

Company Registration No. 002845V

3D DIAGNOSTIC IMAGING PLC

Annual Report and Financial Statements

13 month period ended 30 June 2009

3D DIAGNOSTIC IMAGING PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS 2009

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3D DIAGNOSTIC IMAGING PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS 2009

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

James Cunningham-Davis (appointed 18 June 2008)
Pritesh Desai (appointed 18 June 2008)
Graham Lay (appointed 18 June 2008)
James Noble (appointed 18 June 2008)

SECRETARY

James Cunningham-Davis (appointed 18 June 2008)

REGISTERED OFFICE

34 North Quay
Douglas
Isle of Man
IM1 4LB

BANKERS

Barclays
Victoria Street
Douglas
Isle of Man
IM1 2LF

Bank of Scotland
2 West Marketgait
Dundee
DD1 1QN

SOLICITORS

Bircham Dyson Bell
50 Broadway
London
SW1H 0BL

INDEPENDENT AUDITORS

Deloitte LLP
Edinburgh, United Kingdom

DIRECTORS' REPORT

The directors present their first annual report and the audited financial statements for the 13 month period ended 30 June 2009.

PRINCIPAL ACTIVITIES

The company was incorporated on 17 June 2008.

On 18 June 2008 the company acquired a wholly owned subsidiary, CarieScan Limited ("CarieScan") which itself was newly incorporated on 20 May 2008.

On 20 June 2008 CarieScan Limited acquired the trade and certain assets (primarily stock and intangible assets) from the administrator of IDMoS plc and IDMoS Dental plc. The intangible assets were subsequently transferred to the company.

Building on the technology base acquired during the year the company's operating subsidiary, CarieScan, has been able to launch a revolutionary dental caries detection device – the CarieScan PRO.

The forerunner of the CarieScan PRO under previous ownership had already received 'CE' mark approval enabling it to be sold both in the UK and in Europe. CarieScan has successfully retained the required Quality Systems approval (EN13485) which means that the product continues to have CE Mark approval.

Additionally, the CarieScan PRO has now met the necessary licence requirements for the Canadian market and an application for Section 510(k) approval from the U.S. Food and Drug Administration has been filed.

CarieScan plans to sell and market the CarieScan PRO through distribution partners and in July announced that it had signed an exclusive distribution agreement for the UK with Clark Dental, a leading specialist in the marketing and distribution of dental equipment. Under the terms of the agreement, Clark Dental has exclusive distribution rights within the UK market for the CarieScan PRO and some early sales have already been made.

Discussions are currently underway with distributors within Canada, the US, Europe, the Far East and Japan.

During the period, the company listed on the PLUS-quoted market. This raised the company's profile and enabled the group to progress towards become a leading supplier of dental assessment devices.

Notwithstanding the significant progress reported above with regards to the development of the commercial market channels for CarieScan PRO, the directors have identified a number of significant assumptions, summarised below, that have a material bearing on their overall going concern considerations. These are:

- CarieScan PRO is a new technology proposition for the dental treatment sector and consequently historical activity levels upon which to reference projected sales activity are limited. The directors, in conjunction with their distribution partners have invested significant time in qualifying the market potential for the CarieScan PRO both within domestic and overseas markets and are confident as regards the scale of the addressable market opportunity and the appeal of CarieScan PRO to those markets. The rate and timing of uptake by the market of CarieScan PRO, however, remains largely undetermined at this early stage; and
- Key market opportunities identified by the directors for CarieScan PRO reside within North America. In the context of the USA, regulatory approval in the form of a section 510(k) from the US Food and Drug Administration is a pre-requisite for any commercial activity. The directors consider the 510(k) application for CarieScan PRO to be significantly advanced at the date of this report and are not aware of any barriers to securing full approval within the next financial year and enabling trading to commence within this key territory.

Subsequent to the year end the directors concluded a private placing of new shares amounting to a gross sum of £750,000.

The directors prepared consolidated financial projections which factor in assessments with regards to the level and rate of uptake for the CarieScan PRO, both within domestic markets and international markets, certainty of which remain subject to confirming regulatory approval as noted above. These forecasts taking account of reasonably possible changes in projected trading performance, indicate that the group should be able to operate within the level of its existing cash resources. On this basis the directors have considered it appropriate to prepare these financial statements on a going concern basis.

