match the Company’s investment criteria as set out in Part 1 of this document
“Teather & Greenwood”	Teather & Greenwood Limited, the Company’s broker
“Toumaz”	Toumaz Technology Limited, a company incorporated in England and Wales with registered number 3921089 whose registered office is at 21 Wilson Street, London EC2M 2TD
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Transfer Agents”	Capita Registrars
“United Kingdom Listing Authority”	the Financial Services Authority, acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 as amended
“United States” or “US”	the United States of America, its territories and possessions, any state of the United States of America and the district of Columbia and all other areas subject to its jurisdiction
“US person”	a citizen or permanent resident of the United States, as defined in Regulation S promulgated under the Securities Act 1933
“XRT”	XRT Limited, a company incorporated in Australia under company number ACN 076 348 000 whose registered office is at 63 Turner Street, Port Melbourne, Victoria, 3207, Australia

## GLOSSARY

"AMx™"	Toumaz's technology, an advanced mixed-signal system-on-chip technology which has up to 100 times less power consumption than conventional chips
"analogue"	information which spans a real-world range of values as opposed to digital where the values are limited to "1"s and "0"s
"analogue sub-routine"	a well-defined mathematical operation carried out by an analogue hardware component
"Auracomm"	a short range inductive link device from Aura Communications, MA
"baseband"	the frequencies covered by a signal before it is transformed for transmission
"biometrics"	a collection of measurements and data used to represent a biological structure or function
"Bluetooth"	a communications standard for short range wireless connectivity located in an unlicensed frequency band at 2.4 GHz
"chronic diseases"	prolonged illnesses or conditions that often do not improve and which are rarely cured completely, such as diabetes, depression, congestive heart failure, hepatitis and asthma
"CMOS"	complementary metal-oxide semiconductor
"DAB"	digital audio broadcasting
"digital"	information coded in the form of "1"s and "0"s
"DSP"	digital signal processor, a power-intensive electronic component that performs signal processing in the digital domain
"DVB"	digital video broadcasting
"DVD"	digital video disc
"EDA"	electronic design automation
"fabless"	a business methodology where the manufacture or fabrication of silicon wafers is outsourced to foundries to enable a semiconductor company to focus on the design, development and marketing of their products
"integrated circuit" or "IC"	an electronic circuit in which all the active and passive elements and the connections are made in or on the surface of a single semiconductor
"IP" or "intellectual property"	patents, know-how, copyright, confidential information, trade marks, registered designs, applications for any of those rights, trade and business names, copyrights, database rights and any similar rights in any jurisdiction
"IP Block"	a circuit designed to implement a particular function whereby the particular circuit implementation is the IP of a company or individual
"low power"	a relative concept; in the context of wireless sensors and sensor interfaces, power consumption of a few milliwatts
"MEMS"	micro-electro-mechanical systems, a technology which builds mechanical structures on silicon wafers using IC processing techniques

"mixed-signal"	circuits and systems employing both analogue and digital signal processing elements
"Moore's Law"	the empirical observation that in 1965, at the then rate of technological development, the complexity of an integrated circuit, with respect to minimum component cost would double in about 18 months (source: "Cramming more components onto integrated circuits", by Gordon E Moore, published by Electronics Magazine on 19 April 1965)
"MP3"	a particular electronic coding format for the compression and storage of sound files
"nanoamp"	one billionth of an ampere
"nanometre" or "nano"	one thousand millionth of a metre, equivalent to 10 hydrogen atoms in a row
"nanoparticle"	a material with dimensions under 1,000 nanometres, and often below 100 nanometres
"nanotechnology" or "nanotechnologies"	the design, characterisation, production and application of structures, devices and systems by controlling shape and size at the nanometre scale
"noisy"	in science (especially physics and telecommunications), fluctuations in and the addition of external factors to the stream of target information (signal) being received by a detector
"OEM"	original equipment manufacturer
"PCB"	a printed circuit board whose front contains slots for integrated circuit chips and connections for a variety of electronic components and whose back is printed with electrically conductive pathways between the components
"PDA"	personal digital assistant, a hand-held microcomputer
"Power Paper"	an ultra-thin (less than 0.5mm) and flexible energy source, that can be made in almost any shape and size
"processor"	the part of the electronic system which is concerned with the actual manipulation of the data such as performing calculations
"RF"	radio frequency
"R&D"	research and development
"Sensium"	the integration of AMx™ technologies with micro and nano-scale sensors to produce a flexible wireless sensor chip
"SiGe"	silicon-germanium heterojunction bipolar transistor, a relatively new integrated circuit manufacturing technology which facilitates the design and manufacture of complex mixed-signal and analogue chips
"transceiver"	short for transmitter-receiver, a device that both transmits and receives analogue and/or digital signals
"type approval"	the process of verification that a piece of radio equipment will conform to the required standards
"ultra-low power"	a relative concept; in the context of wireless sensors and sensor interfaces, power consumption of a few tens of microwatts

## DIRECTORS, PROPOSED DIRECTOR, SECRETARY AND ADVISERS

<b>Directors</b>	Richard Sidney Rose ( <i>Non-Executive Chairman</i> ) Serge André Joseph Marie Grisard ( <i>Executive Director</i> ) Patrick Stephansen ( <i>Executive Director</i> ) Graham Langham Porter ( <i>Non-Executive Director</i> )
<b>Proposed Director</b>	Professor Christofer Toumazou ( <i>Proposed Non-Executive Director</i> )
<b>Registered office, company secretary and registrars</b>	Walkers SPV Limited Walker House Mary Street PO Box 908GT George Town Grand Cayman, Cayman Islands
<b>Assistant company secretary</b>	Kitwell Consultants Limited Kitwell House The Warren Radlett Hertfordshire WD7 7DU
<b>Nominated Adviser</b>	Strand Partners Limited 26 Mount Row London W1K 3SQ
<b>Broker</b>	Teather & Greenwood Limited Beaufort House 15 St. Botolph Street London EC3A 7QR
<b>Solicitors to the Company in the UK</b>	Fladgate Fielder 25 North Row London W1K 6DJ
<b>Solicitors to the Company in the Cayman Islands</b>	Walkers Walker House Mary Street PO Box 265GT George Town Grand Cayman, Cayman Islands
<b>Solicitors to the Nominated Adviser and Broker</b>	Hunton & Williams Fleetway House, 6th Floor 25 Farringdon Street London EC4A 4AB
<b>Auditors and Reporting Accountants</b>	Grant Thornton UK LLP Enterprise House 115 Edmund Street Birmingham B3 2HJ
<b>UK Transfer Agents</b>	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

**PART 1**  
**LETTER FROM THE CHAIRMAN ON BEHALF OF**  
**THE INDEPENDENT DIRECTORS**

**NANOSCIENCE INC.**

**Walkers SPV Limited ~ Walker House ~ Mary Street**  
**PO Box 908GT ~ George Town ~ Grand Cayman ~ Cayman Islands**  
(incorporated in the Cayman Islands with registered number 145128)

***Directors***

Richard Sidney Rose\* (*Non-Executive Chairman*)  
Patrick Stephansen (*Executive Director*)  
Serge André Joseph Marie Grisard\* (*Executive Director*)  
Graham Langham Porter\* (*Non-Executive Director*)

\*Independent Directors

10 October 2005

Dear Shareholder

**Proposed acquisition of Toumaz Technology Limited**  
**Proposed Placing of 47,333,333 Placing Shares at 15p per share**  
**Application for admission to trading on AIM**

**Introduction**

Your Board is pleased to announce that the Company has today conditionally agreed to acquire the entire issued share capital of Toumaz Technology Limited through the issue of 96,337,210 new Ordinary Shares, valuing Toumaz at approximately £17.7 million (based on the average closing middle market price of an Ordinary Share on the daily Official List on the five business days immediately prior to the announcement of the Acquisition of 18.4p).

Toumaz's principal activity is the design and development of low power and ultra-low power integrated circuits and silicon chips for use in wireless and signal processing applications. The Directors and Proposed Director believe that Toumaz's technology is applicable to a wide range of sectors and, in particular, in the field of nanoscale and nanpower applications.

To provide additional funding for the ongoing working capital requirements of the Enlarged Group and, potentially, to permit the Company to exploit further investment opportunities, Nanoscience proposes to raise up to £7.1 million before expenses through the placing of up to 47,333,333 new Ordinary Shares with institutional and other investors at the Placing Price. Teather & Greenwood has conditionally agreed to use all reasonable endeavours to procure places for all of the Placing Shares. On Completion the Sellers will own, in aggregate, 52.42 per cent. of the Enlarged Share Capital.

In view of the size and nature of the Acquisition, which constitutes a reverse takeover of the Company under the AIM Rules, completion of the Acquisition is conditional on receiving the approval of Shareholders, such approval to be sought at the EGM, notice of which is set out at the end of this document.

Patrick Stephansen, an executive director of the Company, is deemed to be interested in the Acquisition by virtue of his directorship in Toumaz and his former directorship with Glastad, currently the largest shareholder in Toumaz. Accordingly, Patrick has not participated in the Board's deliberations with regard to the Acquisition.

The purpose of this document is to provide you with information on the Proposals and to explain why the Independent Directors consider the Proposals to be in the best interests of the Company and Shareholders as a whole and recommend that Shareholders vote in favour of the Resolutions to be proposed at the EGM.

If the Resolutions are duly passed at the EGM, the Company's existing trading facility on AIM will be cancelled and the Company will apply for the Enlarged Share Capital to be admitted to trading on AIM.

Irrevocable undertakings to vote in favour of the Resolutions have been received from certain of the Directors and Shareholders in respect of 20,400,000 Existing Ordinary Shares, representing approximately 50.88 per cent. of the Company's existing issued share capital.

Shareholders should note that the Proposals are inter-conditional. It is expected that Admission will take place and that dealings in the Existing Ordinary Shares, Acquisition Shares and Placing Shares will commence on 3 November 2005.

Shareholders should read this entire document and your attention is drawn to this Part 1 and to Parts 2 to 6 of this document, which contain important information in relation to the Proposals.

### **The Company and its investment strategy**

Nanoscience was incorporated on 14 February 2005 in the Cayman Islands and was admitted to AIM as an investment company on 30 March 2005, when it raised £500,000 before expenses by way of a placing at 5p per share. The Company was established to build a portfolio of investments in the nanotechnology sector.

On admission to AIM the Company had no trading businesses or subsidiaries and the funds raised from the placing at that time were to be used to investigate suitable investment opportunities, carry out due diligence on such opportunities and to meet the Company's initial working capital requirements.

In its AIM admission document dated 16 March 2005, the Independent Directors stated their intention that the Company would make investments in Nanotechnology Funds and Target Entities located predominately in North America and Europe which display one or more of the following characteristics:

- in respect of Nanotechnology Funds, those with a portfolio of interests in nanotechnology related businesses, including both newly formed and established entities;
- entities with nanotechnology related patents granted or pending which the Company believes have the potential for commercial exploitation; and
- entities with proven management teams with access to appropriate scientific and commercial expertise which the Directors believe are applicable to the nanotechnology sector.

The Independent Directors believed then, and the Directors and Proposed Director continue to believe, that the application of nanotechnologies could have a practical commercial impact on many existing materials and products, in particular in the fields of information and communication technology, semiconductors and electronics, medical technologies and medicine and various applications in the automotive and aerospace industries, with organisations employing nanotechnologies having the potential to experience significant growth in future years. Accordingly, the underlying objective of the Company was, and remains, to benefit from the exposure to nanotechnology related businesses/activities while limiting, where possible, the downside risk by investing in a portfolio of nanotechnology related investment opportunities.

Since its admission to AIM on 30 March 2005, the Company has made two investments in the equity of AppliedSensor and XRT, further details of which are set out below.

In accordance with the terms of the original placing, the Company exercised a call option triggering a second round fundraising at the time of its investment in AppliedSensor on 9 June 2005, raising £500,000 through the issue of 2,500,000 new ordinary shares to the original places at an issue price of 20p per share.

For the reasons set out in more detail below, the Independent Directors believe that the Acquisition represents a substantial direct investment opportunity and strong commercial proposition with applicability in the nanotechnology sector in line with the Company's investment strategy.

If the Acquisition does not proceed, the Directors will continue to pursue the investment strategy as stated at the time of its admission to AIM. Whilst the Company will have incurred expenses amounting to approximately £180,000 in pursuit of the Acquisition, the Directors are of the opinion that, should the Acquisition not proceed, the Company will have sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this document.

The Company's investment strategy is intended to be long-term. If, however, circumstances arise where an investment may be disposed of at a suitable premium, such possibilities will be considered.

### **Background to and reasons for the Acquisition**

As set out above, Nanoscience's primary objective is to build a portfolio of investments in the nanotechnology sector and to date it has made two such investments. The Independent Directors believe that the Acquisition represents a substantial investment opportunity and one where Nanoscience can play an active role, in terms of providing both commercial experience and resources, to enable Toumaz to successfully exploit the innovative technology it has developed in a wide variety of product applications and target markets, including at the nanotechnology level.

The Independent Directors believe that the Acquisition will deliver long-term enhancement of Shareholder value and provide the Company with a number of benefits, which, amongst others, include:

1. providing the Company with an established business which owns a portfolio of innovative intellectual property with good prospects for commercial development and future growth in, amongst others, the nanotechnology sector, which, in the belief of the Directors and Proposed Director, will be complemented by the management skills and sector knowledge of Nanoscience;
2. raising the profile of the Enlarged Group which should allow the Group to attract and retain additional highly qualified and experienced personnel to further augment the experience of Professor Toumazou, the co-founder of Toumaz, and his team. Toumaz may also be expected to benefit from the perceived status and stature of being part of a publicly traded group, which may enhance its reputation and financial standing with its key trading partners and suppliers; and
3. access to Professor Toumazou's significant expertise, experience and contacts in the field of ultra-low power semiconductor technology and his relationship with Imperial College London and its pipeline of intellectual property and research activities. Through Professor Toumazou, the Company can expect to be exposed to a greater number of investment opportunities.

### **Information on Toumaz**

#### **Principal activity**

Toumaz's principal activity is the design and development of low power and ultra-low power integrated circuits or silicon chips for use in wireless and signal processing applications. The company has developed a hybrid semiconductor architecture that uses digital elements to control, monitor and calibrate functional analogue processing blocks which provide substantial power and cost savings for a wide range of devices.

Such an approach falls within the generic class of circuits and devices termed "mixed-signal". Mixed-signal refers to integrated circuits which have both analogue and digital circuits combined onto a single semiconductor die. Until the mid-1990s, mixed-signal usually meant interface devices such as analogue-to-digital and digital-to-analogue converters or digitally controlled audio chips. With the advent of mobile phones and similar wireless network technologies this category now

includes ICs used in cellular telephone, software radio, and other network devices. Although a reduction in size and power consumption of such products has been achieved through developments in mixed-signal designs and technologies, mixed-signal continues to present the following challenges:

1. CMOS technology is usually the optimal choice for digital performance and scaling while bipolar semiconductor technology is usually optimal for analogue performance. Combining analogue and digital in a single technology leads to performance compromises. Newer process technologies which combine bipolar transistors and CMOS technologies address certain of these issues, but usually at greater cost;
2. testing functional operation of mixed-signal ICs remains complex, expensive and often a "one-off" implementation task. Systematic design methodologies comparable to digital design methods are far more primitive in the analogue and mixed-signal arena; and
3. analogue circuit design cannot generally be automated to the extent that digital circuit design can and combining the two technologies multiplies this complication.

Toumaz's proprietary Advanced Mixed-signal (AMx™) technology not only addresses these challenges but also provides ultra-low power operation using low cost CMOS processes.

Advances in CMOS process technology, combined with the requirement for ultra-low power signal processing, have led to the development of ultra-low power analogue processing circuits which exploit the little-used "sub-threshold" region of the transistor. CMOS transistors operating in the sub-threshold region consume very little power since they are barely turned-on, and thus the current through the transistor is extremely low – a few nanoamps or less. In this region the voltage/current characteristics provide a well-defined exponential which can be exploited such that the physical properties of the transistors themselves can be used as circuit elements and building blocks to carry out a wide range of signal processing and mathematical functions. The resulting circuits and system-on-chip devices have power consumptions of around one billionth the power of a common light bulb, allowing very long operating times from low cost and small batteries such as zinc-air batteries (used in hearing aids) and planar batteries such as "Power Paper".

Toumaz undertakes the design and development of IC devices both for external customers and internally funded projects. Sales revenues to date have principally been derived from development agreements. Royalties from these agreements are anticipated going forward as the company's technology is utilised in commercial products.

### **History and background of Toumaz**

Toumaz, a privately owned, UK based company, was incorporated on 7 February 2000 by Professor Chris Toumazou and Keith Errey. The co-founders identified an opportunity to commercially exploit low power analogue and RF technology. At the time, such technology was being developed under Professor Toumazou in Imperial College's Circuits and Systems Group in the Department of Electrical and Electronic Engineering. In September 2000, the company negotiated the IP Option Agreement with Imperial College and has subsequently established a core IP portfolio based on low power analogue, mixed-signal and wireless techniques.

Toumaz's hybrid semiconductor architecture, using digital elements to control, monitor and calibrate functional analogue processing blocks can be applied to a wide range of situations where low power is an essential design concern. There are two specific points of focus for the company's low power technology:

1. the signal processing associated with the interfaces between the devices and the "real world". These interfaces include inputs such as aural, visual, electrical and chemical patterns and outputs such as analogue and digital data streams; and
2. wireless interfaces and systems which connect mobile or autonomous devices to a network or to each other. The particular focus here is on low power radio where the power consumed in the baseband processing is typically greater than that used to transmit the data.

Professor Toumazou is an internationally renowned pioneer of low power, radio frequency and mixed-signal semiconductor circuits and systems and is the co-founder and the Executive Director of Imperial College's Institute of Biomedical Engineering. The Institute was established in 2004 with initial funding of £26 million primarily to harness Imperial College's intellectual and technological resources to improve the health and welfare of people worldwide by linking the people, expertise and facilities across Imperial College's four faculties of Engineering, Physical Sciences, Medicine and Life Sciences. Toumaz maintains a close working relationship and strong links with Imperial College and the Institute on several levels, which provides the company with access to highly qualified technical personnel and PhD research students, and accordingly leading edge technology research as well as potential customers and channel partners.

### **Business model/strategy**

Toumaz's vision is to become the leader in ultra-low power silicon chips to achieve advanced connectivity in the wireless environment. It aims to develop innovative commercial solutions, particularly for wireless and signal data processing, using its proven design expertise in the field of ultra-low power semiconductors. Its business model and key strategies for future growth are:

1. to focus on the continued development of its existing technology, particularly within the biomedical/healthcare market, by securing relationships and collaboration arrangements with complementary development and channel to market partners;
2. to continue to actively license its technologies and secure and develop additional intellectual property, both through its relationship with Imperial College and internal R&D effort;
3. the generation of increased recurring revenue streams through the further exploitation of its technologies and through royalty income from licensees of its technology; and
4. the identification of further market opportunities where substantial growth can only be met through low power silicon chip solutions to prolong battery life and operating times, and the invention, development and commercialisation of new technologies to ensure that licensees develop products appropriate for these markets.

Toumaz's fabless semiconductor business model is dependent on the establishment and maintenance of effective supply chains or networks and involves a mixture of both contracted or outsourced services and in-house facilities. The company's ongoing strategy is to maintain circuit and system design in-house whilst subcontracting all other non-core services, such as evaluation, manufacturing, repair, wafer test and packaging. Toumaz believes that such a strategy serves to reduce capital expenditure requirements and enables it to sustain a leaner, more flexible and focussed business structure.

### **Technology and development pipeline**

Toumaz is at an advanced stage in certain areas of its ongoing R&D business and is beginning to exploit commercially its low power analogue and mixed-signal semiconductor technology. Its primary focus has been on the development of proprietary know-how and intellectual property that can greatly reduce power consumption compared to existing technologies and methods, particularly for portable and mobile consumer devices. Escalating power consumption is an inevitable consequence and inhibiting factor of the increasing number of transistors being integrated on a chip in accordance with Moore's Law. As the technology of semiconductor processing scales to smaller geometries (deep into nanometre dimensions) and the thicknesses of insulating and other layers are now measured in just a few atomic diameters, the leakage current has increased to the extent that it has become one of the key limitations to further scaling. The leakage current refers to the current which flows in a transistor when the chip into which it is integrated is powered "on" even though that transistor itself may be switched "off". The total leakage current of an advanced digital chip manufactured at the "65 nanometre node" (transistors manufactured with linear dimensions of 65 nanometres) can account for up to half the power used when the chip is turned on, irrespective of any other processing that the chip is carrying out. In chips which contain hundreds of millions of transistors, this leakage current can result in 'wasted' power dissipation of several watts, necessitating active cooling of the chip.

Toumaz's patented approach makes use of this basic silicon property as the leakage current is the current flowing when the transistor is nominally "off" (from the point of view of digital operation) or operating in the sub-threshold region (from the point of view of analogue operation). CMOS transistors operating in the sub-threshold region consume very little power since they are barely turned-on, and thus the current through the transistor is extremely low, a few nanoamps or less. In this region the voltage/current characteristics provide a well defined exponential which can be exploited such that the physical properties of the transistors themselves can be used as circuit elements and building blocks to carry out a wide range of signal processing and mathematical functions at power levels up to two orders of magnitude (approximately 100 times) less than current state-of-the-art techniques.

In summary, the leakage current, a principal cause of the key problem encountered by the semiconductor industry as process technology migrates further and further into the nano sphere, is the main driver for Toumaz's ultra-low power technology.

Toumaz's main technology and pipeline of product applications in the course of development are summarised below.

### **AMx™**

AMx™ represents Toumaz's core platform technology and comprises a hybrid semiconductor architecture that seeks to offset the disadvantages of analogue processing by combining both digital and analogue elements for low power signal processing and radio applications. The key features comprise:

1. computationally efficient low power analogue semiconductor processors based on "analogue sub-routines" involving the replacement of a digital hardware or software based sub-routine with low power analogue hardware; and
2. the combination of the analogue architecture with digital control to address the disadvantages of analogue processors and enable circuit designers to make use of re-usable analogue building blocks.

AMx™ exploits the physics of silicon to make nano-power analogue computing elements.

The company believes that AMx™ is applicable in a wide range of situations where low power is an essential design concern, where the input data is typically noisy and where the required computation is of a relative, rather than absolute, nature. The technology requires up to 100 times less power than digital processing, provides real-time performance, and has a wide range of signal processing and wireless applications, particularly in portable or autonomous battery operated devices. Potential applications include:

- low power transceivers, that is, low power radio
- low power medical devices, e.g. hearing aids, wearable and implantable devices
- pattern recognition devices, e.g. for the monitoring of electro-cardiograms
- correlation processing for image processing, biometrics and machine vision
- intelligent automata

AMx™ is the core underlying technology (or engine) from which applications and market solutions can be developed. Toumaz continues to undertake R&D to develop and improve its AMx™ technology with the production of second generation ultra-low power prototype devices expected in 2006.

### **Fenix**

The Fenix DAB RF tuner CMOS chip has been developed in close collaboration with potential clients (such as Panasonic) through Future Waves, and is intended to be used as a platform technology in commercial DAB and DVB products. The key differentiators of the first chip, which is already functional, are low power consumption, low material costs and low component count when compared to the current DAB/DVB modules. Several minor design/layout changes are currently underway to optimise the chip's performance. These are scheduled for completion

shortly prior to commercialisation of the chip by Future Waves, under licence, who will undertake product specification, manufacturing, testing and quality assessment. A proposed second generation chip will focus on enhancing product performance and broadening the potential applications to include highly integrated portable devices such as mobile phones and MP3 players.

### ***Falcon***

Falcon is an ultra-low power wireless platform for hearing aids resulting from a co-development project with the Canadian company, Gennum. The development contract, which commenced in February 2004, has as its objective, the production of the world's lowest power two-way wireless communicator for digital audio and data for hearing aids. Under the terms of the contract, Toumaz has received payments for its design services and will receive a royalty on all product sales. The design phase of the first ultra-low power radio receiver Falcon chip is now complete and it is currently undergoing testing and final evaluation. Initial testing has been positive and a production sample is planned for the fourth quarter of 2005 with first royalty revenues expected in the second quarter of 2006. Following a recent amendment to an existing collaboration agreement, Gennum agreed to convert its outstanding loan and accrued interest (of approximately £610,000), further details of which are set out in paragraph 14.2.5 of Part 6 of this document, into a prepayment against future royalties. The charge held by Gennum over the intellectual property of Toumaz has also been released. The Directors and Proposed Director believe that this prepayment will delay the receipt of cash in respect of the royalty income from this product until the second quarter of 2007.

### ***Audium***

The co-operation and development agreement between Toumaz and Gennum provides for joint ownership of foreground IP arising in the development of the Falcon chip and both parties have the right to sell the chip. Toumaz is restricted from competing with Gennum within the hearing products market but is otherwise free to sell or license the chip in all other markets. "Audium" is the Toumaz version of the Gennum (Falcon) chip, so-named because of its perceived applicability in the transmission of high quality audio for wireless headsets in conjunction with personal audio and multimedia devices such as MP3 and DVD players and top of the range mobile phones equipped with MP3 and similar multimedia features.

### ***Sensium***

The Sensium represents the integration of the AMx™ processing and wireless technologies with micro and nano-scale sensors to create a generic, locally intelligent, self configuring and flexible wireless sensor platform chip, that has ultra-low power consumption, miniature size and low cost.

Sensium's key target market is within healthcare where it can be used as a body worn or implanted wireless monitoring device, configurable to operate with a wide range of physical, chemical and bio-nano sensors to measure a wide range of parameters including heart rate, blood glucose, gas and pressure levels, motion and temperature.

By essentially shrinking a bulky bench top diagnostic instrument onto a disposable wireless enabled chip no bigger than a plaster, the Sensium represents a new paradigm for personalised healthcare and lifestyle management, capable of relaying data securely to a control module or external data logger such as a personal digital assistant or smart phone.

The Sensium intelligent ultra-low power wireless sensor platform is viewed by the management of Toumaz as a key, longer term development programme which it is currently forecast will be ready for release in 2007.

The Directors and Proposed Director expect that the key advantages and features of the Sensium platform technology within the healthcare environment are that it will:

- enable non-intrusive wireless monitoring for the management of chronic diseases;
- enhance a patient's quality of life whilst collecting critical data for the physician; and
- have a low cost and be disposable with no battery change required.

## Markets

Toumaz has considered the potentially wide application of its technology portfolio during the course of its R&D activities and has opted initially to focus the application of its innovative technologies on the following principal target markets:

### ***Bio-Medical Sector***

#### ***Hearing aid wireless platform – Falcon***

The Falcon product, co-developed with Gennum, is currently believed, by the Directors and Proposed Director, to be one of the world's lowest power two-way wireless communicator and data link for hearing aids. In the developed countries of Europe, North America and Japan approximately 0.2 per cent. of the population wear hearing aids and the market of approximately six million units per annum is stable with little growth or innovation in recent years. Evidence gathered by audiologists in USA, Canada, Western Europe, Japan and Australia, however, suggests that some ten per cent. of the populations of such countries would benefit from assisted hearing devices. Gennum and its customers, who manufacture and supply hearing aids to the end user, believe that wirelessly equipped hearing aids will not only add additional margin to their products but will lead to an increase in the market size as those people who could benefit from a hearing aid, but who do not currently use them, are enticed by a new multi-functional device with improved performance. One of the main functions of the Falcon wireless chip is to provide real time, near-CD quality audio to the user. As a consequence, the device becomes less of a "hearing aid" and more of a wireless headset, for use with a wide variety of consumer devices, thereby increasing potential revenues and market size.

#### ***Sensium platform for healthcare applications***

Healthcare systems throughout the developed world are facing increasing cost pressures from trends including ageing populations, a rising incidence of chronic diseases and patient demands for increasingly personalised treatment, medicine and services. Faced with these limited resources, Sensium's relatively low cost and ability to provide continuous, non-intrusive monitoring and collect personalised healthcare data from remote locations, could help to drive down healthcare expenditure and postpone clinical intervention, moving people out of the hospital and into the home and thereby enhancing patient welfare and their lifestyle management.

The Directors and Proposed Director estimate that the annual global market for healthcare monitoring expenditure that can be addressed by the Sensium technology is worth approximately US\$7 billion, summarised as follows:

Sector	US\$'billion
ECG monitoring, today's technology	0.6
Diabetes monitoring and care	5.0
Blood pressure monitoring	1.1
Total	<hr/> 6.7 <hr/>

This figure does not take into account the potential markets for Sensium applications in the fields of motion detection, blood gas monitoring, temperature and pH levels.

#### ***Digital Audio Broadcasting and Digital Video Broadcasting***

Digital radio and television broadcasting is a rapidly growing sector, driven by the trend towards fully digital services and content and regulatory pressures as many countries move towards switching-off their analogue transmissions. In 2005, the UK market for digital tuner chips was forecast to be approximately 1.5 million units for the domestic and automotive sectors alone. In 2009, sales volumes are expected to reach 6.5 million units.

DAB is one of several new digital standards for radio and has been introduced in Europe, Canada, Taiwan and Singapore with trial transmissions in India, Australia, and China. The Directors and Proposed Director believe that it can be viewed as a new growth segment within the much larger radio market. DAB services and radios were first introduced in 1995 and are increasingly being adopted by consumers in line with wider choice, lower unit cost and increased population coverage. The world-wide market is forecast to grow from approximately 2.5 million units in 2005 to approximately 43.2 million units in 2010, with portable DAB devices – including mobile phones – and automotive devices anticipated to be key growth drivers.

DVB is the European standard for digital terrestrial television, which has also been adopted by Australia, South Africa, India, Singapore and Taiwan. Worldwide digital terrestrial television unit shipments, across all standards, are forecast to grow from approximately 30 million units in 2005 to more than 90 million units in 2008. The UK government has set a target "switch off" date for analogue terrestrial television of 2012 and other governments have either set switch off dates or are expected to do so, such that digital receivers are now being built into televisions as standard.

### ***Other potential markets***

The Directors and Proposed Director envisage that a number of other market sectors and future product application opportunities will be addressed once a satisfactory degree of penetration has been achieved in the primary target sectors outlined above. Examples of further portable or autonomous battery operated handheld devices include PDAs, mobile telecommunication products, MP3 players, personal DVD players, security tags and smart cards.

In particular, the Directors and Proposed Director believe that Toumaz's ultra-low power radio chip could lead to applications such as wireless headsets for mobile phones, currently dominated by Bluetooth, Auracom and analogue FM radio solutions, with an estimated worldwide market size set to grow from less than four million units in 2003 to approximately 30 million units this year. In respect of the short term prospects for this market, based on Bluetooth's existing technology solution, In-Stat/MDR market research estimates that demand for wireless headsets will increase to approximately 90 million units per year by 2008. A competing device based on Toumaz's technology would have the potential to offer smaller size, lower power consumption and therefore longer talk time and lower system costs.

