

# **Diagnostics Potentials Limited**

Unaudited financial statements

For the year ended 30 September 2004

Grant Thornton 



**Company No. SC178691**

## Officers and professional advisers

<b>Company registration number</b>	SC178691
<b>Registered office</b>	53 St Andrews Drive Bridge of Weir Renfrewshire PA11 3HU
<b>Directors</b>	Dr K W Kilborn Mr P K Moore Mr H Mitchell Dr G C Forrest
<b>Secretary</b>	Hugh Mitchell
<b>Bankers</b>	The Royal Bank of Scotland
<b>Solicitors</b>	PC McFarlane & Co
<b>Accountants</b>	Grant Thornton UK LLP Chartered Accountants 95 Bothwell Street Glasgow G2 7JZ

## Contents

<b>Report of the directors</b>	3 - 4
<b>Report of the accountants</b>	5
<b>Accounting policies</b>	6
<b>Profit and loss account</b>	7
<b>Balance sheet</b>	8 - 9
<b>Notes to the financial statements</b>	10 - 12

## Report of the directors

The directors present their report and the unaudited financial statements of the company for the year ended 30 September 2004.

### **Principal activities and business review**

The company is principally engaged in the research and development of diagnostic systems and methods to detect neurological disorders

Diagnostic Potentials was a start-up company commencing operations in October 1999 with initial seed capital provided to reach proof of concept for an innovative system to assess and diagnose Alzheimer's Disease - ADEPT. The proof of concept and an independent verification of it was achieved in March 2001. There then followed a period of refining the cognitive assessment part of the system and this work ran in parallel with activities to raise further funds to complete the development and achieve regulatory approval. Additional funds have been received in October 2002 and, subsequent years to 30 September 2004, the system was prepared for field trials that would lead to regulatory approval being obtained in Europe and the USA. This work continues in the current year.

Reflecting the fact that the company was still in a development phase, with no sales, there was a loss for the year after taxation of £318,157 (2003: loss £148,584). The directors do not recommend the payment of a dividend.

The directors are confident that Diagnostic Potentials will complete the development of its first product and that this will be profitably commercialised. A platform technology has been developed and this should lead to a succession of products in future years. Development work on the existing ADEPT product is expected to begin in year ending 30 September 2005.

### **The directors and their interests in the shares of the company**

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	<b>Ordinary Shares of £0.001 each</b>	
	<b>At 30 September 2004</b>	<b>At 1 October 2003</b>
Dr K W Kilborn	<b>2,230</b>	2,230
Mr P K Moore	<b>630</b>	630
Mr H Mitchell	<b>987</b>	987
Dr G C Forrest	<b>—</b>	—

**Small company provisions**

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

ON BEHALF OF THE BOARD



Peter Kevin Moore

Director

27 July 2005

## Report of the accountants to the members of Diagnostics Potentials Limited

In accordance with the engagement letter dated 1 July 2004, and in order to assist you to fulfil your duties under the Companies Act 1985, we have compiled the financial statements of the company which comprise the accounting policies, profit and loss account, balance sheet and the related notes from the accounting records and information and explanations you have given to us.

This report is made to the company's board of directors, as a body, in accordance with the terms of our engagement. Our work has been undertaken so that we might compile the financial statements that we have been engaged to compile, report to the company's board of directors that we have done so, and state those matters that we have agreed to state to them in this 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 board of directors, as a body, for our work or for this report.

We have carried out this engagement in accordance with technical guidance issued by the Institute of Chartered Accountants in England and Wales and have complied with the ethical guidance laid down by the Institute relating to members undertaking the compilation of financial statements.

You have acknowledged on the balance sheet for the year ended 30 September 2004 your duty to ensure that the company has kept proper accounting records and to prepare financial statements that give a true and fair view under the Companies Act 1985. You consider that the company is exempt from the statutory requirement for an audit for the year.

We have not been instructed to carry out an audit of the financial statements. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the financial statements.

  
GRANT THORNTON UK LLP  
CHARTERED ACCOUNTANTS

Glasgow  
27 July 2005

## Accounting policies

### **Basis of accounting**

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000).

### **Fixed assets**

All fixed assets are initially recorded at cost.

