

AGT SCIENCES LIMITED
REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY 2009 TO 31 AUGUST 2009

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AGT SCIENCES LIMITED

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AGT SCIENCES LIMITED
COMPANY INFORMATION
for the Period 1 January 2009 to 31 August 2009

DIRECTORS:	H C R Crook (Chairman) Dr N J Crowther Dr D Eagland G W Feather J D Hanson
SECRETARY:	J L Joyce
REGISTERED OFFICE:	Unit 25 Campus Road Listerhills Science Park Bradford West Yorkshire BD7 1HR
REGISTERED NUMBER:	04972874 (England and Wales)
AUDITORS:	Fairhurst Registered Auditors Chartered Accountants Douglas Bank House Wigan Lane Wigan Lancashire WN1 2TB
BANKERS:	National Westminster Bank plc 7 Hustlergate Bradford BD1 1PP
SOLICITORS:	Gordons LLP 14 Piccadilly Bradford BD1 3LX

REPORT OF THE DIRECTORS
for the Period 1 January 2009 to 31 August 2009

The directors present their report with the financial statements of the company for the period 1 January 2009 to 31 August 2009.

PRINCIPAL ACTIVITY

The principal activity of the company in the period under review was that of life science applications and core platform technology developments.

REVIEW OF BUSINESS

The end of this accounting period has been set to coincide with the spin out of the AGT Sciences Ltd and AGT Environmental businesses from the parent company, Advanced Gel Technology Ltd. From 11 September 2009 AGT Sciences Ltd and AGT Environmental will become separately funded businesses.

Despite adverse market conditions for the biotech sector throughout 2009, the business has made steady progress. During the period considerable effort was expended to secure institutional funding, which, whilst not being achieved, has enabled the company to refine its business strategy to ensure more focus in its development portfolio. This resulted in concentrating on developments in the drug delivery and reformulation opportunities from its technological development platform and planning the separation of the environmental activities in a Newco from 1 September 2009.

It was decided to dispose of the non-core assets in advanced wound management and during the period preparations were started to undertake this initiative. During the next year of 2009/2010 the company plans to complete the sale or license of these assets which will allow significant funding into the Sciences business for use in the development of its pharmaceutical capability and to increase value in this field.

Simultaneously the company will continue to seek institutional funding from Venture Capital sources.

Financial risks

In the research and development phases of the biotech industry, investment is constantly required to take the developments to value inflexion points. The company has firm funding cover to secure the business to mid -2010 by which time new funding will start to emerge from the sale of non-core assets. The amount of funding that a sale of these assets will raise is at this stage unknown. Therefore a cash flow or liquidity risk exists, although the company has taken steps to mitigate this.

The Company is also aware of credit risk exposed by loans to shareholders and Advanced Gel Technology Ltd, the parent. The Board will manage relationships and it is perceived that cash from these creditors will not fall due in the next financial year.

RESULTS & DIVIDENDS

The results for the year and financial position of the company are as shown in the annexed financial statements and are in line with expectations.

No dividends can be distributed for the period ended 31 August 2009 and it is proposed that the loss for the period of £610,592 (2008 loss of - £933,174) be transferred to reserves.

EVENTS SINCE THE PERIOD END

Information relating to events since the end of the period is given in the notes to the financial statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2009 to the date of this report.

H C R Crook (Chairman)
Dr N J Crowther
Dr D Eagland
G W Feather
J D Hanson

REPORT OF THE DIRECTORS
for the Period 1 January 2009 to 31 August 2009

The directors interests in the share capital of the ultimate holding company, Advanced Gel Technology Limited, a company registered in England and Wales, are shown in the accounts of that company.

COMPANY'S POLICY ON PAYMENT OF CREDITORS

The company's policy is to make payments to suppliers in accordance with normal commercial terms.

GOING CONCERN

The parent company, Advanced Gel Technology Limited, offered assurances of ongoing financial support to the company; however this support ceased following the demerger of the company from the group on 11 September 2009. Future financial support will be underpinned by proposed equity and debt fund raising anticipated during 2009/10.

The company also expects to receive significant grant funding for several of its projects in 2009/10. The company is active in disposing of its advanced wound management assets by sale or licence, which could potentially bring significant funds into the business.

On this basis, and along with recent trading results and forecasts, the directors believe the company has adequate resources to continue in operational existence for the foreseeable future.

COMPANY'S POLICY ON EMPLOYEES

The company is committed to ensuring that it complies with all relevant legislation, in connection with unlawful or unfair discrimination of any kind in its business.