### ***Partner and channel agreements***

Toumaz has entered into a number of development and co-operation agreements with well established and prominent global partners in its target market sectors and field of technological expertise, which include:

- **Oracle:** an, as yet undocumented collaboration agreement with Oracle in relation to a new mobile chronic disease monitoring system;
- **A major global semiconductor manufacturer:** a collaboration and intellectual property agreement to develop low power, sub-threshold CMOS digital circuits;
- **Institute:** an IP pipeline agreement covering the field of wireless communication and low power circuit design;
- **BNST:** a collaboration agreement for the development of a fully integrated bio-nano sensium, being a biosensor interface with ultra-low power wireless transmission;
- **Future Waves:** a development agreement for the dual band dual mode DAB/FM RF tuner chip;
- **Sphere Medical:** a co-operation and technology sharing agreement to ensure that the ultra-low power centre interface that Toumaz is developing will be compatible with a number of Sphere's micro-sensors;
- **Memstech:** an agreement to develop interfaces for MEMS devices; and
- **QinetiQ and UK Ministry of Defence:** development agreements.

### ***Competition and related products***

The Directors and Proposed Director believe that Toumaz's core platform technology and product applications have a number of distinctive features and competitive advantages within their target markets and compare favourably with competing solutions.

### ***AMx™***

Competitors for the AMx™ technology comprise digital signal processor ("DSP") manufacturers such as Texas Instruments, Analogue Devices and Freescale (formerly Motorola Semiconductors) all of whom are continually working towards lower power consumption and who already have significant industry presence. While DSP's are entirely digital devices, new architectures share some similarities with AMx™ structures in so far as only those parts of the system-on-chip hardware which are necessary at any particular time are actually in use; the other parts are left idle until required.

In addition, a number of companies such as Chipcon (Norway), Xemics (Switzerland), Helicomm (USA) and Crossbow Technologies (USA) are offering integrated wireless and processor solutions aimed at the wireless sensor markets either as chipscale devices or as small modules. All of these devices promise low power and high performance but in all cases, do not provide a solution with the same levels of integration and low power consumption as offered by Toumaz.

Other competition in respect of low power consumption technology comes from power supply, or energy storage technologies. The most common energy storage devices for electronic systems are batteries. Chemical battery technology, however, appears to be near its limits and only small incremental improvements are foreseen with no significant breakthroughs on the horizon. Other newer forms of energy storage such as micro fuel cells offer great promise but are not expected to be available in general purpose forms i.e. as battery replacements, for several years, and indeed may not ever achieve widespread consumer acceptance due to safety concerns relating to the handling and storage of hydrogen or flammable hydrocarbons.

As a consequence of the fact that battery technology is not expected to improve greatly and newer technologies for energy storage have yet to fully mature, the Directors and Proposed Director believe that low power technologies such as AMx™ will become necessary components of a significant proportion of new portable, battery operated or autonomous devices.

### ***Sensium***

The Sensium is a platform technology with a wide range of applications, particularly within its primary target market of personalised healthcare and the monitoring of chronic diseases. Developments in smaller, wireless monitoring for personalised healthcare have been achieved by major technology and healthcare providers, including Medtronic, Siemens Medical, GE Healthcare and Philips Medical Systems who have a well established market presence and strong supply chain logistics and resource availability. Smaller, more focused companies are also active in the field, with ECG monitoring solutions through PDA-size data handling devices (Welch-Allyn, GMP Systems, Active and Cardionet), all featuring wired sensors. These current players have used “transportable” solutions to establish early presence in the personalised healthcare data segment. The existing technologies, however, are relatively bulky and power-hungry when compared to the Sensium technology. Accordingly, the Directors and Proposed Director believe that the threat from these major players resides in their market reach rather than in their technology, and anticipate that the benefits of the Sensium technology will be well received. In the opinion of the Directors and Proposed Director, none of the existing offerings provide the same level of convenience and comfort achieved by the fully wireless Sensium. The Directors and Proposed Director intend to achieve market penetration through the identification of suitable development and commercial partners.

The wireless chip from Zarlink Semiconductor Inc. designed for use with implanted medical devices is a radio transceiver chip, is relatively complex and expensive and designed for one specific application. For these reasons and also as it is not a fully integrated, flexible, wireless sensor platform like the Sensium, the Directors and Proposed Director do not believe that it poses a competitive threat to the Sensium.

The Directors and Proposed Director believe that the recently announced joint development programme between Philips BV and IMEC (a micro-electronics research centre in Belgium) to develop low power chips for sensor networks could result in the production of competitive products in the future. The Directors and Proposed Director believe that Toumaz has a two to three year lead in the field which together with the proprietary AMx™ technology and input from the joint development project with Intel will enable Toumaz to gain an early entry to the market and maintain a technical lead for several more years to come.

### ***Fenix***

The majority of tuner modules for DAB radios sold in the UK and elsewhere are manufactured by several Asian Pacific OEM's, with the RF tuner section of such modules typically utilising either older, general purpose, non-optimum tuner chip sets from Infineon or first generation DAB RF tuners from Hitachi (Renasas). Both of these competing solutions use or require a larger number of off-chip components, neither chip is CMOS and both use more power per PCB area than the

Fenix chip. Recently Samsung of Korea announced the release of an all-CMOS RF tuner for DVB believed to have been developed for them by Integra Limited of Korea. This chip is not yet being offered for general sale. The Directors and Proposed Director believe that Toumaz's second generation Fenix multi-band CMOS RF tuner chip will build further on the aforementioned competitive advantages offering up to 75 per cent. power savings and 25 per cent. cost savings over current competitive products, making it suitable for handheld and mobile devices.

### **Falcon**

The Falcon combines the following three separate operating modes for use in hearing aids:

1. a two-way data link for set up, tuning and control functions by the audiologist (or even the users themselves);
2. a two-way data link to wirelessly connect hearing aids in the left ear and the right ear for binaural processing; and
3. the ability to receive high quality digital audio from devices such as mobile phones or audio players or from a microphone in a classroom or lecture hall (broadcast mode).

The Directors and Proposed Director do not believe there are currently any other single chip radio products which offer these three combined functions and any current competitive device would need to employ two or more radio devices to achieve the same functionality. The operating modes set out at paragraphs 1 and 2 above could be provided (at greater power) by a Bluetooth link as described below in the "Audium" section. The third mode provides a digital wireless link to replace the analogue frequency modulated wireless links currently used for hearing aids. Digital wireless links provide more channels in the available bandwidth (that is, more users are able to co-exist in the same space without interference) and the ability to transmit more data in the available bandwidth for improved quality services.

### **Audium**

The Directors and Proposed Director believe that competition for the Audium will come from established Bluetooth chip suppliers and integrators of Bluetooth chips. The Directors and Proposed Director believe that the Audium offers technical advantages over Bluetooth devices, particularly due to its lower (on average, 10 times lower) power and lower voltage operation which provide system integrators with opportunities to reduce overall costs as less packaging and small disposable batteries can be used. Audium offers other advantages in terms of audio quality and lower latency (the time taken to process a signal before it is transmitted). Although Bluetooth is currently well established in the market, particularly for mobile phone headsets (where voice quality is sufficient), the Directors and Proposed Director believe that the technical advantages and consumer benefits offered by Audium will offer the product a niche within the overall headset and audio transmission market.

### **Summary financial information on Toumaz**

A financial summary on Toumaz for the three financial years ended 28 February 2005, which is extracted from, and should be read in conjunction with, the audited financial information set out in Appendix 1 to this document, is set out below:

	Year ended 28 February 2005 £000's	Year ended 29 February 2004 £000's	Year ended 28 February 2003 £000's
Turnover	638	389	125
Gross (loss)/profit	(920)	(15)	13
Operating loss	(1,642)	(801)	(745)
Net (liabilities)/assets	(593)	1,020	199

Turnover to date has principally arisen from design services supplied in connection with specific development and research projects for various channel partners, such revenues being used to offset and contribute towards the costs of ongoing internal development programmes. Investors should read the whole of this document and should not rely solely on the key or summarised information set out above.

Since formation, Toumaz has raised total equity funding of approximately £2.83 million, from a relatively broad range of investors including, amongst others, Glastad, Generics and Genum. The last equity funding round was completed in February 2004 when a £1m investment was secured from Genum, a key development partner, which attributed a post-money valuation to the company of approximately £8.06 million.

On 6 October 2005 Genum and Toumaz agreed to terminate the accrual of interest under the convertible loan made by Genum to Toumaz detailed in paragraph 14.2.5 of Part 6 of this document. The parties agreed that, conditional on Completion, the aggregate amount owing under the convertible loan note of £609,366 would be treated as a pre-payment against royalties pursuant to the existing collaboration agreement. On Completion, the convertible loan will therefore have been repaid in full and the charge over the intellectual property of Toumaz will be released.

On execution of the Acquisition Agreement, the convertible loan made to Toumaz by David Newton, a substantial shareholder in Nanoscience, amounting to £203,500 (including accrued interest) was converted into 10,175 ordinary shares in Toumaz.

Toumaz received, in March 2003, a Smart award from the Secretary of State for Trade and Industry for £45,000 and, pursuant to a link collaboration agreement entered into in July 2003, a UbiMon DTI grant of £86,734.

The abovementioned equity and grant financing has been used towards the development of the company's core intellectual property, particularly in relation to generating proven product applications, the establishment of strategic partnerships and recruitment of key experienced personnel. The company currently has 23 employees based at its premises in Abingdon, Oxfordshire.

### **Intellectual property**

Within the intellectual property portfolio owned and maintained by Toumaz, four patents have been granted and 36 are pending. Toumaz has an interest in two further pending applications which are filed by joint venture companies in which it is a shareholder. In addition, Toumaz is the registered owner of the trade marks "AMx", its core technology, "Toumaz" and "Tt" and is seeking trade mark protection for the word "Sensium". Further detail on the IP portfolio is set out in the Intellectual Property Report set out in Part 3 of this document.

Toumaz is committed to researching and developing new technologies and applications for its existing technologies in order to maintain its competitive position in the field of low power and ultra-low power integrated circuits or silicon chips.

### **IP option agreements with IC Innovations**

Toumaz's patent portfolio originates principally from the IP Option Agreement pursuant to which the company was granted the option to acquire or licence from IC Innovations, and commercially exploit, IP developed by Professor Toumazou's research group at Imperial College. The terms of the assignment or licence of individual technologies have been agreed between the parties on a case by case basis with sums payable to IC Innovations being dependent upon who developed the intellectual property.

The IP Option Agreement expired on 4 October 2005 and has been replaced by the New IP Option Agreement. Under this new agreement, Toumaz has been granted the opportunity to exploit certain intellectual property generated by the research group run by Professor Toumazou in the field of wireless communications and low power circuit design. This exclusive right of exploitation is granted by way of a licence on the terms of a standard licence agreement and not by way of assignment of the rights as was previously the case under the original IP Option Agreement. The effective difference between the two agreements is that Toumaz is no longer accorded IP ownership of the technologies developed but rather an exclusive right to exploit the IP on the terms of the licence for the longer of ten years or the life of the underlying patent. It is proposed that, following Completion, the company will seek to obtain licenses for those technologies from IC Innovations believed by Professor Toumazou and Toumaz to offer the best commercial potential and build IP positions around such licensed technology.

Further details of the IP option agreements are set out in paragraphs 14.2.1 and 14.2.2 of Part 6 of this document.

## **Joint ventures and investments of the Enlarged Group**

### **Future Waves Pte Limited**

Future Waves, a company incorporated in Singapore and based in Taiwan, was established in 2004 as a joint venture between Toumaz and Applied Bionics Pte Limited, to provide a route to market (in particular in Asia) and manufacturing support for Toumaz's silicon DAB tuner products.

Pursuant to two equity financings since incorporation in which Toumaz did not participate, Toumaz now holds an approximate 28.24 per cent. interest in the issued share capital of Future Waves. Future Waves is expected to conduct a third round of fundraising in November 2005 in which it is anticipated that the Enlarged Group will participate in order to maintain an interest of over 25 per cent. in the share capital of Future Waves.

In January of this year, Toumaz entered into a development agreement with Future Waves, under the terms of which Toumaz undertook to design and develop a dual band dual mode DAB/FM RF tuner chip for commercial exploitation by Future Waves, in consideration for US\$500,000. Further details of this agreement are set out in paragraph 14.2 of Part 6 of this document. Following delivery of the working chip, Future Waves has identified and is in discussions with a number of customers for volume sales.

### **Bio-Nano Sensium Technologies Limited**

Bio-Nano is a joint venture company established by Toumaz in 2005 in conjunction with Advance Nanotech Inc. to develop and commercially exploit an integrated biosensor interface with ultra-low power wireless transmission, to be subcutaneously implantable for the continuous monitoring of blood glucose levels.

It is anticipated that Bio-Nano will conduct a public fundraising at which point, Toumaz's interest may become significantly diluted.

Toumaz is party to a collaboration agreement with Bio-Nano for the research, development and commercial exploitation of the Sensium. This agreement is worth £2 million to Toumaz over 20 months in return for which Bio-Nano has the exclusive commercialisation rights for the results arising from the research project within the field of bio-nano and nano-medical applications. Further details of the collaboration agreement are set out in paragraph 4 of Part 6 of this document.

### **AppliedSensor Sweden AB**

In June of this year, Nanoscience invested approximately £215,000 for the issue of new shares in AppliedSensor (representing an approximate three per cent. interest in its issued share capital), a Swedish/German group involved in the development and production of advanced gas sensing solutions to OEMs. AppliedSensor has developed sensors for the detection of gases to be used in the areas of air quality control, exhaust control and leak detection and safety.

The main differential of AppliedSensor's products against those of its competitors is the development and production of proprietary gas sensing materials using nano scale production techniques. The gas sensing materials are integrated onto micro-machined sensor components directly embedded on silicon chips and modules, including electronics and software, and are targeted at mass-market applications. AppliedSensor's principal market is the automotive industry where its first commercial products are air quality sensors and it has an exclusive development and supply agreement with Texas Instruments. The group is also at an advanced stage in developing hydrogen detection and diesel emission sensors and is progressing opportunities for other applications of its platform technology including carbon dioxide detection.

AppliedSensor's core technology, protected by patents, is based on metal-oxide and field-effect technologies initially developed at the University of Tubringen, Germany, and the University of Linkoping, Sweden. The sensors combine semiconductor, micro and nanotechnologies resulting in low cost, miniature gas sensing components and modules. The production process includes nano-scale preparation and application of the gas sensing material.

Further details of this investment are set out in paragraph 4 of Part 6 of this document.

## **XRT Limited**

In August of this year, Nanoscience invested £100,000 for the issue of new shares in XRT, a company located in Melbourne, Australia whose principal activity is the practical application of x-ray phase contrast imaging, a technique used in a wide variety of applications where knowledge of the internal structure of materials and components is essential. XRT was established in 1996 and has successfully developed and obtained worldwide exclusive intellectual property for its applications in x-ray and electron microscopy, allowing accurate inspection at nanoscale resolutions (sub 100 nanometres). As a consequence, it is expected that XRT's equipment will play a pivotal role in research and development programmes within the nanotechnology sector.

The ability of XRT's imaging technology to carry out nanoscale structural inspections has a wide range of potential uses from industrial inspection of materials to medical diagnosis. The company's strategic objective is to maintain and further develop a world class competence in the capture, manipulation and storage of phase contrast data from x-ray images.

Further details of this minority investment are set out in paragraph 4 of Part 6 of this document.

## **Current trading and prospects for the Enlarged Group**

Since incorporation in February 2005, the Company's only significant activity has been to obtain admission to trading on AIM, raise £1,000,000 before expenses through a placing and option, invest in each of AppliedSensor and XRT and to enter into the agreements set out in paragraph 14.1 of Part 6 of this document.

The Directors and Proposed Director are committed to continuing the investment strategy set out in the Company's AIM admission document dated 16 March 2005; to seek to build a portfolio of investments in the nanotechnology sector by investing in Nanotechnology Funds and Target Entities located predominately in North America and Europe. The Directors and Proposed Director are optimistic as to the Enlarged Group's prospects based on the combination of a continuation of the Company's investing strategy, the Acquisition, Placing and their expectations for the commercial potential and applications for nanotechnologies.

An unaudited pro forma statement of the consolidated net assets of the Enlarged Group, showing the impact of the Proposals on the Enlarged Group, is set out in Part 5 of this document.

## **Directors, Proposed Director, senior management and employees**

At the EGM, Resolutions will be proposed, conditional on obtaining Shareholder's approval of the Acquisition, to, amongst others, appoint Professor Chris Toumazou as a Non-Executive Director. Serge Grisard and Patrick Stephansen will remain Executive Directors, Richard Rose will remain Non-Executive Chairman and Graham Porter will remain a Non-Executive Director. Brief biographical details of the Directors, Proposed Director and senior management are set out below.

### **Directors**

The current composition of the Board of Nanoscience is as follows:

#### ***Richard Rose (Non-Executive Chairman)***

Richard Rose, aged 49, is currently Executive Chairman of Whittard of Chelsea plc ("Whittard"), the fully listed tea and coffee retailer and has a track record of building shareholder value. Richard joined Whittard, as Chief Executive Officer, in August 2001 from Hagemeyer (UK) Limited, where he was a director, a distributor of professional products and services, with a UK turnover approaching £1 billion through 360 outlets. Between 1993 and 2000 Richard was Chief Executive Officer of WF Electrical Plc, a company quoted on the Official List, where he created a substantial improvement in shareholder value. WF Electrical Plc was purchased by Hagemeyer (UK) Limited in July 2000. In 2004 Richard received the PLC Award for "Entrepreneur of the Year".

#### ***Serge Grisard (Executive Director)***

Serge Grisard, aged 41, obtained a Degree in Aerospace Engineering from the University of Liège (Belgium) in 1987, followed by a Masters in Business Administration from the IMD Business School in Lausanne in 1993. After a short spell with NASA, (Houston, Texas) Serge was involved in

successfully running international manufacturing and marketing operations for Pechiney and Pfizer Medical Products. Since 1998 he has leveraged this hands-on experience in Strategy Consulting, M&A and private equity ("PE") advisory positions, with KPMG Strategy Consulting and Corporate Finance in London and Geneva, as head of the Geneva office and as a key figure within KPMG's European Life-Sciences Group. Most recently, Serge has held the position of managing director in Swiss-headquartered businesses with an international presence. In such capacity, in addition to his M&A and PE responsibilities, he has led the business development efforts of subsidiaries and portfolio companies, occasionally in the luxury goods sector, but mostly in technology start-ups in the medical or electronics fields. Serge currently advises in respect of direct investment and internal/external growth strategy within the small-to-middle market environment throughout Europe. Conditional on Completion, Serge will receive a bonus payment of £20,000 from the Company in consideration of his contribution towards completion of the Acquisition.

***Patrick Stephansen (Executive Director)***

Patrick Stephansen, aged 52, is a Norwegian national who started his career as a merchant banker with Hambros Bank and Scandinavian Bank in the City of London during the 1980s. More recently he has managed private equity and venture investments and was managing director of Mega Pacific Group, an investment holding company, and Glastad Invest Group, a major private Norwegian investment company with offices in London, Oslo and Hong Kong. Pursuant to Patrick's position with Glastad, he was appointed to the board of Toumaz as a non-executive director, an appointment he holds to date. He was also a board member of a leading Scandinavian early-stage technology fund, Teknoinvest Management AS. Patrick has extensive technology investment experience in the Northern European, US and UK markets and has established relationships within the scientific and investment community. Patrick has an Economics and Business Degree from the University of Brussels. Conditional on Completion, Patrick will receive a bonus payment of £20,000 from the Company in consideration of his contribution towards completion of the Acquisition.

***Graham Porter (Non-Executive Director)***

Graham Porter, aged 46, has over 26 years' experience in the metal exchange markets. Graham worked as a metal broker in the City of London for 13 years, spending eight of these years with Billiton Enthoven Metal Brokers, before leaving the City in 1991 and moving overseas where he has been based ever since. Graham continues to trade in futures on the metal exchange markets and has made a career in investments. Graham is a director of Global Gaming Technologies plc and non-executive chairman of Corvus Capital Inc., both companies whose shares are traded on AIM. Corvus Capital Inc. was one of the Company's founding shareholders.

**Proposed Director**

On Completion it is intended that Professor Christofer Toumazou, a co-founder of Toumaz, will be appointed to the Board as a Non-Executive Director.

***Professor Christofer Toumazou (Non-Executive Director)***

Professor Toumazou, PhD, FIEEE, FIEE, CEng, aged 44, is the co-founder, chief technical officer and chairman of Toumaz and the chairman of Future Waves. In addition he holds the role of Professor of Circuit Design and is the co-founder and Executive Director of the Institute. His research interests include high frequency analogue integrated circuit design in bipolar, CMOS and SiGe technology for RF electronics and low-power electronics for biomedical applications. He has authored or co-authored some 300 publications in the field of analogue electronics and is a member of many professional committees. He is a past chairman of the Analog Signal Processing Committee of the IEEE Circuits and Systems (CAS) Society and past vice-president of Technical Activities for the IEEE CAS Society. In 2003, Chris delivered the Royal Society Clifford Patterson Prize Lecture for which he received a Royal Society Bronze Medal. In 2005, he received the USA, IEEE Circuits and Systems Society Education Award for his pioneering contributions to current-mode signal processing and biomedical applications. Chris sits on the board of directors of several leading-edge technology companies in the UK and Far East and is an advisor to many healthcare panels, including the Singapore Government in the field of medical devices. He is a Senior Advisor to the Board of Grace Semiconductor in Taiwan and a member of the UK foresight committee on a report for infectious diseases as well as a member of the UK Ministry of Defence Strategic Advisory Committee on critical technologies.

On Completion, Professor Toumazou will enter into a letter of appointment with the Company, details of which are set out in paragraph 12.8 of Part 6 of this document and will execute a deed varying the terms of his existing service agreement with Toumaz so as to provide for a notice period of 12 months and to increase his annual remuneration to £75,000.

The Board intends to make further appointments at executive level as the Company's investment programme progresses and suitable candidates are identified. The Directors and Proposed Director also intend to appoint further independent, non-executive directors at appropriate stages in the Company's development.

### **Senior management**

In addition to the Directors and Proposed Director, details of key senior management personnel within the Enlarged Group are set out below:

#### ***Keith Errey (Chief Executive Officer of Toumaz)***

Keith Errey, aged 55, is the co-founder of Toumaz and founded the technology transfer and management consultancy company, Oxford Synergetics Limited which, since 1998, has worked with clients including Oxford Brookes University and Central London Business Link. He also founded several start-up companies and Oxtex Limited, where he was responsible for type approval and the introduction into manufacture of a dual mode phone. Previously Keith was employed by an early spin-out company from Oxford University, Oxford Lasers Limited, initially as engineering director and then as sales and marketing director. Other past positions include working for several years as an engineer for Telecom Australia (now Telstra) before moving to the UK in 1978. Keith holds a masters degree in Physics from Oxford University. On Completion, Keith will execute a deed varying the terms of his existing service agreement with Toumaz so as to provide for a notice period of 12 months and to increase his annual remuneration to £85,000.

#### ***Dr Alison Burdett (Head of Technology at Toumaz)***

Dr Alison Burdett, aged 38, was formerly a senior lecturer in the Department of Electrical and Electronic Engineering at Imperial College and has extensive expertise in the design of high frequency analogue and wireless integrated circuits. She has designed commercially successful silicon chips for Mitel Semiconductor (now Zarlink Semiconductor) and LSI Logic as well as collaborating on research projects with a number of semiconductor companies including Ericsson Microsystems, Philips Research Laboratories Redhill, Panasonic System LSI Design Europe (PSDE) and Nortel plc. Previously, Alison worked for GEC-Plessey Semiconductors in the UK, where she was involved in the design of analogue integrated circuits for radio paging receivers, with particular emphasis on low voltage (down to 1V) and low power operation. She is currently a director of LTP Electronics Limited, a training company for high frequency circuit design. Alison is a Chartered Engineer, a member of the Institute of Electrical Engineers and a Senior Member of the Institute of Electrical and Electronic Engineers. On Completion, Alison will execute a deed varying the terms of her existing service agreement with Toumaz so as to provide for a notice period of nine months and to increase her annual remuneration to £65,000.

### **Employees**

The Directors confirm that, except in relation to Professor Toumazou, Keith Errey and Alison Burdett as mentioned above, the existing employment rights, including pension rights, of all the management and employees of Toumaz will remain unchanged and will be fully safeguarded following Completion.

### **Principal terms of the Acquisition**

Pursuant to the Acquisition Agreement, the Company has agreed conditionally to purchase the entire issued share capital of Toumaz from the Sellers through the allotment and issue of 96,337,210 new Ordinary Shares equating to a value of approximately £17.7 million in aggregate based on the average closing middle market price of an Ordinary Share on the daily Official List on the five business days immediately prior to the announcement of the Acquisition of 18.4p per share.

The Sellers, their current holdings in Toumaz and the number of Acquisition Shares to be issued to them on Completion are as follows:

Holder	Shares in Toumaz	Acquisition Shares	Enlarged Share Capital %
Glastad	67,256	19,371,882	10.54
Genum	38,462	11,078,288	6.03
Professor Toumazou	38,000	10,945,217	5.96
Digital Direct	30,025	8,648,162	4.71
Sinolite Limited	28,824	8,302,235	4.52
Keith Errey	27,000	7,776,865	4.23
Imperial College. FF&P. Gordon House LLP	20,000	5,760,641	3.13
IP2IPO Limited	17,700	5,098,167	2.77
IC Innovations Limited	15,603	4,494,164	2.45
Inter Ikea Finance SA Holding	12,010	3,459,265	1.88
Generics Group AG	12,010	3,459,265	1.88
David Newton	10,175	2,930,726	1.60
Dr Paul Ellsmore	5,000	1,440,160	0.78
Clifford Bryant	5,000	1,440,160	0.78
Dr Alison Burdett	5,000	1,440,160	0.78
Professor Pookaiyudom	2,402	691,853	0.38
Total	334,467	96,337,210	52.42

On Completion, the Sellers will own, in aggregate, 96,337,210 Ordinary Shares, representing 52.42 per cent. of the Enlarged Share Capital.

Keith Errey and Professor Toumazou have undertaken (except in limited circumstances, including amongst others, the receipt of a general offer for the entire issued share capital of the Company, death or an intervening court order) not to dispose of their Acquisition Shares for the period of two years from the date of Completion, subject to, in the second year, sales being permitted at the discretion of the Company's nominated adviser and broker from time to time. The other Sellers have undertaken not to dispose of their Acquisition Shares for the period of two years from the date of Completion except through the Company's broker and with the consent of the Company's nominated adviser and broker from time to time.

Under the Acquisition Agreement, all of the Sellers have given title warranties to the Company in respect of their shares in Toumaz ("Part A Warranties"). In addition, Professor Toumazou and Keith Errey (as the only executive directors of Toumaz) have given commercial warranties and indemnities (subject to certain limitations) appropriate to a transaction of the size and nature of the Acquisition, relating to the business and assets of Toumaz ("Part B Warranties").

The Sellers' liability under the Part A Warranties is capped at £17.7 million.

The Part B Warranties are given with the following limitations as to liability (which do not apply where such claim is the consequence of fraud or deliberate non-disclosure):

1. any claim in respect of the non-taxation warranties must be brought within two years following the date of Completion and in relation to those warranties concerning taxation, within seven years following Completion;
2. the maximum sum that can be recovered under the warranties and tax deed is £2.01 million in respect of Professor Toumazou, and £1.43 million in respect of Keith Errey, of which any excess of claims over £300,000 may be met by recourse of the sellers to their Acquisition Shares, either by a disposal or by surrendering the shares back to the Company at their issue price of 18.4p per share.

The Company is giving warranties, amongst others, in respect of its capacity to issue the Acquisition Shares.

The Sellers, subject to certain exceptions, have given non-compete and non-solicitation undertakings in respect of the activities currently carried on by Toumaz for a period of two years from Completion.

On Completion, Serge Grisard will be appointed to, and each of Gora Ganguli, Dr Ian McWalter, Dr Richard Leaver, Arild Nilsen and Fan Voon Wong will resign from, the board of Toumaz.

The Acquisition Agreement is conditional, amongst others, on:

1. Toumaz not having any indebtedness to any Seller or any associate of any Seller;
2. all holders of options in Toumaz having agreed to the substitution of such options by the grant by the Company of options over Ordinary Shares. This condition may be waived by the Company at its discretion;
3. the passing of those of the Resolutions at the EGM necessary to approve the purchase of the shares in Toumaz and to authorise the Company to issue the Acquisition Shares and Placing Shares;
4. the Placing raising at least £5,000,000 before expenses; and
5. Admission.

### **Details of the Placing and use of proceeds**

Nanoscience is proposing to issue up to 47,333,333 Placing Shares pursuant to the Placing at the Placing Price to raise up to £7.1 million before expenses (approximately £6.4 million net of expenses). Of the net proceeds of the Placing, £4 million will be subject to an intra-group loan agreement between the Company and Toumaz, constituting an on-demand facility. Toumaz will be permitted to drawdown under this agreement sums required for the furtherance of its business plan on reaching specific milestones. The balance of the proceeds of the Placing will be used towards: (i) strengthening the sales and marketing capacities of the Enlarged Group and (ii) providing the Enlarged Group with additional funding for its ongoing working capital requirements, in particular to enable the Company to further investigate potential investment opportunities within the nanotechnology sector, in line with its investment strategy.

The Placing Shares will represent approximately 25.76 per cent. of the Enlarged Share Capital of the Company following Admission, will be fully paid and will rank equally in all respects with the Existing Ordinary Shares and the Acquisition Shares.

On Completion, the Directors and Proposed Director will hold 7.48 per cent., in aggregate, of the Enlarged Share Capital.

The Company, the Directors and Proposed Director have entered into the Placing Agreement with Strand Partners and Teather & Greenwood. The Placing has not been underwritten. Teather & Greenwood has conditionally agreed to use all reasonable endeavours to procure places for all of the Placing Shares at the Placing Price. The Placing is conditional, amongst others, upon the Placing Agreement becoming effective on or before 3 November 2005, or such later time and date as the Company, Strand Partners and Teather & Greenwood may agree, but in any event not later than 17 November 2005.

Further details of the Placing Agreement are set out in paragraph 14.1.14 of Part 6 of this document.

### **Corporate governance**

Although the Company is registered in the Cayman Islands and is therefore not directly subject to UK legislation or regulation, the Board is committed to maintaining high standards of corporate governance and, in so far as is practicable and appropriate given the Company's size and nature, ensuring that the Company is in compliance with the Combined Code. Paragraph 10 of Part 6 of this document sets out a brief summary of the laws of the Cayman Islands applicable to the Company.

The Company has adopted the Share Dealing Code for the Directors, Proposed Director and future employees and will take steps to ensure compliance by the Board and any relevant employees with the terms of this code.

The Directors have implemented such corporate governance procedures and established such committees of the Board as they believe are required, including audit and remuneration committees, for it to comply with the terms of the Combined Code upon completion of the Acquisition, in so far as is appropriate for a company of its size. Further details of these committees are set out in paragraphs 22.3 and 22.6 of Part 6 of this document.

The Directors have established financial controls and reporting procedures which are considered appropriate given the size and structure of the Company. It is the intention of the Directors and Proposed Director that these controls will be reviewed in light of future significant acquisitions and adjusted accordingly.