RESULTS AND DIVIDENDS

The consolidated loss for the financial period amounted to £1,119,390 and has been transferred to reserves. No dividends were proposed or paid in the period.

3D DIAGNOSTIC IMAGING PLC

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

The directors who served during the period are detailed on page 1 of this report.

AUDITORS

Deloitte LLP were appointed by the directors as the first auditors of the company during the period. They have expressed their willingness to continue in office as auditors and a resolution to formally appoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed by order of the Board

Graham Lay
Director


26/11/2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Isle of Man company law requires the directors to keep reliable accounting records which correctly explain the transactions of the company, enable the financial position of the company and group to be determined with reasonable accuracy at any time and allow financial statements to be prepared. The shareholders have resolved, in accordance with the Companies Act 2006 and Articles of Association, that the directors prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to;

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company in accordance with the Companies Act 2006. They are also responsible for the system of internal control, for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF 3D DIAGNOSTIC IMAGING PLC

We have audited the non-statutory financial statements of 3D Diagnostic Imaging plc for the period ended 30 June 2009, which comprise the consolidated profit and loss account, the consolidated balance sheet, the company balance sheet, the consolidated cash flow statement and the related Notes 1 to 22. These statutory financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's directors, as a body, in accordance with our engagement letter dated 29 October 2009. Our audit work has been undertaken so that we might state to the company's directors those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the directors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the non-statutory financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the non-statutory financial statements in accordance with International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the non-statutory financial statements give a true and fair view, in accordance with the relevant financial reporting framework. We also report to you if, in our opinion, the directors' report is not consistent with the non-statutory financial statements, if the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the non-statutory financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the non-statutory 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 non-statutory 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 non-statutory financial statements.

Opinion

In our opinion the non-statutory financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's and group's affairs as at 30 June 2009 and of the group's loss for the period then ended.



Deloitte LLP
Chartered Accountants and Statutory Auditors
Edinburgh, United Kingdom

26 November 2009

3D DIAGNOSTIC IMAGING PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the period from 17 June 2008 to 30 June 2009

| | Note | 13 months to 30 June 2009 £ |
|---|------|--------------------------------------|
| Turnover | | 5,871 |
| Cost of sales | | (1,062) |
| Gross profit | | 4,809 |
| Administrative Expenses | | (1,124,409) |
| Operating loss | | (1,119,600) |
| Net interest receivable | 2 | 210 |
| Loss on ordinary activities before taxation | 3 | (1,119,390) |
| Tax on loss on ordinary activities | 5 | - |
| Loss for the financial period | 15 | (1,119,390) |

All activities relate to continuing operations as the acquired subsidiary (note 7) had not traded in the period from incorporation to the date of acquisition.

There are no recognised gains or losses other than those included in the result above for this period, therefore no separate Consolidated Statement of Total Recognised Gains and Losses has been presented.

3D DIAGNOSTIC IMAGING PLC

CONSOLIDATED BALANCE SHEET

As at 30 June 2009

| | Note | 2009 £ |
|---|------|-----------------|
| FIXED ASSETS | | |
| Tangible assets | 6 | 43,714 |
| Intangible assets | 8 | - |
| | | <u>43,714</u> |
| CURRENT ASSETS | | |
| Stocks | 9 | 160,910 |
| Debtors | 10 | 74,721 |
| Cash at bank and in hand | 11 | 391,954 |
| | | <u>627,585</u> |
| CREDITORS: amounts falling due within one year | 12 | <u>(87,735)</u> |
| NET CURRENT ASSETS | | <u>539,850</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>583,564</u> |
| NET ASSETS | | <u>583,564</u> |
| CAPITAL AND RESERVES | | |
| Called-up share capital | 14 | 97,929 |
| Share premium | 15 | 1,605,025 |
| Profit and loss account | 15 | (1,119,390) |
| TOTAL SHAREHOLDERS' FUNDS | 16 | <u>583,564</u> |

These financial statements of 3D Diagnostic Imaging plc, registered number 002845V, were approved by the Board of Directors on 26/11 2009.

