Pursuit Dynamics PLC
Annual Report and Accounts 2012

CHAIRMAN'S STATEMENT

2012 TURNED OUT TO BE A DISAPPOINTING YEAR FOR PURSUIT DYNAMICS PLC ("PDX"). WE HAD AMBITIOUS SALES TARGETS AND FAILED TO ACHIEVE THESE. WHILE WE REMAIN CONFIDENT IN THE VALUE OF OUR PROPRIETARY TECHNOLOGY YOUR BOARD FEELS THAT OTHER COMPANIES ARE BETTER PLACED TO REALISE THIS VALUE.

Strategic review

The Board of PDX kept the Group's strategy under continuous review throughout the financial year, monitoring progress very closely and continually assessing the prospects for the commercial success of the PDX technology portfolio.

The composition of the Board changed in December 2012 at the time of completion of the Placing and Open Offer and the new Board set the management team very clear criteria for demonstrating the commercial viability of the PDX technology portfolio. I am now able to provide an update on the Group's progress and the implications for its future strategy.

During the financial year, the Board reviewed the business lines that the Group was pursuing and concluded that it was necessary to focus on two areas: Brewing, Food & Beverage, and Public Health & Safety, and the Group built a substantial register of quotations. In view of the Group's poor record of converting new business opportunities into material revenues, in December 2012 the new Board set firm targets for revenue generation in these two areas for the six months ending on 31 March 2013 and the current financial year as a whole. Unfortunately it is now clear that the sales target for the first half of the year will not be achieved. Accordingly the new Board considers it prudent to explore all options for preserving shareholder value. The Board has concluded that there is still value in PDX's intellectual property portfolio, but that this value may be more effectively realised in other forms of ownership, or in partnership with other companies. This is a disappointing outcome, but we consider the action we are taking is in the best interests of our Shareholders.

The Board will take steps to reduce the cost base further, including giving notice to all employees, to bring it into line with the Group's revised strategy. We propose to eliminate all liabilities associated with the existing business and we will seek to sell or licence the Group's intellectual property to achieve the best available outcome for Shareholders. We will review the strategic options available to the Group and will consider all means of using the Group's resources to create value for Shareholders.

Our Shareholders

I would like to take this opportunity to thank our Shareholders for their patience and loyalty during what has been a difficult period in the development of PDX. The Board is determined to take whatever actions are required to enable PDX to maximise the returns for our Shareholders.

I would like to acknowledge that our employees have had an uncertain and difficult year, and I have been highly appreciative of their support. I would also like to thank those members of the PDX Board who left the company during 2012. I am particularly grateful for the contributions of Andy Quinn, my predecessor as Chairman; of Jeremy Pelczer, who acted as interim Chief Executive Officer prior to the appointment of Hagen Gehringer; and of Non-Executive Director Brian Sweeney, who served the Group diligently for many years.

Finally, I also welcome Phil Corbishley and Paul Banner, who joined the Board as Non-Executive Directors in December.

Professor Bernard Bulkin
Chairman, Pursuit Dynamics PLC
26 February 2013

OPERATIONAL AND FINANCIAL REVIEW

FOLLOWING THE STRATEGIC REVIEW ANNOUNCED IN JUNE 2012 OUR FOCUS HAS BEEN ON REDUCING OUR COST BASE AND AT THE SAME TIME ENSURING CONTINUED INVESTMENT IN RESOURCES AND PRODUCT DEVELOPMENT IN THE TWO REMAINING LINES OF BUSINESS ("LOBs"), BREWING, FOOD & BEVERAGE AND PUBLIC HEALTH & SAFETY. HOWEVER, FOLLOWING THE FAILURE TO ACHIEVE REVENUE TARGETS, FOR 2012-2013, THE BOARD HAS MADE THE DECISION TO CLOSE OR DIVEST ALL OPERATIONS.

Review of operations

During the course of the year it became apparent that revenues were going to be significantly lower than expected. This followed the announcement that Procter & Gamble did not intend to pursue further evaluation and development and the failure to convert a number of other opportunities into exclusive licenses. As a result the Board instigated a Strategic Review, the outcome of which was announced on 28 June 2012 and the implementation of a number of plans to reduce costs. These plans included a substantial reduction in headcount and development expenditure. Resources continued to be made available to the Brewing, Food & Beverage and Public Health & Safety LOBs.

As noted in the Chairman's statement the new Board appointed in December 2012 agreed firm revenue targets for the six months ending on 31 March and the current financial year as a whole. Unfortunately these have not been achieved and as a consequence the Board's decision is to close or divest all operations.

Financial review

Revenue £0.7 million (2011: £0.5 million)

As in 2010-2011 the majority of revenues generated during the year were from the Brewing, Food & Beverage LOB which is the most mature element of our business. We also generated a small amount of revenue in the Public Health & Safety LOB.

Capital expenditure £1.6 million (2011: £1.9 million)

The majority of the capital expenditure during the year was spent on installing our ERS technologies in US ethanol production plants in addition to upgrading R&D facilities in Huntingdon and the US and also back office systems including IT. Capital expenditure slowed significantly during the second half of the year as a result of the Strategic Review and the need to focus on cost reduction and preservation of cash resources.

As a consequence of the Board's decision to close or divest all operations this has led us to write-down the cost of the ERS installations and other operational assets. We have also written-down the cost of investments in all R&D facilities and back office systems. The total cost of this impairment amounts to £3.3 million and is non-cash.

Operating expenses £18.6 million (2011: £15.9 million)

Operating expenses excluding non-cash items increased from £11.8 million to £14.4 million reflecting the continuing investment in people that was made in the previous year and resulted in the average headcount increasing from 67 to 73 with a peak of 88 in January 2012. Costs were also higher due to the investments made in developing the Swiss structure and operations, in addition to continued investment in our IP.

During the second half of the year the Board took a number of decisions to reduce the operating cost base of the Group and following the outcome of the Strategic Review further actions were put in place to conserve the cash resources of the business. These actions resulted in the decision to close the Swiss structure and also a reduction in headcount to 52 in September 2012.

As a result of the Board's decision to close or divest all operations, restructuring expenditure will be incurred including advisors fees, redundancy costs for employees, costs associated with the early termination of contracts and leases. The Board estimates these costs will amount to £1.5 million, but the precise amount is dependent on the outcome of negotiations with employees and suppliers. These costs have not been accrued in the accounts for the year ended 30 September 2012 as these have been prepared on a going concern basis.

Cash outflow from operating activities £13.6 million (2011: £10.9 million)

The increase in cash outflow from operating expenses was due to trading losses.

Our total cash position at 30 September 2012 amounted to £3.1 million reflecting the trading losses and shortfall in revenues.

Since the year end we have raised £5.6 million (before expenses) through a Placing and Open Offer of 185.5 million new PDX shares at 3 pence per share.

Principal risks and uncertainties

Formal risk management processes are in place to identify and evaluate risks taking into account the likelihood of their occurrence, the scale of potential impact on the business and the impact of planned risk mitigation actions, so that risks can be ranked and actions suitably prioritised. Each of the risks has an identified owner to ensure management team accountability for risk mitigation measures.

The Audit Committee reviews in detail and monitors those risk mitigation plans, ensuring that plans work across the Group, as well as sharing best practice.

The Group's key risks and mitigating factors now all relate to the orderly disposal of the Group's assets and the review of strategic options available to the Group and its remaining resources to create value for Shareholders.

Hagen Gehringer
Chief Executive Officer, Pursuit Dynamics PLC
26 February 2013

CHAIRMAN'S INTRODUCTION TO GOVERNANCE

Overview

The Company's shares were admitted to trading on the Alternative Investment Market ("AIM") of the London Stock Exchange on 23 May 2001. The Group is therefore subject to the AIM Admission Rules of the London Stock Exchange and is consequently not required to comply with the best practice corporate governance provisions contained within the UK Corporate Governance Code published by the Financial Reporting Council.

I was appointed as Chairman in December 2012 and the make-up of the Board is now significantly different to that in February 2012. Corporate governance is especially important at this time of significant reorganisation in order to maximise shareholder value. The Board sets the corporate tone and the Non-Executive Directors play an important role in constructively challenging proposals that come to the Board for decision and to contribute to the development of strategy. Governance is of critical importance to me and the whole Board and I confirm that we remain committed to high standards of corporate governance.

Board changes

As previously mentioned in my opening letter, we were delighted to welcome Phil Corbishley and Paul Banner to the Board, as Non-Executive Directors during the year. In this section of the Annual Report, we have included overviews of the Audit and Remuneration Committees, together with my overview of the activities of the Nominations Committee which I also chair.

Summarised on the following pages are the principles that have been applied in the Group, and the extent of current compliance taking into account the size of the Group.

Bernard Bulkin
Chairman

BOARD OF DIRECTORS

Bernard Bulkin [1,2]
Chairman and Non-Executive Director (70)

Professor Bernard Bulkin joined the Board in June 2011. Following a distinguished academic career in the United States, Bernard has been involved with a range of scientific, technology and engineering businesses, including holding the position of Chief Scientist of BP plc, serving as Chairman of AEA Technology plc, serving as the current Chair of the Office of Renewable Energy Deployment at the UK Department of Energy and Climate Change and serving as a Non-Executive Director of Severn Trent plc.

Hagen Gehringer [2]
Chief Executive Officer (47)

Hagen Gehringer joined PDX in the summer of 2011 following 12 years with Alfred Karcher GmbH & Co KG. He rose to become managing director of subsidiary company Karcher Futuretech GmbH, which develops, manufactures and markets mobile water purification and bottling, decontamination and field camp systems. Following his first degree in Mechanical Engineering and Doctorate from the University of Stuttgart, he was a scientific researcher at Stuttgart's Fraunhofer Institut Produkionstechnik und Automatisierung for six years.

Phil Corbishley [1,2,3]
Non-Executive Director (59)

Phil Corbishley is a Chartered Engineer with a lifetime of experience in the engineering industry and private equity. He has established a number of very successful start-up businesses in the electronics and telecoms sectors and has served on the boards of various private companies in the role of CEO and Chairman. He has a strong engineering background combined with a practical approach to marketing and development of senior managers. Most of his career has been spent in small and medium sized companies and hence is very relevant to PDX.

Paul Banner [1,2,3]
Non-Executive Director (60)

Paul Banner is an engineering graduate from Cambridge University and also a Fellow of the Institute of Actuaries. For the last twenty years he has worked in private equity in the UK focussing on technology companies. He is currently Chairman of Tissuemed Limited and Bluebell Telecom Group Limited.

Key

[1] Member of Remuneration Committee
[2] Member of Nominations Committee
[3] Member of Audit Committee

CORPORATE GOVERNANCE

The Board

Pursuit Dynamics PLC is led by a strong and experienced Board. Three out of the current four Directors are Non-Executive strengthening the independent representation of the Board. The Chairman is one of the Non-Executive Directors and there is a clear division of responsibility between the Chairman and the Chief Executive Officer. The role of the Chairman and the Non-Executive Directors is to review and determine the strategic aims of the Company and to monitor performance against the business plan and forecasts. The role of the Chief Executive Officer is to maintain overall responsibility for the operations of the business and the performance against business plans. Under the Company's Articles of Association, at least one-third of the Board is subject to retirement and re-election each year.

The Board provides leadership of the Group within a framework of prudent and effective controls. This includes responsibility for determining the Group's strategy and for approving short and medium term plans for achieving this strategy. The Board has a schedule of matters specifically reserved for the Board and all major and other strategic decisions are reserved to the Board which also has responsibility for corporate governance matters, approving major items of capital expenditure, senior executive remuneration and succession planning for top management. All Directors take decisions objectively in the interests of the Group. As appropriate, the Board has delegated certain responsibilities to Board Committees, which operate within clearly defined terms of reference. Standing committees of the Board include the Audit Committee and the Remuneration Committee, with each Committee consisting entirely of Non-Executive Directors and is chaired by one of the Non-Executive Directors. The function of a Nominations Committee is performed by the whole Board.

The Board met ten times for Board meetings and once for scheduled strategy meetings during the year to 30 September 2012. At each regularly scheduled meeting, there is a full financial and business review and discussion, including operating performance to date against the business plan previously approved by the Board for that year.

Each Board member receives monthly operating results, including a comprehensive commentary and analysis. The Board has additional meetings when circumstances and urgent business requires and, at all times, maintains an open forum for communication by telephone and email.

The Company maintains Directors' and Officers' insurance of £20 million and Directors may obtain independent professional advice as required with the agreement of the Chairman.

