

Advance Visual Communications Plc

Directors' report and financial statements

For the year ended 30 June 2008

Registered Number 03327108

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Contents

Company information	1
Chairman's Statement	2
Directors' Report	3
Corporate Governance Statement	5
Statement of Directors' Responsibilities	5
Independent Auditors' Report to the Shareholders	6
Income Statement	7
Balance Sheet	8
Statement of Changes in Equity	9
Cash Flow Statement	10
Notes to the Financial Statements	11

Company information

Directors

S J Barclay (Non-executive Chairman)
J R Shaw (Non-executive)

Registered Office

44 Southampton Buildings
London
WC2A 1AP

Secretary

M H W Perrin ACA

Business Address

c/o Chatsford Corporate Finance Limited
1 Cornhill
London
EC3V 3ND

Solicitors

Memery Crystal
44 Southampton Buildings
London
WC2A 1AP

Auditors

Littlejohn
Chartered Accountants and Registered Auditors
1 Westferry Circus
Canary Wharf
London
E14 4HD

Registrars

Share Registrars Limited
Suite E, First floor
9 Lion and Lamb Yard
Farnham
Surrey
GU9 7LL

Bankers

Adam & Company Plc
22 King Street
London
SW1Y 6QY

Chairman's Statement

Year ended 30 June 2008

Results

The Company incurred legal and other costs in taking forward potential acquisitions that were not completed and losses before and after taxation for the year were £34,254 (June 2007: £49,579).

The cash balances at the year end were £50,931. We are endeavouring to minimize the cash outflow.


AIM quotation

The Company's shares were cancelled from trading on AIM on 29 June 2007, the Company having not completed a reverse acquisition by that date. The Company intends to seek readmission upon the successful completion of an acquisition.

Investment Strategy and Potential acquisition

The Directors are seeking to identify businesses or companies which they consider to have the potential to produce a favourable return in both the short and medium terms.

Stephen Barclay
Non-Executive Chairman

 January 2009

Directors' Report

The Directors present their report and the financial statements for the year ended 30 June 2008.

Principal activities and review of the business

The principal activity of the Company is to establish, invest in or acquire assets, businesses or companies in the financial and business services sector in the UK. During the year, the Company has continued to seek an appropriate acquisition.

The Company's shares were cancelled from trading on AIM on 29 June 2007, the Company having not completed a reverse acquisition by that date. The Company intends to seek readmission upon the successful completion of an acquisition.

Results and dividends

The loss for the year was £34,254 (2007: loss of £49,579). The Directors do not recommend the payment of a dividend. The Directors consider the results for the year to be satisfactory.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company relate to the activity of establishing, investing in or acquiring assets, businesses or companies in the financial and business services sector in the UK. Despite the opportunities that arise, there is the risk that the Company may not find a suitable investment. A further risk is that the Company may not be able to raise the necessary funding for such an investment or, if necessary, for further working capital whilst investment opportunities are explored.

Key performance indicators

Given the straightforward nature of the business, the Company's Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Non current assets

The Company has purchased no fixed assets during the year.

Donations

During the year the Company made no payments for charitable purposes.

Directors and directors' interests

The Directors who held office from 1 July 2007 to the date of approval of these Financial Statements had the following beneficial interests in the ordinary shares of the Company:

	Ordinary shares	
	Interest at end of year No.	Interest at start of year No.
S J Barclay (Chairman)	41,350,418	41,350,418
J R Shaw	18,402,462	18,402,462

Throughout the year the directors also held Convertible Loan Stock and Warrants as set out below.

	Convertible Loan Stock	Warrants
S J Barclay*	£25,000	75,000,000
J R Shaw	£10,000	30,000,000

* of these, half are held by Milebeach Limited as nominee for S J Barclay, and half by his pension plan.

Directors' responsibilities

The Statement of Directors' Responsibilities is shown on page 5.

