AMCET LIMITED

Report and Accounts

31 July 2002

ERNST & YOUNG



Registered Number SC 203791

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 July 2002.

RESULTS AND DIVIDENDS

The profit for the period, after taxation, amounted to £881 (2001: loss £1,458). The directors do not recommend the payment of a dividend.

DIRECTORS AND THEIR INTERESTS

The directors during the period were as follows:

Professor J A Cairns	(resigned 28 August 2001)
Dr D B Grant	
J Houston	
Dr D Hutson	
Sir A Langlands	
G McKee	(resigned 18 December 2001)
C D Palmer	(appointed 16 April 2002)
D M Stewart (Chairman)	(appointed 22 January 2002)
Dr J Thomson	
T Valentine	(resigned 8 March 2002)
D Waring	

No director was interested in the ordinary shares of the company at 31 July 2002 nor in the shares of any other group company.

In addition Dr D B Grant resigned as chairman on 18 December 2001 and as a director on 21 October 2002. Sir A Langlands was chairman from 18 December 2001 until his resignation as director and chairman on 17 September 2002. Dr J Thomson resigned as a director on 14 October 2002. D M Stewart was appointed chairman on 17 September 2002. The directors are not required to retire by rotation.

REVIEW OF THE BUSINESS

The company's principal activity during the year continued to be the promotion, development and commercialisation of "state of the art" materials and other technologies.

Throughout the year the company concentrated on the development of four principal technologies: Organometallics, Environmental Catalysis, Molecular Surfaces and Biosensors. In August 2001 the company granted an exclusive sub-licence in the Molecular Surfaces technology to Aktina Ltd and concluded its development work in relation to that sub-licence in April 2002.

The first stage of a programme of independent, industrial testing of the company's three-way catalyst was completed in July 2002 with encouraging results. Testing should be completed by January 2003 following which licence negotiations are planned.

The company has been active during the year in forming collaborative agreements with other educational and research bodies and in developing relationships with prospective industrial partners.

The company has remained dependent on grant funding from Scottish Enterprise Tayside to enable it to continue to operate and to meet its liabilities as they fall due. Further details of the company's funding position are given at note 1 on page 7.

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AUDITORS

A resolution to reappoint Ernst & Young LLP as the company's auditors will be put to the forthcoming annual general meeting.

SPECIAL PROVISIONS RELATING TO SMALL COMPANIES

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

On behalf of the Board



David Stewart
Director

17 December 2002

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STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 of the company for that period. In preparing those accounts, 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 accounts; and
- prepare the accounts 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 accounts comply with the Companies Act 1985. 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.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AMCET LIMITED

We have audited the company's financial statements for the year ended 31 July 2002 which comprise the Profit and Loss Account, Balance Sheet, and the related notes 1 to 13. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors
As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion
We conducted our audit in accordance with United Kingdom 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 affairs of the company as at 31 July 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Registered Auditor
Edinburgh

17 December 2002

PROFIT AND LOSS ACCOUNT
for the year ended 31 July 2002

	Notes	2002 £	2001 £
TURNOVER		-	-
Cost of sales		-	-
Gross profit		-	-
Development costs		408,254	248,372
Administrative expenses		377,293	248,671
		785,547	497,043
Other operating income - release of deferred government grant		778,156	490,862
OPERATING LOSS	3	7,391	6,181
Interest income		7,391	6,181
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		-	-
Tax credit/(charge) on profit on ordinary activities	4	881	(1,458)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		881	(1,458)

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BALANCE SHEET
at 31 July 2002

	Notes	2002 £	2001 £
FIXED ASSETS			
Tangible assets	5	155,371	139,643
CURRENT ASSETS			
Debtors	6	54,015	29,751
Cash		684,421	247,319
		738,436	277,070
CREDITORS : amounts falling due within one year	7	212,429	87,060
NET CURRENT ASSETS		526,007	190,010
TOTAL ASSETS LESS CURRENT LIABILITIES		681,378	329,653
ACCRUALS AND DEFERRED INCOME			
Deferred government grants	8	681,855	331,011
		(477)	(1,358)
SHARE CAPITAL AND RESERVES			
Called up share capital	9	100	100
Profit and loss account	10	(577)	(1,458)
		(477)	(1,358)

The accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

Approved at a meeting of directors held on 17 December 2002

David M Stewart

David Stewart
Director
17 December 2002

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NOTES TO THE ACCOUNTS
at 31 July 2002

1 ACCOUNTING POLICIES

Going Concern
The company is currently dependent on finance being made available, under the terms of its funding agreement with Scottish Enterprise Tayside, to enable it to continue to operate and to meet its liabilities as they fall due.

Provided the terms of the funding agreement with Scottish Enterprise Tayside are met, the company shall receive further funding of £454,127 before 30 April 2003. The directors have prepared projected cash flow information for the 24 months to 31 July 2004, which indicates that the company can continue to operate, without further external funding, until December 2003. The company is actively seeking sources of funding to allow it to continue to operate beyond December 2003. The directors believe that it is therefore appropriate to prepare the accounts on a going concern basis.

Accounting convention
The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards. The accounts apply the reporting requirements of the Financial Reporting Standard for Smaller Entities.