Prior to each Board meeting, Directors are sent an agenda and a set of Board papers for each agenda item to be discussed at the meeting. Additional information is provided as appropriate. Whilst the Board retains overall responsibility for the control of the Group, daily management is conducted by the Chief Executive Officer.

Board sub committees

The Board has three sub committees:

Remuneration Committee

Phil Corbishley is the chair of the Remuneration Committee (having replaced Bernard Bulkin as chair in December 2012). The Remuneration Committee, which consists exclusively of Non-Executive Directors, is responsible for making recommendations on the Group's framework of executive remuneration, and for determining specific remuneration packages for each Executive Director and oversees the operation of the Group's bonus plan and share option plans. The Board as a whole determines the remuneration of Non-Executive Directors. A full report on remuneration policy and details of the remuneration of each Director can be found in the Report of the Remuneration Committee on pages 10 to 12. Audit Committee Terms of Reference may be obtained from the Group's website www.pdx.biz.

The members of the Remuneration Committee as at 31 December 2012 were Phil Corbishley, Bernard Bulkin and Paul Banner.

Audit Committee

Paul Banner took over as chair of the Audit Committee (having replaced Brian Sweeney as chair in December 2012). The Audit Committee is responsible for reviewing the effectiveness of the Group's financial reporting and internal control policies and risk management systems, and for maintaining an appropriate relationship with the Group's auditors. The Audit Committee has a particular role to ensure that the interests of Shareholders are properly protected in relation to financial reporting and internal control.

The Audit Committee is comprised entirely of independent Non-Executive Directors. Members of the Audit Committee as at 31 December 2012 were Paul Banner and Phil Corbishley.

The external auditors' lead partner and the Director of Finance attend each meeting as requested by the Committee. The Board considers that the membership of the Committee as a whole has recent and relevant financial experience to enable it to properly discharge its functions.

The Audit Committee met four times during the year. During the year the members of the Committee took the opportunity of meeting the external auditors without management being present. The Audit Committee is responsible for reviewing on behalf of the Board the Group's financial and reporting practices and disclosures, reviewing the integrity of the financial statements, the Group's system of internal controls, the work of the external auditors and Group compliance with financial policies, laws and regulations. Audit Committee Terms of Reference may be obtained from the Group's website www.pdx.biz.

The annual and half-yearly financial reports are reviewed by the Committee through a process which includes discussion with the Director of Finance and the external auditors. The Audit Committee gives its recommendation to the Board concerning the adoption and publication of all financial reports to Shareholders.

Auditor independence

The Audit Committee keeps under review the scope and results of the external audit work, its cost and the independence and objectivity of the auditors. The independent auditors operate procedures to safeguard against the possibility that their objectivity and independence could be compromised. This includes the use of quality review partners, a technical review board (where appropriate) and annual independence review procedures. The auditors are required to rotate the lead audit partner to the Group every five years.

The Committee reviews and approves the award of any non-audit work performed by the Group's auditors. The Audit Committee refers to the Board for approval of any work comprising non-audit services where the fees for such work will represent a significant proportion of the annual audit fee.

The Committee has considered the re-appointment of the auditors of the Group and recommended to the Board that PricewaterhouseCoopers LLP be proposed for re-appointment, having noted the scope and results of their work in relation to this year's audit as well as their objectivity and independence.

Nominations Committee

Bernard Bulkin is chair of the Nominations Committee. The Nominations Committee is responsible for reviewing the structure, size and composition of the Board and evaluating its performance, reviewing leadership and succession planning and identifying and recommending new candidates to the Board. Nominations Committee Terms of Reference may be obtained from the Group's website www.pdx.biz.

The members of the Nominations Committee are the whole Board.

Relations with Shareholders

The Annual Report contains information on the activities of the Group for the preceding year and is made available to every Shareholder on the share register. The Interim Report is also made available to every Shareholder. Management endeavours to keep Shareholders informed with regular news releases. All regulatory news releases and reports are available on the Group's website www.pdx.biz.

The Annual General Meeting ("AGM") is the principal forum for dialogue with Shareholders. The Directors hold meetings with individual Shareholders as appropriate to keep them updated on the Company's progress.

Internal control and risk management

The Directors are responsible for the Group's system of internal control and reviewing its effectiveness. Identification and evaluation of risks is an integral part of the Board's planning process.

Controls within the Group are designed to provide the Board with reasonable assurance regarding the maintenance of proper accounting records, the reliability of financial information and the safeguarding of assets.

A system to identify, assess and evaluate business risk is embedded within the management process throughout the Group. Strategic risks are reviewed regularly by the Board. Risks relating to the key activities within the Group are continuously assessed.

The Group's internal procedures include the following:

- a schedule of matters reserved for the Board;
- the Board aims to meet at least 10 times a year to manage the affairs of the Group;
- the Group prepares a business plan at the commencement of each financial year. Revised forecasts are prepared as required. The business plan and revised forecasts are reviewed and approved by the Board; and
- the Board monitors actual monthly financial performance of the Group.

The Group has an appropriate organisational structure with clear lines of responsibility. Because of the size of the current trading operations and the detailed accounting and operational information available, the Directors do not believe the expense of an internal audit function is justified.

Whistleblowing policy

The Company has a whistleblowing policy that provides for the reporting of any issues to the Board via a process of escalation through management. The policy is available to all employees and Directors along with the Company's other HR policies.

Corporate Social Responsibility

The Board recognises the importance of taking into account its corporate social responsibility in operating the business. In this context it seeks to integrate social, ethical, health, safety and environmental considerations into its day to day operations via a series of internal management review procedures and Board reviews. The Board acknowledges its duty to ensure the Group conducts its activities responsibly and with proper regard for all its stakeholders including Shareholders, business partners, suppliers and local communities.

Attendance at Board meetings

The number of Board meetings, held during 2011-12, were 11 and attendance was as follows:

Andy Quinn	10
Bernard Bulkin	11
Jeremy Pelczer	11
Brian Sweeney	11
Richard Webster	11
Roel Pieper	2

DIRECTORS' REPORT

The Directors present their Annual Report and audited financial statements for the year ended 30 September 2012.

Principal activities
During the year the principal activities of Pursuit Dynamics PLC ("the Company") and its subsidiaries (together "the Group") were the development and commercialisation of its innovative PDX platform technology within a number of industries, and the sale of ancillary products to those industries. The Group develops its technology both through its own internal R&D facilities and working together with external partners. The Company commercialises its technology through its Lines Of Business ("LOBs"), some activities of which are established as joint ventures with external partners. The LOBs which have operated over the financial year ending 30 September 2012 are Brewing, Food & Beverage, Public Health & Safety, Bioenergy, Industrial Licensing and Waste Treatment.

Business review
Under the provisions of the Companies Act 2006, the Group is required to produce a business review containing a fair review of the business and future developments of the Group and a description of the principal risks and uncertainties facing the Group. Shareholders are referred to the Chairman's Statement and Operational and Financial Review. They are intended to provide a balanced and comprehensive analysis of development and performance of the business of the Group during the financial year and the position of the Group at the end of the year.

Results and dividends
The results of the Group appear in detail on page 15. The Directors will not recommend the payment of any dividends until they consider it prudent to do so, having regard to the need to retain sufficient funds to finance the development of the Group's activities.

Post-balance sheet events
Details of events occurring after the year end are set out in Note 28.

Going concern
In considering the appropriate basis on which to prepare the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. At 30 September 2012, the Group had cash and cash equivalents of £3,125,396 and in addition, Note 28 sets out the details of the Placing and Open Offer of 185.5 million new shares which raised approximately £5.4 million (after expenses) in December 2012.

The Board has taken a number of actions to reduce the cost base of the business whilst focusing on those areas of the business seen as most likely to secure revenues in the short-term. Despite these actions sales targets have not been achieved and following the completion of their review in February 2013 the Board have concluded that shareholder value would be best maximised by the orderly liquidation of the Group's subsidiaries' assets. The Board will continue to review the strategic options available to the Group and is considering all means of using the Group's resources to create value for Shareholders.

As there is no intention to liquidate Pursuit Dynamics PLC and there are sufficient funds to meet the Group's liabilities as they fall due, the Board are therefore of the opinion that the going concern basis is appropriate for the preparation of financial statements for Pursuit Dynamics PLC.

Payment policy
It is the Group's policy to agree payment terms individually with suppliers and abide by these terms subject to satisfactory performance of the relevant transaction. The Group and Company's average credit payment period at 30 September 2012 was 21 days (2011: 30 days).

Research and development
During the year the Group has pursued an active research and development programme to progress its innovative technology and to strengthen the intellectual property portfolio albeit at lower levels than previous years in order to conserve the cash resources of the business. During the year £8,954 (2011: £45,536) of development costs were capitalised having satisfied all of the six specified criteria of IAS 38 "Intangible Assets", although these have since been impaired.

Donations
There were no charitable or political donations during the year (2011: £nil).

Financial risk management
Information on the Group's risk management can be found in Note 3 of the financial statements.

Directors
The Directors who held office during the whole of the year and up to the date of signing (unless otherwise stated) were as follows:

Andrew J Quinn (Chairman and Non-Executive Director – resigned 4 December 2012)
Richard Webster (Chief Financial Officer – resigned 30 September 2012)
Roland Pieper (Chief Executive Officer – resigned 14 December 2011)
Brian N C Sweeney (Non-Executive Director – resigned 4 December 2012)
Bernard Bulkin (Non-Executive Director – appointed Chairman 4 December 2012)
Jeremy Pelczer (Non-Executive Director – appointed interim Chief Executive Officer 14 December 2011, resigned 4 December 2012)
Hagen Gehringer (Chief Executive Officer – appointed 4 December 2012)
Phil Corbishley (Non-Executive Director – appointed 4 December 2012
Paul Banner (Non-Executive Director – appointed 4 December 2012)

Bernard Bulkin, who retires by rotation, will be seeking re-election as a Director at the Annual General Meeting, as will be Phil Corbishley and Paul Banner, who only hold office until the date of the Annual General Meeting.

The interests of the Directors in the shares of the Group are set out in the Report of the Remuneration Committee on pages 10 to 12.

The Group has provided to all of its Directors, limited indemnities in respect of defending claims against them and third party liabilities.

Substantial shareholdings
As at 16 December 2012 shareholdings of 3% or more of the issued share capital notified to the Group were:

Ordinary Shares	Number holding	%
M&G Investment Management	43,090,001	15.86
Mr Michael Buckley	20,935,366	7.7
Morgan Stanley as principal	16,628,323	6.12
Nicholas E C Barham	15,031,667	5.53
Union Bancaire Privee	13,544,333	4.98
Mr Andrew Black	13,333,333	4.91
BlackRock	11,725,511	4.32
Mr John Morley	11,325,627	4.17
HSBC Private Bank	9,331,402	3.43

Disclosure of information to auditors
Each of the Directors have confirmed that there is no relevant audit information of which the Company's auditors are unaware; and that they have taken all the steps (such as making enquiries of other Directors and the auditors and any other steps required by the Directors' duty to exercise due care, skill and diligence) that they ought to have taken in their duty as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors
PricewaterhouseCoopers LLP have indicated their willingness to be reappointed as auditors of the Company and a resolution proposing their reappointment will be put to the Annual General Meeting.

Sarah Gowing
Company Secretary
26 February 2013

REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee is comprised of the following Non-Executive Directors:

Bernard Bulkin (Chair of the Remuneration Committee until 6 December 2012)
Jeremy Pelczer (to 14 December 2011)
Brian Sweeney (to 4 December 2012)
Andy Quinn (to 4 December 2012)
Phil Corbishley (Chair of the Remuneration Committee from 6 December 2012)
Paul Banner (from 6 December 2012)

The Remuneration Committee makes recommendations to the Board on the remuneration policy that applies to Executive Directors and senior employees and oversees the operation of the Group's employee bonus plan and share option plans.

Salaries and benefits

The Company carries out regular reviews and benchmarking of salaries and benefits for all employees.

A Bonus Plan operates for all employees at an appropriate level with regard to their role and responsibilities. The bonus is payable upon achievement of both corporate and personal objectives defined at the beginning of the financial year, provided that the Company has achieved a "threshold level" measured by share price and 12 months' funding. The bonus payment is made up either of cash or, in the case of management level employees, cash and share options. The remuneration of Executive Directors is linked to delivery against both personal and corporate objectives and against the performance of the LOBs in relation to the LOB managers. The Bonus Plan is not open to the Non-Executive Directors.