Substantial interests

At the date of this report the following interests of three percent or more of the issued ordinary share capital had been notified to the Company:

	%	Number of Ordinary shares
Interactive Horizons Limited	24.7	57,000,000
S J Barclay*	17.9	41,350,418
J R Shaw**	8.0	18,402,462
G Smith*	4.0	9,188,981
The Active Capital Trust	3.9	9,094,055

* held by Milebeach Limited as nominee

** held by Milebeach Limited as nominee excepting 24,500 held directly

Going Concern

The financial statements have been prepared on a going concern basis. The Directors are resolved to take responsible steps to ensure that capital and other financing is put in place so as to enable the Company to meet its obligations as they fall due and to execute the strategy of the Company.

Fair Value Estimation

The Directors consider that the carrying amount of the Company's financial assets and liabilities approximate to their fair value at each balance sheet date.

Supplier payment policy

Whilst there is no formal code or standard, it is Company policy to settle terms of payment with creditors when agreeing the terms of each transaction and to abide by the creditors' terms of payment. There are no creditors subject to special arrangements outside of suppliers' terms and conditions. At 30 June 2008 the number of creditors days in respect of trade creditors was 21 days (2007: 62 days).

Research and development activities

The Company has not made any investment in research and development.

Relevant audit information

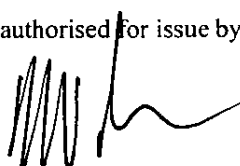
The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are individually aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Our auditors, CLB Littlejohn Frazer have changed their name to Littlejohn. A resolution to reappoint Littlejohn as auditors to the Company was passed at the Annual General Meeting held on 31 December 2008.

Approved and authorised for issue by the Board on 26 January 2009, and signed on its behalf by

Martin Perrin
Secretary



4th floor, 44 Southampton Buildings
London WC2A 1AP

Corporate Governance Statement

Introduction

The Company's system of corporate governance, which is summarised below, has been formulated with the Combined Code in mind. However, not every provision and principle of this code has been dealt with as it is considered by the Directors to be inappropriate due to the current size of the Company. Although not required, the Directors have decided to provide the following corporate governance information.

Committees

Given the size of the Board, there are no separate Committees of the Board.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards.

Company law requires the Directors to prepare financial statements 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 year. In preparing those financial statements, 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 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 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 financial statements 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.

In determining how amounts are presented within items in the income statement and balance sheet, the Directors have had regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles or practice.

So far as each of the Directors is aware at the time the report is approved:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information (s. 234ZA (2)).

Independent Auditors' Report to the Shareholders

Year ended 30 June 2008

We have audited the financial statements of Advance Visual Communications Plc for the year ended 30 June 2008 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditors' 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

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 law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

Our responsibility is to audit the Financial Statements and in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and whether the Financial Statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Financial Statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. This other information comprises only the Chairman's Statement, the Directors' Report and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

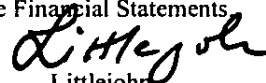
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity 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, in accordance with IFRS as adopted for use by the European Union, of the state of the Company's affairs as at 30 June 2008 and of its loss and cash flows for the year then ended;
- the Financial Statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the Financial Statements.

1 Westferry Circus
Canary Wharf
London
E14 4HD


Littlejohn
Chartered Accountants
and Registered Auditors

26 January 2009

Income Statement

for the year ended 30 June 2008

	<i>Note</i>	30 June 2008 £	30 June 2007 £
Administration expenses		25,852	44,205
Loss for the year	2	(25,852)	(44,205)
Interest income		2,423	2,372
Interest payable	3	(10,825)	(8,333)
Gain on disposal of subsidiaries		-	587
Loss for the year before taxation		(34,254)	(49,579)
Taxation	4	-	-
Loss for the year		(34,254)	(49,579)
Loss per share – basic and diluted	5	(0.01) p	(0.02) p

The Company's turnover and expenses all relate to continuing operations. The Company has no recognised gains or losses other than the loss for the year, which has been calculated on the historical cost basis.

The notes on pages 11 to 17 form part of these financial statements.