### **Dividend policy**

The Ordinary Shares rank equally for all dividends and other distributions declared, paid or made in respect of the ordinary share capital of the Company. The Company has not paid any dividends since incorporation.

It is the Directors' and Proposed Director's current intention to retain any earnings arising from the Group's activities to fund further investments by the Enlarged Group and achieve capital growth. Accordingly, they do not intend to pay dividends in the immediate future. The declaration and payment by the Company of any future dividends and the amount thereof will depend upon the Company's financial condition, future prospects, profits legally available for distribution and other factors deemed by the Board to be relevant at that time.

### **Taxation**

**Information regarding certain taxation considerations in the United Kingdom is set out in paragraph 9 of Part 6 of this document. These details are, however, intended only as a general guide to the current position under UK taxation law. If you are in any doubt as to your tax position you should consult an appropriate professional adviser immediately.**

### **Settlement and dealings**

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. CRESTCo Limited is unable to take responsibility for the electronic settlement of shares issued by companies in certain non-UK jurisdictions.

Depositary Interests allow paper stock in such non-UK jurisdictions to be dematerialised and settled electronically. The paper-based stock is transferred to a nominee company that then issues the Depositary Interests to the individual shareholder's CREST account on a one-for-one basis and provides the necessary custodial service. The Depositary Interest can then be traded and settlement will be within the CREST system in the same way as any other CREST security.

The Company has adopted the Depositary Interest facility operated by its registrar so that Shareholders have the choice of whether they want to hold their Ordinary Shares in certificated or uncertificated form. Shareholders of the Company who elect to hold their Ordinary Shares in uncertificated form through the Depositary Interest facility will be bound by the terms of the Deed Poll, the terms of which are available for inspection as set out in paragraph 23 of Part 6 of this document.

The Company's share register shows the nominee company, Capita IRG Trustees Limited, as the holder of the Ordinary Shares but the beneficial interest will remain with the Shareholder who continues to receive all the rights attaching to the Ordinary Shares as it would have if it had been on the register itself. The Depositary Interests will be traded and settled via the CREST system. Shareholders can withdraw their Ordinary Shares back into certificated form at any time using standard CREST messages.

Conversion into and transfers of Depositary Interests are subject to stamp duty or stamp duty reserve tax, as appropriate, in the normal way.

Application will be made for the Enlarged Share Capital to be admitted to AIM. Subject to completion of the Acquisition, Admission is expected to take place, and dealings in the Enlarged Share Capital commence, on 3 November 2005. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. Placees that have asked to hold their Ordinary Shares in uncertificated form will have their CREST accounts credited with Depositary Interests on the day of Admission. Where Placees have requested to receive their Ordinary Shares in certificated form, share certificates will be despatched by first-class post within 14 days of the date of Admission. No temporary documents of title will be issued. Pending the receipt of definitive share certificates in respect of the Placing Shares (other than in respect of those shares settled via Depositary Interests through CREST), transfers will be certified against the register.

### **Lock-in and orderly market arrangements**

On Completion, the Sellers will be interested in approximately 52.42 per cent. of the Enlarged Share Capital. In addition to the lock-in and orderly market agreements given by certain Shareholders at the time of the Company's admission to trading on AIM and the restrictions on disposals given pursuant to the Acquisition Agreement, each of the Directors and certain of the Sellers have undertaken to the Company, Strand Partners and Teather & Greenwood that, except in certain limited circumstances, they will not dispose of any interest in the Ordinary Shares held by them for a period of twelve months from the date of Admission and, for the following twelve months, that they will only dispose of their holdings with the consent of the Company's broker and nominated adviser from time to time.

### **Share Option Schemes**

The Board believes that it is important that directors, employees of, and consultants to the Group are appropriately and properly motivated and rewarded.

As at the date of this document, the Company has granted options over 1,000,000 Ordinary Shares to Patrick Stephansen, further details of which are set out in paragraph 12.2 of Part 6 of this document.

At present there are options outstanding over 39,750 ordinary shares in Toumaz held by certain of Toumaz's employees. These options, on exercise, would represent approximately 10.50 per cent. of Toumaz's diluted issued share capital. At the date of this document 7,125 of the options have vested but have not been exercised. A further 5,375 options will vest on 13 January 2006 and would therefore become exercisable as they have vested within six months of Completion. Options over 10,000 shares do not vest until 31 May 2006 and over another 1,750 shares in Toumaz, until 26 September 2006. As these do not vest in the post-completion period they would lapse if not replaced. The balance of the options over a further 15,500 shares in Toumaz would become exercisable in 2007 and 2008 but are also subject to performance criteria which have not, at the date of this document been fulfilled. Again these options would lapse if not replaced as they have not vested within the required period. The Company has offered all of Toumaz's optionholders the right to have their options replaced, on identical vesting terms by options over Ordinary Shares in the Company following Completion. The replacement of the Toumaz options will be effected by an agreement between each optionholder and the Company. The terms under which the replacement options are granted are summarised in paragraph 13 of Part 6 of this document. These replacement options will, on exercise, in aggregate, result in the issue of up to 11,449,273 new Ordinary Shares, and will be exercisable at prices varying between 3.6p and 6.9p per Ordinary Share.

On Completion, the EMI Scheme will only be relevant to the employees of Toumaz to whom options have already been granted. It is open to certain optionholders to take up options in respect of 12,500 shares in Toumaz which have already vested under the scheme and be issued with Toumaz shares. This facility exists until a date six months following Completion after which the options will lapse unless replacement options are taken up.

To the extent that, following Completion, the Company determines to establish further share option schemes under which eligible persons would be invited to participate at the discretion of the Board, such schemes would be limited in total to 10 per cent. of the Company's issued share capital from time to time. The Board intends that it would allot and issue options under such share option schemes in accordance with performance-related criteria to be determined by the remuneration committee of the Board.

## **Non-applicability of the City Code on Takeovers and Mergers**

As the Company is not resident in the UK, the Channel Islands or the Isle of Man it is not subject to the City Code. The Company has, however, endeavoured, where appropriate, to prepare this document substantially in compliance with the spirit of the City Code. While the Company will seek to comply with the provisions of the City Code, third parties will not be obliged, and the Company will not be able to compel them to comply with the City Code. As such investors should note, in particular, the paragraph below on Rule 9 of the City Code.

Rule 9 of the City Code normally requires any person (or group of persons acting in concert) that acquires shares which, taken together with shares already held, carry 30 per cent. or more of the voting rights of a company to offer to acquire the balance of the equity share capital. Rule 9 of the City Code also normally requires any person who, together with persons acting in concert with him, holds between 30 per cent. and 50 per cent. of a company's voting rights and who acquires additional shares which increases his holding of voting rights to make such a mandatory offer. **As the Company is not a company to which the City Code applies, investors should be aware that Shareholders are and will be entitled to increase their holding of voting rights in the Company above 30 per cent. without incurring any obligation to make a mandatory offer under the City Code as would normally arise were the Company subject to the provisions of the City Code.**

If the City Code did apply to the Company, then, by virtue of the percentage of the Enlarged Share Capital represented by the Acquisition Shares, it would have been required to seek competent independent advice that the Acquisition was in the best interests of the Company and of its shareholders as a whole, as the Independent Directors believe it to be.

The terms of the Acquisition mean that the Sellers will, in aggregate, hold in excess of 30 per cent. of the issued share capital of the Company. Under the terms of the City Code, such a holding would have obliged the Sellers to make a general offer to the shareholders of the Company for the entire issued share capital of the Company. The City Code does, however, provide for the waiver of that obligation by the Panel on Takeovers and Mergers, subject to the approval of the Acquisition by a vote of independent shareholders on a poll at an extraordinary general meeting. As the City Code does not apply, there is no obligation on the Sellers to make a general offer. Under the AIM Rules, the Acquisition is, however, subject to shareholder approval at the EGM.

## **Extraordinary general meeting**

A notice of EGM is set out at the end of this document convening an extraordinary general meeting of the Company to be held at 11.00 a.m. GMT (12 noon CET) on 2 November 2005 at Rue Pierre-Fatio 12, 1211 Geneva 3, Switzerland at which resolutions will be proposed to:

1. approve the Acquisition;
2. appoint Professor Chris Toumazou as a director of the Company;
3. disapply Shareholders' pre-emption rights over shares in relation to the allotment of, amongst others, the Acquisition Shares and Placing Shares; and

*Resolutions (2) and (3) are conditional on obtaining Shareholders' approval of the Acquisition*

4. amend the articles of association of the Company as set out in the notice of EGM at the back of this document.

Under the AIM Rules, if Shareholders approve the Acquisition at the EGM, the Company will be admitted to AIM as a new applicant on the first business day after the EGM. If Shareholder approval is not given, trading in the Existing Ordinary Shares will continue as normal.

## **Irrevocable undertakings**

The Company has received irrevocable undertakings from the Independent Directors and certain significant Shareholders to vote in favour of the Acquisition and the other Resolutions in respect of, in aggregate, 20,400,000 Ordinary Shares representing approximately 50.88 per cent. of the Company's existing issued ordinary share capital. Further details of these irrevocable undertakings are set out in paragraph 14.1.16 of Part 6 to this document.

## **Action to be taken**

A form of proxy, and in respect of those Shareholders who hold their shares in the Company through Depositary Interests, a form of direction, for use at the EGM is enclosed. Whether or not you intend to be present at the meeting, you are requested to complete, sign and return the form of proxy or direction to the Company's UK Transfer Agents, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4BR, as soon as possible and in any event so as to arrive not later than 11.00 a.m. GMT on 30 October 2005 for forms of direction and 11.00 a.m. GMT on 31 October 2005 for forms of proxy. The completion and return of a form of proxy or direction will not preclude you from attending the meeting and voting in person should you subsequently wish to do so.

## **Further information**

Your attention is drawn to the further information set out in:

1. Part 2 of this document relating to risk factors;
2. Part 3 of this document setting out a report on the Intellectual Property of Toumaz;
3. Part 4 of this document setting out financial information and an accountants' report on Nanoscience;
4. Part 5 of this document setting out certain unaudited pro forma financial information for the Enlarged Group;
5. Part 6 of this document summarising statutory and general information on the Company;
6. Appendix 1 of this document setting out financial information on Toumaz;
7. Appendices 2 and 3 of this document setting out information on the patents and trade marks in which Toumaz has an interest; and
8. the notice of EGM.

## **Recommendation**

**For the reasons set out in the preceding sections, the Independent Directors believe that the Acquisition and the Proposals as a whole are in the best interests of the Company and its Shareholders. Accordingly, the Independent Directors recommend Shareholders to vote in favour of the Resolutions as they intend to do in respect of their own beneficial holdings which amount, in aggregate, to 2,800,000 Ordinary Shares representing approximately 6.98 per cent. of the Existing Ordinary Shares. By virtue of his directorship in Toumaz, Patrick Stephansen took no part in the above recommendation.**

Yours faithfully

**Richard Rose**  
Chairman

For and on behalf of the Independent Directors

## **PART 2**

### **RISK FACTORS**

The investment detailed in this document may not be suitable for all its recipients and involves a higher than normal degree of risk. Before making an investment decision, prospective investors are advised to consult an investment adviser authorised under the Financial Services and Markets Act 2000 who specialises in investments of the kind described in this document. Prospective investors should consider carefully whether an investment in the Company is suitable for them in the light of their personal circumstances and the financial resources available to them.

In addition to the other relevant information set out in this document, the Directors and Proposed Director consider that the following specific risk factors, which are not set out in any particular order of priority, should be taken into account when evaluating whether to make an investment in the Company:

#### **Limited operating history and uncertainty of future revenues**

Both the Company and Toumaz have a limited operating history and trading record and it is therefore difficult to evaluate the Enlarged Group's business and future prospects. In particular, Toumaz has a history of operating losses and is at an early stage of development with operating losses expected to continue for the foreseeable future. Toumaz is relying on its ability to secure further development contracts as the source of the majority of its revenues and investors should not therefore rely on period to period comparisons of revenue as an indicator of its future performance.

The future success of the Enlarged Group is dependent on the Directors' and Proposed Director's ability to implement its strategy. Whilst the Directors and Proposed Director are optimistic about the Enlarged Group's prospects, there is no certainty that anticipated outcomes and sustainable revenue streams will be achieved.

The Enlarged Group faces risks frequently encountered by developing companies. In particular, its future growth and prospects will depend on its ability to manage growth and to continue to expand and improve operational, financial and management information and quality control systems on a timely basis, whilst at the same time maintaining effective cost controls. Any failure to expand and improve operational, financial and management information and quality control systems in line with the Enlarged Group's growth could have a material adverse effect on the Enlarged Group's business, financial condition and results of operations.

#### **Intellectual property protection**

The commercial success of the Enlarged Group depends to a large extent on the ability of its investee companies to protect, enforce and licence intellectual property rights in relation to their existing and future technologies and the products of their licensees and to preserve the confidentiality of their technological know-how. No assurance can be given that the technology or products developed by the Enlarged Group will be patentable, that patent applications will mature into granted patents or that patents will be sufficiently broad in their scope to provide protection for the Enlarged Group's intellectual property rights or to exclude challenges by competitors with similar technology or products.

The technology portfolio developed by Toumaz is the subject of patent applications in a number of countries, some of which have already been granted, and further information about these applications is set out in Part 3 of this document. However, where a patent application is pending, there is a risk that a patent office may identify prior art documents, third party rights or raise other issues which may force Toumaz to limit the scope of its patent applications or result in certain applications being refused or revoked. In addition, it should be noted that the validity and hence enforceability of every patent is open to challenge throughout its life.

There can be no assurance that Toumaz's patents and patent applications or those of other investee companies will not become involved in opposition or revocation or interference proceedings instituted by third parties. If such proceedings were initiated, the defence of such

rights could involve substantial costs and the outcome could not be predicted. Toumaz cannot be certain that it was the first to make the inventions covered by each of its patent applications or that it was the first to file applications for such inventions. It cannot therefore be certain that granted patents will be valid or enforceable and they may fail to provide any competitive advantage. There can also be no assurance that its patents are broad enough to prevent third parties designing around them.

Competitors or potential competitors may have filed applications for, may have been granted patents for, or may obtain additional patents and proprietary rights that may relate to technologies competitive with those of Toumaz. If patents are granted to other parties that contain claims having a scope that is interpreted to cover any of Toumaz's technologies or products claimed, there can be no assurance that Toumaz will be able to obtain licences to such patents at a reasonable cost, if at all, or be able to develop or obtain alternative technology and licensees may be prevented from selling any infringing products and Toumaz and/or its licensees may in some circumstances be liable to pay damages for patent infringement.

Toumaz has taken and takes steps to protect its proprietary rights and information, including the use of confidentiality and other agreements with its employees and consultants and in its academic and commercial relationships. However, these steps may be inadequate, agreements may be violated, or there may be no adequate remedy available for a violation of an agreement. Due to the Enlarged Group's size and limited cash resources, it may not be able to detect and prevent infringement of its intellectual property.

Litigation or third party claims of intellectual property infringement could require substantial time and money to resolve. Unfavourable outcomes in these proceedings could limit the Enlarged Group's intellectual property rights and activities.

The Enlarged Group may need to resort to litigation to enforce or defend its intellectual property rights, including any patents. There can be no assurance that the Enlarged Group would prevail in any intellectual property infringement action, would be able to obtain a license to any third party intellectual property on commercially reasonable terms, successfully develop non-infringing alternatives on a timely basis, or license non-infringing alternatives, if any exist, on commercially reasonable terms. Any significant intellectual property impediment to the Enlarged Group's ability to develop and commercialise the Enlarged Group's products could seriously harm the business and prospects of the Enlarged Group.

#### **In-licensed technology/IP option agreements**

In accordance with the terms of the New IP Option Agreement with IC Innovations, further details of which are set out in paragraph 14.2.2 of Part 6 to this document, the Enlarged Group is in future increasingly likely to obtain licences for certain technology and the right to use certain patents that are owned by IC Innovations and potentially other third parties. There can be no guarantee that such licensed patents will be valid and not open to challenge. In addition, failure to develop commercial applications based on the technology licensed by the Enlarged Group could result in the unexploited licence being terminated.

#### **Legal and contractual risks**

Toumaz has entered into a number of significant contractual arrangements with third parties in connection with its intellectual property and the development of certain product applications. There is no guarantee that it will be able to enforce all its rights under such agreements or arrangements.

Toumaz may be subject to claims by others that its technologies (or products produced by licensees) infringe their intellectual property rights. These claims, whether or not valid, could require the Enlarged Group to spend significant sums on resulting litigation, the payment of damages, or the acquisition of licences to third-party intellectual property. In the event that Toumaz needs to acquire a third-party licence, it may not be able to secure it on commercially reasonable terms, or at all. Toumaz expects that it may be increasingly likely to face infringement claims as its profile in the market grows. Any of these claims or resulting events could harm its business and divert both resources and management attention.

### **Development of product applications**

Toumaz's development of its existing technologies and product applications is ongoing and certain technologies require further development and trials to prove their efficacy before they can be commercialised. This development effort may take longer than planned and may suffer significant setbacks or delays, despite having previously achieved promising results. If the Enlarged Group experiences significant delays in the development of its technologies or product applications, the Enlarged Group's financial results and the commercial prospects for such technologies or products may be impaired.

The Enlarged Group can not guarantee that it will be able to commercialise technology at an early stage of development.

### **Markets/market acceptance**

Whilst the Directors and Proposed Director believe that the markets for the Enlarged Group's technology and product applications will grow, there can be no guarantee that the targeted markets will develop as they envisage. The Enlarged Group may need to commit greater resources to support the expected rapid growth in its target markets than has been budgeted for and it is therefore possible that the Enlarged Group may have resource constraints on its ability to achieve its stated objectives. There is no certainty that the Enlarged Group will be able to raise further funds at a future date.

### **Product liability**

The Enlarged Group may become exposed to product liability risks arising from the use of its technology in consumer products which, if not adequately covered by insurance, may have a material adverse effect upon the Enlarged Group's financial condition.

### **Commercialisation and key partners**

A key aspect of Toumaz's strategy is to establish strategic or licensing partnerships for the commercialisation of its existing and future technologies. In particular, Toumaz is reliant on its existing and future customers for fabrication, verification and final testing of products utilising its chip technology. There is no assurance that it will be able to negotiate commercially acceptable licensing or other agreements for the future exploitation of its technologies.

Commercialisation will be reliant upon retaining and recruiting skilled individuals or contracting with distributors or partners to access markets, especially those overseas. Failure to secure a distribution channel could significantly impact sales generation.

If the companies that licence Toumaz's technology do not effectively develop and market products, the Enlarged Group's revenues could be adversely affected. Toumaz is also at risk to any delays and problems encountered by its existing and future customers in their manufacturing processes, which, should they occur, may delay revenue realisation.

Investors should also note that there is no guarantee that the existing customers and key development partners of Toumaz will continue to be customers or partners of them and/or the Enlarged Group (or continue to transact the same level of business) following completion of the Acquisition. The loss of certain key customers or partners could materially adversely affect the business, financial condition, results or future operations of the Enlarged Group.

### **Dependence on key executives and personnel**

The future performance of the Enlarged Group will depend heavily on its ability to retain the services and personal connections/contacts of key executives and to recruit, motivate and retain further suitably skilled, qualified and experienced personnel. Although certain key executives, including Professor Toumazou, have entered or will at the time of Admission enter into service agreements with the Enlarged Group, the loss of the services of any such individual may have an adverse material effect on the business, operations, revenues, customer relationships and/or prospects of the Enlarged Group.

### **Competition/competing technology**

The markets in which the Enlarged Group operates are competitive and fast moving and may become more competitive. There can be no guarantee that the Enlarged Group's competitors will not develop superior technology or offer superior product applications or services to its target markets which may render one or more of its technologies or intellectual property rights obsolete and/or otherwise uncompetitive. Technologies developed by Toumaz or licensees' products may have a shorter commercial life than anticipated, if any, due to the invention or development of more successful technology or applications by competitors who may have greater financial, marketing, operational and technological resources than the Enlarged Group.

While the Directors and Proposed Director are confident that the Enlarged Group's technologies and licensees' products are generally well protected by the patent portfolio and by Toumaz's expertise, there can be no assurance that new technology will not emerge to threaten Toumaz's market position. The Enlarged Group must respond promptly, cost effectively and sufficiently to the challenges of technological change and competitors' innovations and there can be no assurance that it will be successful in doing so.

### **Health & safety and regulatory standards and approvals**

Further research into nanoparticles is required to reduce the many uncertainties related to their potential impacts on health, safety and the environment and developments in the nanotechnology sector may pose negative health and/or environmental risks which could have an adverse affect on the commercial acceptance and funding of nanotechnology related products.

The speed with which nanotechnology products and processes can be developed and implanted will also depend to a large degree on the extent of the regulation, testing and validation regimes to which they are increasingly likely to be subjected as the sector develops. New laws, guidelines and regulations could serve to limit the growth and development of the Enlarged Group's business or have an otherwise negative impact on its investments.

The markets in which Toumaz operates are subject to numerous health and safety and other regulations and any changes to, and increases in, current regulation or legal requirements may have a material adverse effect on the Enlarged Group.

### **The Enlarged Group's objectives may not be fulfilled**

The ability of the Directors and Proposed Director to implement the Company's investment strategy and achieve the aims set out in this document could be adversely affected by changes in the economy and/or in the sectors in which they intend to invest. Although the Enlarged Group has a clearly defined strategy and the Directors and Proposed Director are optimistic about its prospects, there can be no guarantee that its objectives or any of them will be achieved on a timely basis or at all. In particular, suitable investment opportunities may not be available or of the quality or in the number required to satisfy the Enlarged Group's requirements and anticipated revenues or growth may not be achieved.

### **Prospective Investments**

Significant costs could be expended by the Enlarged Group in attempting to make further significant investments in businesses in circumstances where such investments are not successfully completed.

### **Performance and realisation of investments made**

In pursuing its current investment strategy, many of the Enlarged Group's existing and potential investments are likely to be made in the shares of smaller, unquoted companies which are at an early stage in their development. Such companies frequently lack the financial strength, diversity and resources to overcome or survive periods of economic slowdown or recession. Whilst investing through an investment company, such as the Company, may be expected to spread the risk of investing in particular companies, the value of companies or funds in the nanotechnology sector is particularly vulnerable to changes in sentiment towards the sector. The potential exists for substantial movements, downwards as well as upwards, in the valuations of companies within the sector.

Whilst investment in unquoted companies may offer the potential for high returns there is also likely to be a higher level of risk than would be associated with an investment in a company quoted on a recognised investment exchange. The realisation of investments in unquoted companies is, for commercial reasons, likely to be more difficult than the realisation of investments in quoted companies.

### **Share price volatility and liquidity**

Although the Company is applying for the Enlarged Share Capital to be admitted to trading on AIM, there can be no assurance that an active or liquid trading market for the Ordinary Shares will develop or, if developed, that it will be maintained. AIM is the market for emerging or smaller growing companies and may not provide the liquidity normally associated with the Official List or other stock exchanges. The Ordinary Shares may therefore be difficult to sell compared to the shares of companies listed on the Official List and the share price may be subject to greater fluctuations than might otherwise be the case.

The share prices of publicly quoted companies can fluctuate and be volatile and it is possible that investors may realise less than their original investment. The price of shares is dependent upon a number of factors, some of which are general or market specific, others which are sector specific and others which are specific to the Company. There can be no guarantee that the price of the Placing Shares will reflect their actual or potential market value.

### **Requirement for further funds**

Toumaz's capital requirements depend on numerous factors, including the rate of market acceptance of its technologies and licensees' products and its ability to attract customers. It is therefore difficult for the Directors and Proposed Director to predict the timing and amount of capital required with accuracy. Although not presently anticipated by the Directors and Proposed Director, the Enlarged Group may, in the future, need to raise further equity funds to finance working capital requirements or to finance its growth through future stages of development. Any additional share issue may have a dilutive effect on existing Shareholders if they are unable or choose not to subscribe and there can be no guarantee or assurance that additional funds will be forthcoming when required, or as to the terms and price on which such funds would be available.

### **General economic climate**

Factors such as inflation, currency fluctuations, interest rates, supply and demand of capital and industrial disruption have an impact on demand, business costs and stock market prices. The Enlarged Group's operations, business and profitability can be affected by these factors, which are beyond the control of the Enlarged Group.

### **Conflicts of interest and influence of principal shareholders**

On Completion, the Sellers will own approximately 52.42 per cent. in aggregate of the Enlarged Share Capital. Accordingly, these shareholders may be in a position to exert significant influence over the outcome of matters relating to the Enlarged Group, including the appointment of the Enlarged Group's board of directors and the approval of significant change-of-control transactions. In addition, this control may have the effect of making certain transactions more difficult without the support of the Sellers and may have the effect of delaying or preventing an acquisition or other change in control of the Enlarged Group.

### **Intangible assets**

Indicative goodwill of approximately £18.3 million (as shown in the unaudited pro forma statement of net assets in Part 5 of this document) will arise from the Acquisition. At the Group's next year end which will be 31 December 2005, the Board will be required to conduct an impairment review of intangible assets and it is possible that, as a result of this review, the Board may decide to write off all or part of the carrying value of the goodwill arising on consolidation. Furthermore, as the Company has adopted UK GAAP in preparing its accounts it will be necessary to amortise this goodwill over a period of not more than 20 years, unless the Board wishes to review annually the value of goodwill for impairment.

### **International Financial Reporting Standards ("IFRS")**

It will be mandatory for AIM companies to adopt IFRS for accounting periods commencing on or after 1 January 2007. The adoption of IFRS may have a material impact on the reported results, balance sheets and cash flow statements of the Enlarged Group when it is adopted.

### **Exchange rate fluctuations**

To the extent that the Enlarged Group's revenues and costs are denominated in more than one currency, there is a risk from foreign exchange fluctuations.

### **Forward looking statements**

This document contains certain forward looking statements that involve risks and uncertainties. All statements other than statements of historical facts contained in this document, including statements regarding the Group's future financial position, business strategy and plans, business model and approach and objectives of management for future operations, are forward-looking statements. Generally, the forward-looking statements in this document use words like "anticipate", "believe", "could", "estimate", "expect", "future", "intend", "may", "opportunity", "plan", "potential", "project", "seek", "will" and similar terms. The Company's actual results could differ materially from those anticipated in the forward looking statements as a result of many factors, including the risks faced by the Company which are described in this Part 2 and elsewhere in this document. Investors are urged to read this entire document carefully before making an investment decision. The forward looking statements in this document are based on the Directors' and Proposed Director's beliefs and assumptions and information only as of the date of this document, and the forward looking events discussed in this document might not occur. Therefore, investors should not place any reliance on any forward looking statements. Except as required by law, the Directors and Proposed Director undertake no obligation to publicly update any forward looking statements, whether as a result of new information, future earnings, or otherwise.

### **Share options and warrants**

The Company has issued warrants to Strand Associates and will issue options to subscribe for Ordinary Shares to certain employees and Directors, senior management and consultants of the Enlarged Group. The exercise of such warrants and options would result in a dilution of the shareholdings of other investors.

### **Non-applicability of the City Code**

The Company, by virtue of its residence, is not subject to the provisions of the City Code and as such Shareholders will not be afforded the various protections conferred by the rules of the City Code.

### **Taxation**

It should be noted that the information contained in paragraph 9 of Part 6 of this document relating to taxation may be subject to legislative change.

**It should be noted that the risk factors listed above are not intended to be exhaustive and do not necessarily comprise all of the risks to which the Enlarged Group is exposed or all those associated with an investment in the Company. In particular, the Company's performance is likely to be affected by changes in the market and/or economic conditions and in legal, accounting, regulatory and tax requirements. There may be additional risks that the Directors and Proposed Director do not currently consider to be material or of which they are currently unaware.**

**If any of the risks referred to in this Part 2 crystallise, the Enlarged Group's business, financial condition, results or future operations could be materially adversely affected. In such case, the price of its shares could decline and investors may lose all or part of their investment.**

# PART 3

## REPORT ON THE INTELLECTUAL PROPERTY OF TOUMAZ



FLADGATE FIELDER  
SOLICITORS

Nanoscience Inc.  
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Grand Cayman, Cayman Islands

The Directors  
Strand Partners Limited  
26 Mount Row  
London W1K 3SQ

The Directors  
Teather & Greenwood Limited  
Beaufort House  
15 St. Botolph Street  
London EC3A 7QR

10 October 2005

Dear Sirs

### Toumaz Technology Limited (Toumaz) – Intellectual Property Report

#### Introduction

Toumaz is a developer of advanced radio frequency, analogue and mixed-signal semiconductors. The focus of its business is low power devices based on Toumaz's AMx™ technology which addresses the needs of lower power consumption for mobile and wireless systems. Toumaz was originally formed as a spin-out from Imperial College which explains its continued close working relationship with Imperial College. A number of patent and trade mark applications have been filed in several countries to protect various aspects of the technology developed by Toumaz.

We acted as English legal advisors to Nanoscience Inc. (**Company**) in connection with the conduct of a review of the status of certain patents and trade marks of Toumaz to assist the Company in its evaluation and acquisition of the entire issued share capital of Toumaz (**Transaction**). We were asked in particular to provide a report in respect of such patents and trade marks; to give a general description of these intellectual property rights (which can be found at Appendices 2 and 3); to give a synopsis of steps taken to protect such intellectual property rights; and following liaison with the patent and trade mark filing agents of Toumaz, Marks and Clark (**Patent Agent**), to undertake a risk analysis of such intellectual property rights.

#### 1. Nature of Intellectual Property Rights

##### *Nature of a patent*

- 1.1 Patents protect inventions and are registered rights which are granted by national or regional Patent Offices if the invention satisfies particular requirements, primarily novelty and an inventive step (non-obviousness). Patents give the patent owner a monopoly right to prevent others from carrying out/exploiting the invention claimed in the patent. The right, once granted, may be kept in force for a limited period (normally 20 years from the date of application for the patent) by payment of renewal fees.
- 1.2 Patents are territorial in nature and it is often the case that an invention is the subject of patent applications, and eventual patents, in a number of territories.

##### *Filing procedure – UK patent*

- 1.3 A United Kingdom national patent may be obtained by filing a patent application at the United Kingdom Patent Office. The application is subjected to a novelty search and also to a procedure known as substantive examination. A United Kingdom patent may typically be granted after four or four and a half years from its original filing date, assuming that an examiner at the Patent Office is satisfied that the application meets the appropriate requirements regarding novelty and inventive step.

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A full list of partners is available for inspection at the above office Fladgate Fielder is regulated by the Law Society in the conduct of investment business.

- 1.4 A United Kingdom patent application may also serve as a so-called "priority application" for national patent applications to be filed in other countries and also for various types of international patent applications of which the most important are European patent applications and International patent applications filed under the Patent Cooperation Treaty (commonly known as PCT patent applications). In such cases, the United Kingdom patent application may continue in its own right or, if the United Kingdom is to be included in a European Patent Application or International Patent Application, it may be abandoned after it has served the purpose of establishing priority.