Signed on behalf of the Board of Directors

Graham Lay
Director



3D DIAGNOSTIC IMAGING PLC

COMPANY BALANCE SHEET

As at 30 June 2009

| | Note | 2009 £ |
|--|------|----------------|
| FIXED ASSETS | | |
| Investments | 7 | 1,000 |
| Intangible assets | 8 | - |
| | | <u>1,000</u> |
| CURRENT ASSETS | | |
| Debtors | 10 | 582,564 |
| | | <u>582,564</u> |
| NET CURRENT ASSETS | | <u>582,564</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>583,564</u> |
| NET ASSETS | | <u>583,564</u> |
| CAPITAL AND RESERVES | | |
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Signed on behalf of the Board of Directors

Graham Lay
Director



3D DIAGNOSTIC IMAGING PLC

CONSOLIDATED CASHFLOW STATEMENT For the period ended 30 June 2009

| | Note | 2009 £ |
|---|------|--------------------|
| Net cash outflow from operating activities | 17 | (1,103,933) |
| Returns on investments and servicing of finance | 18 | 210 |
| Taxation | 18 | - |
| Capital expenditure and financial investment | 18 | (207,277) |
| Cash outflow before management of liquid resources and financing | | (1,311,000) |
| Management of liquid resources | 18 | - |
| Financing | 18 | 1,702,954 |
| Increase in cash in the period | 19 | 391,954 |

NOTES TO THE FINANCIAL STATEMENTS

Period ended 30 June 2009

1. ACCOUNTING POLICIES

The Financial Statements are prepared in accordance with applicable United Kingdom Generally Accepted Accounting Practice, and in accordance with the Statement of Recommended Accounting Practice issued by the Isle of Man Society of Chartered Accountants and the Association of Chartered Certified Accountants.

Basis of accounting

The separate financial statements have been prepared in accordance with United Kingdom Applicable Accounting Standards. No company profit and loss account is presented. The loss for the period in the parent company was £1,119,390. The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertaking drawn up to 30 June for each period. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report on pages 2 and 3.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern bases in preparing the annual report and accounts.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts from the sales of goods and services provided in the normal course of business, net of value added tax and discounts. Product revenue is recognised when the significant risks and rewards of ownership of the product have been transferred to a third party.

Turnover

Turnover is the invoiced value of goods and services supplied and excludes VAT and other sales-based taxes.

Research and development

Research and development expenditure includes amounts paid to third parties in relation to relevant activities and services. Relevant staff costs and direct and indirect overheads incurred in relation to research and development activities are also included.

All research and development costs are expensed as incurred.

Intangible assets – patents and trademarks

Patents and trademarks are included at cost and amortised in equal annual instalments their estimated useful economic life. Provision is made for any impairment. Intangible assets acquired during the period have been amortised in full given the group's early stage of development.

Investments

Fixed asset investments in subsidiaries are stated at cost less provision for impairment.

NOTES TO THE FINANCIAL STATEMENTS

Period ended 30 June 2009

1. ACCOUNTING POLICIES (CONTINUED)

Stock

Stock is stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Fixed assets

Tangible fixed assets are stated at their purchase price, together with any incidental expenses of acquisition less depreciation and any provision for impairment. Provision for depreciation is made so as to write off the cost of fixed assets on a straight-line basis over the expected useful economic lives of the assets concerned.

The following annual rates are applied on a straight-line basis:

Plant and machinery 10% - 50%

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted, or substantively enacted, by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets and liabilities are not discounted.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non discounted basis.

Research and development tax credits are recognised when such claims are successful.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if payments are not made on such a basis.

2. NET INTEREST RECEIVABLE

| | 13 months to 30 June 2009 £ |
|--------------------------|--------------------------------------|
| Bank interest receivable | 1,124 |
| Bank interest payable | (914) |
| | <hr/> |
| | 210 |
| | <hr/> |

NOTES TO THE FINANCIAL STATEMENTS

Period ended 30 June 2009

3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging:

| | 13 months to 30 June 2009 £ |
|---|--------------------------------------|
| Depreciation of tangible assets | 1,850 |
| Amortisation of intangible assets | 161,713 |
| Research and development costs | 109,354 |
| Operating lease costs | 38,577 |
| Auditors' remuneration – audit fees | 15,000 |
| Auditors' remuneration – non-audit fees | 5,000 |
| | <hr/> |

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The remuneration of the directors was as follows:

| Directors' emoluments | 13 months to 30 June 2009 £ |
|----------------------------|--------------------------------------|
| Fees and benefits | 188,846 |
| Pension contributions | 13,000 |
| | <hr/> |
| Total amount of emoluments | 201,846 |
| | <hr/> |

