

# **Diagnostics Potentials Limited**

Unaudited financial statements

For the year ended 30 September 2005

Grant Thornton 



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COMPANIES HOUSE

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28/07/2006

**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

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## Report of the directors

The directors present their report and the unaudited financial statements of the company for the year ended 30 September 2005.

### 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. 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 were received in October 2002 and, during the year to 30 September 2003, the system was prepared for field trials that would lead to regulatory approval being obtained in Europe and the USA. The field trials, conducted under clinical conditions, were due to be finished in late 2005 and thus the work in this area was continuous during the year to 30 September 2005.

Steps have been taken to arrange patent protection for the developed technology and also to protect the planned Trade Marks. When the first product is ready and commercialised, the company is confident that the platform technology developed will lead to a succession of other products in the CNS area.

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 £142,694 (2004: loss £318,157). The directors do not recommend the payment of a dividend.

### 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:

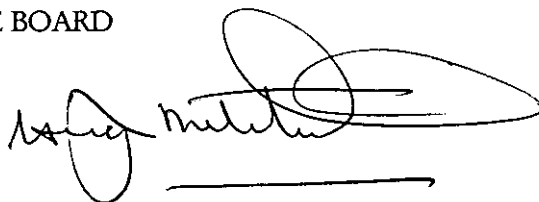
		At 30 September 2005	At 1 October 2004
Dr K W Kilborn	Ordinary Shares	2,230	2,230
Mr P K Moore	Ordinary Shares	630	630
Mr H Mitchell	Ordinary Shares	987	987
Dr G C Forrest	Ordinary Shares	-	-

**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.

BY ORDER OF THE BOARD

Hugh Mitchell  
Secretary  
19 July 2006.

A handwritten signature in black ink, appearing to read 'Hugh Mitchell', is written over a horizontal line. The signature is stylized with a large loop at the end.

Grant Thornton 

## Chartered accountants' report to the board of directors on the unaudited financial statements of Diagnostics Potentials Limited

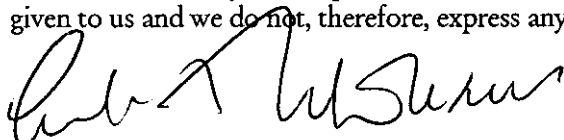
In accordance with the engagement letter dated 1 July 2004, and in order to assist you to fulfil your duties under the Companies Act 1985, we have compiled the financial statements of the company for the year ended 30 September 2005 which comprise the accounting policies, profit and loss account, balance 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 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  
19 July 2006.

## 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 June 2002).

### **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 are 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	2005 £	2004 £
Turnover		–	–
Other operating charges	1	151,822	330,752
Other operating income		(5,246)	(5,297)
Operating loss	2	(146,576)	(325,455)
Interest receivable		3,590	7,298
Loss on ordinary activities before taxation		(142,986)	(318,157)
Loss for the financial year	10	<u>(142,986)</u>	<u>(318,157)</u>



## Balance sheet

	Note	2005 £	2004 £
<b>Fixed assets</b>			
Tangible assets	5	<u>29,842</u>	<u>53,675</u>
<b>Current assets</b>			
Debtors	6	674	11,424
Cash at bank		<u>15,539</u>	<u>93,848</u>
		16,213	105,272
<b>Creditors: amounts falling due within one year</b>	7	<u>147,898</u>	<u>117,804</u>
<b>Net current liabilities</b>		<u>(131,685)</u>	<u>(12,532)</u>
<b>Total assets less current liabilities</b>		<u>(101,843)</u>	<u>41,143</u>
<b>Capital and reserves</b>			
Called-up equity share capital	9	8	8
Share premium account	10	805,500	805,500
Profit and loss account	10	<u>(907,351)</u>	<u>(764,365)</u>
<b>(Deficit)/shareholders' funds</b>		<u>(101,843)</u>	<u>41,143</u>

The Balance sheet continues on the following page.

The accompanying accounting policies and notes form part of these financial statements.