***Filing procedure – European patent***

- 1.5 A European patent application is filed at the European Patent Office which carries out both the novelty search and a full examination of the application. Typically, it may take from three to six years, often significantly longer, before a European patent is granted. Once this happens, the patent is then "validated" in some or all of the European countries which were designated in the original patent applications. In most countries this "validation" includes the filing of a translation of the patent specification into a national language of the country but no further searching or examination is carried out in the individual countries. The European patent then takes on the character of the "bundle" of national patents, each of which has to be kept in force by the payment of renewal fees to cover a particular national territory.

***Filing procedure – PCT patent***

- 1.6 A PCT patent application is often filed when it is desired to protect the invention in many different countries. The application may designate a large number of territories, including most European countries, USA and Japan. It is normally filed about 12 months after the original United Kingdom patent application and has the effect of postponing the entry into the national/regional Patent Offices until 20 months or, optionally, 30 months from the priority date (i.e. from the filing date of the original United Kingdom patent application).
- 1.7 A PCT patent application is subjected to a novelty search and, optionally, a first stage examination procedure (International Preliminary Examination) which, for European applicants, is carried out by the European Patent Office on behalf of the PCT authorities.

***Trade marks***

- 1.8 A registered trade mark gives the owner a monopoly right in the trade mark, or a confusingly similar mark, in respect of the goods or services for which the trade mark is registered, or similar goods or services. Registered trade marks may be kept in force indefinitely, subject to the payment of renewal fees, usually at ten year intervals.

**2. Details of relevant patents in which Toumaz has an interest**

Appendix 2 sets out details of certain patents in which Toumaz has an interest. This information is based solely on the information provided by the Patent Agent and searches undertaken by this firm on 4 and 5 August 2005 in respect of each of the family of patents highlighted in the information provided by the Patent Agent. These searches were made using patent databases known as "Plusplat" and "Derwent WPI" and publicly available databases from a number of national patent offices. No further searches were made for Toumaz as applicant or owner of other patents. Accordingly Appendix 2 may not be an exhaustive list of the patents filed by and/or registered to Toumaz or patents in which Toumaz may have an interest.

**3. Details of trade mark applications and registrations in which Toumaz has an interest**

Our searches have shown that Toumaz has an interest in the trade mark applications and registrations set out in Appendix 3. These searches were undertaken on 2 September 2005 using the publicly available trade mark search facility available at [www.patent.gov.uk/tm/index.htm](http://www.patent.gov.uk/tm/index.htm).

**4. Intellectual Property option**

Toumaz has entered into an intellectual property option agreement dated 22 July 2005 with Professor C. Toumazou and Imperial College Innovations Ltd. Under this agreement Professor Toumazou and Imperial College Innovations Limited granted to Toumaz the opportunity to exploit certain intellectual property generated by the research group run by Professor Toumazou in the field of wireless communications and low power circuit design. This exclusive right of exploitation is granted by way of a licence on the terms of a standard licence agreement and not by way of assignment of the rights as was previously the case in an earlier agreement between the parties (which expired on 4 October 2005). Although this new agreement only provides for a licence and does not provide for patents to be filed in the name of Toumaz (although the costs of patent prosecutions will need to be covered by Toumaz in any event) the right granted is an exclusive right to exploit the selected technology and patents on the terms of a standard licence upon payment of a royalty for the longer of ten years or the life of the underlying patent.

## **5. Risk analysis**

- 5.1 An initial review of the patents referred to in Appendix 2 did not in isolation provide any information as to whether Toumaz is currently exploiting or due to exploit these patents in the near future. Accordingly, further enquiries were made by this firm of Dr Alison Burdett, who currently leads the Toumaz R&D department, and is also the inventor of certain of the patents, to help us identify how, if at all, the patents referred to in Appendix 2 are used by Toumaz. Dr Burdett was asked to comment in respect of each of the identified patents: whether they are currently being used and if so to name the product/technology in which they are used; if they were abandoned; if they were not used; or if they were pending for use in a future product and, if so, to name that product.
- 5.2 The Patent Agent provided information in respect of 18 families of patents. Of these 18 families of patents: six are currently used in technology with two of those six also marked for pending use; five others are marked for pending use. All the patents are deemed by Dr Burdett to be of strategic value to Toumaz. The details of the current or pending use to be made of the patents are included in Appendix 2.
- 5.3 The responses from Dr Burdett did not highlight in which territories the technology is or will be exploited in and whether the technology draws on all or only some of the claims in the patents and further detailed analysis would be required in this regard. In view, however, of the strategic value of these patents it is in the interest of Toumaz to continue the prosecution of those patents that are not yet registered in as many of the countries of interest as possible. Where claims have been narrowed or continue to be narrowed during the patent prosecution it is essential that the intrinsic value of the technology remains within the scope of the patents if the technology is to maintain an innovative advantage over other technology in the market. The Patent Agent is optimistic that most of these patent applications will lead to grant without further significant amendment.
- 5.4 Only four patents are currently fully granted. These are Leaking Float Gate CMOS Devices in the UK; Vector Matrix Multiplier (VMM) in the UK; Acoustic Processor in Australia; and Opto-Electronic Transconductors in the US.
- 5.5 The other patents highlighted above are currently pending. For all of the pending applications the continued examination of national/regional patent applications will give opportunities for submission of amendments to, and arguments in support of, the claims which may result in the grant of the patents.
- 5.6 Negative search reports have been provided in respect of certain PCT patent applications which each have a number of pending applications in other countries. The fact that the PCT has received a negative search report does not mean this will necessarily be the case in the other countries where the application is filed. The negative search reports are in respect of VMM; Filter States; and the Ultra-wide Band Communication System.

## **6. Summary**

From the papers provided to us we are unable to comment on whether the current prosecutions will lead to grant although the Patent Agent has informed us that it anticipates grant without significant amendments to most of the patent applications. Some negative search reports have been provided in respect of certain patents and it is possible that the prosecution of those patents will encounter certain difficulties which will either need to be overcome or where they are not overcome those applications may be granted with reduced or narrower claims. Even where some patents are not successfully granted the technology can be exploited and some value obtained from this although this will be less than the potential value obtainable where a patent registration has been granted as that would allow a right of monopoly for a period and will prohibit others from developing the same technology or similar technology which falls within the scope of the patent claims.

## **7. Benefit of this report**

- 7.1 This report is given to the parties to whom it is addressed and is intended for their sole benefit. It may not be delivered to nor relied upon by any other person or for any other purpose nor is it to be quoted or referred to in any document or filed with any person except, in any case, with our prior written consent.
- 7.2 This report may be referred to the Company's circular to its shareholders dated today's date and a copy of this report may be included in the compendium of documents relating to the Transaction.

Yours faithfully

Fladgate Fielder

## PART 4

# FINANCIAL INFORMATION ON THE COMPANY AND ACCOUNTANTS' REPORT ON THE FINANCIAL INFORMATION ON THE COMPANY

**Grant Thornton** 

Grant Thornton UK LLP  
Enterprise House  
115 Edmund Street  
Birmingham B3 2HJ

The Directors and Proposed Director  
Nanoscience Inc.  
Walkers SPV Limited  
Walker House  
Mary Street  
PO Box 908GT George Town  
Grand Cayman, Cayman Islands  
and

The Directors  
Strand Partners Limited  
26 Mount Row  
London W1K 3SQ

10 October 2005

Dear Sirs

**Nanoscience Inc.**  
("the Company")

We report on the financial information set out in this Part 4 of the AIM Admission Document dated 10 October 2005 of the Company (the "AIM Admission Document"). This financial information has been prepared for inclusion in the AIM Admission Document on the basis of the accounting policies set out in paragraph 4.1 of this Part 4. This report is required by Schedule Two of the AIM Rules with reference to Annex I, section 20 of the PD Regulation attached to the AIM Rules and is given for the purpose of complying with that Schedule and for no other purpose.

### RESPONSIBILITIES

The directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 4.1 to the financial information and in accordance with UK GAAP.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the AIM Admission Document, and to report our opinion to you.

### BASIS OF OPINION

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

### OPINION

In our opinion, the financial information gives, for the purposes of the AIM Admission Document, a true and fair view of the state of affairs of Nanoscience Inc. as at the date stated and of its losses and cash flows for the period then ended in accordance with the basis of preparation set out in note 4.1 and in accordance with the applicable reporting framework as described in note 4.1.

**DECLARATION**

For the purposes of Schedule Two of the AIM Rules we are responsible for this report as part of the AIM Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

GRANT THORNTON UK LLP

The Directors and Proposed Director have prepared the following financial information on the Company for the period from incorporation on 14 February 2005 to 30 June 2005 which has been extracted without material adjustment from the unaudited interim report of the Company dated 21 September 2005. The financial information on the Company, which has been prepared solely for the purposes of the AIM Admission Document, does not constitute audited statutory accounts within the meaning of section 240 of the Companies Act 1985.

### 1. PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 14 FEBRUARY 2005 TO 30 JUNE 2005

	Note	£'000
Administrative expenses		(41)
<b>Operating loss</b>		<u>(41)</u>
Interest receivable		3
<b>Loss on ordinary activities before tax</b>		<u>(38)</u>
Tax on loss on ordinary activities		–
<b>Loss for the financial period transferred from reserves</b>	4.6	<u>(38)</u>
Loss per share	4.2	<u>0.13 pence</u>

### 2. BALANCE SHEET AT 30 JUNE 2005

	Note	£'000
<b>Fixed Assets</b>		
Investments	4.3	<u>221</u>
<b>Current assets</b>		
Cash		707
<b>Creditors: amounts falling due within one year</b>	4.4	<u>(13)</u>
<b>Net current assets</b>		<u>694</u>
<b>Total assets less current liabilities and net assets</b>		<u>915</u>
<b>Capital and reserves</b>		
Called up share capital	4.5	100
Share premium account	4.6	853
Profit and loss account	4.6	<u>(38)</u>
<b>Equity shareholders' funds</b>	4.7	<u>915</u>

### 3. CASH FLOW STATEMENT FOR THE PERIOD FROM 14 FEBRUARY 2005 TO 30 JUNE 2005

	Note	£'000
<b>Net cash outflow from operating activities</b>	4.8	(28)
<b>Net cash inflow from returns on investment and servicing of finance</b>		3
<b>Capital expenditure and financial investment</b>		
Payments to acquire investments		<u>(221)</u>
<b>Net cash outflow before financing</b>		<u>(246)</u>
<b>Financing</b>		
Issue of shares		1,088
Expenses in connection with the issue of shares		<u>(135)</u>
<b>Net cash inflow from financing</b>		<u>953</u>
<b>Increase in cash</b>	4.9	<u>707</u>

#### 4. NOTES TO THE FINANCIAL INFORMATION

##### 4.1 Accounting policies

###### *Basis of preparation*

The Company was incorporated in the Cayman Islands which does not prescribe the adoption of any particular accounting framework. Accordingly, the board of directors of the Company has resolved that the Company will follow United Kingdom accounting standards and apply the Companies Act 1985 when preparing its annual financial statements.

###### *Investments*

Investments are stated at cost less any provision for permanent diminution in value.

###### *Deferred tax*

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that were enacted or substantially enacted at the balance sheet date.

##### 4.2 Loss per share

	Loss attributable to shareholders £'000	Weighted average number of shares No.	Per share amount Pence
Basic loss per share	(38)	28,490,441	(0.13)

##### 4.3 Investments

###### *Other fixed asset investments*

Investment in AppliedSensor Sweden AB

£'000

221

The investment in AppliedSensor Sweden AB represents a 3% holding in that company, which is registered in Sweden. AppliedSensor Sweden AB's principal trade is the development and production of advanced micro-sensors.

##### 4.4 Creditors: amounts falling due within one year

Trade creditors	£'000
	13

##### 4.5 Share capital

###### *Authorised*

4,000,000,000 Ordinary shares of 0.25p each

£'000

10,000

###### *Issued and fully paid*

40,100,000 Ordinary shares of 0.25p each

100

The Company was incorporated on 14 February 2005 with an authorised share capital of £10,000,000 divided into 4,000,000,000 Ordinary shares of 0.25p each. One ordinary share was issued at par.

On 15 March 2005 the Company allotted 27,199,999 Ordinary shares of 0.25p each at par.

On 30 March 2005 the Company allotted 10,400,000 Ordinary shares of 0.25p each at a price of 5p per share and on 27 June 2005, the Company allotted 2,500,000 Ordinary shares of 0.25p each at a price of 20p per share.

#### 4.6 Share premium account and reserves

	Share premium account £'000	Profit and loss account £'000
On incorporation	–	–
Retained loss for the period	–	(38)
Premium on allotment during the period	988	–
Share issue expenses	(135)	–
At 30 June 2005	<u>853</u>	<u>(38)</u>

#### 4.7 Shareholders' funds

	£'000
Loss for the financial period	(38)
Issue of shares	1,088
Share issue expenses	(135)
Net increase in shareholders' funds and shareholders' funds at 30 June 2005	<u>915</u>

#### 4.8 Net cash outflow from operating activities

	£'000
Operating loss	(41)
Increase in creditors	13
Net cash outflow from operating activities	<u>(28)</u>

#### 4.9 Reconciliation of net cash flow to movement in net funds

	£'000
Increase in cash and net movement in funds in the period	707
Opening net funds	–
Closing net funds	<u>707</u>

## PART 5

### UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

Set out below is an unaudited pro forma statement of net assets of the Enlarged Group, prepared on the basis of the notes set out below, to illustrate how the acquisition of Toumaz and the Placing might have affected the balance sheet of the Company if they had occurred on 30 June 2005, the date to which the financial information relating to Nanoscience set out in Part 4 of this document was prepared. This statement has been prepared for illustrative purposes only and, because of its nature, may not give a true and fair picture of the financial position of the Enlarged Group.

	Nanoscience as at 30 June 2005 Note (1) £'000	Toumaz as at 28 February 2005 Note (2) £'000	Adjustments:		Unaudited pro forma net assets of the Enlarged Group £'000
			Placing net proceeds Note (3) £'000	Acquisition Shares Note (4) £'000	
<b>Fixed assets</b>					
Intangible assets	–	–	–	18,319	18,319
Tangible assets	–	105	–	–	105
Investments	221	38	–	–	259
	<hr/> 221	<hr/> 143	<hr/> –	<hr/> 18,319	<hr/> 18,683
<b>Current assets</b>					
Debtors	–	203	–	–	203
Cash at bank and in hand	707	16	6,400	–	7,123
	<hr/> 707	<hr/> 219	<hr/> 6,400	<hr/> –	<hr/> 7,326
Creditors: amounts falling due within one year	(13)	(955)	–	–	(968)
<b>Net current assets/(liabilities)</b>	<hr/> 694	<hr/> (736)	<hr/> 6,400	<hr/> –	<hr/> 6,358
<b>Net assets /(liabilities)</b>	<hr/> 915	<hr/> (593)	<hr/> 6,400	<hr/> 18,319	<hr/> 25,041

#### Notes:

- The financial information relating to Nanoscience has been extracted, without material adjustment, from the financial information on Nanoscience as at 30 June 2005, which is included in Part 4 of this document.
- The consolidated financial information relating to Toumaz has been extracted, without material adjustment, from the audited financial statements for the year ended 28 February 2005, which are included in Appendix 1 to this document.
- The adjustment reflects the estimated gross proceeds of the Placing of approximately £7,100,000, less estimated expenses of approximately £700,000.
- The adjustment reflects the issue of 96,337,210 shares at an issue price of 18.4 pence each in consideration for the entire issued share capital of Toumaz, and the consequent goodwill arising on the Acquisition.
- The pro-forma financial information does not constitute statutory accounts within the meaning of section 240 of the Act.
- Other than the matters set out in notes (3) and (4) no adjustment has been made to take account of trading, capital or other movements subsequent to the latest balance sheets and profit and loss accounts included in the financial information on Nanoscience and the audited financial statements of Toumaz set out in Part 4 and Appendix 1 respectively of this document.

The Directors and Proposed Director  
Nanoscience Inc.  
Walkers SPV Limited  
Walker House  
Mary Street  
PO Box 908GT George Town  
Grand Cayman, Cayman Islands

and

The Directors  
Strand Partners Limited  
26 Mount Row  
London W1K 3SQ

10 October 2005

Dear Sirs

### **Pro forma financial information**

We report on the pro forma financial information (the "Pro forma financial information") set out in this Part 5 of the AIM Admission Document dated 10 October 2005 of Nanoscience Inc. (the "AIM Admission Document"), which has been prepared on the basis of the accounting policies adopted by Nanoscience Inc. in preparing the financial information for the period ended 30 June 2005.

#### **RESPONSIBILITIES**

It is the responsibility of the Directors of the Company to prepare the Pro forma financial information, which has been prepared in accordance with, and as if it had been applicable, Schedule 2 of the AIM Rules with reference to section 20.2 of Annex I of the PD Regulation attached to the AIM Rules.

It is our responsibility to form an opinion, which would have been required by section 7 of Annex II of the PD Regulation attached to the AIM Rules if applicable, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

#### **BASIS OF OPINION**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of Nanoscience Inc.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated.

#### **OPINION**

In our opinion:

- (a) the Pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of Nanoscience Inc.

**DECLARATION**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the AIM Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

GRANT THORNTON UK LLP

## PART 6

### ADDITIONAL INFORMATION

#### 1. Responsibility

The Company and the Directors and Proposed Director, whose names and functions are set out in paragraph 2 of this Part 6, accept responsibility for all the information contained in this document. To the best of the knowledge and belief of the Company and the Directors and Proposed Director (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

#### 2. The Directors

2.1 The Directors and Proposed Director and their respective functions are as follows:

Richard Sidney Rose (*Non-Executive Chairman*)  
 Serge André Joseph Marie Grisard (*Executive Director*)  
 Patrick Stephansen (*Executive Director*)  
 Graham Langham Porter (*Non-Executive Director*)  
 Professor Christofer Toumazou (*Proposed Non-Executive Director*)

2.2 The business address of each of Richard Rose and Patrick Stephansen is Kitwell House, The Warren, Radlett, Hertfordshire WD7 7DU and of Serge Grisard and Graham Porter is 12 Rue Pierre-Fatio, 1211 Geneva 3, Switzerland.

2.3 The business address of Professor Toumazou is Suite F, Centurion Court, 85 Milton Park, Abingdon, Oxfordshire OX14 4RY.

#### 3. The Company

3.1 The Company was incorporated in the Cayman Islands as an exempted company on 14 February 2005 under the Companies Law (2004 Revision), with registered number 145128, with the name Nanoscience Inc.

3.2 The Company does not have a place of business in the UK. The Company's principal place of business is at Rue Pierre-Fatio 12, PO Box 3602, 1211 Geneva 3, Switzerland, telephone number 0041 22 310 8202.

3.3 The liability of the members is limited to the amount, if any, unpaid on the shares respectively held by them.

3.4 The business of the Company and its principal activity is that of an investment and holding company.

#### 4. Subsidiaries and investments

4.1 Prior to Completion, the Company has one wholly owned subsidiary as follows:

Name	Country of incorporation (registered number)	Date of incorporation	Authorised share capital (issued share capital)	Activity
Nanoscience Limited	England (5181510)	16 July 2004	£10,000,000 (£0.01)	Dormant

4.2 The Company holds the following investments:

4.2.1 2,179,406 ordinary shares in XRT Limited a company incorporated in Victoria, Australia with number 25 076 348 000 whose address is at 63 Turner Street, Port Melbourne, Victoria 3207 Australia; and

4.2.2 641,766 shares in AppliedSensor Sweden AB, a company incorporated in Sweden with number 556484-9247 whose address is at Teknikringen 6, SE-58330 Linköping, Sweden.

4.3 Except as stated in this paragraph 4, the Company does not have, nor are there in progress by the Company, any significant investments.

#### 5. Toumaz

5.1 Toumaz Technology Limited was incorporated in England under CA 1985 on 7 February 2000 with company number 03921089 under the name Toumaz Telecom Limited and changed its name to Toumaz Technology Limited on 2 October 2000. Toumaz's registered office is at 21 Wilson Street, London EC2M 2TD. The liability of its members is limited.

5.2 The business of Toumaz and its principal activity is that of a technology and development company.

- 5.3 Toumaz's directors are: Keith Harold Errey (Chief Executive Officer); Gora Ganguli and Dr Ian Lindsay McWalter (both representatives of Gennum); Dr Richard Alexander Leaver; Arild Nilsen (representative of Glastad); Dr Tidu Maini (representative of Imperial College); Patrick Stephansen (a Director); Professor Christofer Toumazou (Chairman and Chief Technical Officer); and Fan Voon Wong. Keith Errey and Professor Toumazou are the only executive directors of Toumaz.
- 5.4 Toumaz has an issued share capital of 334,467 ordinary shares of 1p each.
- 5.5 Prior to Completion, Toumaz has no subsidiaries and is not a member of a group.
- 5.6 Toumaz holds the following investments:
- 5.6.1 750,000 ordinary shares of S\$0.10 each in Future Waves Pte Limited, a company incorporated in Singapore with number C001732005M, whose registered office is at 6 Temasek Boulevard, #29 00 Suntec City, Tower 4, Singapore 038986. Future Waves was incorporated on 5 January 2005. Toumaz's holding represents 28.24 per cent. of the issued share capital; and
- 5.6.2 3,500 ordinary shares of 10p each (representing 35 per cent. of the issued share capital) in Bio Nano Sensium Technologies Limited, a company incorporated in England under CA 1985 on 19 July 2004 with number 5183262 whose registered office is at Savannah House, Charles II Street, Piccadilly, London SW1Y 4QU. Bio-Nano is a joint venture company whose other shareholders are Advance Nanotech Limited, which holds 55 per cent. of the capital and Professor Toumazou who holds 10 per cent. of the share capital.

## 6. Share capital

- 6.1 The Company was incorporated with an authorised share capital of £10,000,000 divided into 4,000,000,000 shares of 0.25p each, of which one was issued as a subscriber share.
- 6.2 On 15 March 2005 the Company issued and allotted a further 27,199,999 Ordinary Shares at par.
- 6.3 On 30 March 2005 the Company issued and allotted 10,400,000 Ordinary Shares at 5p per share.
- 6.4 On 27 June 2005 the Company issued and allotted 2,500,000 Ordinary Shares at 20p per share.
- 6.5 The authorised and issued share capital of the Company at the date of this document and following completion of the Proposals will be as follows:

	Number of Ordinary Shares			
	Authorised £	Shares	Allotted and fully paid £	Shares
Current	10,000,000	4,000,000,000	£100,250	40,100,000
On Completion	10,000,000	4,000,000,000	£459,426	183,770,543

- 6.6 Pursuant to the articles of association of the Company, the Directors are authorised to allot Ordinary Shares up to the maximum authorised but unissued capital of £9,899,750, unless revoked or varied by the Company in a general meeting.
- 6.7 Pursuant to an ordinary resolution of the Company dated 14 March 2005, the Directors are authorised to allot equity securities in the Company without first offering them to existing shareholders pro rata to their entitlement, such authority expiring on the conclusion of the first annual general meeting of the Company or on 13 March 2010 whichever is earlier, and the directors may allot equity securities following an offer or agreement made before the expiry of the authority and provided that the authority is limited to:
- 6.7.1 the exercise in full of the Strand Warrant; and
- 6.7.2 the allotment of equity securities, otherwise than in accordance with paragraph 6.6, up to an aggregate nominal amount of £20,050.
- 6.8 Other than as disclosed in this document, the Company does not have in issue any securities not representing share capital and there are no outstanding convertible securities issued by the Company.
- 6.9 Of the Company's authorised share capital after the Placing, 183,770,543 Ordinary Shares will be issued fully paid or credited as fully paid (assuming no options or warrants are exercised after the date of this document). Of the balance of the authorised but unissued ordinary share capital of the Company, amounting to 3,816,229,457 Ordinary Shares, 13,449,277 Ordinary Shares are available for issue on exercise of any options granted under the EMI Scheme or otherwise and pursuant to the exercise of the Strand Warrant leaving a balance of 3,802,780,184 Ordinary Shares unissued.
- 6.10 The provisions of article 17 of the Company's articles of association confer on Shareholders rights of pre-emption in respect of the allotment of equity securities and apply to the authorised but unissued share capital except to the extent disapplied by the resolution referred to in this paragraph 6.

- 6.11 On Completion, on the basis that Existing Shareholders do not participate in the Placing, they will suffer a dilution of 21.82 per cent. in their interests in the Company.
- 6.12 The Ordinary Shares may be held in either certificated form or, through Depositary Interests, under the CREST system.
- 6.13 Except as disclosed in this paragraph, since the date of incorporation of the Company: (i) there has been no change in the amount of the issued share or loan capital of the Company; and (ii) no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share capital of the Company.
- 6.14 To the best of the Directors' and Proposed Director's knowledge, only the Sellers, directly or indirectly, acting jointly, exercise or could exercise control over the Company.
- 6.15 Except as stated elsewhere in this Part 6, no share of the Company or any subsidiary is under option or has been agreed conditionally or unconditionally to be put under option.

## **7. Memorandum of association**

The objects for which the Company was established are unrestricted and the Company has full power and authority to carry out any object not prohibited by any law as provided by Section 7(4) of the Companies Law (2004 Revision), subject to the following:

- 7.1 the Company is not permitted to carry on, without first acquiring the relevant licence, the business of a bank or trust company; the business of an insurance company or broker; or the business of company management; and
- 7.2 the Company may not trade in the Cayman Islands.

## **8. Articles of association**

The rights attaching to the Ordinary Shares, as set out in the articles of association of the Company, contain, amongst others, the following provisions:

### *Votes of members*

- 8.1 Subject to any special terms as to voting or to which any shares may have been issued, or no shares having been issued subject to any special terms, on a show of hands every member who being an individual is present in person or, being a corporation is present by a duly authorised representative, has one vote, and on a poll every member has one vote for every share of which he is the holder.
- 8.2 A member of the Company is not entitled in respect of any shares held by him to vote at any general meeting of the Company if any amounts payable by him in respect of those shares have not been paid.

### *Pre-emption rights*

- 8.3 Unless otherwise approved by ordinary resolution the Company may not allot shares on any terms unless:
  - 8.3.1 the Directors have made an offer to each person who holds shares of the same class to allot to him on the same or more favourable terms such proportion of those shares that is as nearly as practicable (fractions being disregarded) equal to the proportion that the relevant person's existing holding of shares of the same class represents of all the issued shares of that class;
  - 8.3.2 the period, which shall not be less than 21 clear days, during which any offer referred to in paragraph 8.3.1 may be accepted has expired or the Company has received notice of the acceptance or refusal of every offer made.

### *Alteration of share capital*

- 8.4 The Company in general meeting may from time to time by ordinary resolution:
  - 8.4.1 consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;
  - 8.4.2 convert all or any of its paid up shares into stock and reconvert that stock into paid up shares of any denomination;
  - 8.4.3 subdivide its existing shares, or any of them into shares of a smaller amount provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived;

- 8.4.4 cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.
- 8.5 The Company may by special resolution reduce its share capital and any capital redemption reserve in any manner authorised by law.
- 8.6 Subject to statute, the articles of association and any rights attached to shares, the Company may purchase any of its own shares of any class.

#### *Variation of rights*

- 8.7 If at any time the capital of the Company is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied or abrogated with the consent in writing of the holders of at least three-fourths of the issued shares of that class, or with the sanction of a resolution passed at a separate meeting of the holders of that class by at least a three-fourths majority. The quorum at any such meeting is at least one person holding, or representing by proxy, at least one-third of the issued shares in question and any holder of shares of the class present in person or by proxy may demand a poll.

#### *Transfers of shares*

- 8.8 The instrument of transfer of any share shall be in any usual form or such other form as the directors may, in their absolute discretion, approve and be signed by or on behalf of the transferor or on behalf of the transferee and, in the case of a nil or partly paid share, or if so required by the directors, by or on behalf of the transferee, and shall be accompanied by the certificate (if any) of the shares to which it relates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer. The transferor is deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of it.
- 8.9 The directors may, in their absolute discretion and without assigning any reason, refuse to register the transfer of a share in certificated form if it is not fully paid or if the Company has a lien on it, or if it is not duly stamped. In exceptional circumstances approved by the London Stock Exchange, the directors may refuse to register any such transfer, provided that their refusal does not disturb the market.
- 8.10 The articles of association contain no restrictions on the free transferability of fully paid ordinary shares provided that the transfers are in favour of not more than four transferees, the transfers are in respect of only one class of share and the provisions in the articles of association, if any, relating to registration of transfers have been complied with.

#### *Payment of dividends*

- 8.11 Subject to any rights and restrictions attaching to any shares, the shareholders are to distribute amongst themselves the profits of the Company according to the amounts paid up on the shares held by them, provided that no dividend will be declared in excess of the amount recommended by the directors. Interim dividends may be paid if profits are available for distribution and if the directors so resolve. The Company or its directors may fix a date as the record date for a dividend provided that the record date is not later than the date on which the dividend is paid or made.

#### *Unclaimed dividends*

- 8.12 Any dividend unclaimed after a period of 12 years from the date of its declaration will be forfeited and will revert to the Company.

#### *Return of capital*

- 8.13 On a winding-up of the Company, the balance of the assets available for distribution will, subject to any relevant restrictions, be divided amongst the members.

#### *Disclosure notice*

- 8.14 The company may by notice in writing require a person whom the Company knows or has reasonable cause to believe to be or, at any time during the 3 years immediately preceding the date on which the notice is issued, to have been interested in shares comprised in the company's relevant share capital:
- 8.14.1 to confirm that fact or (as the case may be) to indicate whether or not it is the case; and
- 8.14.2 where he holds or has during that time held an interest in shares so comprised, to give such further information as may be required in the notice.

### *Borrowing powers*

8.15 The directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part if it, and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the company or of any third party.

### *Directors*

8.16 No shareholding qualification is required by a director unless determined otherwise by ordinary resolution.

8.17 The directors are entitled to remuneration at the rate decided by them or by the Company by ordinary resolution.

8.18 At every annual general meeting, one third of the directors who are subject to retirement by rotation, or as near to it as may be, will retire from office. A retiring director is eligible for re-appointment.

8.19 The directors may from time to time appoint one or more of their body to be the holder of an executive office on such terms as they think fit.

8.20 Provided that a director has declared the nature of his interest at a meeting of the Directors, he may vote and be counted in the quorum present on any motion in regard to any contract, transaction, arrangement or any other proposal in which he has any material interest, which includes the interest of any person connected with him.

### *General meetings*

8.21 An annual general meeting and an extraordinary general meeting for the passing of a special resolution must be called by at least 21 days' notice, and all other general meetings must be called by at least 14 days' notice.

8.22 Notices must be given in the manner stated in the articles to all the members, other than those who under the provisions of the articles or under the rights attached to the shares held by them are not entitled to receive the notice, and to the auditors.

8.23 No business may be transacted at any general meeting unless a quorum is present which will be constituted by two persons entitled to vote at the meeting each being a member or a proxy for a member or a representative of a corporation which is a member. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened on the requisition of, or by, members, will be dissolved.