The remuneration of the highest paid director was as follows:

| | |
|----------------------------------|---------|
| Directors' emoluments | 130,000 |
| Directors' pension contributions | 13,000 |
| | <hr/> |
| | 143,000 |
| | <hr/> |

There were no pension contributions outstanding as at the period end.

| | 13 months to 30 June 2009 £ |
|-----------------------|--------------------------------------|
| Wages and salaries | 501,786 |
| Social security costs | 46,015 |
| Pension contributions | 13,000 |
| | <hr/> |
| | 560,801 |
| | <hr/> |

The average monthly number of employees was:

| | No |
|----------------------------|-------|
| Research and development | 2 |
| Commercial | 1 |
| Finance and administration | 2 |
| | <hr/> |
| | 5 |
| | <hr/> |

NOTES TO THE FINANCIAL STATEMENTS

Period ended 30 June 2009

5. TAX ON LOSS ON ORDINARY ACTIVITIES

| | 13 months to 30 June 2009 £ |
|--------------------------|--------------------------------------|
| Current tax | |
| UK corporation tax | - |
| | <hr/> |
| Total tax for the period | - |
| | <hr/> <hr/> |

Reconciliation of current tax

The actual tax for the current period differs from the standard rate applicable to the group of 28% for the reasons set out in the following reconciliation:

| | 13 months to 30 June 2009 £ |
|---|--------------------------------------|
| Loss on ordinary activities before tax | 1,119,390 |
| | <hr/> |
| Loss on ordinary activities at the standard UK corporation tax rate of 28% | 313,429 |
| | <hr/> <hr/> |

Effects of:

| | |
|---|-------------|
| Expense not deductible for tax purposes and non taxable income | 18,248 |
| Movement on unrecognised tax losses | (336,074) |
| Capital allowances in excess of depreciation | 4,397 |
| | <hr/> |
| Current tax for the period | - |
| | <hr/> <hr/> |

Factors that may affect future tax charges

The directors are of the opinion that there is insufficient evidence to support recognition of the deferred tax asset disclosed in Note 13 in the short term. Such an asset would only be realised in the event of the company generating sufficient future taxable profits from which accumulated losses could be deducted.

NOTES TO THE FINANCIAL STATEMENTS
Period ended 30 June 2009

6. TANGIBLE FIXED ASSETS

GROUP

| | Plant and machinery £ |
|-----------------------|--------------------------------------|
| Cost | |
| Additions | 45,564 |
| At 30 June 2009 | 45,564 |
| Depreciation | |
| Charge for the period | (1,850) |
| At 30 June 2009 | (1,850) |
| Net book value | |
| At 30 June 2009 | 43,714 |

7. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

| | Company 2009 £ |
|-----------------|-------------------------------|
| Cost | |
| Additions | 1,000 |
| At 30 June 2009 | 1,000 |

The company's subsidiary undertaking is as follows:

| Name of Company | Country of registration and of operation | Principal activity | Holding | % |
|------------------------|---|---------------------------|----------------|----------|
| CarieScan Limited | Scotland | Trading | Ordinary | 100% |

CarieScan Limited was incorporated on 20 May 2008 and was acquired by the company on 18 June 2008. During that period CarieScan Limited did not trade.

NOTES TO THE FINANCIAL STATEMENTS

Period ended 30 June 2009

8. INTANGIBLE FIXED ASSETS

COMPANY AND GROUP

| | Patents and Trademarks £ |
|-----------------------|---|
| Cost | |
| Additions | 161,713 |
| At 30 June 2009 | - |
| Amortisation | |
| Charge for the period | (161,713) |
| At 30 June 2009 | - |
| Net book value | |
| At 30 June 2009 | - |

Due to the early stages of the commercialisation of the associated products, the directors have concluded that the intangibles should be fully amortised in the current period.

9. STOCKS

| | Group 2009 £ | Company 2009 £ |
|------------------------|-----------------------------|-------------------------------|
| Stocks held for resale | 160,910 | - |

10. DEBTORS

| | Group 2009 £ | Company 2009 £ |
|---|-----------------------------|-------------------------------|
| VAT recoverable | 48,270 | 44,984 |
| Prepayments and accrued income | 20,022 | - |
| Other debtors | 6,429 | - |
| Amounts owed by subsidiary undertakings | - | 537,580 |
| | 74,721 | 582,564 |

11. CASH AT BANK AND IN HAND - GROUP

Cash at bank and in hand includes £300,000 on 1 month fixed term deposit with the Bank of Scotland.