### **Depreciation**

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant & Machinery	-	25% Straight Line
Fixtures & Fittings	-	100% Straight Line on items < £100, 20% Straight Line on items over £100
Computer Equipment	-	33.33% Straight Line

### **Government grants**

Government grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account by equal annual instalments over the expected useful lives of the relevant assets.

Government grants assistance of a revenue nature is credited to the profit and loss account in the same period as the related expenditure.

### **Research and development**

Research and development expenditure is written off in the year in which it is incurred.

## Profit and loss account

	Note	2004 £	2003 £
Turnover		—	—
Other operating charges	1	<b>330,752</b>	176,435
Other operating income		<b>(5,297)</b>	(21,100)
<b>Operating loss</b>	2	<b>(325,455)</b>	(155,335)
Interest receivable		<b>7,298</b>	6,751
<b>Loss on ordinary activities before taxation</b>		<b>(318,157)</b>	(148,584)
<b>Loss for the financial year</b>	10	<b>(318,157)</b>	(148,584)

**The accompanying notes form part of these financial statements.**



## Balance sheet

	Note	2004 £	2003 £
<b>Fixed assets</b>			
Tangible assets	5	<u>53,675</u>	<u>77,509</u>
<b>Current assets</b>			
Debtors	6	<u>11,424</u>	<u>5,336</u>
Cash at bank		<u>93,848</u>	<u>343,883</u>
		<u>105,272</u>	<u>349,219</u>
<b>Creditors: amounts falling due within one year</b>	7	<u>117,803</u>	<u>67,427</u>
<b>Net current (liabilities)/assets</b>		<u>(12,531)</u>	<u>281,792</u>
<b>Total assets less current liabilities</b>		<u>41,144</u>	<u>359,301</u>
<b>Capital and reserves</b>			
Called-up equity share capital	9	8	8
Share premium account	10	<u>805,500</u>	<u>805,500</u>
Profit and loss account	10	<u>(764,364)</u>	<u>(446,207)</u>
<b>Shareholders' funds</b>		<u>41,144</u>	<u>359,301</u>

The Balance sheet continues on the following page.

The accompanying notes form part of these financial statements.

## Balance sheet

The directors are satisfied that the company is entitled to exemption from the provisions of the Companies Act 1985 (the Act) relating to the audit of the financial statements for the year by virtue of section 249A(1), and that no member or members have requested an audit pursuant to section 249B(2) of the Act.

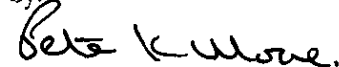
The directors acknowledge their responsibilities for:

- (i) ensuring that the company keeps proper accounting records which comply with section 221 of the Act, and
- (ii) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of section 226, and which otherwise comply with the requirements of the Act relating to financial statements, so far as applicable to the company.

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective March 2000).

These financial statements were approved by the directors on 27 July 2005 and are signed on their behalf

by:



Mr P K Moore

## Notes to the financial statements

### **1 OTHER OPERATING INCOME AND CHARGES**

	2004	2003
	£	£
Administrative expenses	330,752	176,435
Other operating income	(5,297)	(21,100)
	<u>325,455</u>	<u>155,335</u>

### **2 OPERATING LOSS**

Operating loss is stated after charging:

	2004	2003
	£	£
Depreciation of owned fixed assets	<u>23,834</u>	<u>25,159</u>

### **3 PARTICULARS OF EMPLOYEES**

The average number of persons employed by the company during the financial year, including the directors, amounted to 2 (2003 - 1).

The aggregate payroll costs of the above were:

	2004	2003
	£	£
Wages and salaries	40,770	30,886
Social security costs	—	—
	<u>40,770</u>	<u>30,886</u>

### **4 BASIS OF PREPARATION**

Diagnostic Potentials was a start-up company commencing operations in October 1999 towards developing an assessment and diagnostic system for Alzheimer's disease. The target during the early phase of the company was to obtain reach proof of concept for the technique and system. The proof of concept and an independent verification of it were achieved in March 2001. This phase of the company's development was achieved by acquiring seed funding, including investment by directors. The company has also benefited from significant grant aid, including a SMART award. In October 2002, an investment in the company was made by Catalyst Biomedica, a company owned by the Wellcome Trust. These funds, together with more grant aid in the form of a SPUR award, should complete the development of the company's first product to 'market ready' stage in the year ending 30 September 2005.