The Company also operates share option plans open to all employees subject to achieving award criteria. The share option plans are described in detail in Note 20 to the Financial Statements. Share options vest subject to meeting time and performance criteria which are linked to the achievement of certain share price targets.

Directors' benefits

The annual salaries for Executive Directors are determined by the Remuneration Committee having regard to personal performance. Full-time Executive Directors have contracts of service that can be terminated by either party with a notice period not exceeding 12 months.

	Salary £	Bonus £	Termination payments £	Benefits £	2012 Total £	2011 Total £
Roland Pieper (resigned 14 December 2011)	18,448	–	45,000	5,454	68,902	95,569
Richard Webster (resigned 30 September 2012)	200,000	50,000	113,551	1,133	364,684	183,917
Andrew J Quinn (resigned 4 December 2012)	60,000	–	–	–	60,000	60,000
Brian N C Sweeney (resigned 4 December 2012)	50,000	–	–	–	50,000	35,000
Jeremy Pelczer (resigned 4 December 2012)	201,236	–	–	15	201,251	14,492
Bernard Bulkin	50,000	–	–	–	50,000	14,492
Donald Bell (resigned 3 December 2010)	–	–	–	–	–	106,559
Stuart Evans (resigned 14 June 2011)	–	–	–	–	–	21,149
Michael Ryan (resigned 14 June 2011)	–	–	–	–	–	17,534
	579,684	50,000	158,551	6,602	794,837	548,712

Amounts paid to third parties

	2012 Total £	2011 Total £
Quantum Holdings Limited in respect of Roland Pieper	126,774	180,000

Directors' interests in shares

The beneficial interests of Directors at the end of the year in the Ordinary Share capital of the Company were as follows:

Number of shares held by:	30 September 2012	30 September 2011
Andrew J Quinn	191,250	170,000
Brian N C Sweeney	195,450	195,450
Richard Webster	15,625	5,000
Jeremy Pelczer	15,000	–
Bernard Bulkin	1,687	1,500

Directors' interests in share options

Details of options over the Company's Ordinary Shares held by Directors under all approved and unapproved share option schemes (the "Share Option Plans") are as follows:

	Options at 30 September 2011 (or date of appointment)	Options granted	Options exercised	Options lapsed	Options at 30 September 2012 (or date of resignation)	Exercise price	Date of grant	Exercise period
Andrew J Quinn	250,000	–	–	–	250,000	212.5p	7 June 2005	Note 1
Brian N C Sweeney	100,000	–	–	–	100,000	212.5p	7 June 2005	Note 1
Roland Pieper	1,227,740	–	–	(1,227,740)	–	95p	25 September 2009	Note 2
Roland Pieper	30,155	–	–	(30,155)	–	186p	6 December 2010	Note 2
Richard Webster	210,000	–	–	–	210,000	389p	6 December 2010	Note 2
Richard Webster	–	200,000	–	–	200,000	100p	12 March 2012	Note 2
Jeremy Pelczer	–	300,000	–	–	300,000	100p	12 March 2012	Note 2
Bernard Bulkin	–	100,000	–	–	100,000	100p	12 March 2012	Note 4

Details of options over the Company's Ordinary Shares held by Quantum Holdings Limited in respect of Roland Pieper under all approved and unapproved share option schemes (the "Share Option Plans") are as follows:

	Options at 30 September 2011 (or date of appointment)	Options granted	Options exercised	Options lapsed	Options at 30 September 2012 (or date of resignation)	Exercise price	Date of grant	Exercise period
Quantum Holdings Limited	666,610	–	–	(666,610)	–	95p	25 September 2009	Note 3
Quantum Holdings Limited	60,309	–	–	(60,309)	–	186p	6 December 2010	Note 3

Note 1

On 17 March 2005 the rules of the Share Option Plans were amended so that these options shall vest as to one third of the Shares on each of the first, second and third anniversaries of the date of the grant.

Options granted are subject to an accelerated vesting provision whereby if, within three years of the date of grant, the Company's share price increases by 25% from its value at the date of grant and remains at that value or a higher value for a period of 30 consecutive days, the option shall vest in full on completion of that 30 day period.

Options are not exercisable later than midnight on the day before the tenth anniversary of the date of the grant.

Note 2

On 28 August 2009 the Company adopted the Pursuit Dynamics PLC 2009 Employees' Share Option Plan to allow, at the discretion of the Board, any eligible employee to be granted EMI or non-EMI qualified options at an exercise price to be determined by the Board of the Company but not to be less than the nominal value of a share and to be subject to such time based and performance based conditions as the Board may determine, e.g. the achievement of certain share price targets.

The Employees' Share Option Plan also increased the number of options which may be granted over Ordinary Shares of 1p each in the capital of the Company which when aggregated with all other Ordinary Shares of 1p each in the capital of the Company placed under option or issued under any other share plan established for the benefit of employees or service providers and operated by the Company or Group in the preceding 10 year period from 10% of the Company's ordinary issued share capital at any one time to 15%.

Note 3

On 28 August 2009 the Company also adopted the Pursuit Dynamics PLC 2009 Service Provider Share Option Plan which permits the Company to grant share options to companies which provide services to the Company or Group via an employee or director of the service company. The Service Provider Plan incorporates all the provisions of the Pursuit Dynamics PLC 2009 Employees' Share Option Plan except that the provisions relating to EMI options are disregarded under the Service Provider Plan and options will be held by the service company and not the individual.

REPORT OF THE REMUNERATION COMMITTEE CONTINUED

Directors' interests in share options continued

Note 4
Separate individual agreements exist for Non-Executive Directors which are based on the Pursuit Dynamics PLC 2009 Employees' Share Option Plan. These agreements grant non-EMI qualified options at an exercise price to be determined by the Board of the Company but not to be less than the nominal value of a share and to be subject to such time based and performance based conditions as the Board may determine, e.g. the achievement of certain share price targets.

At 30 September 2012 the market price of the Company's shares was 4.57p and the range during the year was 4.28p to 220.75p.

On behalf of the Board

Phil Corbishley
Chair of the Remuneration Committee
26 February 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that these give a fair view of the state of affairs of the Group and the Company and of the profits or losses of the 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 accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Parent Company financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

By order of the Board

Sarah Gowing
Company Secretary
26 February 2013

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PURSUIT DYNAMICS PLC

We have audited the Group financial statements of Pursuit Dynamics PLC for the year ended 30 September 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 13, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for, and only for, the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 September 2012 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Parent Company financial statements of Pursuit Dynamics PLC for the year ended 30 September 2012.

Stuart Newman (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
26 February 2013

CONSOLIDATED INCOME STATEMENT
For the year ended 30 September 2012

	Note	Year ended 30 September 2012 £	Year ended 30 September 2011 £
Revenue	5	682,375	490,382
Operating expenses (excluding non-cash operating expenses)		(14,423,586)	(11,807,714)
Operating loss before non-cash expenses		(13,741,211)	(11,317,332)
Depreciation of property, plant and equipment		(388,600)	(182,061)
Amortisation of intangible assets		(58,959)	(262,609)
Impairment of property, plant and equipment and intangible assets	13, 14	(3,326,487)	–
Share option compensation charge		(348,389)	(3,616,652)
Total non-cash operating expenses		(4,122,435)	(4,061,322)
Total operating expenses	6	(18,546,021)	(15,869,036)
Operating loss		(17,863,646)	(15,378,654)
Finance income	10	24,394	46,947
Finance costs	10	(9,548)	(3,185)
Loss before taxation		(17,848,800)	(15,334,892)
Income tax	11	–	–
Loss for the year attributable to owners of the Parent Company		(17,848,800)	(15,334,892)
Loss per share for loss attributable to the owners of the Parent Company during the year:			
Loss per 1 pence share – basic and fully diluted	12	21.97	21.30

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 September 2012

	Year ended 30 September 2012 £	Year ended 30 September 2011 £
Loss for the year attributable to owners of the parent	(17,848,800)	(15,334,892)
Other comprehensive income/(expense):		
Currency translation differences	295,702	(65,665)
Total comprehensive expense for the year	(17,553,098)	(15,400,557)

CONSOLIDATED BALANCE SHEET
As at 30 September 2012

	Note	2012 £	2011 £
Non-current assets			
Property, plant and equipment	13	17,996	2,079,331
Intangible fixed assets	14	–	115,807
		17,996	2,195,138
Current assets			
Inventories	15	46,715	105,291
Trade and other receivables	16	484,128	875,496
Current income tax asset		–	–
Short-term investments	17	–	–
Cash and cash equivalents	17	3,125,396	7,312,203
		3,656,239	8,292,990
Trade and other payables	18	(2,029,924)	(2,251,654)
Net current assets		1,626,315	6,041,336
Obligations under finance leases – due after more than one year	25	–	(24,879)
Net assets		1,644,311	8,211,595
Equity			
Ordinary shares	19	862,203	750,632
Share premium account		66,150,179	55,624,325
Merger reserve		4,061,185	4,061,185
Foreign exchange reserve		169,283	(126,419)
Profit and loss account		(69,598,539)	(52,098,128)
Total equity attributable to the owners of the Parent Company		1,644,311	8,211,595

The notes on pages 19 to 40 are an integral part of these consolidated financial statements.

The financial statements on pages 15 to 40 were approved by the Board of Directors on 26 February 2013 and have been signed on its behalf by:

Paul Banner
Director

Registered number
4175777

CONSOLIDATED CASH FLOW STATEMENT

For year ended 30 September 2012

	Note	Year ended 30 September 2012 £	Year ended 30 September 2011 £
Cash flows from operating activities			
Cash used in operations	22	(13,589,031)	(11,487,037)
Taxation received		–	607,254
Bank interest paid		(5,373)	(151)
Interest element of finance lease payments		(4,175)	(3,034)
Net cash used in operating activities		(13,598,579)	(10,882,968)
Cash flows from investing activities			
Purchase of plant and machinery		(1,589,933)	(1,940,576)
Purchase of intangible assets		(8,954)	(55,892)
Proceeds from sale of plant and machinery		7,553	2,182
Decrease/(increase) in short-term deposits with banks		–	5,000,000
Interest received		24,394	46,947
Net cash (outflow)/inflow from investing activities		(1,566,940)	3,052,661
Cash flows from financing activities			
Proceeds of Ordinary Share issue		11,182,908	8,000,000
Issuance cost of shares		(510,056)	(161,827)
Proceeds of options exercised		24,519	2,400,664
Capital element of finance lease payments		(8,990)	(3,881)
Net cash generated from financing activities		10,688,381	10,234,956
Net (decrease)/increase in cash and cash equivalents		(4,477,138)	2,404,649
Cash and cash equivalents at beginning of year	17	7,312,203	4,972,844
Exchange gains/(losses)		290,331	(65,290)
Cash and cash equivalents at end of year	17	3,125,396	7,312,203
Net funds			
Short-term investments		–	–
Cash and cash equivalents		3,125,396	7,312,203
		3,125,396	7,312,203

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2012

	Ordinary Shares £	Share premium account £	Foreign exchange reserve £	Merger reserve £	Profit and loss account £	Total £
At 30 September 2010	699,931	45,620,075	(60,754)	4,061,185	(40,379,888)	9,940,549
Comprehensive income						
Loss for the financial year	–	–	–	–	(15,334,892)	(15,334,892)
Other comprehensive income						
Currency exchange differences	–	–	(65,665)	–	–	(65,665)
Total comprehensive income	–	–	(65,665)	–	(15,334,892)	(15,400,557)
Transactions with owners						
Issue of Ordinary Share capital	32,000	7,968,000	–	–	–	8,000,000
Cost of issue of Ordinary Share capital	–	(161,827)	–	–	–	(161,827)
Exercise of share options	18,701	2,198,077	–	–	–	2,216,778
Share option compensation charge	–	–	–	–	3,616,652	3,616,652
Total transactions with owners	50,701	10,004,250	–	–	3,616,652	13,671,603
At 30 September 2011	750,632	55,624,325	(126,419)	4,061,185	(52,098,128)	8,211,595
Comprehensive income						
Loss for the financial year	–	–	–	–	(17,848,800)	(17,848,800)
Other comprehensive income						
Currency exchange differences	–	–	295,702	–	–	295,702
Total comprehensive income	–	–	295,702	–	(17,848,800)	(17,553,098)
Transactions with owners						
Issue of Ordinary Share capital	111,829	11,071,079	–	–	–	11,182,908
Cost of issue of Ordinary Share capital	–	(510,056)	–	–	–	(510,056)
Exercise of share options	505	24,015	–	–	–	24,520
Cancellation of shares	(763)	(59,184)	–	–	–	(59,947)
Share option compensation charge	–	–	–	–	348,389	348,389
Total transactions with owners	111,571	10,525,854	–	–	348,389	10,985,814
As at 30 September 2012	862,203	66,150,179	169,283	4,061,185	(69,598,539)	1,644,311

NOTES TO THE GROUP FINANCIAL STATEMENTS

1. General information

Pursuit Dynamics PLC (the "Company" and with its subsidiaries the "Group") is a public limited company incorporated and domiciled in England & Wales, with its shares traded on AIM. The address of its registered office is Shackleton House, Kingfisher Way, Hinchingbrooke Business Park, Huntingdon, Cambridgeshire PE29 6HB.