It is the company's policy to provide opportunities for disabled persons to have meaningful employment in the business and to make our facilities available to disabled supporters as far as possible within the constraints of a concern for the health and safety of all our staff and customers.

Regular meetings are held involving directors and management to convey information to employees regarding company performance and other factors affecting the business.

INTERNAL CONTROL

The directors are responsible for the company's systems of internal control which are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. The Board of Directors has reviewed the operation and effectiveness of the company's system of internal control for the financial period and the period up to the date of the approval of the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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 elected to prepare the 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 they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. 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 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AGT SCIENCES LIMITED

REPORT OF THE DIRECTORS
for the Period 1 January 2009 to 31 August 2009

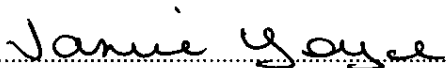
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Fairhurst, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:


.....
J L Joyce - Secretary

Date: 12/1/10.....

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
AGT SCIENCES LIMITED (REGISTERED NUMBER: 04972874)**

We have audited the financial statements of AGT Sciences Limited for the period ended 31 August 2009 on pages seven to eighteen. 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).

This report is made solely to the company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. 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 a Report of the Auditors 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

As explained more fully in the Statement of Directors' Responsibilities set out on page three, 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 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.

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 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2009 and of its loss for the period then ended;
- 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.

Without qualifying our opinion, we draw your attention to the disclosures made in Note 1 to the company's financial statements regarding the financial support of the shareholders and the company's ability to continue as a going concern.

The company incurred a net loss of £610,592 during the period ended 31 August 2009 and had net liabilities of £2,219,902 at that date, with further losses anticipated in 2010. However, the net liabilities will be reduced by an amount of £1,217,793 on 11 September 2009 following an agreement to capitalise or waive part of the amounts due to group of £2,017,793 at 31 August 2009 (see note 11).

These conditions along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the company were unable to continue as a going concern, as it is not practicable to determine or quantify them.

Opinion on other matter prescribed by the Companies Act 2006

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

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
AGT SCIENCES LIMITED**

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Mr J B S Fairhurst BA(Hons) FCA (Senior Statutory Auditor)
for and on behalf of Fairhurst
Registered Auditors
Chartered Accountants
Douglas Bank House
Wigan Lane
Wigan
Lancashire
WN1 2TB



Date: 13/11/10

PROFIT AND LOSS ACCOUNT
for the Period 1 January 2009 to 31 August 2009

	Notes	Period 1/1/09 to 31/8/09 £	Year Ended 31/12/08 £
TURNOVER		8,200	-
Cost of sales		<u>308,437</u>	<u>550,779</u>
GROSS LOSS		(300,237)	(550,779)
Administrative expenses		<u>445,337</u>	<u>661,847</u>
		(745,574)	(1,212,626)
Other operating income		<u>55,319</u>	<u>209,374</u>
OPERATING LOSS	3	(690,255)	(1,003,252)
Interest receivable and similar income		<u>-</u>	<u>110</u>
		(690,255)	(1,003,142)
Interest payable and similar charges	4	<u>13,655</u>	<u>5,111</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(703,910)	(1,008,253)
Tax on loss on ordinary activities	5	<u>(93,318)</u>	<u>(75,079)</u>
LOSS FOR THE FINANCIAL PERIOD AFTER TAXATION		<u>(610,592)</u>	<u>(933,174)</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current period or previous year.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the losses for the current period or previous year.

AGT SCIENCES LIMITED

BALANCE SHEET
31 August 2009

	Notes	2009	2008
		£	£
FIXED ASSETS			
Intangible assets	6	2	2
Tangible assets	7	<u>174,933</u>	<u>209,941</u>
		174,935	209,943
CURRENT ASSETS			
Stocks	8	3,000	3,000
Debtors	9	117,588	99,448
Cash in hand		<u>41</u>	<u>25</u>
		120,629	102,473
CREDITORS			
Amounts falling due within one year	10	<u>1,715,466</u>	<u>407,940</u>
NET CURRENT LIABILITIES		<u>(1,594,837)</u>	<u>(305,467)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		(1,419,902)	(95,524)
CREDITORS			
Amounts falling due after more than one year	11	<u>800,000</u>	<u>1,513,786</u>
NET LIABILITIES		<u>(2,219,902)</u>	<u>(1,609,310)</u>
CAPITAL AND RESERVES			
Called up share capital	15	1	1
Other capital reserves	16	1,609,473	1,609,473
Profit and loss account	16	<u>(3,829,376)</u>	<u>(3,218,784)</u>
SHAREHOLDERS' FUNDS	18	<u>(2,219,902)</u>	<u>(1,609,310)</u>

