

DIAGNOSTIC POTENTIALS LIMITED

UNAUDITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2007



DIAGNOSTIC POTENTIALS LIMITED

COMPANY INFORMATION

Directors	Dr K W Kilborn P K Moore H Mitchell
Secretary	Hugh Mitchell
Company number	SC178691
Registered office	53 St Andrews Drive Bridge of Weir Renfrewshire PA11 3HU
Accountants	PKF (UK) LLP 78 Carlton Place Glasgow G5 9TH
Bankers	The Royal Bank of Scotland plc 30 Sylvania Way South Clyde Regional Centre G81 1TS
Solicitors	PC McFarlane & Co Law House Fairbairn Road Livingston EH54 6TN

DIAGNOSTIC POTENTIALS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2007

The directors present their report and the financial statements for the year ended 30 September 2007

Principal activities

The principal activity of the company is in research and development of diagnostic systems and methods to detect neurological disorders. The company was a spin out from the University of Glasgow and commenced operations in 1999.

The company completed field trials on its ADEPT™ system in late 2005. ADEPT™ is an innovative system to assess and diagnose Alzheimer's Disease at an earlier stage than current methods. Further studies will be required to enable the system to receive regulatory approval in the USA, Europe and other major markets and funding for this will be sought in the future.

Meanwhile the company is collaborating with trade partners and academic institutions to enhance the uses of the technology. Income will be received for this work in the following year.

ADEPT™ is a registered trade mark and for which full patent protection has been applied.

The company is still in development phase, with no turnover. Accordingly, the directors do not recommend the payment of a dividend.

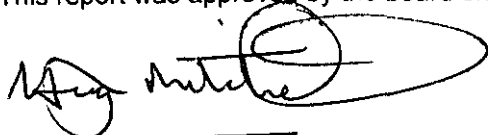
Directors

The directors who served during the year were

Dr K W Kilborn
P K Moore
H Mitchell
G C Forrest (Resigned 2/05/2007)

The report of the directors has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

This report was approved by the board on 30 June 2008 and signed on its behalf



H Mitchell
Director

DIAGNOSTIC POTENTIALS LIMITED

CHARTERED ACCOUNTANTS' REPORT TO THE BOARD OF DIRECTORS ON THE UNAUDITED FINANCIAL STATEMENTS OF DIAGNOSTIC POTENTIALS LIMITED

In accordance with the engagement letter dated 12 June 2007 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 2007, which comprise the profit and loss account, the 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'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.



PKF (UK) LLP

Glasgow, UK



DIAGNOSTIC POTENTIALS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2007**

	Note	2007 £	2006 £
TURNOVER			
Cost of sales			443
			<u>443</u>
GROSS PROFIT			
Administrative expenses		(9,734)	(48,567)
Other operating income	2	<u>150,000</u>	<u>3,680</u>
OPERATING PROFIT/(LOSS)	3	140,266	(44,444)
Interest receivable		<u>560</u>	<u>683</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		140,826	(43,761)
Tax on profit/(loss) on ordinary activities			
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	9	<u>140,826</u>	<u>(43,761)</u>

The notes on pages 5 to 8 form part of these financial statements

DIAGNOSTIC POTENTIALS LIMITED

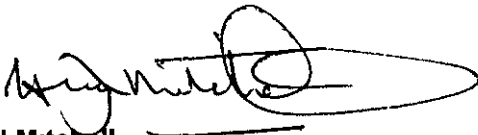
BALANCE SHEET AS AT 30 SEPTEMBER 2007

	Note	£	2007 £	£	2006 £
FIXED ASSETS					
Tangible fixed assets	5				6,949
CURRENT ASSETS					
Debtors	6	189			
Cash at bank		9,033		16,406	
		<u>9,222</u>		<u>16,406</u>	
CREDITORS amounts falling due within one year	7	(14,000)		(168,959)	
NET CURRENT LIABILITIES			(4,778)		(152,553)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(4,778)</u>		<u>(145,604)</u>
CAPITAL AND RESERVES					
Called up share capital	8		8		8
Share premium account	9		805,500		805,500
Profit and loss account	9		(810,286)		(951,112)
SHAREHOLDERS' FUNDS			<u>(4,778)</u>		<u>(145,604)</u>

The directors consider that the company is entitled to exemption from the requirement to have an audit under the provisions of section 249A(1) of the Companies Act 1985 and members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 249B(2) of the Act. The directors acknowledge their responsibilities for ensuring that the company keeps accounting records which comply with section 221 of the Act and for preparing financial statements which give a true and fair view of the state of affairs of the company as at 30 September 2007 and of its profit for the year then ended in accordance with the requirements of section 226 of the Act and which otherwise comply with the requirements of the Companies Act 1985 relating to the financial statements so far as applicable to the company.