These consolidated financial statements (the Financial Statements) are presented in pounds Sterling because this is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in Note 2.

2. Accounting policies

a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to Companies reporting under IFRS.

The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS as adopted by the EU requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and of revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of the amount, event or action, actual results may ultimately differ from those estimates.

b) Going concern

In considering the appropriate basis on which to prepare the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. At 30 September 2012, the Group had cash and cash equivalents of £3,125,396 and in addition, Note 28 sets out the details of the Placing and Open Offer of 185.5 million new shares which raised approximately £5.4 million (after expenses) in December 2012.

The Board has taken a number of actions to reduce the cost base of the business whilst focusing on those areas of the business seen as most likely to secure revenues in the short-term. Despite these actions sales targets have not been achieved and following the completion of their review in February 2013 the Board have concluded that shareholder value would be best maximised by the orderly liquidation of the Group's subsidiaries' assets. The Board will continue to review the strategic options available to the Group and is considering all means of using the Group's resources to create value for Shareholders.

As there is no intention to liquidate Pursuit Dynamics PLC and there are sufficient funds to meet the Group's liabilities as they fall due, the Board are therefore of the opinion that the going concern basis is appropriate for the preparation of financial statements for Pursuit Dynamics PLC.

c) Basis of consolidation

In 2001 the Group structure was reorganised and a new holding Company established by way of a share exchange. This has been accounted for as a merger in the consolidated accounts, and all transactions within the Group have been eliminated. There has been no change to the basis set out as a result of the implementation of IFRS, as permitted by IFRS 1.

The Group financial statements include and consolidate the financial statements of Pursuit Dynamics PLC and each of its subsidiary undertakings. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

d) Investments in joint ventures

The Group's investment in its joint venture is reported in the financial statements using the proportionate consolidation method, whereby the Group's share of the assets, liabilities, income and expenses of its joint venture is combined line by line with similar items in the Group's financial statements or reported as separate line items within the Group's financial statements.

e) Standards and amendments effective for the first time in the year ended 30 September 2012

Annual improvements 2010

This is a series of amendments to seven standards as part of the IASB programme on annual improvement. Published by the IASB in May 2010, these are effective for accounting periods beginning on or after 1 January 2011. These improvements have had no material impact on the results of the Group.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

2. Accounting policies continued

f) Foreign currency translation

Transactions denominated in currencies other than an entity's functional currency are translated into the functional currency at spot rates. Foreign exchange gains and losses arising from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, which are held at the year end, are taken to the income statement, except where financing of a foreign subsidiary through long-term loans is intended to be as permanent as equity. Such balances are treated as part of the net investment and any exchange differences are recorded in reserves.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising on the translation of the Group's overseas operations are recorded as a movement in reserves and are reported in the Consolidated Statement of Comprehensive Income.

g) Property, plant and equipment

Property, plant and equipment is stated at purchase cost less accumulated depreciation and any impairment in value. Assets under construction are not depreciated. Cost includes the original purchase price of the asset and the costs directly attributable to bringing the asset to its working condition for its intended use.

Depreciation is calculated on a straight-line basis so as to write off the cost of property, plant and equipment less their estimated residual values, over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Leasehold improvements 15%

Plant & machinery 10–33%

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within administrative expenses in the income statement.

h) Intangible assets

Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is not amortised but is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Intellectual property rights

Acquired trademarks and licences are shown at historical cost. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over the Directors' assessment of their estimated useful lives (10 years).

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three years). Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

i) Inventories

Inventories are valued at the lower of cost and net realisable value on a first-in, first-out basis. Cost in the case of finished goods comprises direct materials, direct labour and attributable overheads. Where necessary, provision is made for obsolete, defective and slow-moving inventories.

j) Trade receivables

Trade receivables are originally measured at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

k) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within current liabilities on the balance sheet. Amounts with original maturity greater than three months are classified as short-term investments.

l) Share capital

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the share premium.

m) Trade payables

Trade payables are initially measured at fair value and subsequently at amortised cost using the effective interest method.

2. Accounting policies continued

n) Taxation

Taxable profit or loss differs from that reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's asset or liability for current tax is calculated using tax rates applicable to the current year.

Deferred income tax is calculated, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets and liabilities are recognised for all deductible temporary differences and carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax losses can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

o) Employee benefits

Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans for employees (including Directors), whereby employees and Directors render services in exchange for shares or rights over shares.

In accordance with IFRS 2, the cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. Fair value is determined using the Black-Scholes option pricing model, or the Monte Carlo option pricing model where there are market-based performance conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the Directors, will ultimately vest. The cost is included in administrative expenses.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. These are treated as vesting, irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date. The Group recognises termination benefits when it is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal.

p) Revenue recognition

The Group follows the principles of IAS 18, "Revenue Recognition", in determining appropriate revenue recognition policies. Revenue associated with the sale of goods is recognised when all of the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group does not retain either continuing managerial involvement to the degree usually associated with ownership of effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the sale can be measured reliably.

Revenue associated with the delivery of services is recognised when all of the following conditions have been satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transition will flow into the Group;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue is shown net of Value Added Tax, returns, rebates and discounts and after eliminating sales within the Group.

Revenue comprises the value of sales of PDX technology, either from capital sales or licences. In addition revenues include the share of benefits derived from the use of PDX technology, from support, maintenance and training, consulting contracts and sales of parts.

2. Accounting policies continued

p) Revenue recognition continued

Revenues from the sales of PDX technology are recognised using a percentage-of-completion basis over the period from signing of the contract to customer acceptance. Where appropriate revenue is recognised on a contract milestone basis as a proxy for percentage-of-completion but where the Group considers there is insufficient evidence to support the recognition of revenue on milestones, such milestones are excluded and the percentage-of-completion is measured by monitoring progress using records of actual time incurred compared with the total estimated time required.

Revenues from the share of benefits derived from the use of PDX technology are recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be reliably measured. Revenues are recognised when agreement is reached with the customer as to the amount and timing of the benefits derived from the use of PDX technology.

Revenues from support, maintenance, training and consulting contracts are recognised as services are performed and it is probable that the economic benefits associated with the transaction will flow into the Group. Revenues from the sales of parts are recognised on delivery, where the significant risks and rewards of ownership have been transferred to the customer.

q) Research and development costs

Research costs are expensed as incurred. Internally generated expenditure arising from development (or from the development phase of an internal project) is capitalised if, and only if, it satisfies all of six specified criteria in IAS 38 “Intangible assets” (capitalised costs are amortised over a period of three years).

r) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at fair value or, if lower, at the present value of minimum lease payments determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

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

s) Future pronouncements

At the date of approval of these financial statements the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

- Annual improvement 2011;
- Amendment to IFRS 7 “Financial instruments: Disclosures, on derecognition”;
- Amendment to IAS 12 “Income taxes”, on deferred tax;
- Amendment to IAS 1 “Financial statement presentation”, regarding other comprehensive income;
- IFRS 9 “Financial instruments” – classification and measurement;
- IFRS 10 “Consolidated financial statements”;
- IFRS 11 “Joint arrangements”;
- IFRS 12 “Disclosures of interest in other entities”;
- IFRS 13 “Fair value measurement”;
- Amendment to IFRS 10,11 and 12 on transition guidance;
- Amendment to IAS 32 “Financial instruments presentation”;
- IAS 27 (revised 2011) “Separate financial statements”; and
- IAS 28 (revised 2011) “Associates and joint ventures”.

The Directors do not anticipate that the adoption of these standards and interpretations, where relevant, in future periods will have a material impact on the Group’s financial statements.

3. Financial risk management

The Group's activities expose it to a variety of financial risks that include currency risk, interest rate risk, credit risk and liquidity risk.

The responsibility for monitoring financial risk management has been delegated by the Board of Directors to the Audit Committee.

a) Currency risk

The Group operates mainly in the UK, Europe and the USA. There is exposure to the US Dollar, Euro and the Swiss Franc. During the financial year this exposure was negligible as the US and European operations and net assets are small, therefore no sensitivity analysis has been presented. The Board believes no hedging strategy is currently necessary.

b) Interest rate risk

The Group has substantial interest-bearing cash resources. Due to the level of current interest rates the Group's finance income is not sensitive to changes in interest rates. However the Board have a policy of investing these resources in financial institutions where the institutions' financial soundness is of greater importance than the interest rate on offer. The Board believes no hedging strategy is currently necessary.

c) Credit risk

Credit risk is managed on a Group basis and includes deposits with banks and credit exposures to customers, including outstanding receivables and committed transactions. Managing the risk of deposits in banks has been discussed above. As at 30 September 2012 the Group has no significant credit exposure to customers.

d) Liquidity risk

The Board monitors expected future cash flows and bases its cash investment strategy on expected timing of future cash flows.

Maturity of financial liabilities:

The maturity profile of the carrying amount of the Group's financial liabilities (excluding statutory liabilities) at 30 September 2012 was:

	2012 £	2011 £
In one year or less or on demand	1,882,909	2,107,323
In more than one year but not more than two years	–	10,768
In more than two years but not more than five years	–	14,111
	1,882,909	2,132,202

Due to the nature of the financial assets and liabilities there is no significant difference between book value and fair value of financial assets and liabilities.

e) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for Shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

The Group uses its monthly management accounts to monitor the level of cash available to plan for any financing needs. The Group considers its funds to be Ordinary Shares. The Group has some financing in the form of finance leases and is not subject to any external covenants.

4. Critical accounting estimates and assumptions

a) Income taxes

Presently the Group has cumulative tax losses and since it has not recorded a taxable profit, has not recognised any deferred tax assets.

b) Capitalisation of research and development costs

The Group has capitalised certain development costs incurred in the year that meet the necessary criteria for the capitalisation of such costs. There is a degree of subjectivity in determining the point in time at which the criteria for capitalisation have been met.

c) Share option charge

For options with market-based performance conditions, it is necessary to estimate, at the date of grant, the length of time from the date of grant until the performance conditions are fulfilled. It is also necessary to form a judgement on the most appropriate period over which volatility should be calculated.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

5. Segmental information

The Group's operating segments are determined with reference to the information supplied to the Group's Chief Operating Decision Maker in order for it to allocate the Group's resources and monitor the performance of the Group. The Group considers the Chief Operating Decision Maker to be the Board of Directors.

During the year the Group was organised on a worldwide basis in five business segments: Bioenergy; Brewing, Food & Beverage; Public Health & Safety; Industrial Licensing and Waste Treatment.