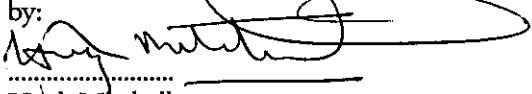
The directors are satisfied that the company is entitled to exemption from the provisions of the Companies Act 1985 (the Act) relating to the audit of the financial statements for the year by virtue of section 249A(1), and that no member or members have requested an audit pursuant to section 249B(2) 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 June 2002).

These financial statements were approved by the directors on 19 July 2006 and are signed on their behalf by:



.....  
Hugh Mitchell

## Notes to the financial statements

### **1 OTHER OPERATING CHARGES**

	2005	2004
	£	£
Administrative expenses	<u>151,822</u>	<u>330,752</u>

### **2 OPERATING LOSS**

Operating loss is stated after charging:

	2005	2004
	£	£
Depreciation of owned fixed assets	<u>23,833</u>	<u>23,834</u>

### **3 PARTICULARS OF EMPLOYEES**

The average number of persons employed by the company during the financial year, including the directors, amounted to 2 (2004 - 2).

The aggregate payroll costs of the above were:

	2005	2004
	£	£
Wages and salaries	37,764	36,944
Social security costs	3,600	3,826
	<u>41,364</u>	<u>40,770</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 was achieved in March 2001. This phase of the company's development was achieved by acquiring seed funding, including investment by directors. The company had, at this stage, also had the benefit of 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, were to be used to complete the development of the company's first product to 'market ready' stage.

During the year commencing 1 October 2005, the results of the clinical trial will be used to determine the next steps for the company's development and to produce an appropriate route to market strategy and source appropriate funding. New applications will be made to protect the developed intellectual property and trade mark protection will also be applied for. Subject to a suitable outcome from the clinical trial, and with grant income still to be received, the company will be ready to exploit the technology developed over the previous 6 years.

Meanwhile the company will be run in a manner to reduce expenditure to a minimum until further funding is sourced. The directors believe they have sufficient resources to continue trading for the foreseeable future and hence on this basis the financial statements have been prepared on the going concern basis.

**5 TANGIBLE FIXED ASSETS**

	Plant & Machinery £	Fixtures & Fittings £	Computer Equipment £	Total £
Cost				
At 1 October 2004 and 30 September 2005	<u>123,353</u>	<u>451</u>	<u>12,324</u>	<u>136,128</u>
Depreciation				
At 1 October 2004	74,713	451	7,289	82,453
Charge for the year	20,845	–	2,988	23,833
At 30 September 2005	<u>95,558</u>	<u>451</u>	<u>10,277</u>	<u>106,286</u>
Net book value				
At 30 September 2005	<u>27,795</u>	<u>–</u>	<u>2,047</u>	<u>29,842</u>
At 30 September 2004	<u>48,640</u>	<u>–</u>	<u>5,035</u>	<u>53,675</u>

**6 DEBTORS**

	2005 £	2004 £
Trade debtors	289	–
Value added tax	385	10,535
Prepayments and accrued income	–	889
	<u>674</u>	<u>11,424</u>

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

	2005	2004
	£	£
PAYE and social security	-	1,024
Scottish Enterprise - deferred grant	125,098	87,574
Accruals	22,800	29,206
	<u>147,898</u>	<u>117,804</u>

**8 CONTINGENCIES**

There were no contingent liabilities at 30 September 2005 or 30 September 2004.

**9 SHARE CAPITAL**

Authorised share capital:

	2005	2004
	£	£
5,275 Ordinary shares of £0.001 each	5	5
2,635 Preference shares of £0.001 each	3	3
	<u>8</u>	<u>8</u>

Allotted, called up and fully paid:

	2005		2004	
	No	£	No	£
Ordinary shares of £0.001 each	5,275	5	5,275	5
Preference shares of £0.001 each	2,635	3	2,635	3
	<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 2004	8	805,500	(764,365)	41,143
Loss for the year	-	-	(142,986)	(142,986)
At 30 September 2005	<u>8</u>	<u>805,500</u>	<u>(907,351)</u>	<u>(101,843)</u>