Balance Sheet
at 30 June 2008

	<i>Note</i>	30 June 2008 £	30 June 2008 £	30 June 2007 £	30 June 2007 £
Current assets					
Trade and other receivables	7	418		788	
Cash and cash equivalents		50,931		78,806	
Total current assets			51,349		79,594
Total assets			51,349		79,594
Equity and liabilities					
Capital and reserves					
Issued capital	10		1,684,672		1,684,672
Share premium account			6,640,976		6,640,976
Other reserves	11		50,000		50,000
Retained earnings			(8,405,113)		(8,370,859)
Total equity			(29,465)		4,789
Current liabilities					
Trade and other payables	8	11,656		16,472	
Non-current liabilities					
Loan notes	9	69,158		58,333	
Total liabilities			80,814		74,805
Total equity and liabilities			51,349		79,594

The notes on pages 11 to 17 form part of these financial statements.

These financial statements were approved and authorised for issue by the board of directors on 26 January 2009 and were signed on its behalf by:



J R Shaw
Director

Statement of Changes in Equity
for the year ended 30 June 2008

	Share Capital £	Share Premium £	Other Reserves £	Retained Earnings £	Total £
Balance at 1 July 2007	1,684,672	6,640,976	50,000	(8,370,859)	4,789
Loss for the year	-	-	-	(34,254)	(34,254)
Balance at 30 June 2008	<u>1,684,672</u>	<u>6,640,976</u>	<u>50,000</u>	<u>(8,405,113)</u>	<u>(29,465)</u>

Cash Flow Statement
for the year ended 30 June 2008

	30 June 2008 £	30 June 2007 £
Cash flows from operating activities		
Operating loss	(25,852)	(44,205)
Share based payment	-	1,563
Net cash outflow from operating activities	(25,852)	(42,642)
Movements in working capital		
Decrease/(increase) in trade and other receivables	370	3,405
Increase/(decrease) in trade and other payables	(4,816)	(10,347)
Net cash applied to operations	(30,298)	(49,584)
Cash flows from investing activities		
Interest received	2,423	2,372
Proceeds from disposal of business	-	587
Net cash generated from investing activities	2,423	2,959
Cash flows from financing activities		
Proceeds from convertible loan	-	100,000
Net cash generated from financing activities	-	100,000
Net (decrease)/increase in cash and cash equivalents	(27,875)	53,375
Cash and cash equivalents at the beginning of financial year	78,806	25,431
Cash and cash equivalents at the end of financial year	50,931	78,806

Notes to the Financial Statements

1 Accounting policies

General information

Advance Visual Communications Plc is a limited company incorporated in England and Wales under the Companies Act 1985. The address of its registered office and principal place of business are disclosed in the Company Information page of the financial statements.

The principal activities of the Company are described in the Directors' Report.

Adoption of new and revised standards

In the prior year, the Company adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for listed companies' annual reporting periods beginning on or after 1 July 2006. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Company's accounting policies.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards including standards and interpretations issued by the International Accounting Standards Board, as approved by the European Union. The financial statements have been prepared using the historical cost convention.

The preparation of Financial Statements under IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The preparation of Financial Statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial information, including the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The Company has elected not to apply IFRS 3, Business Combinations to acquisitions and mergers which took place before transition date.

The Company has assessed pronouncements issued by the International Accounting Standards Board that were in issue but not force at 30 June 2008:

- IFRS 8 - Operating Segments
- IFRIC 11, IFRS 2 - Group and Treasury Share Transactions
- IFRIC 12 - Service Concession Arrangements
- IFRIC 13 - Customer Loyalty Programmes
- IFRIC 14, IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirement and their Interaction

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the Financial Statements of the Company except for additional disclosures on segmental results when the relevant standard comes into effect for periods commencing on or after 1 July 2008.

Going Concern

United Kingdom company law requires the Directors to consider whether it is appropriate to prepare the financial statements on the basis that the Company is a going concern. In considering this matter the Directors have evaluated expected outturn for the year to June 2009. This included consideration of the cash flow and access to additional capital. The Directors are resolved to take responsible steps to ensure that capital and other financing is put in place so as to enable the Company to meet its obligations as they fall due and to execute the strategy of the Company. The Directors see no reason why the Company should not continue in operational existence for the foreseeable future. For this reason they have adopted the going concern basis in preparing the financial statements.