The financial statements were approved by the Board of Directors on 12 Jan 2010 and were signed on its behalf by:



.....
G W Feather - Director

The notes form part of these financial statements

CASH FLOW STATEMENT
for the Period 1 January 2009 to 31 August 2009

	Notes	Period 1/1/09 to 31/8/09		Year Ended 31/12/08	
		£	£	£	£
Net cash (outflow)/inflow from operating activities	1		(136,442)		15,133
Returns on investments and servicing of finance	2		(13,655)		(5,001)
Taxation			83,318		55,317
Capital expenditure	2		<u>-</u>		<u>(17,052)</u>
			(66,779)		48,397
Financing	2		<u>55,277</u>		<u>(70,437)</u>
Decrease in cash in the period			<u>(11,502)</u>		<u>(22,040)</u>
<hr/>					
Reconciliation of net cash flow to movement in net debt	3				
Decrease in cash in the period		(11,502)		(22,040)	
Cash outflow from decrease in debt		<u>46,959</u>		<u>70,437</u>	
Change in net debt resulting from cash flows			<u>35,457</u>		<u>48,397</u>
Movement in net debt in the period			35,457		48,397
Net debt at 1 January			<u>(99,981)</u>		<u>(148,378)</u>
Net debt at 31 August			<u>(64,524)</u>		<u>(99,981)</u>

The notes form part of these financial statements

NOTES TO THE CASH FLOW STATEMENT
for the Period 1 January 2009 to 31 August 2009

1. RECONCILIATION OF OPERATING LOSS TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	Period 1/1/09 to 31/8/09 £	Year Ended 31/12/08 £
Operating loss	(690,255)	(1,003,252)
Depreciation charges	35,008	45,020
Group loan transferred to capital	-	1,609,473
(Increase)/Decrease in debtors	(8,140)	18,237
Increase/(Decrease) in creditors	<u>526,945</u>	<u>(654,345)</u>
Net cash (outflow)/inflow from operating activities	<u>(136,442)</u>	<u>15,133</u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	Period 1/1/09 to 31/8/09 £	Year Ended 31/12/08 £
Returns on investments and servicing of finance		
Interest received	-	110
Interest paid	(6,155)	(5,111)
Finance costs	<u>(7,500)</u>	<u>-</u>
Net cash outflow for returns on investments and servicing of finance	<u>(13,655)</u>	<u>(5,001)</u>
 Capital expenditure		
Purchase of tangible fixed assets	<u>-</u>	<u>(17,052)</u>
Net cash outflow for capital expenditure	<u>-</u>	<u>(17,052)</u>
 Financing		
Loan repayments in period	(46,959)	(70,437)
Amount introduced by directors	<u>102,236</u>	<u>-</u>
Net cash inflow/(outflow) from financing	<u>55,277</u>	<u>(70,437)</u>

NOTES TO THE CASH FLOW STATEMENT
for the Period 1 January 2009 to 31 August 2009

3. **ANALYSIS OF CHANGES IN NET DEBT**

	At 1/1/09 £	Cash flow £	At 31/8/09 £
Net cash:			
Cash at bank and in hand	25	16	41
Bank overdraft	<u>(49,792)</u>	<u>(11,518)</u>	<u>(61,310)</u>
	<u>(49,767)</u>	<u>(11,502)</u>	<u>(61,269)</u>
Debt:			
Debts falling due within one year	<u>(50,214)</u>	<u>46,959</u>	<u>(3,255)</u>
	<u>(50,214)</u>	<u>46,959</u>	<u>(3,255)</u>
Total	<u>(99,981)</u>	<u>35,457</u>	<u>(64,524)</u>

NOTES TO THE FINANCIAL STATEMENTS
for the Period 1 January 2009 to 31 August 2009

1. ACCOUNTING POLICIES

Going Concern

The financial support to the company from the parent company, Advanced Gel Technology Limited, has ceased following the demerger of the company from the group in September 2009. Future financial support will be underpinned by proposed debt and equity fund raising anticipated during 2009/10.

The company also expects to receive significant grant funding for several of its projects in 2009/10.

On this basis, and along with recent trading results and forecasts, the directors believe the company has adequate resources to continue in operational existence for the foreseeable future. For this reason they consider it appropriate to continue to adopt the going concern basis in the preparation of the financial statements. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

Accounting convention

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

Turnover

Turnover represents net invoice value of goods and services provided, exclusive of value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Improvements to property	- 33% on reducing balance
Plant and machinery	- 20% on reducing balance
Fixtures and fittings	- 15% on reducing balance
Laboratory & Instruments	- 16.67% on reducing balance
Computer equipment	- 33% on reducing balance

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions payable for the year are charged in the profit and loss account.

