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Date 13th December 1993

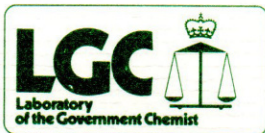
FOR THE ATTENTION OF Dr J Watson

Dear Sir

PROJECT: Gas Sensor Group (GSG)

1. I am pleased to inform you that subject to the terms and conditions of this letter the Secretary of State for Trade and Industry ("the Secretary of State") is prepared to pay **the University of Wales, Swansea** ("the University") a grant not exceeding **£15977** under Section 5 of the Science and Technology Act 1965 to support the establishment of a **Gas Sensor Group** ("the Project") at **the University of Wales, Swansea** in accordance with the detailed proposal submitted to the Department of Trade and Industry ("the Department") on **15th September 1993** under **the Research and Technology Initiative**.

2. This offer is conditional on the Department receiving within two months of the date of this letter the grant offer acceptance duly signed by the University. If this condition is not met, the grant offer will lapse automatically. The grant offer may be renewed or extended at the discretion of the Secretary of State.



Financial

3. The grant will be payable at a reducing percentage rate on the basis of the net eligible costs (as defined in Schedule 1) incurred on or after the **16th December 1993** and will be payable by instalments on submission by the University of a statement of monies expended (as defined in Schedule 1) by the University on the project. The rate at which the grant is payable is as set out in the table below:-

First year 50% of net eligible costs, up to a maximum payment of £6940

Second year 33% of net eligible costs, up to a maximum payment of £4993

Third year 25% of net eligible costs, up to a maximum payment of £4044

Unless the Secretary of State otherwise agrees, payments will not be made at intervals of less than three months. Any overpayment of grant, whether disclosed by a report or otherwise, must be refunded.

4. Unless the Secretary of State otherwise agrees, each claim for payment must be accompanied by :-

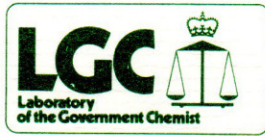
(i) a report on the Project covering :-

(a). progress on the Project;

(b). any change in the nature or scale of the Project including an assessment of any change in the prospects of success in meeting the Business Plan and financial targets;

(c). any change in the ownership of or beneficial interest in any asset provided for the Project.

(ii) the latest audited accounts of the University, unless these have already been supplied to the Department in connection with the application for assistance or an earlier claim for payment. If these accounts relate to a period ending more than nine months before the date of the claim for payment, unaudited or management accounts for the later period must be included.



- (iii) an up-to-date estimate of the Project costs indicating any significant variations in the amount or timing of payment of these costs.

5. In addition, all claims must be accompanied by a report prepared by the University's accountants and signed by an 'Authorised Officer' of the University covering all statements and claims made under the offer letter. This report must be in the form set out in schedule 2.

6. The Secretary of State may also require a report from an independent accountant to be submitted earlier than as specified above in exceptional circumstances including :-

- (i) withdrawal of the University from the Project or termination of the Project;
- (ii) a claim disclosing expenditure substantially greater than was anticipated for the period in question;
- (iii) a claim being made which covers an unusually long period or relates mainly to monies expended in a previous financial year;
- (iv) a change in the accounting reference date or accounting practices of the University.

7. Despite the provisions of paragraph 3 the Secretary of State is under no obligation to pay more than 85% of the grant specified in paragraph 1 until the Project has performed to his satisfaction.

8. The Secretary of State shall be under no obligation to make any payment on claims received after **15th March 1997**. There will be a general presumption against paying claims received after this date.

Changes Affecting the Project

9. While the Department in supporting the Project recognises the inherent technical and financial risks, there may be occasions when the Secretary of State considers that the payment of grant should cease or that grants already paid should be reclaimed. The Secretary of State shall be under no obligation to pay the grant, and any grant already paid may become repayable, in whole or in part, at his discretion, if:

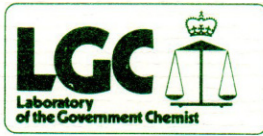


- i) he considers that the future of the Project is in jeopardy;
- ii) in his opinion progress towards the completion of the Project is unsatisfactory or if the Project is not completed by **15th December 1996** unless he has previously agreed in writing to an extension;
- iii) there is a change in the nature or scale of the Project which in his opinion is substantial and to which he has not given his prior written agreement;
- (iv) an asset the cost of which has been included in the net eligible costs is not used for the purpose of the Project except as in writing;
- (v) within the period commencing on the date specified in paragraph 3 and ending one year after the date on which final payment of grant is made the University becomes the subject of a proposal for a voluntary arrangement or has a petition for an Administration Order or a petition for a winding-up Order brought against it or passes a resolution for a winding-up Order or makes any composition, arrangement, conveyance or assignment for the benefit of its creditors, or purports to do so, or a receiver or any other person is appointed in respect of its undertaking or of all or any of its property.
- vi) the University does not comply with or observe any condition of this letter;

10. The University shall inform the Department promptly in writing of any cessation of work on the project and of any event or circumstances liable to affect significantly the satisfactory performance of the Project. The University shall also inform the Department promptly in writing if any of the events referred to in paragraph 9(iv) or (v) take place.

General

11. The Secretary of State and his representatives and advisers shall have the right to inspect the Project at anytime and from time to time and to require such further information to be supplied as he or they see fit. Such further information may include information concerning the financial position of the University. In addition the Secretary of State and his representatives and advisers shall have the right to call and attend meetings with the University if necessary.



12. The Secretary of State shall be entitled to withhold payment and/or claim repayment of grant under this letter to the extent of the amount of any grant or other payment which the University has received, or is, in the opinion of the Secretary of State, likely to receive, from any public authority and which the Secretary of State considers is payable towards the Project. For the purposes of this Paragraph "public authority" includes any of the European Communities or their Institutions, any government department, research council, local authority, or body wholly or partly supported by public funds or charitable contributions. The terms of this paragraph do not apply to grant or other payment whose availability has been disclosed by the University to the Secretary of State before the date of this letter and which has been taken into account in making this offer.

13. Notwithstanding the provision of paragraph 12 the Secretary of State may:

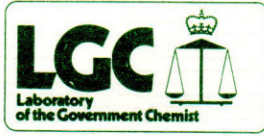
- i) withhold payment of grant and/or reclaim any grant paid to the extent necessary to ensure that any assistance given under this offer letter taken together with any other assistance which, in the opinion of the Secretary of State, has been or is likely to be received towards the Project is within the aid limits laid down by the European Communities;
- ii) withhold or reclaim grant if required to do so by a decision of the Commission of the European Communities

14. No amendment to the terms of this offer will be effective unless and until confirmed in writing on behalf of the Secretary of State.

15. The Secretary of State may provide the Commission of the European Communities with information about assistance under **the Research and Technology Initiative** in compliance with Treaty obligations.

Acceptance of Offer

16. Acceptance of this offer constitutes agreement in full to the terms and conditions set out in this letter.



17. The offer should be accepted by an 'Authorised Officer' of the University signing the duplicate copy of the offer letter on behalf of the University. The letter should then be returned to me.

18. If this offer is accepted, the Project will be monitored on behalf of the Secretary of State by **Mr Mark Churchyard** to whom all future correspondence should be addressed.

19. Please acknowledge receipt of this letter.

Yours faithfully

A handwritten signature in black ink, which appears to read 'R. Dietz', is written above the typed name.

Dr R Dietz
on behalf of the Secretary of State

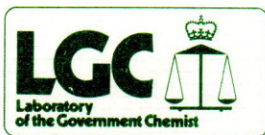
I accept the offer set out above and in the Schedules.

Signed

A handwritten signature in blue ink, which appears to read 'W. J. Hamer', is written above the typed name.

Authorised Officer for and on behalf of the University of
Wales, Swansea.

Date 23. 12. 93.



COMMERCIAL IN CONFIDENCE

Schedule 1

1. The provisions of this Schedule are subject to the terms and conditions of the offer letter.

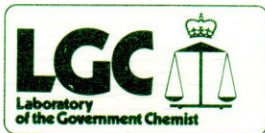
2. The grant will be 50% of the net eligible costs in respect of which monies have been expended (as set out in Paragraph 5 below) by the University on the Project between **16th December 1993 and 15th December 1994**, 33% of such costs so expended between **16th December 1994 and 15th December 1995** and 25% of such costs so expended between **16th December 1995 and 15th December 1996**, the estimated costs of which are set out below:-

EXPENDITURE

	Year 1	Year 2	Year 3
University of Wales, Swansea (Secretariat costs)	£5600	£5820	£6040
Overheads (@ 40% of secretariat costs)	£2240	£2328	£2416
Meeting costs	£2760	£2892	£3026
Newsletter	£1620	£1683	£1746
Miscellaneous	£1660	£2408	£2947
TOTAL EXPENDITURE	£13880	£15131	£16175
DTI maximum grant funding	£6940	£4993	£4044

3. The grant to be paid will be reduced by the amount of any Regional Development Grant received or receivable on any goods or buildings the costs of which are properly included in the net eligible costs.