Notes to the Financial Statements (continued)

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and current and deposit balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. This definition is also used for the cash flow statement.

Financial instruments

Financial instruments are classified and accounted for according to the substance of the contractual agreement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Deferred taxation

The Company has adopted IAS 12, Deferred Taxation. Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Financial assets and financial liabilities

The financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Borrowings

Interest-bearing loans and overdrafts are recorded initially at the proceeds received. Finance charges are accounted for on an accrual basis to the income statement using the effective interest method.

Trade payables

Trade payables are not interest-bearing and are stated at their nominal value

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Notes to the Financial Statements (continued)

Convertible loan notes

Convertible loan notes are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loan notes and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Company, is included in equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan note.

Share-based payments

The Company has applied the requirements of IFRS 2 Share-based Payment. The Company has issued equity-settled payments to certain shareholders and their connected parties. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. Instruments which vest immediately are expensed at the date of grant.

Taxation

The charge for taxation is based on the result for the year at current rates of tax, and this takes into account deferred taxation on all timing differences between the treatment of certain items for accounts purposes and their treatment for Corporation tax purposes, except where it can be demonstrated that no Corporation tax liabilities will arise in the foreseeable future.

2 Operating loss is stated after charging:

	30 June 2008 £	30 June 2007 £
Audit fees	3,750	3,250
Other administrative expenses	22,102	40,955
	<u>25,852</u>	<u>44,205</u>

3 Interest payable

	30 June 2008 £	30 June 2007 £
Interest charge on convertible loan (see Note 9)	10,825	8,333
Bank interest	-	-
	<u>10,825</u>	<u>8,333</u>

Notes to the Financial Statements (continued)

4 Tax on loss on ordinary activities

Tax charge for the year

No taxation arises on the result for the year because of the trading loss. (2007: £Nil)

Factors affecting the tax charge for the year

The tax charge for the year does not equate to the loss for the year at the standard rate of UK small companies corporation tax of 20% (2007: 19%). The differences are explained below:

	30 June 2008 £	30 June 2007 £
Loss for the year before taxation	(35,254)	(49,579)
Loss for the year before tax multiplied by the standard rate of UK small companies corporation tax of 20% (2007: 19%)	(6,851)	(9,420)
Expenses not deductible for tax	2,348	1,976
Tax losses for the year not relieved	4,503	7,444
	-	-

Factors affecting the tax charge of future years

Tax losses available to be carried forward by the Company at 30 June 2008 against future profits are estimated at £1,223,085 (2007: £1,200,573). There is an unprovided deferred tax asset based on these losses of £244,617 (2007: £228,109).

It is difficult to determine with certainty how and when the available tax losses will be utilised. Therefore, the element of the potential deferred tax asset relating to losses has not been recognised in the financial information.

5 Loss per Share

The calculation of basic loss per share is based on the loss attributable to ordinary shareholders divided by the weighted average of ordinary shares in issue being 230,492,847 (2007: 230,492,847) during the year. As the Company has incurred a loss for the year, no option or warrant is potentially dilutive, and hence basic and diluted loss per share are the same.

6 Directors

The average monthly number of persons (including directors) employed by the Company was:	30 June 2008	30 June 2007
Directors	2	2

No director's emoluments were paid in the year.

7 Debtors

	30 June 2008 £	30 June 2007 £
Prepayments	-	-
Accrued interest receivable	418	788
	418	788

Notes to the Financial Statements (continued)

8 Creditors: amounts falling due within one year

	30 June 2008 £	30 June 2007 £
Trade creditors	1,478	7,609
Accruals and deferred income	10,178	8,863
	<u>11,656</u>	<u>16,472</u>

9 Creditors: amounts falling due after more than one year

On 28 September 2007 the Company issued £100,000 of loan stock together with warrants over 300,000,000 Ordinary shares. The Loan Notes convert into new ordinary shares of the Company at par, 0.1p, at any time from the year following issue to the 30 September 2010. Loan notes which have not been converted are repayable on 30 September 2010. The Company may convert the Loan Notes at any time in certain circumstances, including the acquisition of a company or business by the issue of new ordinary shares of the Company representing in excess of 30% of the then enlarged share capital of the Company. The loan notes are non-interest bearing. However under IAS 39 the effective rate of interest is 19% to take account of the time value of money.