Government grants

Government grants relating to revenue expenditure are released to profit and loss account in the accounting period in which the relevant expenditure is incurred and receipt of the grant is certain. Capital grants are deferred on the balance sheet and amortised over the estimated useful economic life of the associated assets.

Patents

Patent expenditure is stated at cost and is to be amortised over the life of the patent, with a maximum life of one year.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Period 1 January 2009 to 31 August 2009

2. STAFF COSTS

	Period 1/1/09 to 31/8/09 £	Year Ended 31/12/08 £
Wages and salaries	359,326	549,376
Social security costs	20,544	35,332
Other pension costs	10,914	12,229
	<u>390,784</u>	<u>596,937</u>

The average monthly number of employees during the period was as follows:

	Period 1/1/09 to 31/8/09	Year Ended 31/12/08
Management and administration	3	3
Product development	9	9
	<u>12</u>	<u>12</u>

3. OPERATING LOSS

The operating loss is stated after charging/(crediting):

	Period 1/1/09 to 31/8/09 £	Year Ended 31/12/08 £
Hire of plant and machinery	1,883	2,470
Depreciation - owned assets	35,008	45,020
Auditors' remuneration	4,500	4,500
Grant income	<u>(55,319)</u>	<u>(209,374)</u>
Directors' remuneration	<u>172,933</u>	<u>283,275</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	Period 1/1/09 to 31/8/09 £	Year Ended 31/12/08 £
Bank loan interest	1,377	5,111
Loan interest	4,778	-
Other loan charges	<u>7,500</u>	<u>-</u>
	<u>13,655</u>	<u>5,111</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Period 1 January 2009 to 31 August 2009

5. TAXATION

Analysis of the tax credit

The tax credit on the loss on ordinary activities for the period was as follows:

	Period 1/1/09 to 31/8/09 £	Year Ended 31/12/08 £
Current tax:		
Research and development tax credit	(90,000)	(80,000)
Prior year (under)/over provision of tax credit	<u>(3,318)</u>	<u>4,921</u>
 Tax on loss on ordinary activities	 <u>(93,318)</u>	 <u>(75,079)</u>

6. INTANGIBLE FIXED ASSETS

	Patents and licences £
COST	
At 1 January 2009 and 31 August 2009	<u>86,378</u>
AMORTISATION	
At 1 January 2009 and 31 August 2009	<u>86,376</u>
NET BOOK VALUE	
At 31 August 2009	<u>2</u>
At 31 December 2008	<u>2</u>

7. TANGIBLE FIXED ASSETS

	Improvements to property £	Plant and machinery £	Fixtures and fittings £
COST			
At 1 January 2009 and 31 August 2009	<u>54,873</u>	<u>32,711</u>	<u>11,501</u>
DEPRECIATION			
At 1 January 2009	40,888	18,813	5,035
Charge for period	<u>1,864</u>	<u>2,311</u>	<u>833</u>
At 31 August 2009	<u>42,752</u>	<u>21,124</u>	<u>5,868</u>
NET BOOK VALUE			
At 31 August 2009	<u>12,121</u>	<u>11,587</u>	<u>5,633</u>
At 31 December 2008	<u>13,985</u>	<u>13,898</u>	<u>6,466</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Period 1 January 2009 to 31 August 2009

7. TANGIBLE FIXED ASSETS - continued

	Laboratory & Instruments £	Computer equipment £	Totals £
COST			
At 1 January 2009			
and 31 August 2009	<u>284,999</u>	<u>36,824</u>	<u>420,908</u>
DEPRECIATION			
At 1 January 2009	121,657	24,574	210,967
Charge for period	<u>27,200</u>	<u>2,800</u>	<u>35,008</u>
At 31 August 2009	<u>148,857</u>	<u>27,374</u>	<u>245,975</u>
NET BOOK VALUE			
At 31 August 2009	<u>136,142</u>	<u>9,450</u>	<u>174,933</u>
At 31 December 2008	<u>163,342</u>	<u>12,250</u>	<u>209,941</u>

8. STOCKS

	2009 £	2008 £
Raw materials and consumables	<u>3,000</u>	<u>3,000</u>

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £	2008 £
Other debtors	10,919	5,986
Research and development tax credit	90,000	80,000
Prepayments	<u>16,669</u>	<u>13,462</u>
	<u>117,588</u>	<u>99,448</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £	2008 £
Bank loans and overdrafts (see note 12)	64,565	100,006
Trade creditors	158,412	174,141
Social security and other taxes	63,784	58,680
Other creditors	60,042	-
Government grants	-	8,000
Amounts due to group undertakings	1,217,793	-
Directors' current accounts	102,236	-
Accrued expenses	<u>48,634</u>	<u>67,113</u>
	<u>1,715,466</u>	<u>407,940</u>