The segment results for the year ended 30 September 2012 are as follows:

	Bioenergy £	Brewing, Food & Beverage £	Public Health & Safety £	Industrial Licensing £	Waste Treatment £	Central £	Total £
Revenue from external customers	8,999	430,465	179,023	63,888	–	–	682,375
Operating expenses (excluding non-cash expenses)	(1,549,087)	(1,648,255)	(1,702,327)	(831,004)	(401,698)	(8,291,215)	(14,423,586)
Depreciation of tangible fixed assets	(160,512)	–	(7,006)	–	–	(221,082)	(388,600)
Amortisation of intangible fixed assets	(33,748)	(13,465)	–	–	–	(11,746)	(58,959)
Impairment of fixed assets	(2,445,289)	(178,939)	–	–	–	(702,259)	(3,326,487)
Share option compensation charge	(81,364)	92,979	(98,769)	(75,571)	(34,741)	(150,923)	(348,389)
Operating loss	(4,261,001)	(1,317,215)	(1,629,079)	(842,687)	(436,439)	(9,377,225)	(17,863,646)
Finance income	–	–	–	–	–	24,394	24,394
Finance costs	–	–	–	–	–	(9,548)	(9,548)
Loss before taxation	(4,261,001)	(1,317,215)	(1,629,079)	(842,687)	(436,439)	(9,362,379)	(17,848,800)
Income tax credit	–	–	–	–	–	–	–
Loss for the year	(4,261,001)	(1,317,215)	(1,629,079)	(842,687)	(436,439)	(9,362,379)	(17,848,800)

The segment results for the year ended 30 September 2011 are as follows:

	Bioenergy £	Brewing, Food & Beverage £	Public Health & Safety £	Industrial Licensing £	Waste Treatment £	Central £	Total £
Revenue from external customers	8,623	318,181	51,905	111,673	–	–	490,382
Operating expenses (excluding non-cash expenses)	(1,029,511)	(1,667,539)	(1,636,850)	(1,034,528)	(441,699)	(5,997,587)	(11,807,714)
Depreciation of tangible fixed assets	(66,782)	(434)	(507)	(1,048)	(246)	(113,044)	(182,061)
Amortisation of intangible fixed assets	(33,654)	(11,979)	–	–	–	(216,976)	(262,609)
Share option compensation charge	(608,069)	(973,807)	(238,015)	(103,321)	(68,881)	(1,624,559)	(3,616,652)
Operating loss	(1,729,393)	(2,335,578)	(1,823,467)	(1,027,224)	(510,826)	(7,952,166)	(15,378,654)
Finance income	–	–	–	–	–	46,947	46,947
Finance costs	–	–	–	–	–	(3,185)	(3,185)
Loss before taxation	(1,729,393)	(2,335,578)	(1,823,467)	(1,027,224)	(510,826)	(7,908,404)	(15,334,892)
Income tax credit	–	–	–	–	–	–	–
Loss for the year	(1,729,393)	(2,335,578)	(1,823,467)	(1,027,224)	(510,826)	(7,908,404)	(15,334,892)

5. Segmental information continued

The segment assets and liabilities at 30 September 2012 and capital expenditure for the year then ended are as follows:

	Bioenergy £	Brewing, Food & Beverage £	Public Health & Safety £	Industrial Licensing £	Waste Treatment £	Central £	Total £
Assets	23,309	58,535	112,351	–	–	3,480,040	3,674,235
Liabilities	501,365	40,713	31,647	–	–	1,456,199	2,029,924
Capital expenditure							
Property, plant and equipment	1,117,893	116,306	–	–	–	355,734	1,589,933
Intangible assets	8,954	–	–	–	–	–	8,954

The segment assets and liabilities at 30 September 2011 and capital expenditure for the year then ended are as follows:

	Bioenergy £	Brewing, Food & Beverage £	Public Health & Safety £	Industrial Licensing £	Waste Treatment £	Central £	Total £
Assets	1,492,768	461,289	780	955	476	8,531,860	10,488,128
Liabilities	122,242	347,945	6,682	1,012	4,644	1,794,008	2,276,533
Capital expenditure							
Property, plant and equipment	1,347,265	92,850	–	–	–	500,461	1,940,576
Intangible assets	45,536	–	–	–	–	10,356	55,892

Analysis by geographical area:

	Year ended 30 September 2012 £	Year ended 30 September 2011 £
Revenue		
UK	621,624	420,263
Europe	42,199	47,156
USA	18,552	21,257
Rest of the world	–	1,706
Total revenue	682,375	490,382

Analysis by revenue stream:

	Year ended 30 September 2012 £	Year ended 30 September 2011 £
Revenue		
Sale of PDX technology	386,540	312,123
Benefit Share income	8,999	8,623
Licence fees	3,726	–
Consultancy and support	283,110	169,636
Total revenue	682,375	490,382

Revenues of £588,348 (2011: £375,574) are derived from 6 (2011: 3) customers. They are attributable to the following segments:

	Year ended 30 September 2012 £	Year ended 30 September 2011 £
Brewing, Food & Beverage	386,540	303,230
Industrial Licensing	59,720	72,344
Public Health & Safety	142,088	–
Total revenue	588,348	375,574

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

6. Operating expenses

	2012 £	2011 £
Cost of goods sold	585,566	249,866
Research and development	6,983,410	3,963,972
Sales and marketing	3,977,722	4,985,503
Administrative expenses	6,999,323	6,669,695
	18,546,021	15,869,036

The following are items included in the operating loss:

	2012 £	2011 £
Depreciation of property, plant and equipment:		
– owned	373,108	173,024
– held under finance leases	15,492	9,037
Amortisation of intangible fixed assets	58,959	262,609
Impairment of property, plant and equipment and intangible fixed assets	3,326,487	–
Share option compensation charge	348,389	3,616,652
Loss / (profit) on disposal of plant and machinery	(188)	(2,182)
Operating leases – land & buildings	602,588	423,010
– plant & machinery	21,490	51,185
Foreign exchange differences	352,313	(22,284)

7. Auditors' remuneration

	2012 £	2011 £
Audit services:		
– fees paid to the Company Auditor for the Audit of the Parent company and consolidated financial statements	75,000	40,000
Fees payable to the Company's auditors and its associates for other services:		
– the audit of the Company's subsidiaries	34,323	17,245
– the auditing of the accounts of associates of the Company	5,000	5,000
– taxation compliance services	68,996	43,942
– services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Company or any of its associates	–	70,000
– all other non-audit services	57,814	21,500
	241,133	197,687

The services relating to corporate finance transactions related to due diligence on an aborted transaction. In addition to the above fees £100,000 (2011: nil) was paid in respect of other services associated with the share issue in February 2012 which has been charged against the share premium account.

8. Employee benefit expense

The staff costs for the employees shown in Note 9 (including Non-Executive Directors) were:

	2012 £	2011 £
Staff costs		
Wages and salaries	4,939,633	4,601,240
Social security costs	565,533	452,836
Pension costs	45,349	6,741
Share option compensation charge	348,389	3,616,652
	5,898,904	8,677,469

Included within wages and salaries is £158,551 payable to Directors as termination payments.

9. Average number of people employed

	2012 Number	2011 Number
Average monthly number of people (including Executive Directors) employed		
Engineering, Research and Development	38	35
Sales, Marketing and Administration	35	32
	73	67

10. Finance income and costs

	2012 £	2011 £
Finance costs		
– interest payable on finance leases	(4,175)	(3,034)
– bank interest	(5,373)	(151)
	(9,548)	(3,185)
Finance income		
– interest income on short-term bank deposits	24,391	46,879
– other interest income	3	68
	24,394	46,947
Net finance income	14,846	43,762

11. Income tax

	Year ended 30 September 2012 £	Year ended 30 September 2011 £
Loss on ordinary activities before tax	(17,848,800)	(15,334,892)
Loss on ordinary activities multiplied by the United Kingdom standard rate for Corporation Tax of 25% (2011: 27%)	4,462,200	4,140,421
Effects of:		
– difference between depreciation and capital allowances	(99,008)	(107,740)
– expenses not deductible for tax purposes	(76,760)	(78,485)
– carry forward losses	(4,203,407)	(3,371,010)
– other timing differences	(83,025)	(583,186)
	–	–

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

12. Loss per share

Loss per Ordinary Share (basic and fully diluted)

Basic loss per share is calculated by dividing the loss attributable to Ordinary Shareholders by the weighted average number of shares in issue during the year. For fully diluted loss per share, the weighted average number of Ordinary Shares in issue is adjusted to assume conversion of dilutive potential Ordinary Shares. The Group's potentially dilutive securities consist of share options and performance shares. As the Group is loss-making, none of the potentially dilutive securities are currently dilutive.

For basic and diluted loss per share, the weighted average numbers of shares used in the calculations are set out below:

	2012		2011	
	Loss	Weighted average number of shares	Loss	Weighted average number of shares
Loss attributable to the owners of the parent company				
– from continuing operations	17,848,800		15,334,892	
	17,848,800	81,247,562	15,334,892	71,987,306

	2012 pence	2011 pence
Basic loss per share	21.97	21.30
Diluted loss per share	21.97	21.30

13. Property, plant and equipment

	Leasehold improvements £	Plant & machinery £	Assets under construction £	Total £
Cost				
At 1 October 2010	236,380	879,085	135,196	1,250,661
Additions	–	449,119	1,491,457	1,940,576
Exchange adjustments	30	542	–	572
Transfers	–	802,489	(802,489)	–
Disposals	–	(18,018)	–	(18,018)
At 30 September 2011	236,410	2,113,217	824,164	3,173,791
Additions	–	572,032	1,017,901	1,589,933
Exchange adjustments	(120)	(6,200)	–	(6,320)
Transfers	–	137,218	(137,218)	–
Disposals	–	(10,403)	–	(10,403)
At 30 September 2012	236,290	2,805,864	1,704,847	4,747,001
Accumulated depreciation				
At 1 October 2010	153,200	776,270	–	929,470
Charge for the year	35,459	146,602	–	182,061
Exchange adjustments	32	915	–	947
Disposals	–	(18,018)	–	(18,018)
At 30 September 2011	188,691	905,769	–	1,094,460
Charge for the year	35,458	353,142	–	388,600
Exchange adjustments	(108)	(11,594)	–	(11,702)
Impairment provision	12,249	1,543,589	1,704,847	3,260,685
Disposals	–	(3,038)	–	(3,038)
At 30 September 2012	236,290	2,787,868	1,704,847	4,729,005
Net book value				
At 30 September 2010	83,180	102,815	135,196	321,191
At 30 September 2011	47,719	1,207,448	824,164	2,079,331
At 30 September 2012	–	17,996	–	17,996

The net book value of the property, plant and equipment of the Group at 30 September 2012 includes £nil (2011: £52,913) in respect of plant and machinery held under finance leases. The depreciation charge for the year ended 30 September 2012 in respect of assets held under finance leases was £15,492 (2011: £9,037).

13. Property, plant and equipment continued

Depreciation expense of £388,600 (2011: £182,061) has been charged to operating expenses in the current year.

IFRS requires management to undertake a test for impairment of fixed assets if events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment testing involves management judgement requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections. The recoverable amount of fixed assets is the greater of fair value less costs to sell and value in use.

An impairment provision of £3,260,685 (2011: £nil) has been charged to operating expenses in the year of which £2,445,289 (2011: £nil) relates to the Bioenergy segment with the remainder being related to the Brewing, Food & Beverage and Central segments.

The Group had no capital commitments at 30 September 2012 (2011: £nil).

14. Intangible fixed assets

	Intellectual property rights £	Capitalised development costs £	Purchased goodwill £	Software £	Total £
Cost					
At 30 September 2010	5,570,593	100,840	14,917	116,614	5,802,964
Additions	–	45,536	–	10,356	55,892
Disposals	–	–	–	–	–
At 30 September 2011	5,570,593	146,376	14,917	126,970	5,858,856
Additions	–	8,954	–	–	8,954
At 30 September 2012	**5,570,593**	**155,330**	**14,917**	**126,970**	**5,867,810**
Accumulated amortisation					
At 30 September 2010	5,365,511	–	14,917	100,012	5,480,440
Charge for the year	205,082	45,633	–	11,894	262,609
At 30 September 2011	5,570,593	45,633	14,917	111,906	5,743,049
Charge for the year	–	51,528	–	7,431	58,959
Impairment provision	–	58,169	–	7,633	65,802
At 30 September 2012	**5,570,593**	**155,330**	**14,917**	**126,970**	**5,867,810**
Net book value					
At 30 September 2010	205,082	100,840	–	16,602	322,524
At 30 September 2011	–	100,743	–	15,064	115,807
At 30 September 2012	**–**	**–**	**–**	**–**	**–**

An impairment provision of £65,802 (2011: £nil) has been charged to operating expenses in the year of which £58,169 (2011: £nil) relates to the Bioenergy segment.

15. Inventories

	2012 £	2011 £
Work in progress	46,715	11,710
Finished goods	–	93,581
	46,715	105,291

The cost of inventories is recognised as an expense in cost of sales.

16. Trade and other receivables

The fair values of trade and receivables are as follows:

	2012 £	2011 £
Trade receivables	111,226	369,936
Other receivables	240,725	321,767
Prepayments and accrued income	132,177	183,793
	484,128	875,496

Trade receivables are shown net of provisions for doubtful debts of £943 (2011: £nil).

Trade receivables that are less than six months past due are not considered impaired. As of 30 September 2012, trade receivables of £62,411 (2011: £1,555) were past due but not impaired.