8.24 At a general meeting a resolution put to the vote will be decided on a show of hands unless, before or on the declaration of the show of hands, a poll is demanded by the chairman or by at least five members present in person or by proxy and entitled to vote or by a member or members entitled to vote and holding or representing by proxy at least one tenth of the total voting rights of all the members having the right to vote at the meeting. Unless a poll is demanded as above, a declaration by the chairman that a resolution has been carried, or carried unanimously or by a particular majority, or lost, or not carried by a particular majority, and an entry to that effect in the book containing the minutes of the proceedings of general meetings of the Company is conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

8.25 No member shall be entitled to vote at any general meeting either personally or by proxy or to exercise any privilege as a member, unless all calls or other sums presently payable to him in respect of shares in the Company have been paid.

8.26 The instrument appointing a proxy must be in writing in any usual or common form, or such other form as may be approved by the Directors, and will be signed by the appointor or by his agent duly authorised in writing or if the appointor is a corporation, must be either under its common seal or signed by an officer or agent so authorised. The Directors may, but will not be bound to, require evidence of authority of such officer or agent. An instrument of proxy need not be witnessed.

8.27 The proxy will be deemed to include the right to demand or join in demanding a poll and generally to act at the meeting for the member giving the proxy.

8.28 The Directors may direct that members or proxies wishing to attend any general meeting must submit to such searches or other security arrangements or restrictions as the Directors consider appropriate in the circumstances and may, in their absolute discretion, refuse entry to, or eject from, such general meeting any member or proxy who fails to submit to such searches or otherwise to comply with such security arrangements or restrictions.

## 9. Taxation

The following paragraphs are intended as a general guide only for Shareholders who are resident, ordinarily resident and domiciled in the United Kingdom for tax purposes. The statements only apply to Shareholders who are beneficial owners of Placing Shares but are not applicable to all categories of Shareholders, and in particular, are not addressed to: (i) Shareholders who do not hold their Placing Shares as capital assets; (ii) Shareholders who own (directly or indirectly) 10 per cent. or more of the Company; (iii) special classes of Shareholders such as dealers in securities or currencies, broker-dealers or investment companies. The statements do not purport to be comprehensive or to describe all potential relevant considerations. They are based on current legislation and UK Inland Revenue practice. Any shareholder or prospective purchaser of Placing Shares should consult their professional advisers on the possible tax consequences of acquisition, ownership and disposition under the laws of their particular citizenship, residence and/or domicile.

Paragraph 10 of this Part 6 of this document sets out certain tax considerations in relation to the Cayman Islands.

### *Stamp duty and stamp duty reserve tax*

No stamp duty or stamp duty reserve tax is payable on the issue of the Placing Shares.

Any subsequent disposal of the Placing Shares will generally give rise to payment of ad valorem stamp duty on the transfer document at the rate of 50p per £100, or part, on the amount or value of the consideration paid, subject to minimum duty of £5. Agreements for such transfers are generally subject to stamp duty reserve tax (unless, in general, the transfer of the relevant shares is duly stamped with ad valorem duty), generally at the rate of 0.5 per cent. of the amount or value of the consideration paid. Liability to pay any stamp duty reserve tax is generally that of the transferee or purchaser. Where a purchase or transfer is effected through a member of the London Stock Exchange or a qualified dealer, the member or dealer will normally account for the collection and payment of the tax, but in all other cases the transferee or purchaser must account for the tax to the Inland Revenue.

Persons operating clearance services or depository receipt schemes may be required to account for stamp duty and stamp duty reserve tax at rates higher than those referred to above.

### *Taxation of chargeable gains*

A subsequent disposal of the Placing Shares by persons resident or ordinarily resident in the United Kingdom in a tax year which gives rise to gains may be liable to capital gains tax (individuals and trustees) or corporation tax (companies). Liability to tax and the rate of tax will depend on the shareholder's circumstances and the availability of exemptions or allowable losses.

Indexation allowance, which increases the acquisition cost of an asset in line with the rise in the retail price index, is available for corporate Shareholders during the period of ownership.

For individuals and trustees, taper relief may be available to reduce the amount of a chargeable gain according to how long the asset has been held.

Individuals and certain trusts have an overall annual exemption from capital gains tax for the first £8,500 of chargeable gains in the current tax year. Settlements have an equivalent exemption of up to £4,250 in the current tax year.

Generally, losses realised on the disposal of assets may be set against other gains made during the tax year or carried forward and set against gains in future tax years.

Different tax treatment applies to persons who trade in securities.

Persons who are neither resident nor ordinarily resident in the United Kingdom will not normally be liable to tax in the United Kingdom in respect of any gain accruing to them on a disposal of the Placing Shares. The terms of a relevant double taxation treaty may apply to persons with dual residence.

### *Taxation of dividends*

The Company is not resident in the UK and consequently is not required to withhold UK tax from dividends paid on shares. Any shareholder who is resident in the UK, or who carries on a trade, profession or vocation in the UK to which the shares are attributable, will generally be subject to UK tax on income in respect of any dividends paid on the shares.

Dividends paid to a UK resident corporate shareholder will be assessable income of the shareholder.

It should be noted however that the jurisdiction from which the Company will be controlled has yet to be resolved. As a consequence, the Company could be resident for tax purposes in a jurisdiction other than the Cayman Islands. This may lead to the Company being required to withhold tax from dividends. The existence of relevant Double Taxation Treaties could then affect this matter further.

Individuals ordinarily resident in the United Kingdom should note that sections 739 and 740 of the Income and Corporation Taxes Act 1988, which contain provisions for preventing the avoidance of income tax through transactions resulting in the transfer of income to persons (including companies) abroad, may render them liable to taxation in respect of any undistributed income and profits of the Company.

**These comments are intended only as a general guide to the current tax position in the UK at the date of this document. The rates and basis of taxation can change and will be dependent on a shareholder's personal circumstances.**

**Neither the Company nor its advisers warrant in any way the tax position outlined above which, in any event, is subject to changes in the relevant legislation and its interpretation and application.**

## **10. Summary of Cayman Islands' law and taxation**

### **10.1 *Cayman Islands Mutual Funds Law***

The Company falls outside the definition of a "Mutual Fund" in terms of the Mutual Funds Law (2003 Revision) of the Cayman Islands (as amended) and accordingly is not regulated in terms of that law.

### **10.2 *Anti-Money Laundering Legislation***

As part of the Company's responsibility for the prevention of money laundering, the Company or Teather & Greenwood will require a detailed verification of the applicant's identity and the source of payment. Depending on the circumstances of each application, a detailed verification might not be required where:

10.2.1 the applicant is a recognised financial institution which is regulated by a recognised regulatory authority and carries on business in a country listed in Schedule 3 of the Cayman Islands Money Laundering Regulations (a "Schedule 3 Country");

10.2.2 the application is made through a recognised intermediary which is regulated by a recognised regulatory authority and carries on business in a country recognised in Schedule 3 Country. In this situation the Company or Teather & Greenwood may rely on a written assurance from the intermediary that the requisite identification procedures on the applicant for business have been carried out;

10.2.3 the subscription payment is remitted from an account (or joint account) held in the applicant's name at a bank in the Cayman Islands or a bank regulated in a Schedule 3 Country. In this situation the Company may require evidence identifying the branch or office of the bank from which the monies have been transferred, to verify that the account is in the name of the applicant and to retain a written record of such details.

The Company and Teather & Greenwood reserve the right to request such information as is necessary to verify the identity of an applicant. In the event of delay or failure by the applicant to produce any information required for verification purposes, the Company or Teather & Greenwood will refuse to accept the application and the relevant subscription monies.

If any person who is resident in the Cayman Islands has a suspicion that a payment to the Company or Teather & Greenwood (by way of subscription or otherwise) contains the proceeds of criminal conduct, that person is required to report such suspicion pursuant to The Proceeds of Criminal Conduct Law (as amended).

By subscribing, applicants consent to the disclosure by the Company or Teather & Greenwood of any information about them to regulators and others upon request in connection with money laundering and similar matters both in the Cayman Islands and in other jurisdictions.

### **10.3 *Certain Cayman Islands Tax Considerations***

There is, at present, no direct taxation in the Cayman Islands and interest, dividends and gains payable to the Company will be received free of all Cayman Islands taxes.

The Company is registered as an "exempted company" pursuant to the Companies Law (as amended). The Company has received an undertaking from the Governor in Council of the Cayman Islands to the effect that, for a period of 20 years from the date of incorporation, no law that thereafter is enacted in the Cayman Islands imposing any tax or duty to be levied on profits, income or on gains or appreciation, or any tax in the nature of estate duty or inheritance tax, will apply to any property comprised in or any income arising under the Company, or to the shareholders of the Company, in respect of any such property or income. Accordingly, it is not envisaged that the Company will be subject to any taxation in the Cayman Islands other than in relation to incidental registry fees and stamp duties on certain instruments entered into by it.

There are currently no withholding taxes or exchange control regulations in the Cayman Islands applicable to the Company or its shareholders.

There are currently no estate duty, gifts or gains taxes in the Cayman Islands applicable to the Ordinary Shares or to any income or gains that a shareholder derives either from holding or pursuant to any transfers or redemptions of such shares.

## 11. Substantial Shareholders

11.1 Except for the interests of the Proposed Director, which are set out in paragraph 12 of this Part 6 and those persons set out in this paragraph, the Directors and Proposed Director are not aware, at the date of this document, of any interest which immediately following Completion would amount to three per cent. or more of the Company's issued share capital:

Name	Existing Ordinary Shares	Percentage of current share capital	Ordinary Shares on Admission	Percentage of share capital on Admission
David Newton	8,000,000	19.95	10,930,726	5.95
Corvus Capital Inc.	8,000,000	19.95	8,000,000	4.35
Glastad	0	0.00	19,371,882	10.54
Genum	0	0.00	11,078,288	6.03
Digital Direct	0	0.00	8,648,162	4.71
Sinolite Limited	0	0.00	8,302,235	4.52
Keith Errey	0	0.00	7,776,865	4.23
Imperial College. FF&P. Gordon House LLP	0	0.00	5,760,641	3.13

11.2 No major holder of Ordinary Shares, either as listed above, or as set out in paragraph 12 of this Part 6, has voting rights different from other holders of Ordinary Shares.

## 12. Directors and Proposed Director

12.1 The interests of the Directors and Proposed Director, their immediate families and persons connected with them, within the meaning of sections 324 and 328 CA 1985, in the share capital of the Company at the date of this document, all of which are beneficial, and following the Placing, are:

Name	Existing Ordinary Shares	Percentage of current ordinary share capital	Ordinary Shares on Admission	Percentage of ordinary share capital on Admission
Richard Rose	1,200,000	2.99	1,200,000	0.65
Serge Grisard	800,000	2.00	800,000	0.44
Graham Porter	800,000	2.00	800,000	0.44
Patrick Stephansen	0	0.00	0	0.00
Professor Toumazou	0	0.00	10,945,217	5.96

12.2 On Patrick Stephansen's appointment to the Board on 28 April 2005, he was granted options over 1,000,000 Ordinary Shares, exercisable, in respect of the first 500,000 options, at an exercise price of 10p per share and, in respect of the balance, at 25p per share. The options do not vest until the two year anniversary of the date of grant and lapse on the 10 year anniversary.

12.3 As at the date of this document, the Proposed Director and Keith Errey and Alison Burdett, both Sellers who are also members of the senior management of Toumaz, hold options over shares in Toumaz and have agreed, conditional on Completion, to replace these options with options over Ordinary Shares as follows:

Option holder	Number of options in Toumaz	Number of Ordinary Shares on replacement	Exercise price	Vesting date(s)	Performance criteria
Professor Toumazou	5,846	1,683,835	6.9p	31/05/06	None
Keith Errey	4,154	1,196,485	6.9p	31/05/06	None
Alison Burdett	10,000	2,880,320	3.6p & 5.2p	31/01/06 & 03/03/08	Yes

12.4 Except as disclosed in paragraphs 12.1 to 12.3, none of the Directors or Proposed Director, nor any member of their respective immediate families, nor any person connected with them within the meaning of section 346 CA 1985, is interested in the share capital of the Company, or in any related financial products referenced to the Ordinary Shares.

12.5 There are no outstanding loans granted by any member of the Enlarged Group to any Director or Proposed Director, nor has any guarantee been provided by any member of the Enlarged Group for their benefit.

- 12.6 The Company has entered into the following letters of appointment:
- 12.6.1 a letter of appointment with Richard Rose dated 14 March 2005, conditional upon Admission, pursuant to which Mr Rose was appointed as non-executive chairman of the Company for an annual fee of £10,000, payable quarterly in arrears. The appointment is for six months and is then terminable on three months' notice on either side. No compensation is payable for loss of office and the appointment may be terminated immediately if, among other things, Mr Rose is in material breach of the terms of the appointment;
  - 12.6.2 a letter agreement with Electro Switch Limited dated 14 March 2005 for the services of Mr Rose as non-executive chairman of the company for an annual fee of £5,000, payable quarterly in arrears. The agreement will terminate simultaneously on Mr Rose ceasing to act as chairman of the Company;
  - 12.6.3 a letter of appointment with Serge Grisard dated 14 March 2005, conditional upon Admission, pursuant to which Mr Grisard was appointed as an executive director of the Company for an annual fee of £15,000, payable quarterly in arrears. The appointment is for six months and is then terminable on three months' notice on either side. No compensation is payable for loss of office and the appointment may be terminated immediately if, among other things, Mr Grisard is in material breach of the terms of the appointment;
  - 12.6.4 a letter of appointment with Graham Porter dated 14 March 2005, conditional upon Admission, pursuant to which Mr Porter was appointed as a non-executive director of the Company for an annual fee of £10,000, payable quarterly in arrears. The appointment is for six months and is then terminable on three months' notice on either side. No compensation is payable for loss of office and the appointment may be terminated immediately if, among other things, Mr Porter is in material breach of the terms of the appointment; and
  - 12.6.5 a letter of appointment with Patrick Stephansen dated 28 April 2005, pursuant to which Mr Stephansen was appointed as an executive director of the Company for an annual fee of £15,000, rising to £20,000 per annum on completion of the investment in AppliedSensor, payable quarterly in arrears. The appointment is for six months and is then terminable on three months' notice on either side. No compensation is payable for loss of office and the appointment may be terminated immediately if, among other things, Mr Stephansen is in material breach of the terms of the appointment.
- 12.7 Conditional on Completion the Company will vary the terms of:
- 12.7.1 the above letter of appointment with Richard Rose to increase the annual fee he receives for his services as Non-executive Chairman to £25,000 per annum; and
  - 12.7.2 the above letter of appointment with Patrick Stephansen to increase the annual fee he receives for his services as an Executive director to £30,000 per annum.
- 12.8 On Completion the Company will enter into a letter of appointment with Professor Toumazou in respect of his appointment as a Non-Executive Director. The draft terms of this letter provide for an annual fee of £15,000, payable quarterly in arrears. The appointment will be for an initial period of six months and will then be terminable on three months' notice on either side. No compensation will be payable for loss of office and the appointment may be terminated immediately if, among other things, Professor Toumazou is in material breach of the terms of the appointment.
- 12.9 Professor Toumazou is employed by Toumaz under the terms of an executive service agreement dated 26 August 2001. This agreement will be varied on Completion so that the notice provisions are extended to 12 months and the annual remuneration is increased to £75,000. The main provisions of the current agreement are:
- 12.9.1 the executive is appointed as Toumaz's Chief Technical Officer for an annual salary of £65,000;
  - 12.9.2 there is a three month notice requirement except if the executive ceases to be a director of Toumaz in which case the employment will cease with immediate effect;
  - 12.9.3 all inventions must be promptly disclosed and all IP rights created are assigned to Toumaz. Confidentiality obligations continue following the termination of employment;
  - 12.9.4 on termination of the employment or during any period of garden leave or if the executive ceases to be a director of Toumaz the executive must, if so required, resign without compensation from his office of director of Toumaz and transfer any shares held by him in accordance with any agreement by which he is bound; and
  - 12.9.5 non-compete, non-solicitation and other restrictive covenants are binding on the executive for the period of six months following termination of employment.

- 12.10 Serge Grisard will be appointed to the board of directors of Toumaz on Completion. Serge is currently acting as a consultant to Toumaz pursuant the terms of a consultancy agreement between Toumaz and Astrolabe Consulting s.à.r.l dated 10 October 2005. Astrolabe Consulting s.à.r.l is contracted to provide strategic and business advice and assistance to Toumaz on the basis of a fifteen working day month in consideration for a monthly fee of approximately £10,000. This fee has accrued since the date of the agreement but is not payable until Completion. The agreement will terminate on 31 December 2005 unless terminated earlier in accordance with its terms.
- 12.11 The aggregate remuneration paid and benefits in kind granted to the Directors for the period from incorporation to Admission, under the arrangements in force at the date of this document, amount to £32,247. It is estimated that the aggregate remuneration payable to the Directors and Proposed Director from the date of Admission to 31 December 2005 under arrangements that are in force and that will come into effect on Completion will amount to £15,833.
- 12.12 Except as set out above, there are no liquidated damages or other compensation payable by the Company upon early termination of the Directors' or Proposed Director's contracts. None of the Directors or Proposed Director has any commission or profit sharing arrangements with the Company.
- 12.13 Except as provided for in paragraphs 12.7 and 12.10 above, the total emoluments of the Directors and Proposed Director will not be varied as a result of the Proposals.
- 12.14 Except as disclosed in this paragraph 12, there are no existing or proposed service contracts between the Company and any of the Directors or Proposed Director which are not terminable on less than 12 months notice, nor have any of their letters of appointment or service contracts been amended in the six months prior to the date of this document.
- 12.15 In addition to their directorships of the Company, the Directors and Proposed Director are or have been, members of the administrative, management or supervisory bodies or partners of the following companies or partnerships (which unless otherwise stated are incorporated in the UK) within the five years prior to the publication of this document:

**Richard Rose**

<b>Current</b>	A.C. Electrical Holdings Plc A.C. Electrical Wholesale Plc	Electro Switch Limited Kiotech International plc Whittard of Chelsea Plc
<b>Past</b>	Blackstone Holdings Limited Hagemeyer (UK) Limited J & N Wade Limited	Nyquist Electrical Components Limited Runcorn Distribution Centre Limited WF Electrical Plc

**Serge Grisard**

<b>Current</b>	None
<b>Past</b>	CAGECO S.A., Belgium

**Graham Porter**

<b>Current</b>	Corvus Capital Inc., BVI Futuras Limited, Dubai G.L. Porter Limited Global Gaming Technologies plc	Global Structured Finance Inc., Cayman Islands GTC Independent Brokers Limited Tambelan Company Limited, BVI
<b>Past</b>	Fedmet Limited, Guernsey	

**Patrick Stephansen**

<b>Current</b>	Anchor Capital Advisors (UK) Ltd. Ascot Fine Wine Fund (Cayman Islands)	Toumaz Technology Limited
<b>Past</b>	Ascot Wine Management SA (Bahamas) Glastad Capital (UK) Limited Glastad Invest AS (Norway) Image Metrics Limited Mega Pacific International Limited Mega Pacific Limited Mosvold (U.K.) Limited Mosvold Bulk Chartering Ltd.	Mosvold Bulk Management Limited Seabulk Services Limited TARMS UK Ltd Teknoinvest Management AS (Norway) Texon International Limited (Hong Kong) Transalpine Capital Limited Yes TV Public Limited Company Zenith Enterprises Inc (Bermuda)

**Professor Christofer Toumazou**

<b>Current</b>	Bio-Life Technology Limited Bio-Nano Sensium Technologies Limited Cardioassist Limited	DNA Electronics Limited LTP Electronics Limited Toumaz Technology Limited
<b>Past</b>	Lambda Technology Limited	Oxtek Limited

- 12.16 No Director or Proposed Director has in the past five years:
- 12.16.1 any convictions in relation to fraudulent offences or unspent convictions in relation to indictable offences;
  - 12.16.2 had a bankruptcy order made against him or entered into an individual voluntary arrangement;
  - 12.16.3 been a director of any company or been a member of the administrative, management or supervisory body of an issuer or a senior manager of an issuer which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or which entered into any composition or arrangement with its creditors generally or any class of its creditors whilst he was acting in that capacity for that company or within the 12 months after he ceased to be so acting;
  - 12.16.4 been a partner in any partnership placed into compulsory liquidation, administration or partnership voluntary arrangement where such director was a partner at the time of or within the 12 months preceding such event;
  - 12.16.5 been subject to the receivership of any asset of such director or of a partnership of which the director was a partner at the time of or within 12 months preceding such event; or
  - 12.16.6 been subject to any official public criticisms by any statutory or regulatory authority (including designated professional bodies) nor has he been disqualified by a court from acting as a director of a company or from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.
- 12.17 No Director or Proposed Director has been interested in any transaction with the Company which was unusual in its nature or conditions or significant to the business of the Company during the current financial year which remains outstanding or unperformed.
- 12.18 In the case of those Directors who have roles as directors of companies which are not a part of the Enlarged Group, although there are no current conflicts of interest, it is possible that the fiduciary duties owed by those directors to companies of which they are directors from time to time may give rise to conflicts of interest with the duties owed to the Enlarged Group. In the case of the Proposed Director, a conflict of interest may arise by virtue of his employment with Imperial College. Except as mentioned above, there are no potential conflicts of interest between the duties owed by the Directors and Proposed Director to the Company and their private duties or duties to third parties.
- 12.19 Except for the Directors and Proposed Director, the Board does not believe that there are any other senior managers who are relevant in establishing that the Company has the appropriate expertise and experience for the management of the Company's business.

### **13. EMI Scheme**

On Completion the Company will grant replacement options to those current optionholders in Toumaz who wish to avail themselves of this opportunity on the tax efficient terms permitted by the EMI Scheme. The rules of the EMI Scheme which will apply to these replacement options may be summarised as follows:

#### *Grant of options*

- 13.1 Grant of an option may be renounced by the grantee within 30 days. No option can be transferred, assigned or charged. No amount is payable on grant of an option.

#### *Subscription price*

- 13.2 The price per share to be paid on exercise of an option will be the market value as agreed with the Share Valuation Division of HM Revenue & Customs at the time of the grant of the replacement option and as detailed in the replacement option certificate.

#### *Exercise of options*

- 13.3 Options may be exercised in whole or part in accordance with the rules and any objective exercise conditions imposed by the Company. Earlier exercise is permitted notwithstanding that performance conditions have not been met in the event of death of the optionholder (where exercise is permitted by his personal representatives for 12 months) or earlier if determined by the Company. For persons who leave the employment of the Enlarged Group by reason of injury, disability, redundancy or retirement, options may be exercised up to 30 months after their leaving date to the extent that they have vested.
- 13.4 Where the grantee becomes bankrupt or otherwise deprived of legal or beneficial ownership of the option, the option will lapse.

### *Takeovers*

13.5 The grantee will be notified of any bid and may exercise any options that have vested within six months of an offer becoming unconditional, after which period the option will lapse. The grantee may make an agreement with an acquiring company to release his rights in exchange for a new option whereby the market value of the shares at the date of grant is the same as for the shares under the old option and shall be treated as having been granted at the date of the old option.

### *Liquidation*

13.6 The Board must immediately notify the grantee and options may be exercised to the extent they have vested in the period between the date on which notice is given and the passing of any resolution for the winding-up of the Company. The shares will be deemed to have been issued prior to the passing of such a resolution.

### *Adjustment of options*

13.7 In the event of a reorganisation of the Company, the number of shares subject to option and the exercise price may be adjusted as the Company may determine and may be confirmed to be reasonable by the Company's auditors and approved by HM Revenue & Customs. This may be retrospective if relevant to an already exercised option.

### *Costs*

13.8 Costs of administration of the scheme are to be borne by the Company.

### *Termination*

13.9 If the EMI Scheme is terminated the existing options will remain in full force. The EMI Scheme is not intended to form any contract of employment and individuals who participate will not have any rights to damages for any loss, or potential loss of benefit, in the event of termination of office.

## **14. Material contracts**

14.1 The following material contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company in the period since incorporation or are other contracts that contain provisions under which the Company has an obligation or entitlement which is material to the Company as at the date of this document.

14.1.1 On 14 March 2005 the Company entered into a consultancy agreement with Kitwell Consultants Limited for the provision of the consultancy services of Michael Hirschfield in relation to Admission and the first Investment of the Company. Under the terms of the agreement, the Company agreed to pay a fee to Kitwell Consultants Limited of £5,000 on its initial admission and £10,000 on completion by the Company of its first Investment.

14.1.2 On 14 March 2005 the Company entered into a consultancy agreement with CVS Management Limited for the provision of consultancy services in relation to admission to AIM and the Company's investment strategy. Under the terms of the agreement, the Company paid a fee to CVS Management Limited of £5,000 on admission to AIM, in addition to a monthly ongoing fee of £500 for certain basic administrative services.

14.1.3 On 14 March 2005 the Company entered into an engagement letter with Kitwell Consultants Limited in relation to Kitwell Consultants Limited carrying out company secretarial and administrative services for the Company. Under the terms of the letter, the Company will pay a monthly fee to Kitwell Consultants Limited of £1,000.

14.1.4 Pursuant to an instrument adopted by the Company on 14 March 2005, the Company granted Strand Associates Limited a warrant, to subscribe for Ordinary Shares. The principal terms of the Strand Warrant are as follows:

14.1.4.1 Strand Associates Limited will be entitled to subscribe at a price of 10p per share for such number of new Ordinary Shares as are equivalent (on a fully-diluted basis) to the lower of one per cent. of the issued ordinary share capital of the Company at the time of exercise or a maximum of 1,000,000 Ordinary Shares;

14.1.4.2 the warrant may be exercised at any time during the period of five years from the date of admission to AIM;

14.1.4.3 Ordinary Shares issued on the exercise of the Strand Warrant will rank for dividends or other distributions declared, made or paid by the Company after the date of exercise, but not before such date, and otherwise equally in all respects with the Ordinary Shares in issue on the date of such exercise;

- 14.1.4.4 the number of Ordinary Shares issued on exercise of the Strand Warrant and the subscription price will be adjusted upon a capitalisation of reserves, a rights issue or on a sub-division or consolidation of share capital; and
- 14.1.4.5 if a takeover offer is made to all holders of Ordinary Shares, the Company will use its reasonable endeavours to procure a comparable offer to Strand Associates Limited.
- 14.1.5 On 14 March 2005, the Company and Walker Crips Stockbrokers Limited ("Walker Crips") entered into a broker agreement. This agreement has since been terminated.
- 14.1.6 Agreements dated 16 March 2005 in which the Directors, David Newton and Corvus Capital Inc. agreed with the Company, Strand Partners and the Company's broker from time to time not to dispose of any interest in the shares in the capital of the Company for a period of 12 months from the date of admission to AIM, except, amongst others, in the case of an intervening court order or a takeover offer relating to the Company's share capital becoming or being declared unconditional. The parties have also agreed that during a period of 12 months after the expiry of the above period, they will only sell or dispose of any shares in the Company with the consent of the Company's broker and nominated adviser from time to time.
- 14.1.7 Agreements dated 16 March 2005 in which each of the Founder Shareholders (apart from the Directors, David Newton and Corvus Capital Inc.) agreed that, for the period of one year from the date of admission to AIM, they would only dispose of their Ordinary Shares with the consent of the Company's broker and, to the extent relevant, nominated adviser from time to time.
- 14.1.8 By a letter dated 16 March 2005, the Company agreed to pay to Penkenna Limited, a company incorporated in the British Virgin Islands, a commission of one per cent. of the gross proceeds of the placing (at the time of the Company's admission to AIM in March 2005) and second stage fundraising in respect of the procurement by Penkenna Limited of subscribers at each stage.
- 14.1.9 On 16 March 2005, the Company and Strand Partners entered into a nominated adviser agreement. Under this agreement Strand Partners will receive an annual retainer £25,000. The Company agreed to comply with its legal obligations and those of AIM and the London Stock Exchange and to consult and discuss with Strand Partners all of its announcements and statements and to provide Strand Partners with any information which Strand Partners believes is necessary to enable it to carry out its obligations to the Company or the London Stock Exchange as nominated adviser.
- 14.1.10 On 16 March 2005, an introduction agreement was entered into between the Company (1), the Independent Directors (2) and Strand Partners (3), pursuant to which, coupled with an engagement letter and nominated adviser agreement, Strand Partners was appointed as nominated adviser to the Company. Strand Partners received a fee of £40,000, of which £20,000 was satisfied in cash and £20,000 by the issue of shares at 5p per share in consideration of its services in connection with admission to AIM in March 2005. The introduction agreement contained certain warranties and an indemnity from the Company and the Independent Directors in favour of Strand Partners.
- 14.1.11 On 16 March 2005 the Company, the Directors and Walker Crips entered into a placing agreement under which Walker Crips agreed to act as the Company's placing agent to procure subscribers for the Ordinary Shares at 5p per share. On completion of the placing Walker Crips received a commission of £25,000. The agreement contained certain warranties and an indemnity by the Company and the Directors in favour of Walker Crips.
- 14.1.12 On 7 July 2005, the Company and Strand Partners entered into an engagement letter in consideration of its services in connection with Admission and the transactions contemplated by this document pursuant to which Strand Partners will receive a fee of £100,000.
- 14.1.13 A conditional agreement dated 10 October 2005 between the Company and the Sellers pursuant to which the Company has agreed to acquire the entire issued share capital of Toumaz through the issue and allotment of the Acquisition Shares, further detail of which is set out in Part 1 of this document.
- 14.1.14 On 10 October 2005, the Placing Agreement was entered into between the Company (1), the Directors (2), the Proposed Director (3) Strand Partners (4) and Teather & Greenwood (5), pursuant to which Teather & Greenwood agreed to act as the Company's placing agent and to use all its reasonable endeavours to procure subscribers for the Placing Shares at 15p per share. The Placing Agreement provides that, conditional upon completion of the Placing, Teather & Greenwood will be paid a commission of four per cent. for all Placing Shares placed through

its endeavours and of one per cent. for any Placing Shares placed by the Company. The Company has agreed to pay all other costs and expenses relating to the Placing and the application for Admission. The Placing Agreement is conditional upon, amongst other things, Admission having occurred and applications having been received from persons in respect of all the Placing Shares on or before 17 November 2005. The Placing Agreement contains certain warranties and an indemnity by the Company, the Directors and Proposed Director in favour of Teather & Greenwood and Strand Partners. It also contains provisions entitling Teather & Greenwood and Strand Partners to terminate the agreement prior to the completion of the Placing in the event of, amongst others, a breach of any of the warranties or on the occurrence of an event fundamentally and adversely affecting the position of the Company.