NOTES TO THE FINANCIAL STATEMENTS

Period ended 30 June 2009

12. CREDITORS: amounts falling due within one year

| | Group 2009 £ | Company 2009 £ |
|---------------------------------|--------------------|----------------------|
| Trade creditors | 24,204 | - |
| Other taxes and social security | 16,650 | - |
| Other creditors and accruals | 46,881 | - |
| | <u>87,735</u> | <u>-</u> |

13. DEFERRED TAX

The unrecognised deferred tax asset comprises:

| | Group 2009 £ | Company 2009 £ |
|---------------------------------|--------------------|----------------------|
| Accelerated capital allowances | (4,397) | - |
| Tax losses carried forward | 336,074 | 17,045 |
| Unrecognised deferred tax asset | <u>331,677</u> | <u>17,045</u> |

14. CALLED-UP SHARE CAPITAL

| | 2009 £ |
|--|------------------|
| Authorised | |
| 1,000,000,000 Ordinary shares of £0.001 each | 1,000,000 |
| | <u>1,000,000</u> |
| Allotted, called-up and fully paid | |
| 97,929,285 Ordinary shares of £0.001 each | 97,929 |
| | <u>97,929</u> |

100 Ordinary shares of £0.01 each were issued on incorporation on 17 June 2008. The total consideration received for these shares was £50,000. On 11 February each of the company's issued and unissued shares was subdivided into 10 ordinary shares of £0.001 each.

On 13 February 2009, there was a scrip issue. 49,999,000 new shares were issued to the founding shareholders in the same proportion as the original 100 Ordinary shares issued on incorporation. These shares were issued for nil cash consideration and were issued as a redemption of the share premium account. On 13 February 2009, the company bought back 20,000,000 shares for a consideration of £20,000 from one of the founder shareholders.

There were four subsequent share issues during the period.

19,987,500 Ordinary shares of £0.001 each were issued on 13 February 2009. The total consideration received for these shares was £19,988.

25,000 Ordinary shares of £0.001 each were issued on 17 March 2009. The total consideration received for these shares was £25.

Loan notes converting to 45,056,250 Ordinary shares at £0.001 per share were issued on 13 February 2009. The total consideration received for these shares was £1,802,250. These loan notes converted on company on 21 April 2009.

2,860,535 Ordinary shares of £0.001 each were issued on 6 April 2009. The total consideration received for these shares was £200,237.

The company listed on the PLUS-quoted market in London on 21 April 2009

NOTES TO THE FINANCIAL STATEMENTS

Period ended 30 June 2009

15. RESERVES

| | Share premium account £ | Profit and loss account £ | Total £ |
|---|----------------------------------|------------------------------------|----------------|
| GROUP | | | |
| At 17 June 2008 | - | - | - |
| Retained loss for the financial period | - | (1,119,390) | (1,119,390) |
| Shares issued on incorporation | 49,999 | - | 49,999 |
| Redemption of share premium (scrip issue) | (49,999) | - | (49,999) |
| Subsequent share issue (net of issue costs) | 1,605,025 | - | 1,605,025 |
| | <u>1,605,025</u> | <u>(1,119,390)</u> | <u>485,635</u> |
| At 30 June 2009 | <u>1,605,025</u> | <u>(1,119,390)</u> | <u>485,635</u> |

| | Share premium account £ | Profit and loss account £ | Total £ |
|---|----------------------------------|------------------------------------|----------------|
| COMPANY | | | |
| At 17 June 2008 | - | - | - |
| Retained loss for the financial period | - | (1,119,390) | (1,119,390) |
| Shares issued on incorporation | 49,999 | - | 49,999 |
| Redemption of share premium (scrip issue) | (49,999) | - | (49,999) |
| Subsequent share issue (net of issue costs) | 1,605,025 | - | 1,605,025 |
| | <u>1,605,025</u> | <u>(1,119,390)</u> | <u>485,635</u> |
| At 30 June 2009 | <u>1,605,025</u> | <u>(1,119,390)</u> | <u>485,635</u> |