Fixed assets and depreciation
Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life. The rates used are:

Computer and laboratory equipment	over 4 years
Fixtures and fittings	over 4 years
Short leasehold building improvements	over 3 years

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

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Deferred taxation
Deferred taxation is provided using the liability method on all timing differences calculated at the rate at which it is estimated that tax will be payable.

Foreign Currencies
Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions. All differences are taken to the profit and loss account.

Pensions
The company's employees are employed by University of Dundee and seconded to the company. The company reimburses the University for the pension costs relating to its employees. The employees are members of one of the University's two pensions schemes: the Universities Superannuation Scheme (USS) or the University of Dundee Superannuation and Life Assurance Scheme (UODS). Particulars of the actuarial valuation of the pension schemes are contained in the University of Dundee accounts.

2 TURNOVER

Turnover represents the amounts derived from the provision of services which fall within the company's ordinary activities, all of which are continuing.

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3 OPERATING LOSS

	2002	2001
	£	£
This is stated after charging/(crediting) the following:		
Auditors' remuneration	2,600	2,500
Depreciation of owned assets	42,311	20,812
Depreciation of short leasehold building improvements	10,305	10,305
Government grants released (note 8)	(778,156)	(490,862)
Loss on disposal of fixed assets	1,692	-
Directors' emoluments	54,958	34,874

	2002	2001
	No.	No.
Directors who were members of defined benefit pension scheme	1	1

4 ANALYSIS OF TAX (CREDIT)/CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2002	2001
	£	£
Analysis of charge in the year:		
Corporation tax based on the profit for the year	212	1,458
Corporation tax overprovided in previous year	(1,093)	-
	(881)	1,458

The tax charge on the results for the year is higher than expected due to expenditure which is not an allowable deduction from profit for corporation tax purposes.

5 TANGIBLE FIXED ASSETS

	Equipment	*Fixtures and fittings*	*Short leasehold building improvements*	*Total*
	£	£	£	£
Cost:				
At 31 July 2001	135,685	4,160	30,915	170,760
Additions	71,268	528	-	71,796
Disposals	(5,610)	-	-	(5,610)
At 31 July 2002	201,343	4,688	30,915	236,946
Depreciation:				
At 31 July 2001	20,273	539	10,305	31,117
Charge for the year	41,172	1,139	10,305	52,616
Disposals	(2,158)	-	-	(2,158)
At 31 July 2002	59,287	1,678	20,610	81,575
Net book amount:				
At 31 July 2002	142,056	3,010	10,305	155,371
At 31 July 2001	115,412	3,621	20,610	139,643

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6 DEBTORS

	2002	2001
	£	£
Other debtors	47,058	24,474
Prepayments and accrued income	6,957	5,277
	54,015	29,751

7 CREDITORS : amounts falling due within one year

	2002	2001
	£	£
Trade creditors	832	39
Due to group companies	127,485	23,034
Current corporation tax	212	1,458
Accruals	83,900	62,529
	212,429	87,060

8 ACCRUALS AND DEFERRED INCOME

Deferred government grants:	2002	2001
	£	£
Balance as at 1 August	331,011	-
Received during the year (note 11)	1,129,000	821,873
Released during the year (note 3)	(778,156)	(490,862)
	681,855	331,011

9 SHARE CAPITAL

	2002	2001	2002	2001
	No.	No.	£	£
Authorised, allotted, called up and fully paid:				
100 ordinary shares of £1 each	100	100	100	100

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10 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £	*Profit and loss account* £	*Total shareholders' funds* £
Shareholders' funds at 10 February	-	-	-
Loss for the period	-	(1,458)	(1,458)
Proceeds from the issue of shares	100	-	100
Shareholders' funds at 31 July 2001	100	(1,458)	(1,358)
Profit for the year	-	881	881
At 31 July 2002	100	(577)	(477)

11 CONTINGENT LIABILITY

During the year the company received a financial contribution, by way of a participating repayable grant, of £1,129,000 (2001: £821,873) from Scottish Enterprise Tayside. Further future contributions of £454,127 have been agreed, subject to appropriate applications being made by the company and approved by Scottish Enterprise Tayside by 31 March 2003. At such time as the audited accounts of the company show a distributable profit, the company is required, under the terms of the grant, to pay to Scottish Enterprise Tayside an amount equal to at least 60% of those distributable profits towards repayment of the contribution. In addition, an amount equivalent to not less than 100% of the contribution is payable to Scottish Enterprise Tayside.

12 RELATED PARTIES

During the year, the company was invoiced £707,381 (2001: £541,088) by the University of Dundee, its parent undertaking, for goods and services provided for use by the company in the normal course of its business. At the balance sheet date the amount due to the University of Dundee was £127,485 (2001: £23,034) and £66,028 (2001: £35,800) was accrued.

During the year, the company received £1,129,000 from Scottish Enterprise Tayside by way of a participating repayable grant. Scottish Enterprise Tayside holds 26% of the Ordinary Share Capital of the company.

13 PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is the University of Dundee, established by grant of a Royal Charter and Statutes in 1967, with its principal place of business at Nethergate, Dundee, DD1 4HN. Copies of the group accounts may be obtained from that address.

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