- 14.1.15 In addition to the covenants contained in the Acquisition Agreement, undertakings from each of Glastad, the Directors and Proposed Director, Keith Errey and Dr Alision Burdett pursuant to which they have agreed with the Company, Strand Partners and Teather & Greenwood, not to dispose of any of the shares they acquire pursuant to the Acquisition in the capital of the Company for a period of one year from the date of completion of the Acquisition, other than in the event of an intervening court order or receipt of a takeover offer relating to the Company's share capital from an unconnected third party offeror. They have also agreed that for a further period of 12 months, they will only dispose of their Ordinary Shares with the consent of Teather & Greenwood and Strand Partners or the Company's broker or nominated adviser from time to time.
- 14.1.16 Irrevocable undertakings in favour of the Company relating to in aggregate 20,400,000 Existing Ordinary Shares representing 50.88 per cent. of the current issued share capital of the Company in which shareholders have irrevocably undertaken to vote in favour of all of the resolutions at the EGM.
- 14.1.17 By an agreement dated 10 October 2005 the Company agreed to pay to Professor Toumazou, the Proposed Director and one of the Sellers, conditional on Completion, a fee of £25,000 in respect of the procurement by Professor Toumazou of subscribers to the Placing.
- 14.1.18 By an agreement dated 10 October 2005 the Company agreed to pay to David Newton, a substantial Shareholder and one of the Sellers, conditional on Completion, a fee of £25,000 in respect of the procurement by David Newton of subscribers to the Placing.
- 14.2 The following material contracts (not being contracts entered into in the ordinary course of business) have been entered into by Toumaz in the two years preceding the date of this document or are other contracts that contain provisions under which Toumaz has an obligation or entitlement which is material to Toumaz as at the date of this document.
- 14.2.1 *The IP Option Agreement.* This agreement granted Toumaz the option over any intellectual property which arose from research and development activities that included work in the field of wireless communications and low power circuit design undertaken by the research group in Professor Toumazou's laboratory in electrical and electronic risk engineering at Imperial College. The resulting intellectual property which arose during the life of the agreement first belonged to Imperial College. Imperial College would subsequently assign such resulting intellectual property to IC Innovations. Only one royalty was payable to IC Innovations with respect to any particular product or component regardless of the number of patents within the resulting intellectual property included. Where Toumaz acquired or licenced any resulting intellectual property, Toumaz would grant Imperial College a non-exclusive royalty free licence to use the relevant resulting intellectual property or know-how for the sole purpose of research and teaching on a non-commercial basis. The agreement terminated on 4 October 2005.
- 14.2.2 *The New IP Option Agreement.* This agreement grants Toumaz the option to, on request, be licensed, on an exclusive basis for the development and commercialisation, with a right to sub-licence, IC Innovations' interest in technology in wireless communications and low power circuit design arising from any invention, know-how or other intellectual property resulting from research work conducted by the research group in Professor Toumazou's laboratory. Such licences will attract a royalty payment to be agreed on a case by case basis. Toumaz will, in return grant IC Innovations and Imperial College a perpetual, non-exclusive, royalty free licence to use any transferred technology for the purposes of non-commercial academic teaching and research. In consideration of the grant of option rights, Toumaz issued to IC Innovations ordinary shares equivalent to approximately four per cent. of Toumaz's equity as at the date of the New IP Option Agreement. Once technology is identified, IC Innovations will be responsible for making the initial patent application at its cost and discretion provided

Toumaz is always kept informed of any applications and material correspondence with examiners. Where Toumaz has exercised an option with respect to such technology, responsibility for pursuing the prosecutions of those patents will lie with IC Innovations and IC Innovations will have the right at its discretion to discontinue prosecution or maintenance of any invention or patent licensed to Toumaz. If any research work is capable of being the subject of a patent application, IC Innovations can file the application or may request Toumaz to do so at its expense. This agreement is effective for three years from 22 July 2005 subject to earlier or later termination. Toumaz has the option to extend the contract period by a further 24 months subject to the agreement of IC Innovations such agreement not to be unreasonably withheld. The parties will review the agreement six months prior to the end of the contract period and discuss renewal. Upon termination all options that have not been exercised prior to termination will automatically lapse. This will not affect the rights and obligations with respect to selected technology where Toumaz has exercised an option prior to termination.

- 14.2.3 A joint venture agreement dated 14 January 2005 relating to Future Waves between Toumaz and Applied Bionics Pte Limited ("Applied Bionics"). This agreement was entered into in connection with the production and sale of RF Tuner products. Toumaz is to provide Future Waves with technical support. Applied Bionics will provide administrative services for the setting up of Future Waves, utilise its knowledge and expertise and establish a network of prospective customers investors and suppliers for the benefit of Future Waves and organise the management of Future Waves and secure such services as Future Waves may require to progress towards being an independent and commercially viable concern. At any shareholders' meeting a quorum of at least two shareholders is required one of whom must be Toumaz and the other Applied Bionics as long as they continue to be a shareholder. There are pre-emption rights on the transfer and issue of new shares. The agreement contains provisions preventing any material change occurring either in respect of the business or constitution of Future Waves without the consent of 75 per cent. of the shareholders. The agreement is governed by the laws of Singapore and subject to the non exclusive jurisdiction of the courts of Singapore.
- 14.2.4 A shareholders agreement dated 24 January 2005 relating to Bio-Nano between (1) Advance Nanotech Limited (2) Toumaz (3) Professor Toumazou and (4) Bio-Nano. The purpose of Bio-Nano is to continue to develop a fully integrated Bio-Nano Biosensor interface with ultra low power wireless transmission for encapsulation in clinical trials as a subcutaneously implantable continuous blood glucose monitor and to exploit commercially such technology. The agreement contains provisions preventing dilution of the interests of the founder shareholders and specifies that no material change may be undertaken either in respect of the business or constitution of Bio-Nano without the consent of 75 per cent. of the shareholders.
- 14.2.5 A convertible term loan agreement dated 20 October 2004, secured over the intellectual property of Toumaz by a legal charge, for a term loan facility of £500,000 from Gennum to Toumaz. The loan carried interest at 20 per cent. per annum. All advances under the agreement together with any accrued interest are to be repaid on 31 October 2005. On 6 October 2005 Gennum agreed to convert all advances under the agreement together with any accrued interest, amounting to £609,366 into a pre-payment against royalties pursuant to a collaboration agreement it has with Toumaz. The charge over the intellectual property of Toumaz was released.
- 14.2.6 A convertible loan note dated 1 July 2005 for £200,000 carrying a coupon of seven per cent. per annum, registered in the name of David Newton for the nominal value of the Note. Under the terms of the note and pursuant to execution of the Acquisition Agreement, David Newton exercised his option to convert the debt into equity in Toumaz and was issued with 10,175 ordinary shares in Toumaz. The obligations of the parties under the note are now extinguished.

## **15. Ownership disclosure**

- 15.1 The Sellers accept responsibility for the information about themselves contained in this document. To the best of their knowledge and belief, having taken all reasonable care to ensure that such is the case, the information about themselves contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 15.2 During the relevant period, none of the Sellers or their immediate families or related trusts and connected persons have dealt for value in the Ordinary Shares.

- 15.3 During the relevant period, the Company, the Directors, their immediate families and persons connected with the Directors have not owned or dealt in any shares in Toumaz or any of the Sellers, nor do they own any shares in Toumaz or any of the Sellers as at the date of this document.
- 15.4 No subsidiary, pension fund or adviser of the Company holds or has dealt in the shares of Toumaz or any of the Sellers.
- 15.5 Except as disclosed in paragraph 12 of this Part 6, none of the Directors or Proposed Director or any member of their immediate families was interested in the Ordinary Shares at the date of this document, nor have they dealt for value in the Ordinary Shares during the relevant period, and no bank, stockbroker, financial or other professional adviser (other than an exempt market maker) to the Company (nor any person controlling, controlled by, or under the same control as such bank, stockbroker, financial or other professional adviser) nor any subsidiary of the Company nor any pension fund of the Company or any of its subsidiaries, nor any person whose investments are managed on a discretionary basis by a fund manager (other than an exempt market maker) which is controlled by, or controls or is under the same control as, the Company or any bank, stockbroker, financial or other professional adviser to the Company, owned or controlled any relevant securities of the Company at the date of this document or dealt for value in the Ordinary Shares during the relevant period.
- 15.6 During the relevant period, dealings for value in the Ordinary Shares by a subsidiary of the Company, a pension fund of the Company or of a subsidiary of the Company or by an associate of the Company (other than in their capacity as exempt market makers) have not taken place.
- 15.7 Except for the Acquisition Agreement and as described in paragraphs 12.7, and 14.1.15 to 14.1.18 of this Part 6, there are no agreements, arrangements or understandings between the Sellers and the Company or their respective directors or shareholders, or any of them, having any connection with or dependence upon the Acquisition.
- 15.8 There are no arrangements in place or envisaged where any of the Sellers will transfer any of their Ordinary Shares to other persons pursuant to the completion of the Acquisition.
- 15.9 The Acquisition is not being financed by any external source of finance. There are therefore no arrangements in place nor are any required for the payment of interest on repayment of security for any liability as a result of the Acquisition. The Acquisition is however conditional on the Placing raising at least £5,000,000 before expenses.
- 15.10 The Sellers have no intention other than to see the continuation of the Company's business and have no plans to introduce any major changes in the Enlarged Group's business. The Company has no employees (since the Directors are self employed consultants) and therefore the Sellers have not been asked to safeguard employment rights.

References in this paragraph 15 to:

- (A) an "associate" are to:
- (1) subsidiaries and associated companies of the Company and companies of which any such subsidiaries or associated companies are associated companies;
  - (2) banks, financial and other professional advisers (including stockbrokers) to the Company or a company covered in paragraph (1) above, including persons controlling, controlled by or under the same control as such banks, financial or other professional advisers;
  - (3) the Directors, and the directors of any company covered in paragraph (1) above (together in each case with their close relatives and related trusts); and
  - (4) the pension funds of the Company or any company covered in paragraph (1) above;
- (B) "bank" does not apply to a bank whose sole relationship with the Company covered in paragraph (A)(1) above is the provision of normal commercial banking services or such activities in connection with the Acquisition as registration work;
- (C) ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status and "control" means a holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights attributable to the share capital of the company which are currently exercisable at a general meeting, irrespective of whether the holding or aggregate holdings give de facto control.
- (D) "connected" means controlled by, controlling or under common control with the Company (with "control" and all derivative words having the meaning given in sub-paragraph (C) above);
- (E) "relevant period" means the period of 12 months preceding the date of this document; and
- (F) "relevant securities" means the Existing Ordinary Shares and securities convertible into, rights to subscribe for, options (including traded options) in respect of and derivatives referenced to the Existing Ordinary Shares.

## **16. Working capital**

Taking into account the net proceeds of the Placing, the Company, the Directors and Proposed Director are of the opinion, having made due and careful enquiry, that the Enlarged Group will have sufficient working capital for its present requirements, that is, for at least 12 months from the date of Admission.

## **17. Litigation**

17.1 The Company is not involved in any governmental, legal or arbitration proceedings which have or, since incorporation, may have had, a significant effect on the Company's financial position or profitability nor, so far as the Directors and Proposed Director are aware, are any such proceedings pending or threatened by or against the Company.

17.2 Toumaz is not currently involved in any governmental, legal or arbitration proceedings which have or, in the 12 months preceding the date of this document, may have had, a significant effect on Toumaz's financial position or profitability nor, so far as the Directors and Proposed Director are aware, are any such proceedings pending or threatened by or against Toumaz.

## **18. Intellectual property**

As disclosed in Part 1 of this document, under the heading "Intellectual Property", the Enlarged Group is and will be dependent on the patents, patent applications and R&D developments described. The Enlarged Group is also dependent on the licences and commercial and financial contracts described in Part 1 of this document and those material contracts described at paragraph 14.2 of this Part 6.

## **19. Premises**

19.1 The Company does not own any premises.

19.2 Toumaz has a leasehold interest in the property at Suite F, Centurion Court, 85 Milton Park, Abingdon, Oxfordshire at second floor level pursuant to a lease dated 9 June 2004 with MEPC Milton Park Limited. The lease is for a term of three years with no break clause and provides for an annual rent of £43,000 per annum rising to £51,726 per annum in 2006.

## **20. Middle market quotations**

The following table lists the closing middle market quotations for Ordinary Shares (as derived from the AIM appendix of the Daily Official List of the London Stock Exchange) for the first dealing day of each of the six months before the date of this document and on the latest date prior to the publication of this document:

Date	Price
1 April 2005	9p
3 May 2005	8.5p
1 June 2005	6.5p
1 July 2005	11.5p
1 August 2005	14.75p
1 September 2005	16.5p
7 October 2005	18p

## **21. Significant changes**

21.1 Except for the execution of the Acquisition Agreement and investment in XRT Limited described in paragraph 4.2.1 of this Part 6, there has been no significant change in the financial or trading position of the Company since 30 June 2005, the date to which the most recent financial information is available.

21.2 Except for the repayment of debt to Genum, the loan agreement with David Newton and its subsequent conversion set out in paragraphs 14.2.5 and 14.2.6 of this Part 6, there has been no significant change in the financial or trading position of Toumaz since 28 February 2005, the date to which the most recent audited financial information is made up.

## **22. General**

22.1 No exceptional factors have influenced the Company's activities.

22.2 Except as disclosed in this document, there have been no significant authorised or contracted capital commitments at the date of publication of this document.

22.3 The expenses of the Acquisition, Admission and Placing inclusive of stamp duty are estimated at £700,000 and are payable by the Company. VAT is not payable by the Company.

- 22.4 The Company has not had any employees since its incorporation.
- 22.5 The Company's audit committee is comprised of Richard Rose (Chairman) and Graham Porter. The audit committee is to meet at least three times a year to consider, amongst others: the integrity of the financial statements of the Company, including its annual and interim accounts; the effectiveness of the Company's internal controls and risk management systems; auditor reports; and terms of appointment and remuneration for the auditor.
- 22.6 The Company's remuneration committee is comprised of Richard Rose (Chairman) and Graham Porter. The remuneration committee is to meet at least biannually and has as its remit the determination and review of, amongst others, the remuneration of executives on the Board and any share incentive plans of the Company.
- 22.7 Except as stated in this document and for the advisers named on page 9 of this document and trade suppliers, no person has received, directly or indirectly, from the Company within the 12 months preceding the date of this document or has entered into any contractual arrangements to receive, directly or indirectly, from the Company on or after Admission, fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price or any other benefit with a value of £10,000 or more at the date of Admission.
- 22.8 Strand Partners has given and not withdrawn its written consent to the issue of this document with references to its name in the form and context in which they appear.
- 22.9 Teather & Greenwood has given and not withdrawn its written consent to the issue of this document with references to its name in the form and context in which they appear.
- 22.10 Fladgate Fielder has given and not withdrawn its written consent to the issue of this document with references to its name and report in the form and context in which they appear.
- 22.11 The reporting accountants, Grant Thornton UK LLP, have given and not withdrawn their written consent to the issue of this document with the inclusion in it of their name in the form and context in which it appears.
- 22.12 Where information contained in this document has been sourced from a third party, the Company confirms that such information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 22.13 The Placing will open at 10.00 a.m. on 10 October 2005 and may be closed any time thereafter but not later than noon on 1 November 2005. Monies received from applicants pursuant to the Placing will be held in accordance with the terms of the Placing Agreement until such time as the Placing Agreement becomes unconditional in all respects. If the minimum amount under the Placing Agreement has not been received by 17 November 2005, application monies will be returned to the placees at their risk without interest.
- 22.14 The Company's accounting reference date is 31 December.
- 22.15 The financial information relating to the Company contained in this document does not comprise statutory accounts for the purposes of section 240 of CA 1985.
- 22.16 The Placing Shares will be issued and allotted under the laws of the Cayman Islands and their currency will be pounds Sterling.
- 22.17 The Placing Price represents a premium of 14.75p above the nominal value of an Ordinary Share which is 0.25p.
- 22.18 It is expected that CREST accounts will be credited as applicable on the date of Admission. The Company's ISIN number is KYG6390E1070. Where Investors have requested to receive their Ordinary Shares in certificated form, temporary documents of title will not be issued and pending despatch of share certificates, share certificates will be despatched by first-class post within 14 days of the date of Admission.
- 22.19 The Ordinary Shares are not, by virtue of the residence of the Company, subject to the provisions of the City Code and as such the rules regarding mandatory takeover offers set out in the City Code do not apply to the Company. Although the Company is not resident within the United Kingdom, the Channel Islands or the Isle of Man and it is therefore not a company to which the City Code applies, the Directors have resolved that the Company will take account of the rules set out in the City Code so far as is possible and practicable and adhere to the general principles contained in the City Code. While the Company will seek to comply with the provisions of the City Code, third parties will not be so obliged, and the Company will not be able to compel them to comply with the City Code.

22.20 The Existing Ordinary Shares are and the Enlarged Share Capital will be, subject to the compulsory acquisition provisions set out in section 88 of the Companies Law of the Cayman Islands (as revised). Under these provisions, where an offeror makes a takeover offer and receives valid acceptances in respect of, or acquires, more than ninety per cent. in value of the shares to which the offer relates, that offeror is entitled to acquire compulsorily those shares which have not been acquired or contracted to be acquired.

### **23. Documents available for inspection**

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the offices of Fladgate Fielder at 25 North Row, London W1K 6DJ for a period of one month from the date of this document:

- 23.1 the memorandum and articles of association of the Company;
- 23.2 the Deed Poll;
- 23.3 the intellectual property report from Fladgate Fielder set out in Part 3 of this document together with Appendices 2 and 3 of this document;
- 23.4 the letter from Grant Thornton UK LLP on the financial information of the Company set out in Part 4 of this document;
- 23.5 the letter from Grant Thornton UK LLP on the pro forma financial information for the Enlarged Group set out in Part 5 of this document;
- 23.6 the existing and proposed service agreements and letters of appointment referred to in paragraphs 12.6 to 12.9 of this Part 6;
- 23.7 the material contracts referred to in paragraph 14 of this Part 6;
- 23.8 the written consents of Strand Partners, Teather & Greenwood, Fladgate Fielder and Grant Thornton UK LLP referred to in paragraphs 22.8 to 22.11 of this Part 6; and
- 23.9 the financial statements on Toumaz set out in Appendix 1 to this document.

### **24. Copies of this document**

Copies of this document will be available to the public free of charge at the offices of Teather & Greenwood Limited at Beaufort House, 15 St. Botolph Street, London EC3A 7QR and at Fladgate Fielder at 25 North Row, London W1K 6DJ during normal business hours on any weekday (other than Saturdays and public holidays), until one month following the date of Admission.

Dated: 10 October 2005

# **APPENDIX 1**

## **FINANCIAL INFORMATION ON TOUMAZ**

The financial information set out below comprises the audited financial statements of Toumaz Technology Limited for the financial years ended 28 February 2003, 29 February 2004 and 28 February 2005.

SECTION A

# Toumaz Technology Limited

**Annual report  
and  
financial statements**

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for the year ended 28 February 2005

# Annual report and financial statements

for the year ended 28 February 2005

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## Directors and advisors

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<b>Directors</b>	K H Errey C Toumazou T Maini (appointed 15 December 2004) A Nilsen R Leaver P Stephansen F Wong M Knight (resigned 25 November 2004) I McWalter G Ganguli (alternate for I McWalter)
<b>Secretary</b>	A Paterson
<b>Registered number</b>	3921089
<b>Registered office</b>	21 Wilson Street London EC2M 2TD
<b>Auditors</b>	PricewaterhouseCoopers LLP Abacus House Castle Park Cambridge CB3 0AN
<b>Bankers</b>	National Westminster Bank 249 Banbury Road Summerton Oxford OX2 7HR

## Directors' report

for the year ended 28 February 2005

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The directors present their report and the audited financial statements for the year ended 28 February 2005.

### Principal activity

The principal activity of the company is the design and development of low power and ultra-low power integrated circuits for use in wireless and signal processing applications. The company maintains strong links to Imperial College London. The company has developed and applied for patents on a novel hybrid semiconductor architecture that uses digital elements to control, monitor and calibrate functional analogue processing blocks to provide substantial power and cost savings for a wide range of devices. The company undertakes the design and development of integrated circuit devices both for external customers and as internally funded projects.

### Review of business and future developments

The loss for the year is £1,612,734 (2004: £734,853 loss). £267,122 (2004: £347,908) was spent on research and development during the year. The fall in research and development spend resulted from the transfer of design engineer resource into customer funded development projects. Significant technical and commercial achievements in the year included:

- completion of the design of the ultra-low power radio transceiver chip, under the contract with Gennum Corporation;
- redefining the market requirements for silicon tuners for DAB and FM radio through customer visits in the APAC region;
- establishment of the joint venture company in Taiwan, Future Waves, to provide a route to market and manufacturing support for silicon tuner products;
- redesign and tape out of an all CMOS DAB and FM single chip silicon tuner and licensing this to Future Waves;
- strategic re-alignment of Toumaz into ultra-low power silicon devices in healthcare markets, with the Sensium as the initial point of focus;
- establishment of joint venture company, Bio-Nano Sensium Technologies Limited (BNST) with Advance Nanotech Inc. The arrangement includes a £2 million contract from BNST to develop a Bio-Nano Sensium; and
- filing of three new patent applications and the granting of two UK patents.

The key development programme within the company involves the integration of a number of ultra-low power technology blocks already developed as components in previous development contracts into the Sensium product family. The Sensium intelligent ultra-low power wireless sensor platform is expected to be widely used in healthcare markets and is planned to be in mass production in early 2007.

### Dividends

The directors do not recommend the payment of a dividend (2004: £Nil).

### Post balance sheet events

At the end of June 2005 the company entered into a loan agreement with Mr David Newton for a £200,000 loan with an option to convert to equity at the next funding round or sale of the entire share capital of the Company. At the same time the Company entered into a non-binding transaction agreement with an AIM listed company in which the AIM listed company would purchase the entire share capital of the Company by way of a reverse take-over. Simultaneously funds would be raised and Toumaz would continue to trade independently as a wholly owned subsidiary. As part of the agreement the parties have contracted to actively take all steps reasonably necessary to close the Transaction and to use best endeavours to enter into definitive formal agreements by 1 September 2005.

## Directors' report

for the year ended 28 February 2005

### Going concern

The company will continue to receive income from customer contracts (in particular stage payments of £285,000 per calendar quarter from Advance Nanotech Inc. for the contract with Bio-Nano Sensium Technologies Ltd). The Board has a high level of confidence that the transaction with the AIM listed company will proceed to a successful conclusion, and therefore that it is appropriate that these financial statements are prepared on the going concern basis.

### Research and development

The company is committed to considerable research and development activities in the areas of its principal activity. All costs are written off to the profit and loss account as they are incurred. £267,122 (2004: £347,908) was expensed in the year.

### Directors

The directors, who served during the year, and their interests in the share capital of the company, are as follows:

	Ordinary shares of £0.01 each	
	At 28 February 2005	At 29 February 2004 or date of appointment, if later
	Number	Number
K H Errey	27,000	27,000
C Toumazou	38,000	38,000
T Maini (appointed 15 December 2004)	–	–
A Nilsen	–	–
R Leaver	–	–
P Stephansen	–	–
F Wong	–	–
M Knight (resigned 25 November 2004)	–	–
I McWalter	–	–
G Ganguli (alternate for I McWalter)	–	–

### Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 28 February 2005 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the board

**C Toumazou**  
Chairman

## **Independent auditors' report** to the members of Toumaz Technology Limited

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We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

### **Basis of audit opinion**

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

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

### **Fundamental uncertainty – going concern**

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation. The financial statements have been prepared on a going concern basis and the validity of this depends on the company successfully obtaining adequate additional funds to continue its activities. The financial statements do not include any adjustments that would result from a failure to secure such funds. Details of the circumstances relating to this fundamental uncertainty are described in Note 1. Our opinion is not qualified in this respect.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 28 February 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

### **PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors  
Cambridge

## Profit and loss account

for the year ended 28 February 2005

	Notes	2005 £	2004 £
<b>Turnover</b>	2	637,615	388,617
Cost of sales		(1,557,711)	(403,755)
<b>Gross loss</b>		(920,096)	(15,138)
Research and development costs		(267,122)	(347,908)
Administrative expenses		(454,323)	(437,651)
<b>Operating loss</b>		(1,641,541)	(800,697)
Interest receivable and similar income		11,494	4,785
Interest payable and similar charges	5	(33,374)	–
<b>Loss on ordinary activities before taxation</b>	6	(1,663,421)	(795,912)
Tax credit on loss on ordinary activities	7	50,687	61,059
<b>Loss for the financial year</b>	14, 15	(1,612,734)	(734,853)

There is no difference between the loss on ordinary activities before taxation and the loss for the year stated above, and their historical cost equivalents.

The company has no recognised gains and losses other than the losses above and therefore no separate statement of total recognised gains and losses has been presented.

All results arise from continuing operations.

**Balance sheet**

as at 28 February 2005

	Notes	2005 £	2004 £
<b>Fixed assets</b>			
Tangible assets	8	105,278	52,098
Investments	9	37,896	1
		<u>143,174</u>	<u>52,099</u>
<b>Current assets</b>			
Debtors	10	202,736	143,301
Cash at bank and in hand		16,396	1,013,254
		<u>219,132</u>	<u>1,156,555</u>
<b>Creditors: amounts falling due within one year</b>	11	(422,170)	(189,117)
Convertible debt falling due within one year	12	(533,333)	–
		<u>(736,371)</u>	<u>967,438</u>
<b>Net current (liabilities)/assets</b>		<u>(517,239)</u>	<u>189,117</u>
<b>Net (liabilities)/assets</b>		<u>(593,197)</u>	<u>1,019,537</u>
<b>Capital and reserves</b>			
Called up share capital	13	3,101	3,101
Share premium account	14	2,762,120	2,762,120
Profit and loss account	14	(3,358,418)	(1,745,684)
		<u>(593,197)</u>	<u>1,019,537</u>
<b>Equity shareholders' (deficit)/funds</b>	15	<u>(593,197)</u>	<u>1,019,537</u>

The financial statements on pages 74 to 82 were approved by the board of directors on 12 August 2005 and were signed on its behalf by:

**K Errey**  
Director

## Notes to the financial statements

for the year ended 28 February 2005

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### 1 Principal accounting policies

The financial statements have been prepared in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom, under the historical cost convention. A summary of the more important accounting policies, which have been reviewed by the Board of Directors in accordance with Financial Reporting Standard ("FRS") 18, "Accounting policies", and which have been applied consistently, is set out below.

#### **Basis of preparing the financial statements – going concern assumption**

The directors estimate that cash held at the date of approval of the financial statements within the company (which includes cash received subsequent to the year end, see Note 19) is not sufficient to continue funding the activities of the company for a further twelve months from that date. Accordingly, the directors currently plan to secure additional funds, by raising further finance and entering into further commercial contracts, which would enable the company to continue its activities for the foreseeable future. There is uncertainty over the amount of funds which would be obtained and whether they would be received within the expected timescale. However, the directors believe that the company will be able to obtain such additional funds and therefore that it is appropriate that these financial statements are prepared on the going concern basis. This basis of preparation assumes that the company will continue in operational existence for the foreseeable future, the validity of which depends on Toumaz Technology Limited being able to obtain adequate additional funds to continue its activities.

If the company were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to revise the balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise, and to reclassify fixed assets as current assets.

#### **Cash flow statement**

The company has taken advantage of the exemption available to small companies under FRS 1 (Revised), "Cash Flow Statements", not to prepare a cash flow statement.

#### **Turnover**

The company follows the principles of FRS 5, "Reporting the substance of transactions" Application Note G in determining appropriate revenue recognition policies. In principle, therefore, revenue is recognised to the extent that the company has obtained the right to consideration through its performance.

Turnover (excluding value added tax) comprises revenue arising from development contracts. Development contracts are designed to meet the specific requirements of each customer. Revenue on such contracts is recognised on a percentage to completion basis over the period from signing the agreement to customer acceptance that the contract deliverables have been fulfilled.

Where invoicing milestones on development contracts are such that the proportion of work performed is greater than the proportion of the total contract value, the company evaluates whether it has obtained, through its performance to date, the right to the uninvoiced consideration and therefore whether revenue should be recognised.

#### **Tangible fixed assets**

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Leasehold improvements	33.3%
Computer equipment	33.3%
Fixtures and fittings	25.0%

#### **Intangible fixed assets**

The costs of acquiring intellectual property, patents and know-how are written off to the profit and loss account in the year in which they are incurred.

## Notes to the financial statements

for the year ended 28 February 2005

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### 1 Principal accounting policies (continued)

#### Fixed asset investments

Fixed asset investments are recorded at cost, less any provision for impairment.

#### Deferred taxation

The company has adopted FRS 19, "Deferred tax", which, in general, requires provision to be made in respect of all material timing differences. Deferred tax assets are recognised to the extent that they are regarded as recoverable. Deferred tax assets and liabilities are not discounted.

#### Consolidation

The company has taken the exemption available to small groups under section 248 of the Companies Act 1985 not to prepare consolidated financial statements. Accordingly, these financial statements present information about the company only.

#### Pension scheme arrangements

The company operates a defined contribution pension scheme. Entrants into this scheme are entitled to have a percentage, based on their basic salary, paid into the scheme for their benefit by the company. These contributions are charged to the profit and loss account in respect of the accounting period in which they become payable.

#### Research and development expenditure

All research and development expenditure is charged to the profit and loss account in the year in which it is incurred.

#### Government grants

Grants related to revenue expenditure are credited to the profit and loss account when they become receivable.

#### Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

#### Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at this date.

#### Share options

In accordance with the provisions of Urgent Issues Task Force Abstract 17 ("Employee Share Schemes"), the company makes charges to the profit and loss account when options are granted, the charge being the estimated market value of the shares at the date of grant less the exercise price of the options. The charge is then credited back to reserves.

### 2 Turnover

All turnover is attributable to the company's principal activity, and all of the company's turnover relates to sales made in the United Kingdom.

### 3 Directors' emoluments

	2005 £	2004 £
Aggregate emoluments	118,430	119,820

Retirement benefits are accruing to one (2004: one) director under a defined contribution scheme.

## Notes to the financial statements

for the year ended 28 February 2005

### 4 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2005 Number	2004 Number
<b>By activity:</b>		
Research and development	3	5
Operations	16	6
Administration	2	2
	21	13
	2005 £	2004 £
<b>Staff costs (for the above persons):</b>		
Wages and salaries	1,042,824	569,425
Social security costs	120,859	64,669
Other pension costs	16,431	6,582
	1,180,114	640,676

### 5 Interest payable and similar charges

	2005 £	2004 £
Interest payable on convertible loan	(33,333)	–
Interest payable on bank loans and overdrafts	(41)	–
	(33,374)	–

### 6 Loss on ordinary activities before taxation

	2005 £	2004 £
Loss on ordinary activities before taxation is stated after charging:		
Auditors' remuneration:		
– audit services	10,000	7,500
– non-audit services: tax compliance	3,000	4,450
Depreciation charge for the year on tangible owned fixed assets	57,481	20,738
Operating lease charges – land and buildings	41,334	24,904
	41,334	24,904

### 7 Taxation

	2005 £	2004 £
United Kingdom research and development tax credit at 16% (2004: 16%):		
Current year	50,687	59,533
Under provision for tax credit in respect of prior years	–	1,526
	50,687	61,059

No corporation tax liability arises on the results for the year due to the loss incurred. A tax credit has arisen as a result of tax losses being surrendered in respect of research and development expenditure in respect of the current and prior year.

At 28 February 2005, there were tax losses available for carry forward of approximately £2,539,000 (2004: £1,265,000) subject to agreement with the Inland Revenue.

## Notes to the financial statements

for the year ended 28 February 2005

### 7 Taxation (continued)

The research and development tax credit for the year is different from the loss before tax at the standard rate for research and development tax credits in the UK of 16%. The differences are explained below.

