

Cogniscience Limited

Directors' report and financial
statements

Registered number 03983185

31 July 2003



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 July 2003.

Principal activities

The principal activity of the company is the research of hardware support for artificial neural networks.

Business review

The results for the year are set out on page 4 of the financial statements.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend.

The loss for the year absorbed in the company is £100,039. (2002: £38,035).

Directors and directors' interests

The directors who held office during the year were as follows:

Professor S B Furber

Dr M Cooper

The directors who held office at the end of the financial year had the following interests in the A ordinary shares of the company, according to the register of directors' interests:

	Interest at end of year	Interest at start of year
Professor S B Furber	12,000	12,000

None of the other directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of, the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Auditors

Pursuant to section 386 of the Companies Act 1985, a resolution has been passed resulting in the company not being required to reappoint its auditors annually. KPMG LLP will therefore continue as the company's auditors.

By order of the board


Ms H Rosling
Secretary

Manchester Incubator Building
Grafton Street
Manchester
M13 9XX

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

St James' Square
Manchester
M2 6DS
United Kingdom

Report of the independent auditors to the members of Cogniscience Limited

We have audited the financial statements on pages 4 to 10.

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

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 July 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Chartered Accountants
Registered Auditor

26 April 2004

Profit and loss account
for the year ended 31 July 2003


	<i>Note</i>	2003 £	2002 £
Cost of sales		(100,000)	(25,674)
Gross loss		(100,000)	(25,674)
Administrative expenses		(4,930)	(12,361)
		(104,930)	(38,035)
Bank interest receivable		4,891	-
Operating loss from continuing operations and loss on ordinary activities before taxation	2-5	(100,039)	(38,035)
Tax on loss on ordinary activities	6	-	-
Loss on ordinary activities after taxation and retained for the financial year		(100,039)	(38,035)

The company has no recognised gains or losses other than those reported above and therefore no statement of total recognised gains and losses has been presented.

Balance sheet
at 31 July 2003

	<i>Note</i>	2003 £	2002 £
Current assets			
Debtors	7	4,375	31,660
Cash at bank and in hand		72,956	174,735
		<hr/>	<hr/>
		77,331	206,395
Creditors: amounts falling due within one year	8	(1,750)	(30,775)
		<hr/>	<hr/>
Net assets		75,581	175,620
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	10	1,560	1,560
Share premium account	11	298,920	298,920
Profit and loss account	11	(224,899)	(124,860)
		<hr/>	<hr/>
Shareholders' funds		75,581	175,620
		<hr/>	<hr/>
Shareholders' funds			
Equity		74,501	174,540
Non-equity		1,080	1,080
		<hr/>	<hr/>
		75,581	175,620
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 30/3/2004 and were signed on its behalf by:


Professor S B Furber
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 July 2003

	2003 £	2002 £
Loss for the financial year	(100,039)	(38,035)
New share capital subscribed	-	200,000
	<hr/>	<hr/>
Net addition to shareholders' funds	(100,039)	161,965
Opening shareholders' funds	175,620	13,655
	<hr/>	<hr/>
Closing shareholders' funds	75,581	175,620
	<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Cash flow statement

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

2 Analysis of loss on ordinary activities before taxation

The loss on ordinary activities before taxation is wholly attributable to the principal activity of the company and arises solely in the UK.

3 Loss on ordinary activities before taxation

	2003 £	2002 £
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:	950	150
Other services:	850	660
	<hr/>	<hr/>

4 Remuneration of directors

None of the directors who held office during the year received any emoluments (2002: £nil).

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year in sales and administration was 3 (2002: 3). No employee received any remuneration during the year (2002: £nil).

6 Taxation

Analysis of charge in the year

	2003 £	2002 £
<i>UK corporation tax</i>		
Adjustments in respect of prior years	-	-
	<hr/>	<hr/>
<i>Factors affecting the tax charge for the current year</i>		
<i>Current tax reconciliation</i>		
Loss on ordinary activities before taxation	(100,039)	(38,035)
	<hr/>	<hr/>
Current tax at 30% (2002 : 30%)	(30,012)	(11,411)
<i>Effects of:</i>		
Utilisation of tax losses	29,982	7,252
Expenses not deductible for tax purposes	30	4,158
	<hr/>	<hr/>
Total current tax charge (see above)	-	-
	<hr/>	<hr/>

7 Debtors

	2003 £	2002 £
Other debtors	4,375	6,660
Amounts due from group undertakings	-	25,000
	<hr/>	<hr/>
	4,375	31,660
	<hr/>	<hr/>

All debtors fall due within one year.

8 Creditors: amounts falling due within one year

	2003 £	2002 £
Amounts owed to group undertakings	100	29,375
Accruals and deferred income	1,650	1,400
	<hr/>	<hr/>
	1,750	30,775
	<hr/>	<hr/>

Notes (continued)

9 Provisions for liabilities and charges

The elements of deferred taxation are as follows:

	2003 £	2002 £
Differences between accumulated depreciation and capital allowances	-	-
Other timing differences	-	-
	<hr/>	<hr/>
Undiscounted provision	-	-
	<hr/>	<hr/>
Deferred tax liability	-	-
	<hr/>	<hr/>

10 Called up share capital

	2003 £	2002 £
<i>Authorised</i>		
92,000 A ordinary shares of £0.01 each	920	920
108,000 B preferred ordinary shares of £0.01 each	1,080	1,080
	<hr/>	<hr/>
	2,000	2,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
48,000 A ordinary share of £0.01 each	480	480
108,000 B preferred shares of £0.01 each	1,080	1,080
	<hr/>	<hr/>
	1,560	1,560
	<hr/>	<hr/>

The A ordinary shares and the B preferred ordinary shares rank *pari passu* for the purposes of dividend distributions.

On a winding up, the assets and retained profits of the company would be paid as follows:

Firstly: to the holders of the B preferred ordinary shares, an amount equal to any arrears of any dividend payable, and any premiums paid up; and

Secondly: the balance, if any, distributed amongst the holders of the A ordinary shares and B preferred ordinary shares on a *pari passu* basis.

Both the A ordinary shares and the B preferred ordinary shares have one vote per share.

11 Share premium and reserves

	Share premium £	Profit and loss account £
At beginning of year	298,920	(124,860)
Retained loss for the year	-	(100,039)
	<hr/>	<hr/>
At end of year	298,920	(224,899)
	<hr/>	<hr/>

Notes *(continued)*

12 Related party transactions

During the year the company made the following transactions and had balances with related parties as follows:

	£
Purchases from Manchester Informatics Ltd	75,000
Closing Manchester Innovation Limited Accrual	100
	<hr/>
	75,100
	<hr/>