4. For monies to have been expended liabilities must have been incurred and discharged. No claim can be accepted for liabilities which have been incurred but have not yet been discharged. **An exception to this is that in the first year only an advance grant payment of 50% of the year 1 grant amounting to £3470 may be made.**

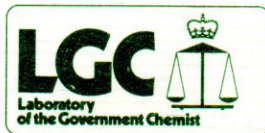


COMMERCIAL IN CONFIDENCE

Schedule 1 continued

5. The net eligible costs shall be the costs which are properly attributable exclusively to the Project excluding and deducting (as may be appropriate) from the amount of such costs:-

- (a) input Value Added Tax;
- (b) any grant under the Industrial Development Act 1982 received or receivable by the University in respect of the Project;
- (c) any other grant from any public authority (as defined in paragraph 12 of the offer letter) received or receivable by the University in respect of the Project which the Secretary of State decides should be deducted;
- (d) interest and service charges arising from hire purchase, leasing and credit arrangements;
- (e) any addition for profit by the University and profit earned by any company in the University's group as a result of work relevant to the Project undertaken by the University and sub-contracted to such company by the University. For the purpose of this sub-paragraph "group" means any holding company of the University and any subsidiary of such holding company or of the University: "holding company" and "subsidiary" having the meanings assigned to them in the Companies Act 1985.



COMMERCIAL IN CONFIDENCE

Schedule 2

Headed paper of the independent accountant

Date

I/we have examined the enclosed claim and previous claims submitted by **University of Wales, Swansea** ("the University").

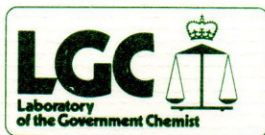
I/we have also examined the records of the University as necessary and have obtained such explanations and carried out such tests as I/we consider necessary.

I/we report that in my/our opinion subject to any reservations set out in my/our accompanying letter dated _____.

- i) the claim and previously submitted claims for payment are in accordance with the Department of Trade and Industry offer letter dated _____ including the two Schedules thereto under **The Research and Technology Initiative**;
- ii) the University has expended monies (as defined in Schedule 1 to the offer letter) to cover those eligible costs incurred during the period from to relating to the Project described in such offer letter amounting to:-

Secretariat	£
Overheads	£
Meeting costs	£
Newsletter	£
Miscellaneous	£

- (iii) None of such costs were incurred before **16th December 1993** (Note: the date specified in paragraph 3 of the offer letter);



COMMERCIAL IN CONFIDENCE

Schedule 2 continued

- (iv) overheads included in the expenditure are :-
- (a) in respect of the University's own labour;
 - (b) appropriate to the Project;
 - (c) not calculated to include any profit;
 - (d) not in excess of overhead rates applicable to similar work carried out by the University
- (v) the amount claimed has been reduced by the amount of any Regional Development Grant received or receivable on any goods or buildings the costs of which are included in the net eligible costs;
- (vi) the totals at (ii) above exclude any grant under the Industrial Development Act 1982 received or receivable by the University in respect of the Project;
- vii) the totals at (ii) above exclude input Value Added Tax and interest and service charges arising from hire purchase, leasing and credit arrangements;
- (viii) the totals at (ii) above exclude any addition for profit by the University and profit earned by a university in the University's group as a result of work relevant to the Project undertaken by that University and sub-contracted to such university by the University. For the purpose of this sub-paragraph "group" means any holding university of the University and any subsidiary of such holding university or of the University : "holding university" and "subsidiary" having the meanings assigned to them in the Companies Act 1985.
- (ix) The University has maintained adequate records to enable me/us to report on this claim for payment of grant.

I/we certify that except for the grants mentioned above or specified in my/our accompanying letter dated no grants from any public authority as defined in paragraph 11 of the offer letter have been received or are receivable by the University in respect of the Project.

Name for enquiries