	2005 £	2004 £
Loss on ordinary activities before tax	1,663,421	795,912
Loss on ordinary activities multiplied by the research and development tax credit rate of 16% (2004: 16%)	266,147	127,346
Effects of:		
Expenses not deductible for tax purposes	14,984	19,403
Difference between capital allowances and depreciation	9,221	2,380
Carry forward losses	(239,665)	(89,596)
<b>Current tax credit for the period</b>	<b>50,687</b>	<b>59,533</b>

### Deferred taxation

	Amount provided		Amount unprovided	
	2005 £	2004 £	2005 £	2004 £
Tax effect of timing differences because of:				
Excess of capital allowances over depreciation	17,725	7,187	–	–
Losses carried forward	(17,725)	(7,187)	504,333	232,265
	–	–	504,333	232,265

Deferred tax assets have not been recognised as the directors consider that this would be inappropriate as the company is not expected to make sufficient profits in the foreseeable future to utilise the deferred tax assets.

### 8 Tangible fixed assets

	Leasehold improvements £	Computer equipment £	Fixtures and fittings £	Total £
<b>Cost</b>				
At 1 March 2004	–	76,865	8,266	85,131
Additions	54,662	43,763	13,941	112,366
Disposals	–	(5,166)	(5,540)	(10,706)
<b>At 28 February 2005</b>	54,662	115,462	16,667	186,791
<b>Depreciation</b>				
At 1 March 2004	–	29,757	3,276	33,033
Charge for the year	15,594	35,364	6,523	57,481
Disposals	–	(4,797)	(4,204)	(9,001)
<b>At 28 February 2005</b>	15,594	60,324	5,595	81,513
<b>Net book value</b>				
<b>At 28 February 2005</b>	39,068	55,138	11,072	105,278
At 29 February 2004	–	47,108	4,990	52,098

## Notes to the financial statements

for the year ended 28 February 2005

### 9 Fixed asset investments

	Shares in group undertakings £	Participating interests £
<b>Cost and net book value:</b>		
At 1 March 2004	1	–
Additions during the year	–	37,896
Amounts written off during the year	(1)	–
<b>At 28 February 2005</b>	–	37,896

#### Interests in group undertakings and participating interests

Full particulars of interests in group undertakings, joint ventures, and associates are given below:

Name of undertaking	Country of incorporation	Description of shares held	Proportion of voting rights and nominal value of issued shares held
<b>Group undertakings</b>			
Toumaz Telecom Limited	England and Wales	Ordinary £1 shares	100%
<b>Participating interests</b>			
Future Waves PTE Limited	Singapore	Ordinary Singaporean \$0.10 shares	50%
Bio-Nano Sensium Technologies Limited	England and Wales	Ordinary £0.10 shares	35%

Toumaz Telecom Limited is a dormant company that has never traded and was wound up during the year. The principal activity of Future Waves PTE Limited is the development, manufacture and sale of RF Tuner Products. Future Waves PTE Limited has a 31 July period end. The principal activity of Bio-Nano Sensium Technologies Limited is the development of a fully integrated bio-nano biosensor interface. Bio-Nano Sensium Technologies Limited has a 31 December period end.

### 10 Debtors

	2005 £	2004 £
<b>Amounts falling due within one year:</b>		
Trade debtors	133,920	37,475
Corporation tax recoverable	50,687	59,533
Prepayments and accrued income	17,179	21,730
Other debtors	–	23,613
Called up share capital, not paid	950	950
	202,736	143,301

### 11 Creditors: amounts falling due within one year

	2005 £	2004 £
Trade creditors	163,839	113,510
Other taxation and social security	43,021	44,810
Other creditors	9,935	650
Accruals and deferred income	205,375	30,147
	422,170	189,117

## Notes to the financial statements

for the year ended 28 February 2005

<b>12 Convertible loan falling due within one year</b>	2005 £	2004 £
Convertible loan note	533,333	–

On 28 October 2004, the company entered into a £500,000 loan agreement with Genum Corporation. The loan bears interest at a fixed rate of 20% per annum. The full amount of the loan, including rolled-up interest, is repayable on 31 October 2005. The loan agreement allows Genum Corporation to convert the loan amount into £0.01 ordinary shares of the company at maturity date, the conversion price being the equivalent of the most recent funding round price.

In addition, a legal charge over certain of the company's intellectual property has been secured against the loan amount.

<b>13 Called up share capital</b>	2005 £	2004 £
<b>Authorised</b>		
1,000,000 ordinary shares £0.01 each	10,000	10,000
<b>Allotted, called up and not paid</b>		
95,000 ordinary shares of £0.01 each	950	950
<b>Allotted, called up and fully paid</b>		
215,137 ordinary shares of £0.01 each	2,151	2,151
	3,101	3,101

On 4 March 2003, 25,221 £0.01 ordinary shares were issued for cash consideration, before issue expenses, of £262,500.

On 28 April 2003, 28,824 £0.01 ordinary shares were issued for cash consideration, before issue expenses, of £300,000.

On 28 February 2004, 38,462 £0.01 ordinary shares were issued for cash consideration, before issue expenses, of £1,000,012.

### Options over the share capital of Toumaz Technology Limited

The company operates an EMI share option plan.

Options have been granted to employees over the following number of £0.01 ordinary shares:

Date granted	Exercise price £	Period when exercisable	Number of shares
13 January 2003	10.41	13 January 2005 to 12 January 2013	10,500
26 September 2003	10.41	26 September 2005 to 25 September 2013	3,500
<b>Total</b>			14,000

<b>14 Reserves</b>	Share premium account £	Profit and loss account £
At 1 March 2004	2,762,120	(1,745,684)
Loss for the financial year	–	(1,612,734)
<b>At 28 February 2005</b>	2,762,120	(3,358,418)

## Notes to the financial statements

for the year ended 28 February 2005

### 15 Reconciliation of movements in shareholders' (deficit)/funds

	2005 £	2004 £
Opening shareholders' funds	1,019,537	199,479
Loss for the financial year	(1,612,734)	(734,853)
Net proceeds of issue of ordinary share capital	–	1,554,911
<b>Closing shareholders' (deficit)/funds</b>	<b>(593,197)</b>	<b>1,019,537</b>

### 16 Financial commitments

At 28 February 2005, the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2005 £	Land and buildings 2004 £
Expiring between one and two years inclusive	47,521	2,500

### 17 Pension commitments

The company operates a defined contribution pension scheme which is open to all UK based employees.

The pension charge for the year was £16,431 (2004: £6,582). At 28 February 2005 contributions totalling £3,804 (2004: £523) were payable to these arrangements.

### 18 Related party disclosures

Imperial College and its technology transfer company, Imperial College Innovations Limited, are related parties by virtue of their significant shareholdings in Toumaz Technology Limited. During the year a total of £3,500 (2004: £32,150) was payable to Imperial College in respect of the recharge of costs incurred. No amounts were outstanding as at 28 February 2005 (2004: £Nil).

Genum Corporation is a related party by virtue of its shareholding in Toumaz Technology Limited. During the year, the company received development fees of £372,600 (2004: £13,241) from Genum Corporation. Amounts owed by Genum Corporation at 28 February 2005 were £111,370 (2004: £Nil). Also during the year, the company entered into a convertible loan note agreement with Genum Corporation, as part of which the company received £500,000 in cash (see note 12 for details). Amounts owed to Genum Corporation at 28 February 2005 amounted to £533,333 (2004: £Nil).

Bio-Nano Sensium Technologies Limited ("BNST") is considered a related party by virtue of Toumaz Technology Limited's 35% shareholding in BNST. During the year, the company received development fees of £285,714 (2004: £Nil) from BNST. Amounts owed by BNST at 28 February 2005 were £Nil (2004: £Nil).

### 19 Post balance sheet events

At the end of June 2005 the company entered into a loan agreement with Mr David Newton for a £200,000 loan with an option to convert to equity at the next funding round or sale of the entire share capital of the Company. At the same time the Company entered into a non-binding transaction agreement with an AIM listed company in which the AIM listed company would purchase the entire share capital of the Company by way of a reverse take-over.

SECTION B

# **Toumaz Technology Limited**

**Annual report  
and  
financial statements**

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**for the year ended 29 February 2004**

# Annual report and financial statements

for the year ended 29 February 2004

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## Directors and advisors

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<b>Directors</b>	K H Errey C Toumazou J Sime A Nilsen R Leaver P Stephansen F Wong (appointed 17 July 2003) M Knight (appointed 13 October 2003) I McWalter (appointed 26 February 2004) G Ganguli (appointed 26 February 2004)
<b>Secretary</b>	A Paterson
<b>Registered number</b>	3921089
<b>Registered office</b>	21 Wilson Street London EC2M 2TD
<b>Auditors</b>	PricewaterhouseCoopers LLP Abacus House Castle Park Cambridge CB3 0AN
<b>Bankers</b>	National Westminster Bank 249 Banbury Road Summerton Oxford OX2 7HR

## **Directors' report**

for the year ended 29 February 2004

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The directors present their report and the audited financial statements for the year ended 29 February 2004.

### **Principal activity**

The principal activity of the company is the design and development of low power and ultra-low power integrated circuits for use in wireless and signal processing applications. The company maintains strong links to Imperial College London. The company has developed and applied for patents on a novel hybrid semiconductor architecture that uses digital elements to control, monitor and calibrate functional analogue processing blocks to provide substantial power and cost savings for a wide range of devices. The company undertakes the design and development of integrated circuit devices both for external customers and as internally funded projects. In addition, the company undertakes feasibility and consultancy studies for other organisations where such studies provide not only income, but also add to the technical and commercial knowledge base of Toumaz Technology Limited itself.

### **Review of business and future developments**

The loss for the year is £734,853 (2003: £675,429 loss). This loss is in line with the directors' estimates and accords with the long-term plans for the future. As noted below, £347,908 (2003: £402,219) was spent on research and development during the year. The fall in research and development spend resulted from the transfer of design engineer resource into customer funded development projects. Technical work on Phase 1 of the substantial contract with the major multi-national consumer goods company was completed by the end of February 2004. Negotiations for a Phase 2 continuation of the contract failed to reach a satisfactory commercial deal for the company. However, since the first stage of the contract with this customer allowed for the company to retain and use the IP, the company set up an independent research and development programme in the area of low power RF CMOS chips for digital broadcasting. The outcome of this research and development programme is expected to be chip sales to OEM manufacturers in the Asia Pacific region commencing in 2005.

In March 2004 the company entered into a commercial arrangement with Gennum Corporation of Canada ("Gennum") consisting of two elements: an investment in the company of £1 million with an option for an additional £500,000 upon meeting certain commercial milestones; and a development contract for £550,000 to design a new ultra-low power wireless transceiver to be integrated with Gennum's own chips for hearing aid and other audio applications. Delivery of the final design for this transceiver is planned for early 2005. Additionally during the year the company completed feasibility studies with SEA Ltd and the European Space Agency and entered into contracts to supply prototype silicon chips to QinetiQ Ltd and HMGCC (a branch of the UK Ministry of Defence).

### **Dividends**

The directors do not recommend the payment of a dividend (2003: £Nil).

### **Post balance sheet events**

Failure to agree satisfactory commercial terms for the Phase 2 continuation contract with the multi-national consumer goods company resulted in Gennum not exercising the £500,000 equity option. To cover the shortfall an agreement was negotiated and agreed on 1 November 2004 for a £500,000 loan with an option to convert to equity at the next funding round on the same terms as incoming investors.

### **Going concern**

As noted above, the company has secured a £500,000 loan. It has also maintained links with a number of potential investors who include strategic corporate investors, venture capital organisations and individuals.

The company is preparing a new Business Plan based on the exploitation of technology developed under customer funded contracts and fundraising activities are in progress, which will be required to secure the company's financial position.

## Directors' report

for the year ended 29 February 2004

### Research and development

The company is committed to considerable research and development activities in the areas of its principal activity. All costs are written off to the profit and loss account as they are incurred. £347,908 (2003: £402,219) was expensed in the year.

### Directors

The directors, who served during the year, and their interests in the share capital of the company, are as follows:

	Ordinary shares of £0.01 each	
	At 29 February 2004	At 28 February 2003 or date of appointment, if later
	Number	Number
K H Errey	27,000	27,000
C Toumazou	38,000	38,000
J Sime	–	–
A Nilsen	–	–
R Leaver	–	–
P Stephansen	–	–
F Wong	–	–
M Knight	–	–
I McWalter	–	–
G Ganguli	–	–

### Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 29 February 2004 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the board

**C Toumazou**  
Chairman

## **Independent auditors' report** to the members of Toumaz Technology Limited

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We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

### **Basis of audit opinion**

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

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

### **Fundamental uncertainty – going concern**

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation. The financial statements have been prepared on a going concern basis and the validity of this depends on the company successfully obtaining adequate additional funds to continue its activities. The financial statements do not include any adjustments that would result from a failure to secure such funds. Details of the circumstances relating to this fundamental uncertainty are described in Note 1. Our opinion is not qualified in this respect.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 29 February 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

### **PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors  
Cambridge

## Profit and loss account

for the year ended 29 February 2004

	Notes	2004 £	2003 £
<b>Turnover</b>	2	388,617	125,400
Cost of sales		(403,755)	(112,466)
<b>Gross (loss)/profit</b>		(15,138)	12,934
Research and development costs		(347,908)	(402,219)
Administrative expenses		(437,651)	(355,938)
<b>Operating loss</b>		(800,697)	(745,223)
Interest receivable and similar income		4,785	639
Interest payable and similar charges	5	–	(134)
<b>Loss on ordinary activities before taxation</b>	6	(795,912)	(744,718)
Tax credit on loss on ordinary activities	7	61,059	69,289
<b>Loss for the financial year</b>	13, 14	(734,853)	(675,429)

There is no difference between the loss on ordinary activities before taxation and the loss for the year stated above, and their historical cost equivalents.

The company has no recognised gains and losses other than the losses above and therefore no separate statement of total recognised gains and losses has been presented.

All results arise from continuing operations.

**Balance sheet**

as at 29 February 2004

	Notes	2004 £	2003 £
<b>Fixed assets</b>			
Tangible assets	8	52,098	38,916
Investments	9	1	1
		<u>52,099</u>	<u>38,917</u>
<b>Current assets</b>			
Debtors	10	143,301	124,471
Cash at bank and in hand		1,013,254	362,718
		<u>1,156,555</u>	<u>487,189</u>
<b>Creditors:</b> amounts falling due within one year	11	(189,117)	(64,127)
Payment for shares not yet issued	11	–	(262,500)
		<u>967,438</u>	<u>160,562</u>
<b>Net current assets</b>			
		<u>967,438</u>	<u>160,562</u>
<b>Net assets</b>		<u>1,019,537</u>	<u>199,479</u>
<b>Capital and reserves</b>			
Called up share capital	12	3,101	2,176
Share premium account	13	2,762,120	1,208,134
Profit and loss account	13	(1,745,684)	(1,010,831)
		<u>1,019,537</u>	<u>199,479</u>
<b>Equity shareholders' funds</b>	14	<u>1,019,537</u>	<u>199,479</u>

The financial statements on pages 88 to 96 were approved by the board of directors on 5 November 2004 and were signed on its behalf by:

**K Errey**  
Director

## Notes to the financial statements

for the year ended 29 February 2004

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### 1 Principal accounting policies

The financial statements have been prepared in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom, under the historical cost convention. A summary of the more important accounting policies, which have been reviewed by the Board of Directors in accordance with Financial Reporting Standard ("FRS") 18, "Accounting policies", and which have been applied consistently, is set out below.

#### Basis of preparing the financial statements – going concern assumption

The directors estimate that cash held at the date of approval of the financial statements within the company (which includes cash received subsequent to the year end, see Note 17) is not sufficient to continue funding the activities of the company for a further twelve months from that date. Accordingly, the directors currently plan to secure additional funds, by raising further finance and entering into further commercial contracts, which would enable the company to continue its activities for the foreseeable future. There is uncertainty over the amount of funds which would be obtained and whether they would be received within the expected timescale. However, the directors believe that the company will be able to obtain such additional funds and therefore that it is appropriate that these financial statements are prepared on the going concern basis. This basis of preparation assumes that the company will continue in operational existence for the foreseeable future, the validity of which depends on Toumaz Technology Limited being able to obtain adequate additional funds to continue its activities.

If the company were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to revise the balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise, and to reclassify fixed assets as current assets.

#### Cash flow statement

The company has taken advantage of the exemption available to small companies under FRS 1 (Revised), "Cash Flow Statements", not to prepare a cash flow statement.

#### Turnover

The company follows the principles of FRS 5, "Reporting the substance of transactions" Application Note G in determining appropriate revenue recognition policies. In principle, therefore, revenue is recognised to the extent that the company has obtained the right to consideration through its performance.

Turnover (excluding value added tax) comprises revenue arising from development contracts. Development contracts are designed to meet the specific requirements of each customer. Revenue on such contracts is recognised to a percentage to completion basis over the period from signing the agreement to customer acceptance that the contract deliverables have been fulfilled.

Where invoicing milestones on development contracts are such that the proportion of work performed is greater than the proportion of the total contract value, the company evaluates whether it has obtained, through its performance to date, the right to the uninvoiced consideration and therefore whether revenue should be recognised.

#### Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Computer equipment	33.3%
Fixtures and fittings	25.0%

## Notes to the financial statements

for the year ended 29 February 2004

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### 1 Principal accounting policies (continued)

#### Intangible fixed assets

The costs of acquiring intellectual property, patents and know-how are written off to the profit and loss account in the year in which they are incurred.

#### Deferred taxation

The company has adopted FRS 19, "Deferred tax", which, in general, requires provision to be made in respect of all material timing differences. Deferred tax assets are recognised to the extent that they are regarded as recoverable. Deferred tax assets and liabilities are not discounted.

#### Consolidation

The company has taken the exemption available to small groups under section 248 of the Companies Act 1985 not to prepare consolidated financial statements. Accordingly, these financial statements present information about the company only.

#### Pension scheme arrangements

The company operates a defined contribution pension scheme. Entrants into this scheme are entitled to have a percentage, based on their basic salary, paid into the scheme for their benefit by the company. These contributions are charged to the profit and loss account in respect of the accounting period in which they become payable.

#### Research and development expenditure

All research and development expenditure is charged to the profit and loss account in the year in which it is incurred.

#### Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

#### Share options

In accordance with the provisions of Urgent Issues Task Force Abstract 17 ("Employee Share Schemes"), the company makes charges to the profit and loss account when options are granted, the charge being the estimated market value of the shares at the date of grant less the exercise price of the options. The charge is then credited back to reserves. No charge has been made in the year ended 29 February 2004 (2003: £nil) on the grounds that the exercise price of the share options in issue is not considered to be materially different to the fair value of the ordinary shares of the company at the date of granting options.

### 2 Turnover

All turnover is attributable to the company's principal activity, and all of the company's turnover relates to sales in the United Kingdom.

## Notes to the financial statements

for the year ended 29 February 2004

<b>3 Directors' emoluments</b>	2004	2003
	£	£
Aggregate emoluments	119,820	90,873

Retirement benefits are accruing to one (2003: one) director under a defined contribution scheme.

### 4 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2004 Number	2003 Number
<b>By activity:</b>		
Research and development	7	8
Operations	10	–
Administration	2	2
	19	10

	2004 £	2003 £
<b>Staff costs (for the above persons):</b>		
Wages and salaries	569,425	371,294
Social security costs	64,669	25,012
Other pension costs	6,582	4,205
	640,676	400,511

<b>5 Interest payable and similar charges</b>	2004	2003
	£	£
Interest payable on bank loans and overdrafts	–	134

<b>6 Loss on ordinary activities before taxation</b>	2004	2003
	£	£
Loss on ordinary activities before taxation is stated after charging:		
Auditors' remuneration:		
– audit services	7,500	6,900
– non-audit services: tax compliance	4,450	2,250
Depreciation charge for the year on tangible owned fixed assets	20,738	12,612
Operating lease charges – other	24,904	21,371
	24,904	21,371

## Notes to the financial statements

for the year ended 29 February 2004

### 7 Taxation

	2004 £	2003 £
United Kingdom research and development tax credit at 16% (2003: 16%):		
Current year	59,533	61,550
Under provision for tax credit in respect of prior years	1,526	7,739
	61,059	69,289

No corporation tax liability arises on the results for the year due to the loss incurred. A tax credit has arisen as a result of tax losses being surrendered in respect of research and development expenditure in respect of the current and prior year.

At 29 February 2004, there were tax losses available for carry forward of approximately £1,265,000 (2003: £705,000) subject to agreement with the Inland Revenue.

The research and development tax credit for the year is different from the loss before tax at the standard rate for research and development tax credits in the UK of 16%. The differences are explained below.

	2004 £	2003 £
Loss on ordinary activities before tax	795,912	744,718
Loss on ordinary activities multiplied by the research and development tax credit rate of 16% (2003: 16%)	127,346	119,155
Effects of:		
Expenses not deductible for tax purposes	19,403	19,593
Difference between capital allowances and depreciation	2,380	4,431
Carry forward losses	(89,596)	(81,629)
<b>Current tax credit for the period</b>	<b>59,533</b>	<b>61,550</b>

### Deferred taxation

	Amount provided		Amount unprovided	
	2004 £	2003 £	2004 £	2003 £
Tax effect of timing differences because of:				
Excess of capital allowances over depreciation	7,187	4,935	–	–
Losses carried forward	(7,187)	(4,935)	232,265	129,041
	–	–	232,265	129,041

## Notes to the financial statements

for the year ended 29 February 2004

8 Tangible fixed assets	Computer equipment £	Fixtures and fittings £	Total £
<b>Cost</b>			
At 1 March 2003	45,465	7,786	53,251
Additions	35,413	480	35,893
Disposals	(4,013)	–	(4,013)
<b>At 29 February 2004</b>	<b>76,865</b>	<b>8,266</b>	<b>85,131</b>
<b>Depreciation</b>			
At 1 March 2003	13,076	1,259	14,335
Charge for the year	18,721	2,017	20,738
Disposals	(2,040)	–	(2,040)
<b>At 29 February 2004</b>	<b>29,757</b>	<b>3,276</b>	<b>33,033</b>
<b>Net book value</b>			
<b>At 29 February 2004</b>	<b>47,108</b>	<b>4,990</b>	<b>52,098</b>
At 28 February 2003	32,389	6,527	38,916

9 Investments	Interest in group undertaking £
<b>Cost and net book value:</b>	
At 1 March 2003 and 29 February 2004	<u>1</u>

### Interest in group undertaking

Full particulars of interest in group undertaking are given below:

Name of undertaking	Country of incorporation	Description of shares held	Proportion of voting rights and nominal value of issued shares held
Toumaz Telecom Limited	Great Britain	Ordinary £1 shares	100%

Toumaz Telecom Limited is a dormant company that has never traded.

10 Debtors	2004 £	2003 £
<b>Amounts falling due within one year:</b>		
Trade debtors	37,475	18,800
Corporation tax recoverable	59,533	61,550
Prepayments and accrued income	21,730	32,959
Other debtors	23,613	10,212
Called up share capital, not paid	950	950
	<u>143,301</u>	<u>124,471</u>

## Notes to the financial statements

for the year ended 29 February 2004

11 Creditors: amounts falling due within one year	2004 £	2003 £
Trade creditors	113,510	15,317
Other taxation and social security	44,810	14,933
Other creditors	650	976
Accruals and deferred income	30,147	32,901
Payment for shares not yet issued	–	262,500
	189,117	326,627

Payment for shares not yet issued relates to cash received before the year-end for ordinary shares issued after the year-end.

12 Called up share capital	2004 £	2003 £
<b>Authorised</b>		
1,000,000 ordinary shares £0.01 each	10,000	10,000
<b>Allotted, called up and not paid</b>		
95,000 (2003: 95,000) ordinary shares of £0.01 (2003: £0.01) each	950	950
<b>Allotted, called up and fully paid</b>		
215,137 (2003: 122,624) ordinary shares of £0.01 (2003: £0.01) each	2,151	1,226
	3,101	2,176

On 20 March 2002, 48,040 £0.01 ordinary shares were issued for cash consideration, before issue expenses, of £500,000. Also on 20 March 2002, a secured convertible loan of £15,000 was converted into 1,441 £0.01 ordinary shares, which were allotted to Imperial College Innovations Limited.

On 20 September 2002, 21,018 £0.01 ordinary shares were issued for cash consideration, before issue expenses, of £218,750.

On 31 October 2002, 27,023 £0.01 ordinary shares were issued for cash consideration, before issue expenses, of £281,312.

On 4 March 2003, 25,221 £0.01 ordinary shares were issued for cash consideration, before issue expenses, of £262,500.

On 28 April 2003, 28,824 £0.01 ordinary shares were issued for cash consideration, before issue expenses, of £300,000.

On 28 February 2004, 38,462 £0.01 ordinary shares were issued for cash consideration, before issue expenses, of £1,000,012.

### Options over the share capital of Toumaz Technology Limited

The company operates an EMI share option plan.

Options have been granted to employees over the following number of £0.01 ordinary shares:

Date granted	Exercise price £	Period when exercisable	Number of shares
13 January 2003	10.41	13 January 2005 to 12 January 2013	10,500
26 September 2003	10.41	26 September 2005 to 25 September 2013	3,500
<b>Total</b>			<b>14,000</b>

## Notes to the financial statements

for the year ended 29 February 2004

### 13 Reserves

	Share premium account £	Profit and loss account £
At 1 March 2003	1,208,134	(1,010,831)
Premium on shares issued	1,561,587	–
Expenses on issue of shares	(7,601)	–
Loss for the financial year	–	(734,853)
<b>At 29 February 2004</b>	<b>2,762,120</b>	<b>(1,745,684)</b>

### 14 Reconciliation of movements in shareholders' funds/(deficit)

	2004 £	2003 £
Opening shareholders' funds/deficit	199,479	(68,132)
(Loss) for the financial year	(734,853)	(675,429)
Net proceeds of issue of ordinary share capital	1,554,911	943,040
<b>Closing shareholders' funds</b>	<b>1,019,537</b>	<b>199,479</b>

### 15 Financial commitments

At 29 February 2004, the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2004 £	Land and buildings 2003 £
Expiring between one and two years inclusive	2,500	25,758

### 16 Related party disclosures

Imperial College and its technology transfer company, Imperial College Innovations Limited, are related parties by virtue of their significant shareholdings in Toumaz Technology Limited. During the year a total of £32,150 (2003: £43,700) was payable to Imperial College in respect of the recharge of costs incurred. No amounts were outstanding as at 29 February 2004 (2003: £Nil).

Additionally, at 28 February 2002, the company had in issue secured convertible loan stock of £15,000 held by Imperial College Innovations Limited. On 20 March 2002, this was converted into 1,441 £0.01 ordinary shares, which were allotted to Imperial College Innovations Limited.

### 17 Post balance sheet events

Failure to agree satisfactory commercial terms for the Phase 2 continuation contract with the multi-national consumer goods company resulted in Genum not exercising the £500,000 equity option. To cover the shortfall an agreement was negotiated and agreed on 1 November 2004 for a £500,000 loan with an option to convert to equity at the next funding round on the same terms as incoming investors.

Signing the Phase 2 continuation contract with the multi-national consumer goods company was the trigger for the payment of the £500,000 equity option by Genum. The failure to agree satisfactory commercial terms for the Phase 2 continuation contract with this customer led to Genum deciding not to exercise this option. A new arrangement was negotiated and agreed on 1 November 2004 for a £500,000 loan with an option to convert to equity at the next funding round on the same terms as incoming investors.

SECTION C

# **Toumaz Technology Limited**

**Annual report  
and  
financial statements**

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**for the year ended 28 February 2003**

# Annual report and financial statements

for the year ended 28 February 2003

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<b>104</b>	Notes to the financial statements

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## Directors and advisors

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<b>Directors</b>	K H Errey C Toumazou J Sime P Premanoch (appointed 20 March 2002, resigned 17 July 2003) A Nilsen (appointed 20 March 2002) R Leaver (appointed 20 September 2002) P Stephansen (appointed 20 September 2002) F Wong (appointed 17 July 2003)
<b>Secretary</b>	C M Crosthwaite (resigned 25 September 2002) A Paterson (appointed 25 September 2002)
<b>Registered number</b>	3921089
<b>Registered office</b>	21 Wilson Street London EC2M 2TD
<b>Auditors</b>	PricewaterhouseCoopers LLP Abacus House Castle Park Cambridge CB3 0AN
<b>Bankers</b>	National Westminster Bank 249 Banbury Road Summerton Oxford OX2 7HR

## Directors' report

for the year ended 28 February 2003

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The directors present their report and the audited financial statements for the year ended 28 February 2003.

### Principal activity

The principal activity of the company is to undertake the commercial exploitation of the low power analogue and RF technology developed in the Circuits and Systems Group of the Department of Electrical and Electronic Engineering at Imperial College, London. This involves the development and exploitation of a hybrid semiconductor architecture that uses digital elements to control, monitor and calibrate functional analogue processing blocks. The company undertakes the design and development of integrated circuit devices both for external customers and as internally funded projects. In addition, the company undertakes feasibility and consultancy studies for other organisations where such studies provide not only income, but also add to the technical and commercial knowledge base of Toumaz Technology Limited itself.

### Review of business and future developments

The loss for the year is £675,429 (2002: £266,214 loss). This loss is in line with the directors' estimates and accords with the long-term plans for the future. As noted below, £402,219 (2002: £143,813) was spent on research and development during the year. One outcome of the research and development programme was the filing of a further four patent applications relating to the design and use of the technology, including a core invention for multi-standard wireless devices. In addition to the research and development activities, the company undertook three customer funded design/feasibility studies, two of which have led to further contracts subsequent to the year ended 28 February 2003. During the year, the company commenced work on a substantial contract with a major multi-national consumer goods company for an integrated circuit based around certain pieces of the company's proprietary technology.

The company has continued to work on the contract with the major multi-national consumer goods company and is on plan to meet the delivery date in October 2003, following which further negotiations will take place for subsequent engineering of the chip for mass production. Other contracts for device development, which have resulted from the earlier design/feasibility studies, have been agreed with two customers and a further two such contracts are in final stages of negotiation.

The company was successful in winning a Smart award for £45,000 and has been awarded £102,000 from the Department of Trade and Industry for the company's contribution to a programme under the DTI's Next Wave Technologies Initiative, UbiCare – Ubiquitous Care in the Community.

The company has maintained links with a number of potential investors and in October 2003 began serious negotiations with several of these, who include both strategic corporate investors (current customers of the company) and venture capital organisations. An agreement with one or more of these potential investors for further equity funds is expected before the end of the calendar year.

### Dividends

The directors do not recommend the payment of a dividend (2002: £Nil).

### Post balance sheet events

On 1 April 2003, the company issued 28,824 ordinary shares at £0.01 each for a total cash consideration, before issue expenses of £37,500, of £300,000.

### Research and development

The company is committed to considerable research and development activities in the areas of its principal activity. All costs are written off to the profit and loss account immediately as they are incurred. As disclosed in Note 3, £402,219 (2002: £143,813) was expensed in the year.