Other creditors represent loans introduced by various shareholders. The loans are secured, repayable on demand after 1 August 2009 and interest is charged at a rate of 9% per annum. From 1 August 2009 the shareholders have the option to convert their loans to shares at a price determined by the most recent equity fundraising exercise, at the time of conversion.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Period 1 January 2009 to 31 August 2009

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2009	2008
	£	£
Amounts due to group undertakings	<u>800,000</u>	<u>1,513,786</u>

Of the total amount due to group undertakings of £2,017,793 at 31 August 2009 an amount of £1,217,793 is due to be capitalised or waived as part of a group restructuring on 11 September 2009 and the remainder of £800,000 is secured, charged at an interest rate of 5% per annum and is repayable on the earlier of 1 September 2019 or the change of control of the company.

12. LOANS

An analysis of the maturity of loans is given below:

	2009	2008
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	61,310	49,792
Bank loans	<u>3,255</u>	<u>50,214</u>
	<u>64,565</u>	<u>100,006</u>

13. OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year:

	Land and buildings	
	2009	2008
	£	£
Expiring:		
Between one and five years	<u>28,956</u>	<u>57,913</u>

14. SECURED DEBTS

The following secured debts are included within creditors:

	2009	2008
	£	£
Bank overdrafts	61,310	49,792
Bank loans	<u>3,255</u>	<u>50,214</u>
	<u>64,565</u>	<u>100,006</u>

The bank overdraft and loan are secured by way of an unscheduled mortgage debenture incorporating a fixed and floating charge over all the current and future assets of the company. It is also secured by a guarantee from G W Feather, a director, of £100,000.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Period 1 January 2009 to 31 August 2009

15. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	2009 £	2008 £
Number:	Class:			
1	Ordinary	£1	<u>1</u>	<u>1</u>

16. RESERVES

	Profit and loss account £	Other capital reserves £	Totals £
At 1 January 2009	(3,218,784)	1,609,473	(1,609,311)
Deficit for the period	<u>(610,592)</u>	<u>-</u>	<u>(610,592)</u>
At 31 August 2009	<u>(3,829,376)</u>	<u>1,609,473</u>	<u>(2,219,903)</u>

17. TRANSACTIONS WITH DIRECTORS

During the period the company borrowed £37,500 and £57,000 from Mr H C R Crook and Mr J D Hanson, respectively. The loans are secured, repayable on demand after 1 August 2009 and interest is charged at a rate of 9% per annum. From 1 August 2009 the directors have the option to convert their loans to shares at a price determined by the most recent equity fundraising exercise, at the time of conversion.

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2009 £	2008 £
Loss for the financial period	(610,592)	(933,174)
Other capital reserves	<u>-</u>	<u>1,609,473</u>
Net (reduction)/addition to shareholders' funds	(610,592)	676,299
Opening shareholders' funds	<u>(1,609,310)</u>	<u>(2,285,609)</u>
Closing shareholders' funds	<u>(2,219,902)</u>	<u>(1,609,310)</u>

19. ULTIMATE HOLDING COMPANY

During the period the ultimate holding company of AGT Sciences Limited was Advanced Gel Technology Limited, a company registered in England and Wales. From 11 September 2009 the group has now been restructured and AGT Sciences Limited is now a standalone company.

20. ULTIMATE CONTROL

During the period the board of directors of the parent company, Advanced Gel Technology Limited, had ultimate control of AGT Sciences Limited. From 11 September 2009 the board of directors of AGT Sciences Limited have ultimate control of the company.

NOTES TO THE FINANCIAL STATEMENTS - continued
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21. POST BALANCE SHEET EVENTS

From 11 September 2009 the Advanced Gel Technology group has been restructured and AGT Sciences Limited is now a standalone company. Of the total intercompany loan due to Advanced Gel Technology Limited £1,217,793 is due to be waived as part of the group restructuring.

As part of the restructuring Advanced Gel Technology Limited has converted £53,496.10 owed by AGT Sciences Limited into £0.10 ordinary shares and all shareholders of Advanced Gel Technology Limited, who held 'S' £0.10 ordinary shares in that company, have received £0.10 ordinary shares in AGT Sciences Limited in exchange for their 'S' shares and warrants.

Also, in October 2009 a rights issue, initially at £0.50, has been proposed to existing ordinary shareholders on the basis of one new ordinary share for each ordinary share held.