The directors are confident that Diagnostic Potentials will complete the development of its first product and that this will be profitably commercialised. A platform technology has been developed and this should lead to a succession of products in future years. On this basis the financial statements have been prepared on a going concern basis.

**5 TANGIBLE FIXED ASSETS**

	Plant & Machinery £	Fixtures & Fittings £	Computer Equipment £	Total £
Cost				
At 1 October 2003 and 30 September 2004	<u>123,353</u>	<u>451</u>	<u>12,324</u>	<u>136,128</u>
Depreciation				
At 1 October 2003	53,867	451	4,301	58,619
Charge for the year	<u>20,846</u>	<u>—</u>	<u>2,988</u>	<u>23,834</u>
At 30 September 2004	<u>74,713</u>	<u>451</u>	<u>7,289</u>	<u>82,453</u>
Net book value				
At 30 September 2004	<u>48,640</u>	<u>—</u>	<u>5,035</u>	<u>53,675</u>
At 30 September 2003	<u>69,486</u>	<u>—</u>	<u>8,023</u>	<u>77,509</u>

**6 DEBTORS**

	2004 £	2003 £
Value added tax	10,535	5,336
Prepayments and accrued income	<u>889</u>	<u>—</u>
	<u>11,424</u>	<u>5,336</u>

**7 CREDITORS: amounts falling due within one year**

	2004 £	2003 £
PAYE and social security	1,023	947
Scottish Enterprise Loan	87,574	12,500
Accruals and deferred income	<u>29,206</u>	<u>53,980</u>
	<u>117,803</u>	<u>67,427</u>

**8 CONTINGENCIES**

There were no contingent liabilities at 30 September 2004 or 30 September 2003.

**9 SHARE CAPITAL**

Authorised share capital:

	2004	2003
	£	£
7,910 Ordinary shares of £0.001 each	<u>8</u>	<u>8</u>

Allotted, called up and fully paid:

	2004		2003	
	No	£	No	£
Ordinary shares of £0.001 each	<u>7,910</u>	<u>8</u>	<u>7,910</u>	<u>8</u>

**10 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES**

	Share capital	Share premium account	Profit and loss account	Total share-holders' funds
	£	£	£	£
At 1 October 2003	8	805,500	(446,207)	359,301
Loss for the year	—	—	(318,157)	(318,157)
At 30 September 2004	<u>8</u>	<u>805,500</u>	<u>(764,364)</u>	<u>41,144</u>

## Management information

**The following pages do not form part of the statutory financial statements.**

## Profit and loss account

	2004 £	2003 £
<b>Overheads</b>		
Administrative expenses	<u>330,752</u>	<u>176,435</u>
	<b>(330,752)</b>	<b>(176,435)</b>
<b>Other operating income</b>		
Grant income	<u>5,297</u>	<u>21,100</u>
<b>Operating loss</b>	<b>(325,455)</b>	<b>(155,335)</b>
Bank interest receivable	<u>7,298</u>	<u>6,751</u>
<b>Loss on ordinary activities</b>	<b><u>(318,157)</u></b>	<b><u>(148,584)</u></b>

## Notes to the detailed profit and loss account

	2004 £	2003 £
<b>Administrative expenses</b>		
<b>Personnel costs</b>		
Wages and salaries	40,770	30,886
<b>Establishment expenses</b>		
Rent	5,246	5,132
Insurance	12,431	2,202
Repairs and maintenance (allowable)	952	1,535
	<u>18,629</u>	<u>8,869</u>
<b>General expenses</b>		
Travel and subsistence	12,835	8,310
Telephone	906	1,126
Software consultancy	22,850	—
Stationery and postage	517	292
Patent & trademark costs	892	978
Internet charges	372	604
Market research	31,675	—
Staff recruitment and training	310	4,560
General expenses	1,205	427
Clinical trial costs	127,709	33,848
Legal and professional fees	—	4,500
Consultancy fees for product development	45,752	54,560
Accountancy fees	2,375	2,225
Depreciation	23,834	25,159
	<u>271,232</u>	<u>136,589</u>
<b>Financial costs</b>		
Bank charges	121	91
	<u>330,752</u>	<u>176,435</u>
<b>Interest receivable</b>		
Bank interest receivable	<u>7,298</u>	<u>6,751</u>