The ageing analysis of these trade receivables is as follows:

	2012 £	2011 £
Three to six months	2,611	1,555
Over six months	59,800	–
	62,411	1,555

As of 30 September 2012, trade receivables of £943 (2011: £nil) were impaired and provided for. The amount of the provision was £943 as of 30 September 2012 (2011: £nil).

The ageing of these receivables is as follows:

	2012 £	2011 £
Three to six months	–	–
Over six months	943	–
	943	–

As of 30 September 2012, there were receivables less than three months past due of £nil (2011: £nil) that were considered impaired and provided for.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2012 £	2011 £
Pounds Sterling	377,172	822,457
Euro	159	1,706
Swiss Francs	54,474	26,744
US Dollar	52,323	24,589
	484,128	875,496

Movements on the Group provision for impairment of trade receivables are as follows:

	2012 £	2011 £
At 1 October 2011	–	30,250
Increase in provision	943	–
Receivables written off during the year	–	(30,250)
At 30 September 2012	943	–

Trade receivables include £98,339 (2011: £313,074) from 2 (2011: 2) customers. Other receivables includes £203,382 (2011: £237,002) in relation to amounts owed by 3 (2011: 3) parties.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

The Group does not hold any collateral as security.

17. Net funds

	2012 £	2011 £
Short-term investments	–	–
Cash and cash equivalents	3,125,396	7,312,203
	3,125,396	7,312,203

18. Trade and other payables

	2012 £	2011 £
Trade payables	490,048	740,101
Other payables	23,802	20,946
Taxation and social security	147,015	144,331
Finance lease obligations	24,879	8,990
Accruals and deferred income	1,344,180	1,337,286
	2,029,924	2,251,654

19. Share capital and options

Called up share capital

	2012 £	2011 £
Authorised		
100,000,000 Ordinary Shares of 1 pence each	1,000,000	1,000,000
Allotted, called up and fully paid		
86,220,257 (2011: 75,063,263) Ordinary Shares of 1 pence each	862,203	750,632

On the 24 February 2012 1,800,000 Ordinary Shares of 1 pence were issued at a price of £1 per share with costs of £100,000 associated with the share issue.

On the 15 March 2012 9,382,908 Ordinary Shares of 1 pence were issued at a price of £1 per share with costs of £410,056 associated with the share issue.

During the year 50,363 (2011: 1,870,118) options over 1 pence Ordinary Shares were exercised raising £24,520 (2011: £2,216,778).

	2012 £	2011 £
Allotted, called up and fully paid		
As at 1 October 2011	750,632	699,931
Issued during the year	112,334	50,701
Cancelled during the year	(763)	–
As at 30 September 2012	862,203	750,632

20. Share-based payments

The Group has four share option schemes:

1. The "Share Option Plan"
2. The Long Term Incentive Plan
3. The 2009 Employees' Share Option Plan
4. The 2009 Service Provider Share Option Plan

1. The "Share Option Plan"

The Group has issued share options over 1 pence Ordinary Shares under an unapproved share option scheme (the "Share Option Plan") adopted by the Group on 22 March 2001.

On 17 March 2005 the rules of the Share Option Plan were amended so that these options shall vest as to one third of the shares on each of the first, second and third anniversaries of the date of the grant.

Options granted are subject to an accelerated vesting provision whereby if, within three years of the date of grant, the Company's share price increases by 25% from its value at the date of grant and remains at that value or a higher value for a period of 30 consecutive days, the option shall vest in full on completion of that 30 day period.

Options are not exercisable later than midnight on the day before the tenth anniversary of the date of the grant.

On 27 June 2008 the rules of the Share Option Plan were amended:

- to reflect current legislation;
- to give the Company the discretion in the case of leavers to offer a cash settlement for any gain made by the employee in their shares rather than to issue shares. This applies only in the case of share options which do not qualify as EMI options and this option is unlikely to be utilised in the short-term;
- in the case of new options, changes to certain leaver provisions to require options to be exercised within 30 days after cessation of employment in certain cases;
- options may be satisfied via existing shares or newly issued shares; and
- a US sub plan was adopted for the benefit of United States employees.

Options granted after 27 June 2008 do not benefit from the accelerated vesting provision referred to above. Options are not exercisable later than midnight on the day before the tenth anniversary of date of grant.

Options were valued using the Black-Scholes option pricing model. No options have been granted during the year under this plan (2011: nil).

	2012		2011	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Number of options outstanding at 1 October as previously stated	1,005,050	£1.6149	1,600,736	£1.5581
Options incorrectly shown as exercised in prior year	76,277	£0.7859	–	–
Number of options outstanding at 1 October restated	1,081,327	£1.5564	1,600,736	£1,5581
Granted during the period	–	–	–	–
Exercised during the year	(40,363)	£0.6050	(573,186)	£1.2732
Transfers during the year	18,190	£1.1534	–	–
Forfeited during the year	(187,535)	£2.1587	(22,500)	£2.1450
Number of options outstanding at 30 September	871,619	£1.4573	1,005,050	£1.6149
Exercisable at 30 September	869,139	£1.4574	960,560	£1.6491

Options incorrectly shown as exercised in the prior year relate to options approved for exercise that due to the falling share price were not eventually exercised and reinstated.

20. Share-based payments continued

2. The Long Term Incentive Plan

The Group introduced a Long Term Incentive Plan ("LTIP") on 27 June 2008 which forms a schedule to the Share Option Plan. The purpose of the LTIP is to incentivise and reward senior and key employees. The Group also adopted a sub plan for the benefit of employees of the Group employed in the United States.

The LTIP allows options to be granted with an exercise price equal to the nominal value per share. Options will vest subject to the Company achieving a share price based performance target. The options have a 4 year vesting period with 50% of the options vesting at year 3 and 50% vesting at year 4 with accelerated vesting at the end of year 3 if the performance condition relating to the latter 50% is satisfied at the end of year 3.

Options are not exercisable later than midnight on the day before the tenth anniversary of the date of grant.

Options were valued using a Monte Carlo simulation pricing model. No options have been granted during the year (2011: nil).

	2012		2011	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Number of options outstanding at 1 October	191,456	£0.01	297,805	£0.01
Granted during the period	–	–	–	–
Exercised during the year	(10,000)	£0.01	–	–
Transfers during the year	(6,944)	£0.01	–	–
Forfeited during the year	(41,899)	£0.01	(106,349)	£0.01
Number of options outstanding at 30 September	132,613	£0.01	191,456	£0.01
Exercisable at 30 September	68,573	£0.01	–	–

20. Share-based payments continued

3. The 2009 Employees' Share Option Plan

On 28 August 2009 the Company adopted the Pursuit Dynamics PLC 2009 Employees' Share Option Plan to allow, at the discretion of the Board, any eligible employee to be granted EMI or non-EMI qualified options at an exercise price to be determined by the Board but not to be less than the nominal value of a share and will vest subject to such time based and share price performance based conditions as the Board may determine.

The Employees' Share Option Plan also increased the number of options which may be granted over Ordinary Shares of 1 pence each in the capital of the Company which when aggregated with all other Ordinary Shares of 1 pence each in the capital of the Company placed under option or issued under any other share plan established for the benefit of its employees or service providers and operated by the Company or Group in the preceding 10 year period from 10% of the Company's Ordinary issued share capital at any one time to 15%.

Options are not exercisable later than midnight on the day before the tenth anniversary of the date of grant.

Options were fair valued using the Black-Scholes option pricing model, or where there are market based performance conditions, a Monte Carlo simulation pricing model.

The expected volatility is based on the historic volatility during a period of two years preceding the date of the grant and reflects the assumption that historic volatility is indicative of future trends, which may not necessarily be the actual outcome. The expected life of the option was assumed to be the vesting period based on historical exercising or in the case of options with performance conditions, where the conditions had not already been met, the expected life was assumed between one and two years based on publicly available share price projections and is not necessarily indicative of exercise patterns that may occur. Performance based conditions relate to the achievement of share price based performance targets.

The risk free rate is the yield on zero coupon UK government bonds of a term consistent with the assumed option life.

The significant inputs into the pricing models and other information on the number of share options concerning the 2009 Employees' Share Option Plan are provided in the following tables:

	2012	2011
Share price at date of grant (weighted average)	£0.8015	£4.7381
Exercise price (weighted average)	£1.000	£2.7938
Number of employees	8	25
Vesting period (years)	0–2	0–2
Expected volatility	100.30%	58.47%
Option life (years)	10	10
Expected life (years)	0–5	0–5
Risk free rate (weighted average)	0.43%	0.76%
Expected dividend yield	Nil	Nil
Possibility of ceasing employment before vesting	0–21%	0–21%
Expectations of meeting performance criteria	100%	100%
Fair value per option (weighted average)	£0.4856	£2.7288

	2012		2011	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Number of options outstanding at 1 October	3,228,068	£2.0148	2,474,310	£1.7539
Granted during the period – performance conditions	1,120,000	£1.0000	570,000	£2.7938
Granted during the period – non performance conditions	–	–	318,558	£2.7938
Exercised during the period	–	–	(121,932)	£2.277
Transfers during the year	(11,246)	£1.1534	–	–
Forfeited during the period	(2,261,845)	£1.5798	(12,868)	£3.1599
Number of options outstanding at 30 September	2,074,977	£1.8992	3,228,068	£2.0148
Number of options exercisable at 30 September	726,971	£2.6242	2,534,307	£1.8368

20. Share-based payments continued

4. The 2009 Service Provider Share Option Plan

On 28 August 2009 the Company also adopted the Pursuit Dynamics PLC 2009 Service Provider Share Option Plan which permits the Company to grant share options to companies which provide services to the Company or Group via an employee or director of the service company. The Service Provider Plan incorporates all the provisions of the Pursuit Dynamics PLC 2009 Employees' Share Option Plan except that the provisions relating to EMI options are disregarded under the Service Provider Plan and options will be held by the service company and not the individual.

Options are not exercisable later than midnight on the day before the tenth anniversary of the date of grant.

Options were fair valued using the Black-Scholes option pricing model or, where there are market based performance conditions, a Monte Carlo simulation pricing model.

	2012	2011
Share price at date of grant (weighted average)	–	£6.30
Exercise price (weighted average)	–	£1.86
Number of service providers	–	1
Vesting period (years)	–	0–2
Expected volatility	–	59.57%
Option life (years)	–	10
Expected life (years)	–	0–2
Risk free rate (weighted average)	–	0.71%
Expected dividend yield	–	Nil
Expectations of meeting performance criteria	–	100%
Fair value per option (weighted average)	–	£4.4883

	2012		2011	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Number of options outstanding at 1 October	726,919	£1.0255	1,841,610	£0.9500
Granted during the period – performance conditions	–	–	–	–
Granted during the period – non performance conditions	–	–	60,309	£1.8600
Exercised during the period	–	–	(1,175,000)	£0.9500
Forfeited during the period	(726,919)	£1.0255	–	–
Number of options outstanding at 30 September	–	–	726,919	£1.0255
Number of options exercisable at 30 September	–	–	441,114	£0.9915

On 24 October 2011 the Board amended the Pursuit Dynamics PLC 2009 Employees' Share Option Plan to remove the rule applicable only to US employees that no option may be exercised later than 2.5 calendar months after the end of the taxable year (as defined within the plan rules) in which the option first becomes exercisable.

20. Share-based payments continued

5. Summary of Share Option Plans

A reconciliation of option movements for the share option plans over the year to 30 September 2012 is shown below:

	2012		2011	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Number of options outstanding at 1 October as previously stated	5,151,493	£1.7226	6,214,461	£1.3817
Options incorrectly shown as exercised in prior year	76,277	£0.7859	–	–
Number of options outstanding at 1 October restated	5,227,770	£1.7226	6,214,461	£1.3817
Granted	1,120,000	£1.0000	948,867	£2.7344
Exercised	(50,363)	£0.4869	(1,870,118)	£1.1854
Forfeited	(3,218,198)	£1.4654	(141,717)	£0.6350
Outstanding at 30 September	3,079,209	£1.6928	5,151,493	£1.7226
Exercisable at 30 September	1,664,683	£1.9073	3,941,981	£1.6962

Options incorrectly shown as exercised in the prior year relate to options approved for exercise that due to the falling share price were not eventually exercised and reinstated.