## Directors' report

for the year ended 28 February 2003

### Directors

The directors who served during the year, and their interests in the share capital of the company, are as follows:

	Ordinary shares of £0.01 each	
	At 28 February 2003	At 28 February 2002 or date of appointment, if later
	Number	Number
K H Errey	27,000	27,000
C Toumazou	38,000	38,000
J Sime	–	–
P Premanoch (appointed 20 March 2002)	–	–
A Nilsen (appointed 20 March 2002)	–	–
R Leaver (appointed 20 September 2002)	–	–
P Stephansen (appointed 20 September 2002)	–	–

### Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 28 February 2003 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) with effect from 1 January 2003, PricewaterhouseCoopers resigned and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the board

**A Paterson**

Company secretary

## **Independent auditors' report** to the members of Toumaz Technology Limited

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We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

### **Basis of audit opinion**

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

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

### **Fundamental uncertainty – going concern**

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation. The financial statements have been prepared on a going concern basis and the validity of this depends on the company successfully obtaining adequate additional funds to continue its activities. The financial statements do not include any adjustments that would result from a failure to secure such funds. Details of the circumstances relating to this fundamental uncertainty are described in Note 1. Our opinion is not qualified in this respect.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 28 February 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

### **PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors  
Cambridge

## Profit and loss account

for the year ended 28 February 2003

	Notes	2003 £	2002 £
Turnover	2	125,400	37,539
Cost of sales		(112,466)	(29,000)
<b>Gross profit</b>		<b>12,934</b>	<b>8,539</b>
Net operating expenses	3	(758,157)	(309,670)
<b>Operating (loss)</b>		<b>(745,223)</b>	<b>(301,131)</b>
Interest receivable and similar income	6	639	3,409
Interest payable and similar charges	7	(134)	(90)
<b>(Loss) on ordinary activities before taxation</b>	<b>8</b>	<b>(744,718)</b>	<b>(297,812)</b>
Tax credit on (loss) on ordinary activities	9	69,289	31,598
<b>(Loss) for the financial year</b>	<b>15,16</b>	<b>(675,429)</b>	<b>(266,214)</b>

All results derive from continuing operations.

The company has no recognised gains and losses other than the losses above and therefore no separate statement of total recognised gains and losses has been presented.

**Balance sheet**

as at 28 February 2003

	Notes	2003 £	2002 £
<b>Fixed assets</b>			
Tangible assets	10	38,916	6,697
Investments	11	1	1
		<u>38,917</u>	<u>6,698</u>
<b>Current assets</b>			
Debtors	12	124,471	57,762
Cash at bank and in hand		362,718	3,801
		<u>487,189</u>	<u>61,563</u>
<b>Creditors: amounts falling due within one year</b>	13	(64,127)	(91,393)
Payment for shares not yet issued	13	(262,500)	–
Secured convertible loan stock	13	–	(15,000)
Convertible loan	13	–	(30,000)
		<u>160,562</u>	<u>(74,830)</u>
<b>Net current assets/(liabilities)</b>		<u>160,562</u>	<u>(74,830)</u>
<b>Net assets/(liabilities)</b>		<u>199,479</u>	<u>(68,132)</u>
<b>Capital and reserves</b>			
Called up share capital	14	2,176	1,201
Share premium account	15	1,208,134	266,069
Profit and loss account	15	(1,010,831)	(335,402)
		<u>199,479</u>	<u>(68,132)</u>
<b>Equity shareholders' funds/(deficit)</b>	16	<u>199,479</u>	<u>(68,132)</u>

The financial statements on pages 102 to 110 were approved by the board of directors on 4 December 2003 and were signed on its behalf by:

**K Errey**  
Director

## Notes to the financial statements

for the year ended 28 February 2003

---

### 1 Principal accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been reviewed by the Board of Directors in accordance with Financial Reporting Standard ("FRS") 18, "Accounting policies", and which have been applied consistently, is set out below.

#### Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

#### Basis of preparing the financial statements – going concern assumption

The directors estimate that cash held at the date of approval of the financial statements within the company (which includes cash received subsequent to the year end, see Note 19) is not sufficient to continue funding the activities of the company for a further twelve months from that date. Accordingly, the directors currently plan to secure additional funds, by raising further finance and entering into further commercial contracts, which would enable the company to continue its activities for the foreseeable future. There is uncertainty over the amount of funds which would be obtained and whether they would be received within the expected timescale. However, the directors believe that the company will be able to obtain such additional funds and therefore that it is appropriate that these financial statements are prepared on the going concern basis. This basis of preparation assumes that the company will continue in operational existence for the foreseeable future, the validity of which depends on Toumaz Technology Limited being able to obtain adequate additional funds to continue its activities.

If the company were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to revise the balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise, and to reclassify fixed assets as current assets.

#### Cash flow statement

The company has taken advantage of the exemption available to small companies under FRS 1 (Revised), "Cash Flow Statements", not to prepare a cash flow statement.

#### Turnover

Turnover represents amounts invoiced, excluding value added tax, on development contracts.

#### Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Computer equipment	33.3%
Fixtures and fittings	25.0%

#### Intangible fixed assets

The costs of acquiring intellectual property, patents and know-how are written off to the profit and loss account in the year in which they are incurred.

#### Deferred taxation

The company has adopted FRS 19, "Deferred tax", which, in general, requires provision to be made in respect of all material timing differences. Deferred tax assets are recognised to the extent that they are regarded as recoverable. Deferred tax assets and liabilities are not discounted.

#### Consolidation

The company has taken the exemption available to small groups under section 248 of the Companies Act 1985 not to prepare consolidated financial statements. Accordingly, these financial statements present information about the company only.

## Notes to the financial statements

for the year ended 28 February 2003

### 1 Principal accounting policies (continued)

#### Pension scheme arrangements

The company operates a defined contribution pension scheme. Entrants into this scheme are entitled to have a percentage, based on their basic salary, paid into the scheme for their benefit by the company. These contributions are charged to the profit and loss account in respect of the accounting period in which they become payable.

#### Research and development expenditure

All research and development expenditure is charged to the profit and loss account in the year in which it is incurred.

#### Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

### 2 Turnover

Turnover originates wholly from within the United Kingdom.

### 3 Net operating expenses

	2003 £	2002 £
Research and development costs	402,219	143,813
Administrative expenses	355,938	165,857
	758,157	309,670

### 4 Directors' emoluments

	2003 £	2002 £
Aggregate emoluments	90,873	74,007

### 5 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2003 Number	2002 Number
<b>By activity:</b>		
Research and development	8	4
Administration	2	1
	10	5
	2003 £	2002 £
<b>Staff costs (for the above persons):</b>		
Wages and salaries	371,294	121,807
Social security costs	25,012	12,290
Other pension costs	4,205	245
	400,511	134,342

### 6 Interest receivable and similar income

	2003 £	2002 £
Interest receivable on bank balances and deposits	639	3,409

## Notes to the financial statements

for the year ended 28 February 2003

<b>7 Interest payable and similar charges</b>	2003 £	2002 £
Interest payable on bank loans and overdrafts	134	90

<b>8 (Loss) on ordinary activities before taxation</b>	2003 £	2002 £
(Loss) on ordinary activities before taxation is stated after charging:		
Auditors' remuneration:		
– audit services	6,900	3,000
– non-audit services	2,250	800
Depreciation charge for the year on tangible owned fixed assets	12,612	1,723
Operating lease charges – other	21,371	24,960

<b>9 Taxation</b>	2003 £	2002 £
United Kingdom research and development tax credit at 16% (2002: 16%):		
Current year	61,550	25,038
Under provision for tax credit in respect of prior years	7,739	6,560
	<u>69,289</u>	<u>31,598</u>

No corporation tax liability arises on the results for the year due to the loss incurred. A tax credit has arisen as a result of tax losses being surrendered in respect of research and development expenditure in respect of the current and prior year.

At 28 February 2003, there were tax losses available for carry forward of approximately £705,000 (2002: £233,000) subject to agreement with the Inland Revenue.

The research and development tax credit for the year is different from the loss before tax at the standard rate for research and development tax credits in the UK of 16%. The differences are explained below.

	2003 £	2002 £
Loss on ordinary activities before tax	744,718	297,812
Loss on ordinary activities multiplied by the research and development tax credit rate of 16% (2002: 16%)	119,155	47,650
Effects of:		
Expenses not deductible for tax purposes	19,593	8,346
Difference between capital allowances and depreciation	275	(276)
Carry forward losses	(77,473)	(30,682)
Under provision for tax credit in respect of prior years	7,739	6,560
<b>Current tax credit for the period</b>	<u>69,289</u>	<u>31,598</u>

<b>Deferred taxation</b>	Amount provided		Amount unprovided	
	2003 £	2002 £	2003 £	2002 £
Tax effect of timing differences because of:				
Excess of capital allowances over depreciation	4,935	–	–	345
Losses carried forward	(4,935)	–	129,041	46,692
	–	–	<u>129,041</u>	<u>47,037</u>

## Notes to the financial statements

for the year ended 28 February 2003

### 10 Tangible fixed assets

	Computer equipment £	Fixtures and fittings £	Total £
<b>Cost</b>			
At 1 March 2002	8,170	250	8,420
Additions	37,295	7,536	44,831
<b>At 28 February 2003</b>	45,465	7,786	53,251
<b>Depreciation</b>			
At 1 March 2002	1,697	26	1,723
Charge for the year	11,379	1,233	12,612
<b>At 28 February 2003</b>	13,076	1,259	14,335
<b>Net book value</b>			
At 28 February 2003	32,389	6,527	38,916
At 28 February 2002	6,473	224	6,697

### 11 Investments

	Interest in group undertaking £
<b>Cost and net book value:</b>	
At 1 March 2002	1
Additions	–
<b>At 28 February 2003</b>	1

#### Interest in Group undertaking

Full particulars of interest in group undertaking are given below:

Name of undertaking	Country of incorporation	Description of shares held	Proportion of voting rights and nominal value of issued shares held
Toumaz Telecom Limited	Great Britain	Ordinary £1 shares	100%

Toumaz Telecom Limited is a dormant company that has never traded.

### 12 Debtors

	2003 £	2002 £
<b>Amounts falling due within one year:</b>		
Trade debtors	18,800	–
Corporation tax recoverable	61,550	25,038
Prepayments and accrued income	32,959	29,090
Other debtors	10,212	2,684
Called up share capital, not paid	950	950
	124,471	57,762

## Notes to the financial statements

for the year ended 28 February 2003

13 Creditors: amounts falling due within one year	2003 £	2002 £
Trade creditors	15,317	51,650
Other taxation and social security	14,933	2,739
Other creditors	976	4,003
Accruals and deferred income	32,901	33,001
	64,127	91,393
Payment for shares not yet issued	262,500	–
Secured convertible loan stock	–	15,000
Convertible loan	–	30,000
	326,627	136,393

Payment for shares not yet issued relates to cash received before the year-end for ordinary shares issued after the year-end (see Note 19).

The secured convertible loan stock in the prior year was from Imperial College Innovations Limited. There were no finance costs associated with the loan. Under the terms of the loan agreement, the outstanding amount of the loan facility would be satisfied either by the company repaying the loan in cash, or by converting the loan into new ordinary shares in the company at the agreed share subscription price at the following round of equity financing. Repayment or conversion was at the discretion of Imperial College Innovations Limited. The loan was secured by a charge over the intellectual property of the company. The charge was satisfied by the conversion of the loan.

Under the loan agreement, the secured convertible loan stock was converted to 1,441 ordinary shares of £0.01 each on 20 March 2002 (see Note 14).

The convertible loan in the prior year was advances relating to the following round of equity financing. As the following round of equity financing did not complete by 28 February 2002, the lenders had the right to demand either the immediate repayment of the advances or the conversion of the advances, as soon as was practicable after 28 February 2002 into ordinary shares in the capital of the company, at the subscription price at the lenders absolute discretion. Fees of £2,000 were payable at the time of repayment of the loan or conversion into ordinary shares.

The advances were converted into 2,882 ordinary shares of £0.01 each as part of the 48,040 ordinary shares issued on 20 March 2002 (see Note 14).

## Notes to the financial statements

for the year ended 28 February 2003

14 Called up share capital	2003 £	2002 £
<b>Authorised</b>		
1,000,000 (2002: 1,000,000) ordinary shares of £0.01 (2002: £0.01) each	10,000	10,000
<b>Allotted, called up and not paid</b>		
95,000 (2002: 95,000) ordinary shares of £0.01 (2002: £0.01) each	950	950
<b>Allotted, called up and fully paid</b>		
122,624 (2002: 25,102) ordinary shares of £0.01 (2002: £0.01) each	1,226	251
	2,176	1,201

On 20 March 2002, 48,040 £0.01 ordinary shares were issued for cash consideration, before issue expenses, of £500,000. As part of this issue, the convertible loan of £30,000 was converted and included within the consideration. Also on 20 March 2002, the secured convertible loan of £15,000 was converted into 1,441 £0.01 ordinary shares, which were allotted to Imperial College Innovations Limited (see Note 13).

On 20 September 2002, 21,018 £0.01 ordinary shares were issued for cash consideration, before issue expenses, of £218,750.

On 31 October 2002, 27,023 £0.01 ordinary shares were issued for cash consideration, before issue expenses, of £281,312.

### Options over the share capital of Toumaz Technology Limited

The company operates an EMI share option plan.

Options have been granted to employees over the following number of £0.01 ordinary shares:

Date granted	Exercise price £	Period when exercisable	Number of shares
13 January 2003	10.41	13 January 2005 to 12 January 2013	13,000
<b>Total</b>			13,000

15 Reserves	Share premium account £	Profit and loss account £
At 1 March 2002	266,069	(335,402)
Premium on shares issued	1,014,087	–
Expenses on issue of shares	(72,022)	–
(Loss) for the financial year	–	(675,429)
<b>At 28 February 2003</b>	1,208,134	(1,010,831)

16 Reconciliation of movements in shareholders' funds/(deficit)	2003 £	2002 £
Opening shareholders' (deficit)/funds	(68,132)	173,082
(Loss) for the financial year	(675,429)	(266,214)
Net proceeds of issue of ordinary share capital	943,040	25,000
<b>Closing shareholders' funds/(deficit)</b>	199,479	(68,132)

## Notes to the financial statements

for the year ended 28 February 2003

### 17 Financial commitments

At 28 February 2003, the company had annual commitments under non-cancellable operating leases as follows:

	<b>Land and buildings 2003 £</b>	<b>Land and buildings 2002 £</b>
Expiring between one and two years inclusive	25,758	–
Expiring between two and five years inclusive	–	25,758
	25,758	25,758

### 18 Related party disclosures

Mr K Errey has a 40% interest in Oxford Synergetics Limited. During the year, the company purchased goods and services, at arms length prices, to the value of £Nil (2002: £1,786). No amounts were outstanding as at 28 February 2003 (2002: £Nil).

Imperial College and its technology transfer company, Imperial College Innovations Limited, are related parties by virtue of their significant shareholdings in Toumaz Technology Limited. During the year a total of £43,700 (2002: £22,517) was payable to Imperial College in respect of the recharge of costs incurred. No amounts were outstanding as at 28 February 2003 (2002: £18,000).

Additionally, at 28 February 2002, the company had in issue secured convertible loan stock of £15,000 held by Imperial College Innovations Limited. On 20 March 2002, this was converted into 1,441 £0.01 ordinary shares, which were allotted to Imperial College Innovations Limited (Note 14).

### 19 Post balance sheet events

On 1 April 2003, the company issued 28,824 ordinary shares at £0.01 each for a total cash consideration, before issue expenses of £37,500, of £300,000.

## APPENDIX 2

### PATENTS IN WHICH TOUMAZ HAS AN INTEREST

No.	Title	Country/Status	Current/Pending Use
1	<p>Leaking Float Gate CMOS Devices – known as “Float Gate Devices”</p> <p>This series of patents seeks to protect the invention by Tor Sverre Lande consisting of a method to overcome current disadvantages to provide analogue memory, tuning, level shifting and computation.</p>	<p><b>UK</b> – granted 19/01/05 registration number GB2395065</p> <p><b>China</b> – pending Application No: 200380102278.X Application Date: 28/10/03 Comments: positive examination. Patent Agent expects grant without amendment.</p> <p><b>Germany</b> – pending Application No: 10393631.9 Application Date: 13/05/03 Comments: Patent Agent anticipates grant with no problems.</p> <p><b>UK</b> – pending Application No: 507144.4 Application Date: 13/05/04 Comments: This application includes broader claims than those granted in patent GB2395065. Patent Agent anticipates grant with no amendments.</p> <p><b>USA</b> – pending Application No: Not yet allocated Application Date: 26/04/05 Comments: USPTO search being undertaken. Patent Agent anticipates grant without amendment.</p>	<p>We have been informed that this is <b>pending for use</b> in a future product and is <b>currently used</b> in preliminary design for the 3-axis MEMS accelerometer interface and capacitive sensor biasing for motion-detection Sensium.</p>
2	<p>Vector Matrix Multiplier (VMM) – known as “Ratiometric DAC and Vector Matrix Multiplier”</p> <p>This series of patents protects the invention by Calvin Sim and Christofer Toumazou consisting of an ultra low power “algorithm engine”.</p>	<p><b>UK</b> – granted 22/12/04 registration number GB2395383</p> <p><b>PCT</b> – pending Application No: GB03/04828 Application Date: 06/11/02 Comments: A negative search report issued. It appears unlikely that this application will be able to proceed as currently stated for any of its claims 1 – 17 and that claims 6 – 17 will need to be considered as part of a divisional application.</p> <p><b>China</b> – pending Application No: 200380102815.0 Application Date: 06/11/03 Comments: Patent Agent is optimistic that a patent will be granted without significant amendment.</p> <p><b>Germany</b> – pending Application No: 10393686.6 Application Date: 06/11/03 Comments: The Patent Agent is optimistic that a patent will be granted without significant amendment.</p>	<p><b>Pending for use</b> in a future product being the low power correlator for ECG signal processing.</p>

No.	Title	Country/Status	Current/Pending Use
		<p><b>UK</b> – pending Application No: 509235.8 Application Date: 06/11/03 Comments: Patent Agent is optimistic the patent will be granted without significant amendment.</p> <p><b>Japan</b> – filed Application No: 2004 549371 Application Date: 06/11/03 Comments: The deadline for requesting an examination is 6 November 2006.</p> <p><b>US</b> – pending Application No: Not yet allocated Application Date: 02/5/05 Comments: Very early stages. USPTO search required.</p>	
3	<p>Filter States – known as “Filter States”</p> <p>This series of patents seeks to protect the invention by Christofer Toumaz and Julius Georgiou consisting of a circuit in one embodiment a filter circuit implemented in a MOS device for operation internally within a non-linear topology, in particular a log-domain circuit for the operation in the weak inversion region and also to regulate its methods.</p>	<p><b>PCT</b> – pending Application No: GB02/00288 Application Date: 23/01/02 Comments: A negative examination report was issued. As a result this patent is not being pursued at this level.</p> <p><b>US</b> – pending Application No: 10/466793 Application Date: 23/12/03 Comments: It seems unlikely that this patent will be granted as filed and it does appear that for it to be granted there are a number of issues to be addressed and costs that will need to be incurred for the objections raised to be overcome.</p>	<p><b>Pending for use</b> in a future product. Circuits to be tested as part of the collaboration with a third party.</p>
4	<p>Acoustic Processor – known as: “Audio Signal Processor”</p> <p>This series of patent applications seek to protect the invention by C. Toumazou, Graham O’Neill and Walter Germandix consisting of unoriginal micro-power analogue cochlear patent. Under international examination.</p>	<p><b>Australia</b> – granted 6 March 2003 registration number 754753</p> <p><b>Canada</b> – pending Application No: 2318407 Application Date: 08/01/99 Comments: Awaiting examination.</p> <p><b>Europe</b> – pending Application No: 99900555.6 Application Date: 08/01/99 Comments: Awaiting the outcome of the examination. Toumaz has asked for this to be validated in France, Germany and the UK.</p> <p><b>Germany</b> – pending Application No: 99900555.6 Application Date: 08/01/99 Comments: Awaiting outcome of examination.</p> <p><b>France</b> – pending Application No: 99900555.6 Application Date: 08/01/99 Comments: Awaiting outcome of examination.</p>	<p>This is <b>currently being</b> used in the TZE1000 Cochlear implant.</p>

No.	Title	Country/Status	Current/Pending Use
		<p><b>UK</b> – pending Application No: 99900555.6 Application Date: 08/01/99 Comments: Awaiting outcome of examination.</p> <p><b>US</b> – pending Application No: 09/600206 Application Date: 13/11/00 Comments: The examiner has raised a number of objections arguing that most of the claims lack novelty or inventive step over the prior art. The examiner has accepted claim 30 and claim 40 only and the application proceeds on the basis of those claims only.</p> <p><b>US</b> – filing details awaited. Continuation of US 09/600206. Comments: This has not yet been filed. This will be a continuation of the US pending application 09/600206.</p>	
5	<p>Electric Circuit – known as “Reconfigurable Radio”</p> <p>This is a series of patent applications which seeks to protect the invention by Alison Burdett consisting of a method to save silicon area and power in a multi-standard radio by reconfiguring sections of the RF.</p>	<p><b>UK</b> – abandoned</p> <p><b>China</b> – pending Application No: 2033BE+11 Application Date: 17/10/03 Comments: A request for examination must be filed by 17 October 2005.</p> <p><b>Germany</b> – pending Application No: 10393482 Application Date: 17/10/03 Comments: Patent Agent optimistic patent will be granted without significant amendment.</p> <p><b>UK</b> – pending Application No: 506392 Application Date: 17/10/03 Comments: Priority claimed from GB0224133 of 17 October 2002.</p> <p><b>USA</b> – pending Application No: Not yet allocated Application Date: 14/04/05 Comments: An international preliminary examination report was filed. Subject to the search report, the Patent Agent is optimistic that the patent will be granted without significant amendment.</p>	<p><b>Currently used</b> in TZE1002 PURR-T Receiver (Panasonic) with possible use in future multi-standard transceivers for Fenix DAB-DVB etc.</p>
6	<p>Hybrid Digital / Analog Processing Circuit – known as: “Integrated Circuit AMx”</p> <p>This series of patent applications seeks to protect the invention by Alison Burdett and Christofer Toumazou Fundamental AMx patent. Covers basic architecture, on ship signalling and manufacturing issues.</p>	<p><b>Australia</b> – pending Application No: 2002321485 Application Date: 16/08/02 Comments: Patent Agent optimistic that a patent will be granted without significant amendment.</p> <p><b>Canada</b> – pending Application No: 2459425 Application Date: 16/08/02 Comments: Patent Agent optimistic that a patent will be granted without significant amendment.</p>	<p><b>Currently used</b> in Sensium 2 (TZI1031) ultra low power Sensium.</p>

No.	Title	Country/Status	Current/Pending Use
		<p><b>China</b> – pending Application No: 2820287.2 Application Date: 16.08.02 Comments: The patent application has now entered into the substantive examination procedure. Patent Agent optimistic that a patent will be granted without significant amendment.</p> <p><b>Europe</b> – pending Application No: 2755189.4 Application Date: 16.08.02 Comments: This is in the examination phase. Patent Agent is optimistic that it will be granted without significant amendment.</p> <p><b>Japan</b> – pending Application No: 2003 522014 Application Date: 16/08/02 Comments: We await the outcome of the examination. Patent Agent is optimistic in view of the US Notice of Allowance.</p> <p><b>US</b> – pending Application No: 10/488210 Application Date: 17/02/04 Comments: A Notice of Allowance was issued. Grant imminent.</p>	
7	<p>Wireless Digital Audio Transmission System – known as: “Digital Transmission System”</p> <p>This series of patent applications seeks to protect an invention by Kendal Castor-Perry which relates to novel coding, decoding and compression to allow wireless transmission of digital audio for higher performance at lower power consumption.</p>	<p><b>UK</b> – pending Application No: 321271.9 Application Date: 11/09/03 Comments: The search report was positive and the Patent Agent is optimistic the patent will be granted.</p> <p><b>PCT</b> – pending Application No: GB04/50002 Application Date: 19/08/04 Comments: Awaiting search report from the US patent office on patentability. Patent Agent is optimistic this will be granted.</p>	<p><b>Pending for future use</b> potentially in wireless headsets based on TZE1023 (Falcon).</p>
8	<p>Ultra-Wide Band Communication System – known as “Ultra-Wide Band Communication System”</p> <p>This series of patent applications seeks to protect the invention by Christofer Toumaz and Chun Yi Lee consisting of UWB arrangement for low power and high efficiency operation.</p>	<p><b>UK</b> – pending Application No: 410693.6 Application Date: 13/05/04 Comments: A negative search report has been issued and is being reviewed in detail by the inventors with the Patent Agent.</p> <p><b>PCT</b> – pending Application No: GB05/50061 Application Date: 06/05/05 Comments: The international search report is awaited.</p>	<p><b>Pending for use in the future</b> generation Sensium radio (when UK/EU regulations permit UWB transmission).</p>

No.	Title	Country/Status	Current/Pending Use
9	<p>Implementing Ultra High Impedances in Integrated Circuits – known as “Implementing Ultra-High Impedances in ICs”</p> <p>This series of patent applications seeks to protect the invention by Ross Nimmo consisting of a method to manufacture ultra-high impedance structures in standard CMOS integrated circuits.</p>	<p><b>UK – pending</b> Application No: 413061.3 Application Date: 11/06/04 Comments: The examiner has indicated that he is willing to allow this application to proceed to grant.</p> <p><b>PCT – pending</b> Application No: GB05/50071 Application Date: 24/05/05 Comments: The international search report is awaited.</p>	<b>Currently used</b> in the MEMS microphone interface TZE1025
10	<p>Weak Inversion in CMOS Current Mode Logic – known as: “Sub-Threshold Current Mode Logic”</p> <p>This is a patent application which seeks to protect the invention by Christofer Toumazou consisting of a method to address the biggest single problem with nano-structured circuits by using the normally wasteful leakage current to carry out highly efficient digital processing.</p>	<p><b>UK – pending</b> Application No: 415546.1 Application Date: 12/07/04 Comments: The examination report cited an article of prior art. A decision was taken not to continue with any foreign filings in view of the prior art. The GB application remains pending at the moment.</p>	<b>Pending for use</b> in the collaboration with a third party. Likely outcome to be low power circuits for Sensium.
11	Initial BNS Sensor Calibration	<p><b>UK – pending</b> Application No: 508377.9 Application Date: 26/04/05 Applicant: Bio-Nano Sensium Technologies Limited. Inventors: Alison Burdett and Paul Padden. Comments: This is a new patent in its early stages of prosecution. The search report is awaited which will give the preliminary view of the examiner.</p>	<b>Currently used</b> in the Sensium 1 (TZE030)
12	Bio-Nano Sensor Location Based Set-Up	<p><b>UK – pending</b> Application No: 509934.6 Application Date: 17/05/05 Applicant: Bio-Nano Sensium Technologies Limited. Inventors: Alison Burdett and Paul Padden. Comments: A positive search report has been issued. The Patent Agent is optimistic this will be granted.</p>	<b>Currently used</b> in the Sensium 1 (TZE1030).
13	Opto-electronic Transconductors. This patent provides a method to obtain very high Q filters without using off chip devices	<p><b>US – granted</b> 28/10/97 registration number 5682122 Comments: Assigned from IC Innovations Ltd to Toumaz</p>	

## APPENDIX 3

### TRADE MARKS IN WHICH TOUMAZ HAS AN INTEREST

Mark (Territory)	Owner	Classes	Status
Sensium (Community)	Toumaz	9, 10, 35 and 42	Classification check (early stage of filing and yet to be examined in full by the Examiner)
Tt (UK)	Toumaz	9 and 42	Registered
Toumaz (UK)	Toumaz	9 and 42	Registered
AMx (UK)	Toumaz	9 and 42	Registered

# NANOSCIENCE INC.

(Incorporated in the Cayman Islands with registered number 145128)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is given that an extraordinary general meeting of the members of the Company will be held at 11 a.m. GMT (12 noon CET) on 2 November 2005 at Rue Pierre-Fatio 12, 1211 Geneva 3, Switzerland for the purpose of considering and, if thought fit, passing the following resolutions:

### ORDINARY RESOLUTIONS

1. That the acquisition by the Company of the entire issued share capital of Toumaz Technology Limited upon the terms and conditions of the acquisition agreement dated 10 October 2005 made between the Sellers, as defined in the Company's admission document of 10 October 2005, and the Company through the allotment and issue of 96,337,210 ordinary shares of 0.25p each on a non pre-emptive basis, as described in the admission document of the Company dated 10 October 2005 be approved.
2. Conditional on passing resolution 1, that the appointment of Professor Christofer Toumazou as a director of the Company be approved.
3. Conditional on passing resolution 1, and without prejudice to the authority granted on 14 March 2005, that the directors be authorised to disapply the pre-emption rights set out in article 17 of the company's articles of association, such power to expire at the conclusion of the first annual general meeting of the company and the directors may allot equity securities following an offer or agreement made before the expiry of the authority and provided that the authority is limited to:
  - a. the allotment of equity securities in connection with the acquisition of Toumaz Technology Limited up to an aggregate nominal amount of £240,843.03; and
  - b. the allotment of equity securities in connection with the placing, as defined in the Company's admission document of 10 October 2005, up to an aggregate nominal amount of £118,333.33; and
  - c. the allotment (other than pursuant to 3.1 above) of equity securities up to a maximum aggregate nominal amount of £45,942.64 (being equal to 10 per cent. of the then issued ordinary share capital of the company).

### SPECIAL RESOLUTION

4. The alteration of article 17 of the articles of association by its replacement with the following article and subsequent restatement of the articles in the form to be tabled at the extraordinary general meeting reflected in this amendment:

"Unless otherwise approved by Ordinary Resolution the Company shall not allot shares for cash consideration on any terms unless:

  - (a) the Directors have made an offer to each person who holds shares of the same class to allot to him on the same or more favourable terms such proportion of those shares that is as nearly as practicable (fractions being disregarded) equal to the proportion that the relevant person's existing holding of shares of the same class represents of all the issued shares of that class;
  - (b) the period, which shall not be less than 21 clear days, during which any offer referred to in Article 17a may be accepted has expired or the Company has received notice of the acceptance or refusal of every offer made;
  - (c) the provisions of clauses 17(a) and (b) do not apply to the allotment of securities which would, apart from a renunciation or assignment of the right to their allotment, be held under an employees' share scheme."

**Kitwell Consultants Limited**  
Assistant Secretary

Registered office:  
Walkers SPV Limited, Walker House, Mary Street,  
PO Box 908GT, George Town, Grand Cayman, Cayman Islands.

Date: 10 October 2005

**Notes:**

1. A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. The instrument appointing a proxy and (in the case of an instrument signed by an agent of the member who is not a corporation) the authority under which such an instrument is signed or an office copy or duly certified copy must be deposited at the offices of Capita Registrars not less than 48 hours before the time appointed for the meeting or any adjourned meeting. A prepaid form of proxy for use in respect of the meeting is enclosed.
3. Completion of a form of proxy will not prevent a member from attending and voting in person.
4. Members will be entitled to attend and vote at the meeting if they are registered on the Company's register of members 48 hours before the time appointed for the meeting or any adjourned meeting.