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 June 2008.


H Mitchell
Director

The notes on pages 5 to 8 form part of these financial statements

DIAGNOSTIC POTENTIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

1 ACCOUNTING POLICIES

1.1 Fundamental accounting concept and basis of preparation of financial statements

Going Concern

The company has net liabilities of £4,778 (2006 £145,604). The directors have prepared the financial statements on the going concern basis which depends on the continuing support of the directors and the company's main creditor, The University of Glasgow.

Until the company sources new funding to carry forward the development of its products and technology, it is being run with the minimum of expenditure and few additional liabilities will be incurred. The directors believe that they have sufficient resources to continue operations for the foreseeable future and therefore, on this basis, the financial statements have been prepared on the going concern basis.

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

1.2 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant & machinery	25% straight line
Fixtures & fittings	100% straight line on items under £100
Fixtures & fittings	20% straight line on items over £100
Computer equipment	33 33% straight line

1.3 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.4 Research and development

Development costs are capitalised within intangible assets where they can be identified with a specific product or project anticipated to produce future benefits, and are amortised on the straight line basis over the anticipated life of the benefits arising from the completed product or project.

Deferred research and development costs are reviewed annually, and where future benefits are deemed to have ceased or to be in doubt, the balance of any related research and development is written off to the profit and loss account.

DIAGNOSTIC POTENTIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

1 ACCOUNTING POLICIES (continued)

1.5 Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Conditional revenue grants are credited to the profit and loss account as the related expenditure is incurred.

Where a revenue grant no longer has conditions attached it is credited to the profit and loss account in the year it became unconditional.

2 OTHER OPERATING INCOME

	2007 £	2006 £
Other operating income		3,680
Government grants receivable	150,000	
	<u>150,000</u>	<u>3,680</u>

The grant above had previously been deferred in the accounts. However, any requirement for the company to repay the grant expired during the 2007 financial year. Accordingly, this grant has now been taken in full to income in the profit & loss account.

3. OPERATING PROFIT/(LOSS)

The operating profit/(loss) is stated after charging

	2007 £	2006 £
Depreciation of tangible fixed assets owned by the company	6,949	22,893
	<u>6,949</u>	<u>22,893</u>

During the year, no director received any emoluments (2006: £NIL)

4 STAFF COSTS

Staff costs were as follows

	2007 £	2006 £
Wages and salaries	-	9,097
Social security costs		641
		<u>9,738</u>

The average monthly number of employees, including the directors, during the year was as follows

	2007 No	2006 No
		1

DIAGNOSTIC POTENTIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

5 TANGIBLE FIXED ASSETS

	Plant and machinery £	Furniture, fittings and equipment £	Total £
Cost			
At 1 October 2006 and 30 September 2007	123,353	12,775	136,128
Depreciation			
At 1 October 2006	116,404	12,775	129,179
Charge for the year	6,949		6,949
At 30 September 2007	123,353	12,775	136,128
Net book value			
At 30 September 2007			
At 30 September 2006	6,949		6,949

6 DEBTORS

	2007 £	2006 £
Other debtors	189	

7. CREDITORS. Amounts falling due within one year

	2007 £	2006 £
Other creditors	14,000	18,959
Scottish Enterprise deferred grant		150,000
	14,000	168,959

8 SHARE CAPITAL

	2007 £	2006 £
Authorised, allotted, called up and fully paid		
5,275 Ordinary shares of 0 1p each	5	5
2,635 Preferred Ordinary shares of 0 1p each	3	3
	8	8

DIAGNOSTIC POTENTIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

9 RESERVES

	Share premium account £	Profit and loss account £
At 1 October 2006	805,500	(951,112)
Profit retained for the year		140,826
	<hr/>	<hr/>
At 30 September 2007	805,500	(810,286)
	<hr/>	<hr/>

10 POTENTIAL DEFERRED TAX ASSET

There is a potential deferred tax asset of £159,000 (2006 £177,000) principally in relation to corporation tax losses carried forward against future taxable profits. In line with applicable accounting standards, due to uncertainty over the extent & timing of future profits, this asset has not been incorporated into the financial statements.