Total options existing at 30 September 2012 over 1 pence Ordinary Shares in the Company are summarised below:

Date of grant	Number of options	Exercise price pence
July 2004	75,000	120.5p
July 2004	75,000	111p
September 2004	50,000	131.5p
February 2005	6,000	175.5p
June 2005	350,000	212.5p
January 2006	11,667	169p
June 2006	2	95p
November 2006	146,168	77.5p
December 2006	50,000	96.5p
December 2007	20,007	153p
July 2008	6,666	1p
July 2008	4,812	1p
December 2008	9,328	60.5p
January 2009	55,556	65p
January 2009	62,500	1p
July 2009	6,316	72p
July 2009	65,579	1p
December 2009	9,631	144.50p
July 2010	360,000	167.50p
July 2010	25,000	220.75p
September 2010	243,000	386.75p
December 2010	56,977	186p
December 2010	210,000	389p
June 2011	60,000	500p
March 2012	1,120,000	100p
	3,079,209	

The weighted average remaining contractual life on share options is 7.12 years (2011: 7.70 years).

The total expense recognised during the year is set out in Note 8.

21. Deferred income tax

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries and joint ventures. The Directors have determined that, as earnings are continually reinvested by the Group, undistributed earnings of the subsidiaries and joint ventures will not be distributed in the foreseeable future.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net. No balances have been offset in the current or previous years.

Unrecognised deferred tax assets

	2012 £	2011 £
Tax losses	14,432,527	13,583,726
Decelerated capital allowances	1,323,927	720,295
Other timing differences	1,089	696,996
At 30 September	15,757,544	15,001,017

Deferred tax assets have not been recognised in respect of tax losses because there is insufficient probability that they will be recoverable in the foreseeable future.

A number of changes to the UK corporation tax system were announced in the March 2012 Budget Statement. Certain of these tax changes were substantively enacted in the Finance Act 2012 in July 2012. The impact of this has been reflected in the unrecognised potential deferred tax asset.

Certain other changes are expected to be enacted in future Finance Acts, including further reductions in the main rate of corporation tax by 2% per annum to 21% by April 2014. As at 30 September 2012, there is an unrecognised deferred tax asset of £15,757,544. If these changes were applied to this the impact would be to reduce the potential deferred tax asset by £1,370,222.

22. Cash used in operations

	2012 £	2011 £
Loss before taxation	(17,848,800)	(15,334,892)
Adjustments for:		
– depreciation of property, plant and equipment	388,600	182,061
– amortisation of intangible fixed assets	58,959	262,609
– impairment of property, plant and equipment and intangible fixed assets	3,326,487	–
– (loss)/profit on disposal of property, plant and equipment	(188)	(2,182)
– share option compensation charge	348,389	3,616,652
– finance expense	9,548	3,185
– finance income	(24,394)	(46,947)
Changes in working capital:		
– inventories	58,576	(7,562)
– trade and other receivables	331,424	(452,117)
– trade and other payables	(237,632)	292,156
Cash used in operations	(13,589,031)	(11,487,037)

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

23. Operating lease commitments

The Group leases premises under non-cancellable operating lease agreements. The lease terms are between 5 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. The Group also leases motor vehicles, over a three-year term. The Group may terminate these agreements subject to a termination fee. The lease expenditure is charged to the income statement during the year.

At 30 September the future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2012		2011	
	Land & buildings	Other	Land & buildings	Other
Less than 1 year	458,492	11,645	381,991	–
Between 2 and 5 years	–	–	1,101,734	–
After 5 years	–	–	113,750	–
	458,492	11,645	1,597,475	–

The reduction in commitments with respect to land & buildings was the result of negotiations concluded in November 2012.

Commitments at 30 September 2012 are all shown as due within one year following the decision to close operations as set-out in note 28.

24. Joint ventures

The Group's interests in its joint venture are reported in the consolidated financial statements using the proportionate consolidation method.

The Group owns a 60% share of NDX Solutions Limited, a company incorporated in England & Wales whose principal activity is the sale of process technology. The following amounts represent the Group's 60% share of income and expenses and assets and liabilities of NDX Solutions Limited.

Income statement

	2012 £	2011 £
Revenue	46,860	23,993
Expenses	(90,759)	(35,825)
Loss before tax	(43,899)	(11,832)
Tax	–	–
Share of post-tax results of joint ventures	(43,899)	(11,832)

Operating profit is after allocating £12,628 (2011: £20,048) of costs incurred by Group.

Balance sheet

	2012 £	2011 £
Non-current assets	14,012	21,017
Current assets	85,520	30,357
Current liabilities	(125,263)	(33,206)
Non-current liabilities	–	–
Net (liabilities)/ assets	(25,731)	18,168

The Group's joint venture does not have any contingent liabilities or commitments.

25. Obligations under finance leases

	2012 £	2011 £
Amounts payable under finance leases:		
Within one year	24,879	8,990
In more than one year but not more than two years	–	10,768
In more than two years but not more than five years	–	14,111
	24,879	33,869

Amounts payable under finance leases are all shown within in one year following the decision to close operations as set out in note 28.

26. Related party transactions

No transactions have been entered into with related parties during the period under review.

a) Directors

	2012 £	2011 £
Aggregate emoluments	794,837	548,712
	794,837	548,712

Amounts paid to third parties

	2012 £	2011 £
Quantum Holdings Limited in respect of Roland Pieper	126,774	180,000
	126,774	180,000

Highest paid Director

	2012 £	2011 £
Aggregate emoluments	364,684	183,917
	364,684	183,917

During the year aggregate gains of £nil (2011: £518,539) were made by Directors and £nil (2011: £2,373,790) by Quantum Holdings Limited on the exercise of share options.

During the year the highest paid Director made gains of £nil (2011: £nil) on the exercise of share options.

b) Key management compensation

	2012 £	2011 £
Salaries and other short-term employee benefits	636,286	548,712
Termination payments	158,551	–
Amounts paid to Quantum Holdings Limited in respect of Roland Pieper	126,774	180,000
Share option compensation charge	218,955	822,590
	1,140,566	1,551,302

Key management are the persons having responsibility for planning, directing and controlling the activities of the Group, directly or indirectly; these are regarded as the Executive and Non-Executive Directors.

27. List of principal undertakings

The Group's principal subsidiaries are as follows:

Principal subsidiaries

Name of undertaking	Country of incorporation	Nature of business	Proportion of nominal value of shares held by Parent Company	Proportion of nominal value of shares held by Group
Pursuit Marine Drive Limited	England and Wales	Development and sale of process technology	100%	100%
Pursuit Processing Equipment Limited	England and Wales	Sale of process technology	100%	100%
Pursuit Dynamics, Inc.	Delaware, USA	Sale of process technology	100%	100%
PDX Businessgroup AG	Switzerland	Holding company	100%	100%
PDX Technologies AG	Switzerland	Research & Development company	0%	100%
PDX Management AG	Switzerland	Provision of Group services	0%	100%
PDX Public Health and Safety AG	Switzerland	Sales & Marketing company	0%	100%
BFX Solutions AG	Switzerland	Sales & Marketing company	0%	100%
DDX Solutions AG	Switzerland	Sales & Marketing company	0%	100%

Joint venture undertakings

Name of undertaking	Country of incorporation	Nature of business	Proportion of nominal value of shares held by Parent Company	Proportion of nominal value of shares held by Group
NDX Solutions Limited	England and Wales	Sale of process technology	–	60%

The Group's joint venture was accounted for using the proportionate consolidation method. All the subsidiaries of the Group have been consolidated.

28. Post-balance sheet events

On 4 December 2012, the Company raised £5 million (before expenses) through the Placing of 166.7 million new PDX Shares at 3 pence per share. In addition the Company also raised £0.6 million (before expenses) via an Open Offer of 18.8 million new PDX Shares at 3 pence per share.

On 26 February 2013 the Board completed its review of options for the business and concluded that shareholder value would be best maximised by the orderly liquidation of the Group's subsidiaries' assets. The Board will continue to review the strategic options available to the Group and is considering all means of using the Group's resources to create value for shareholders.

No restructuring provisions have been included in these accounts as a result of this decision. The Board estimates the restructuring costs will amount to £1.5 million but the precise amount is dependent on the outcome of negotiations with employees and suppliers.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PURSUIT DYNAMICS PLC

We have audited the Parent Company financial statements of Pursuit Dynamics PLC for the year ended 30 September 2012 which comprise the Company Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 13, the Directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistences with the audited financial statements. If we become aware of any apparent material misstatements or inconsistences we consider the implications for our report.

Opinion on financial statements

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2012;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Parent Company financial statements are prepared is consistent with the Parent Company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Pursuit Dynamics PLC for the year ended 30 September 2012.

Stuart Newman (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
26 February 2013

COMPANY BALANCE SHEET

	Note	2012 £	2011 £
Investments	2	1	4,476,457
Current assets			
Debtors: amounts falling due after more than one year	3	–	45,789,835
Debtors: amounts falling due within one year	3	18,750	67,900
Short-term investments		–	–
Cash at bank and in hand		2,743,005	6,145,620
		2,761,755	52,003,355
Creditors: amounts falling due within one year	4	(455,972)	(142,280)
Net current assets		2,305,783	51,861,075
Net assets		2,305,784	56,337,532
Capital and reserves			
Called up share capital	5	862,203	750,632
Share premium account	6	66,150,179	55,624,325
Profit and loss account	6	(64,706,598)	(37,425)
Total Shareholders' funds	7	2,305,784	56,337,532

The notes on pages 43 to 46 are an integral part of these financial statements.

The financial statements on pages 42 to 46 were approved by the Board of Directors on 26 February and have been signed on its behalf by:

Paul Banner
Director

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. Principal accounting policies

The financial statements have been prepared in accordance with applicable accounting standards and the Companies Act 2006 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 have been applied consistently, other than as explained, is set out below.

Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention. Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The Company has not produced a cash flow statement as it is a member of a group and a consolidated cash flow statement has been published.

Going concern

In considering the appropriate basis on which to prepare the financial statements, the Directors are required to consider whether the Company and Group can continue in operational existence for the foreseeable future. At 30 September 2012, the Company had cash at bank and in hand of £2,743,005 and in addition, Note 11 sets out the details of the Placing and Open Offer of 185.5 million new shares which raised approximately £5.4 million (after expenses) in December 2012.

The Board has taken a number of actions to reduce the cost base of the business whilst focusing on those areas of the business seen as most likely to secure revenues in the short-term. Despite these actions sales targets have not been achieved and following the completion of their review in February 2013 the Board have concluded that shareholder value would be best maximised by the orderly liquidation of the Group's subsidiaries' assets. The Board will continue to review the strategic options available to the Company and is considering all means of using the Company's resources to create value for shareholders.

As there is no intention to liquidate the Company and there are sufficient funds to meet the Company's liabilities as they fall due, the Board are therefore of the opinion that the going concern basis is appropriate for the preparation of the Company's financial statements.

Fixed asset investment

Investments in subsidiaries are carried at cost less impairment.

Financial instruments

Deposits with financial institutions which are not repayable on demand without penalty are classified as short-term investments. Interest on short-term investments is recognised on the accruals basis over the life of the investment.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised 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 against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Foreign currencies

Transactions denominated in foreign currencies are recorded at exchange rates as of 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 that date.

Any gain or loss arising from a change in exchange rates subsequent to the date of the initial transaction is included as an exchange gain or loss in the profit and loss account, except where financing of a foreign subsidiary through long-term loans is intended to be as permanent as equity. Such balances are treated as part of the net investment and any exchange differences are recorded in reserves.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

1. Principal accounting policies continued

Share-based payments

The Company issues equity-settled share-based instruments to its employees. In accordance with FRS 20, "Share-based Payments", equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes option pricing model or the Monte Carlo option pricing model where there are market-based performance conditions. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the number of shares that will ultimately vest. The cost associated with options granted to employees of a subsidiary is treated as an addition to the investment in that subsidiary.

In accordance with UITF Abstract 25, "National Insurance Contributions on share option gains", the Company makes charges to the profit and loss account for the potential employer's National Insurance liability on options granted, spread over the vesting period of those options. No charge has been made in the year ended 30 September 2012 on the grounds that the liability for such payments has been passed to the employees.

2. Investments

	2012 £	2011 £
Cost and net book value		
At start of year	4,476,457	1,789,612
Additions	–	538,793
Capital contribution arising from FRS 20	332,565	2,821,614
Impairment	(4,809,021)	(673,562)
At end of year	1	4,476,457

The impairment arose as a result of reviewing the carrying value of the Company's investment against the net assets of the subsidiaries concerned.

The Company's investments comprise interests in 12 Group undertakings, all of which are included in the consolidated financial statements.