NOTES TO THE FINANCIAL STATEMENTS

Period ended 30 June 2009

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | Group 2009 £ | Company 2009 £ |
|-------------------------------------|--------------------|----------------------|
| Loss for the financial year | (1,119,390) | (1,119,390) |
| New shares issued | 1,702,954 | 1,702,954 |
| Net increase in shareholders' funds | 583,564 | 583,564 |
| Opening shareholders' funds | - | - |
| Closing shareholders' funds | 583,564 | 583,564 |

17. RECONCILIATION OF OPERATING LOSS TO OPERATING CASH FLOWS

| | Group 2009 £ |
|--|--------------------|
| Operating loss | (1,119,600) |
| Depreciation and amortisation | 163,563 |
| Increase in stocks | (160,910) |
| Increase in debtors | (74,721) |
| Increase in creditors | 87,735 |
| Net cash outflow from operating activities | (1,103,933) |

18. ANALYSIS OF CASH FLOWS

| | Group 2009 £ |
|--|--------------------|
| Returns on investments and servicing of finance | |
| Interest received | 1,124 |
| Interest paid | (914) |
| Net cash in/outflow | 210 |
| Taxation | |
| UK corporation tax paid | - |
| Net cash outflow | - |
| Capital expenditure and financial investment | |
| Purchase of tangible fixed assets | 45,564 |
| Purchase of intangible assets | 161,713 |
| Net cash outflow | 207,277 |

NOTES TO THE FINANCIAL STATEMENTS

Period ended 30 June 2009

18. ANALYSIS OF CASH FLOWS (CONTINUED)

| | Group 2009 £ |
|---------------------------------|--------------------|
| Financing | |
| Issue of ordinary share capital | 249,750 |
| Issue of loan notes | 1,802,250 |
| Issue costs | (349,046) |
| Net cash inflow | <u>1,702,954</u> |

As described in note 14 the loan notes were converted into 45,056,250 Ordinary shares on 21 April 2009. At that time the company incurred issue costs of £349,046 associated with the conversion and subsequent issue of shares and being listed on the PLUS-quoted market.

19. ANALYSIS AND RECONCILIATION OF NET FUNDS

| | 17 June 2008 £ | Cash flow £ | Non-cash movements £ | 30 June 2009 £ |
|--------------------------|----------------------|------------------|----------------------------|----------------------|
| Cash in hand and at bank | - | 391,954 | - | 391,154 |
| Loan notes | <u>-</u> | <u>1,802,250</u> | <u>(1,802,250)</u> | <u>-</u> |
| Net funds | <u>-</u> | <u>2,194,204</u> | <u>(1,802,250)</u> | <u>391,954</u> |

The non cash movement in net funds is the conversion of the loan notes to Ordinary shares, as described in note 14.

NOTES TO THE FINANCIAL STATEMENTS

Period ended 30 June 2009

20. ACQUISITIONS

On 20 June 2008 the wholly owned subsidiary, CarieScan Ltd acquired the trade and certain assets (primarily stock and intangible assets) from the administrator of IDMOS plc and IDMOS Dental plc.

The following table sets out the book values of the identifiable assets acquired and their fair value to the company.

| | Book value £ | Adjustments £ | Fair value £ |
|--|--------------------|------------------|--------------------|
| Fixed assets | | | |
| Intangible assets including intellectual property rights | - | 140,900 | 140,900 |
| Current assets | | | |
| Stocks | 65,100 | - | 65,100 |
| Total assets | | | 206,000 |
| Satisfied by | | | |
| Cash consideration (including costs) | | | 206,000 |

There was no activity in the profit and loss account of CarieScan Limited prior to acquisition.

21. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions available under FRS 8 with regard to the non-disclosure of transactions between group companies.

There were no other related party transactions in the current or prior year.

22. POST BALANCE SHEET EVENTS

Subsequent to the year end the company concluded a private placing of new shares raising an additional £750,000. The private placing was concluded on 18 November 2009 resulting in 9,375,000 new ordinary shares of £0.001 each, at a subscription price of 8p per share, being issued taking the total number of shares in issue to 107,304,285. These funds will be applied to the production of stock for resale, the reengineering of the product to reduce production costs, to provide marketing support and for working capital purposes generally.