The net proceeds received from the issue of the convertible loan have been split between the liability component and the equity component, representing the fair value of the embedded options to convert the liability into equity, and associated warrants, in the Company as follows:

	30 June 2008 £	30 June 2007 £
Principal amount of loan	100,000	100,000
Re-allocation of deemed equity component of loan	(50,000)	(50,000)
Rolled up interest on liability component		
- brought forward	8,333	-
- charged in the year	10,825	8,333
Liability component	<u>69,158</u>	<u>58,333</u>

Notes to the Financial Statements (continued)

10 Called up share capital

	30 June 2008		30 June 2007	
	No.	£	No.	£
Authorised				
Ordinary shares of 0.1p each	845,820,626	845,821	845,820,626	845,821
Deferred shares of 0.9p each	161,575,486	1,454,179	161,575,486	1,454,179
		<u>2,300,000</u>		<u>2,300,000</u>
Allotted, issued and fully paid				
Ordinary shares of 0.1p each	230,492,847	230,493	230,492,847	230,493
Deferred shares of 0.9p each	161,575,486	1,454,179	161,575,486	1,454,179
		<u>1,684,672</u>		<u>1,684,672</u>

Significant shareholders are as disclosed in the Directors' report. There is no overall controlling party.

The Deferred Shares are non-voting and are not entitled to receive a dividend. The Deferred Shares shall on a return of assets on a winding up entitle holders only to a repayment of the amount paid up on each share after payment of the capital paid up on the Ordinary Shares plus the payment of £10,000,000 per Ordinary Share.

11 Other reserves

	Equity Component of loan £
At 1 July 2007 and 30 June 2008	<u>50,000</u>

12 Warrants

On 28 September 2006 the Company issued a total of 300,000,000 warrants to subscribers to £100,000 loan stock.

On 20 December 2006 the Company issued 12,500,000 warrants in consideration for services received. The Company recognised a charge of £nil relating to this share-based transaction in the year (2007: £1,563) which is included in operating expenses. The charge has been calculated by reference to the commercial circumstances then prevailing and included reference to the Black-Scholes pricing model. The significant inputs into the model were weighted average share price during the period of 0.13p, weighted average exercise price of 0.1p, expected volatility of 14.5%, expected life of options of 5 years, dividend yield of 0%, and a risk free rate of 4.86%. The expected volatility was determined using the historical volatility of the Company's share price over the previous 12 months.

In total there are 312,500,000 warrants in issue and at 30 June 2008 none of these warrants had been exercised, nor have been at the date of this report.

The Warrants entitle the holder to subscribe for 1 new ordinary share of the Company at par and may be exercised at any time from year 1 following issue to 27 September 2011 or in certain other circumstances, including the acquisition of a company or business by the issue of new ordinary shares of the Company representing in excess of 30% of the then enlarged share capital of the Company.

Notes to the Financial Statements *(continued)*

13 Treasury Policy and financial instruments

The Company operates informal treasury policies which include continuing assessments of interest rate management and borrowing policy. The Board approves all decisions on treasury policy.

Facilities are arranged, based on criteria determined by the Board, as required to finance the long term requirements of the Company. To date the Company has financed its activities by the raising of funds through the issue of shares and convertible loans.

14 Capital commitments

There were no capital commitments authorised by the Directors or contracted for at 30 June 2008 (2007: £nil).

15 Related party transactions

The Company has contracted with Chatsford Corporate Finance Limited for the provision of administrative support in respect of which £11,181, inclusive of disbursements and VAT, (2007: £13,320) had been invoiced in the year to 30 June 2008. John Shaw is a Director and shareholder in Chatsford Corporate Finance Limited. As at 30 June 2008 the balance outstanding was £588.