Details of these are shown below:

Name of undertaking	Country of incorporation	Nature of business	Class of shares	Proportion of nominal value of shares held by Group
Pursuit Marine Drive Limited	England and Wales	Development and sale of process technology	Ordinary 1 pence Shares	100%
Pursuit Processing Equipment Limited	England and Wales	Sale of process technology	Ordinary £1 Shares	100%
Pursuit Dynamics, Inc.	Delaware, USA	Sale of process technology	Common Shares, nil par value	100%
PDX Businessgroup AG	Switzerland	Holding company	Ordinary CHF1 Shares	100%
PDX Technologies AG	Switzerland	Research & Development company	Ordinary CHF1 Shares	100%
PDX Management AG	Switzerland	Provision of Group services	Ordinary CHF1 Shares	100%
PDX Public Health and Safety AG	Switzerland	Sales & Marketing company	Ordinary CHF1 Shares	100%
BFX Solutions AG	Switzerland	Sales & Marketing company	Ordinary CHF1 Shares	100%
DDX Solutions AG	Switzerland	Sales & Marketing company	Ordinary CHF1 Shares	100%

3. Debtors

	2012 £	2011 £
Amounts falling due after more than one year		
Amounts owed by Group companies	–	45,789,835
	–	45,789,835
Amounts falling due within one year		
Other debtors	–	62,809
Prepayments and accrued income	18,750	5,091
	18,750	67,900

4. Creditors

	2012 £	2011 £
Amounts falling due within one year		
Trade creditors	85,225	3,332
Other creditors	–	4,435
Amounts due to Group companies	344,611	–
Accruals and deferred income	26,136	134,513
	455,972	142,280

5. Called up share capital

	2012 £	2011 £
Authorised		
100,000,000 Ordinary shares of 1 pence each	1,000,000	1,000,000
Allotted, called up and fully paid		
86,220,257 (2011: 75,063,263) Ordinary Shares of 1 pence each	862,203	750,632

On the 24 February 2012 1,800,000 Ordinary Shares of 1 pence were issued at a price of £1 per share with costs of £100,000 associated with the share issue.

On the 15 March 2012 9,382,908 Ordinary Shares of 1 pence were issued at a price of £1 per share with costs of £410,056 associated with the share issue.

During the year 50,363 (2011: 1,870,118) options over 1 pence Ordinary Shares were exercised raising £24,520 (2011: £2,216,778).

	2012 £	2011 £
Allotted, called up and fully paid		
As at 1 October 2011	750,632	699,931
Issued during the year	112,334	50,701
Cancelled during the year	(763)	–
As at 30 September 2012	862,203	750,632

6. Share premium account and profit and loss account

	Share premium account £	Profit and loss account £
As at 1 October 2011	55,624,325	(37,425)
Shares cancelled	(59,184)	–
Options exercised	24,015	–
Issuance costs of shares	(510,056)	–
Share issue	11,071,079	–
Deemed capital contribution	–	332,565
Currency exchange differences	–	6,849
Share option compensation charge	–	15,825
Loss for the financial year	–	(65,024,412)
As at 30 September 2012	66,150,179	(64,706,598)

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

7. Reconciliation of movements in Shareholders' funds

	2012 £	2011 £
Proceeds of Ordinary Share issue	11,182,908	8,000,000
Proceeds of Ordinary Shares issued on exercise of options	24,520	2,216,778
Issuance costs of shares	(510,056)	(161,827)
Cancellation of shares	(59,947)	–
Deemed capital contribution	332,565	2,821,614
Currency exchange differences	6,849	(3,967)
Loss for the financial year	(65,024,412)	(2,437,033)
Share option compensation charge	15,825	795,038
Shareholders' funds 1 October	56,337,532	45,106,929
Shareholders' funds at 30 September	2,305,784	56,337,532

8. Employee information

The Company had a monthly average of 4 (2011: 5) employees during the year.

The employee costs for the Company were £399,436 (2011: £353,588).

9. Parent company result for the year

As permitted by section 408 of the Companies Act 2006, a separate profit and loss account of the Company is not presented.

The Company's loss for the financial year was £65,024,412 (2011: £2,437,033). This includes an impairment charge of £59,194,410 (2011: £nil) in respect of amounts due from subsidiary undertakings and an impairment of £4,809,021 (2011: £nil) in respect of the carrying value of subsidiaries.

The only other recognised gains or losses for the financial year other than the loss disclosed above was a gain of £6,849 (2011: loss of £3,967) arising on the translation of foreign currency denominated long-term intercompany balances.

10. Related party transactions

The Company has taken advantage of the exemption from disclosure available to parent companies under FRS 8 "Related Party Disclosures", where transactions and balances between Group entities have been eliminated on consolidation.

Details of Directors' Remuneration are included in Note 25 of the consolidated accounts.

11. Post-balance sheet events

On 4 December 2012, the Company raised £5 million (before expenses) through the Placing of 166.7 million new PDX Shares at 3 pence per share. In addition the Company also raised £0.6 million (before expenses) via an Open Offer of 18.8 million new PDX Shares at 3 pence per share.

On 26 February 2013 the Board completed its review of options for the business and concluded that shareholder value would be best maximised by the orderly liquidation of the Group's subsidiaries' assets. The Board will continue to review the strategic options available to the Company and is considering all means of using the Company's resources to create value for Shareholders.

No restructuring provisions have been included in these accounts as a result of this decision. The Board estimates the restructuring costs will amount to £1.5 million but the precise amount is dependent on the outcome of negotiations with employees and suppliers.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of PURSUIT DYNAMICS PLC (the "Company") will be held at Shackleton House, Kingfisher Way, Hinchingbrooke Business Park, Huntingdon, Cambridgeshire PE29 6HB on 28 March 2013 at 11 a.m. (GMT) for the purpose of considering and, if thought fit, passing the following resolutions of which resolutions 1 to 7 will be proposed as ordinary resolutions and resolutions 8 and 9 will be proposed as special resolutions:

Ordinary business

Ordinary resolutions

1. To receive, approve and adopt the Company's annual accounts for the financial year ended 30 September 2012 together with the Directors' report and the auditors' report on those accounts.
2. To reappoint PricewaterhouseCoopers LLP as auditors until the conclusion of the next Annual General Meeting of the Company at which the accounts are laid and to authorise the Directors to fix their remuneration.
3. To approve the Directors' Remuneration Report for the financial year ended 30 September 2012.
4. To appoint Paul Banner, who holds office until the date of this meeting, as a Director.
5. To appoint Phil Corbishley, who holds office until the date of this meeting, as a Director.
6. To reappoint Bernard Bulkin, who retires by rotation, as a Director.

Special business

7. That the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "Act") to exercise the powers of the Company to allot Relevant Securities (as defined in Note 17 of this notice) up to a maximum nominal amount of £905,727 provided that this authority is in substitution for any existing authorities conferred on the Directors pursuant to section 551 of the Act and (unless previously revoked or varied by the Company in general meeting) shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, or on 31 March 2014, whichever is earlier, save that the Directors may allot Relevant Securities pursuant to this authority after that date pursuant to an offer or agreement made by the Company on or before that date as if such authority had not expired.

Special resolutions

8. That the Directors be empowered to allot equity securities (as described in section 560 of the Act) for the purpose of section 570(1) of the Act for cash, either pursuant to the authority conferred by resolution 7 or by way of a sale of shares held as treasury shares, as if section 561(1) of the Act did not apply to any such allotment or sale provided that this power shall be limited to allotments of equity securities and the sale of treasury shares:

   a) Pursuant to the terms of any share scheme for employees or service providers of the Company in existence at the date hereof or otherwise approved by the members in general meeting;

   b) In connection with a rights issue, open offer or otherwise in favour of Ordinary Shareholders in proportion (as nearly as possible) to the number of Ordinary Shares held by them subject to such exclusions as the Directors may deem fit to deal with treasury shares, fractional entitlements, record sales or with legal or practical problems arising in any overseas territory or with the requirements of any regulatory body or stock exchange; and

   c) Otherwise than pursuant to paragraph (a) or (b) above up to a total nominal amount of £135,859;

   and such power shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, or on 31 March 2014, whichever is earlier, but so that the Company may before such expiry make an offer to enter into an agreement which would or might require equity securities to be allotted or treasury shares to be sold after such expiry, and that the Directors may allot equity securities or sell treasury shares in pursuance of such offer or agreement as if the power conferred in this resolution had not expired.

Special business continued

Special resolutions continued

9. That the Company be generally and unconditionally authorised pursuant to section 701 of the Act to make market purchases (as defined in section 693(4) of the Act) of up to 27,171,807 Ordinary Shares at 1 pence each in the capital of the Company on such terms and in such manner as the Directors of the Company may from time to time determine, provided that;

   a) The amount paid for each share (exclusive of expenses) shall not be more than an amount equal to 105% of the average market value of an Ordinary Share for the five business days immediately preceding the date on which such share is contracted to be purchased or less than 1 pence per share; and

   b) The authority herein contained shall expire at the conclusion of the Annual General Meeting of the Company after the passing of the resolution or on 31 March 2014, whichever is earlier provided that the Company may, before such expiry, make a contract to purchase its own shares which would or might be executed wholly or partly after such expiry, and the Company may make a purchase of its own shares in pursuance of such contract as if the authority hereby conferred hereby had not expired.

By Order of the Board

Sarah Gowing
Company Secretary
26 February 2013

Registered office
Shackleton House
Kingfisher Way
Hinchingbrooke Business Park
Huntingdon
Cambridgeshire
PE29 6HB

Notes to members

Entitlement to attend and vote

1. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members registered on the register of members of the Company as at 6.00 p.m. GMT on 26 March 2013 (or, in the case of an adjournment, on the date which is 48 hours before the adjourned meeting) shall be entitled to vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
2. Every member so entitled, and who intends to attend, is requested to notify the Company at the registered office by 26 March 2013, to allow the issue of visitor cards. No admittance can be permitted without presentation of the visitor card.

Appointment of proxies

3. Every member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote at the meeting. You can only appoint a proxy using the procedures set out to these notes and the notes on the proxy form.
4. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
5. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the Company's Registrars: Computershare Investor Services PLC.
6. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If you either select the "Discretionary" option or if no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy proxy form

7. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

   To appoint a proxy using the proxy form, the form must be completed and signed; sent or delivered to Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZY; and received by Computershare Investor Services PLC no later than 11.00 a.m. on 26 March 2013.

   In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

   Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Appointment of proxies through CREST

8. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (available from https://www.euroclear.com/site/public/EUI). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID) by 11.00 a.m. on 26 March 2013. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

Notes to members continued

Appointment of proxy by joint members

9. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

10. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

    Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact the Company's Registrars.

    If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

11. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's Registrars. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

    The revocation notice must be received by the Company's Registrars no later than 11.00 a.m. on 26 March 2013. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

    Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Corporate representatives

12. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

Documents on display

13. Copies of the Directors' service contracts and the Non-Executive Directors' letters of appointment will be available for inspection during normal business hours at the registered office of the Company from the date of this notice until the date of the Annual General Meeting and at the place of the Meeting for at least 15 minutes prior to the Meeting until its conclusion.

Notes on the resolutions

14. In resolution 7 it is proposed that the Board be authorised to allot securities up to a maximum nominal amount of £905,727 such amount being a sum equal to not more than one third of the issued Ordinary Share capital of the Company following the proposed fundraising.

15. In resolution 8 it is proposed that the Board be authorised to display the statutory pre-emption rights in respect of the allotment for cash of equity securities up to a total nominal amount of £135,859 such amount being a sum equal to 5% of the issued Ordinary Share capital of the Company following the proposed fundraising.

16. In resolution 9 it is proposed that the Company be authorised to make market purchases of its own Ordinary Shares up to a nominal amount of £271,718 as the Directors may determine in accordance with section 701 of the Act.

17. "Relevant Securities" means:

    a) Shares in the Company other than the shares allotted pursuant to:

       i) an employee share scheme (as defined by section 1166 of the Act);

       ii) a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security; or

       iii) a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security; and

    b) Any right to subscribe for or to convert any security into shares in the Company other than the rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined by section 1166 of the Act). References to the allotment of the Relevant Securities in the resolution include the grant of such rights.

Electronic communication

18. You may not use any electronic address provided either: in this notice of Annual General Meeting or any related documents (including the Chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.

SECRETARY AND ADVISORS

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Sarah Gowing

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PE29 6HB

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