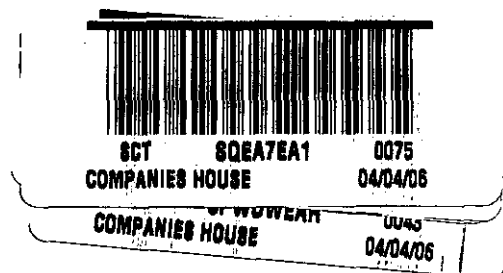


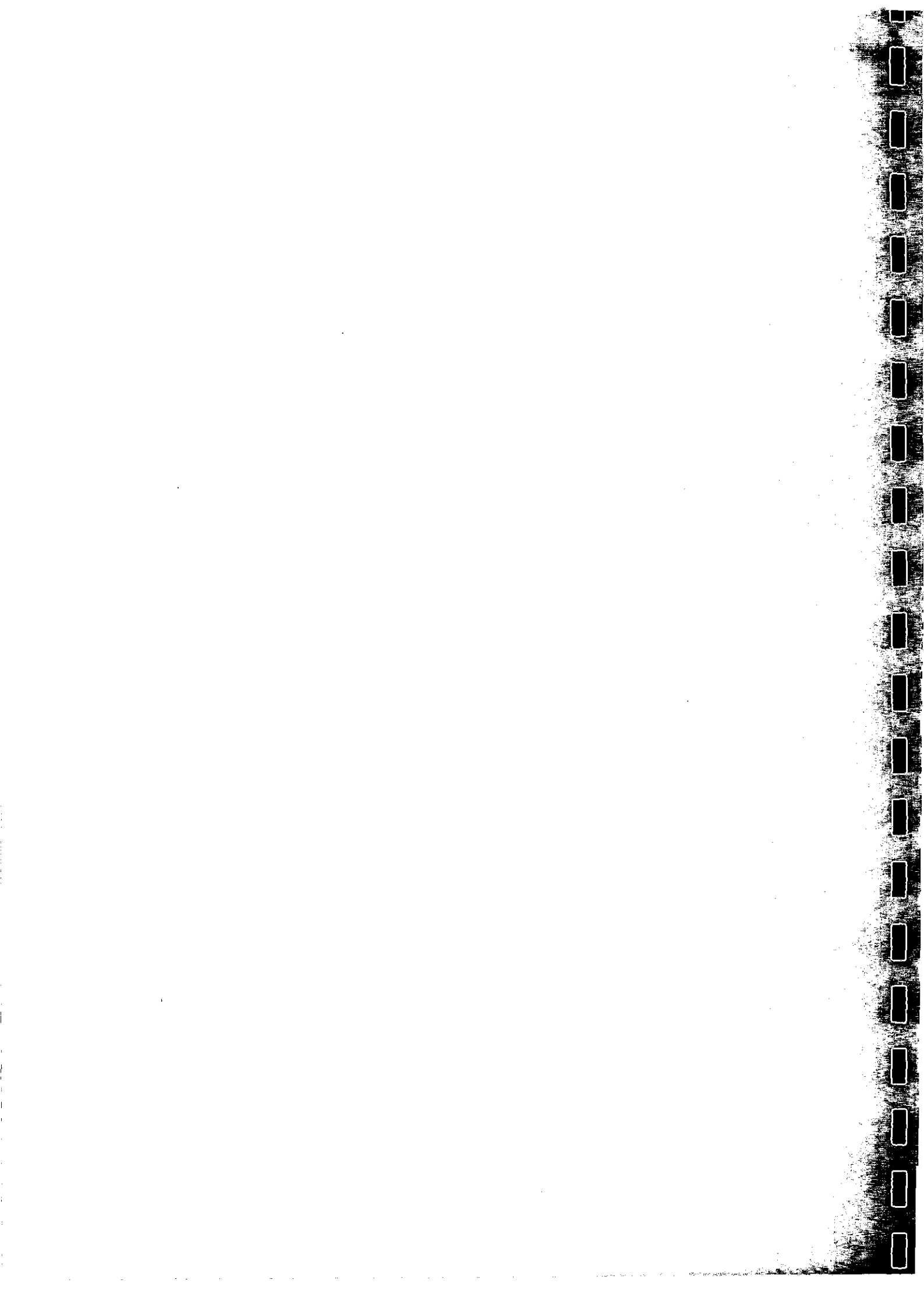
DEM Solutions Limited

Abbreviated accounts

Registered number SC240438

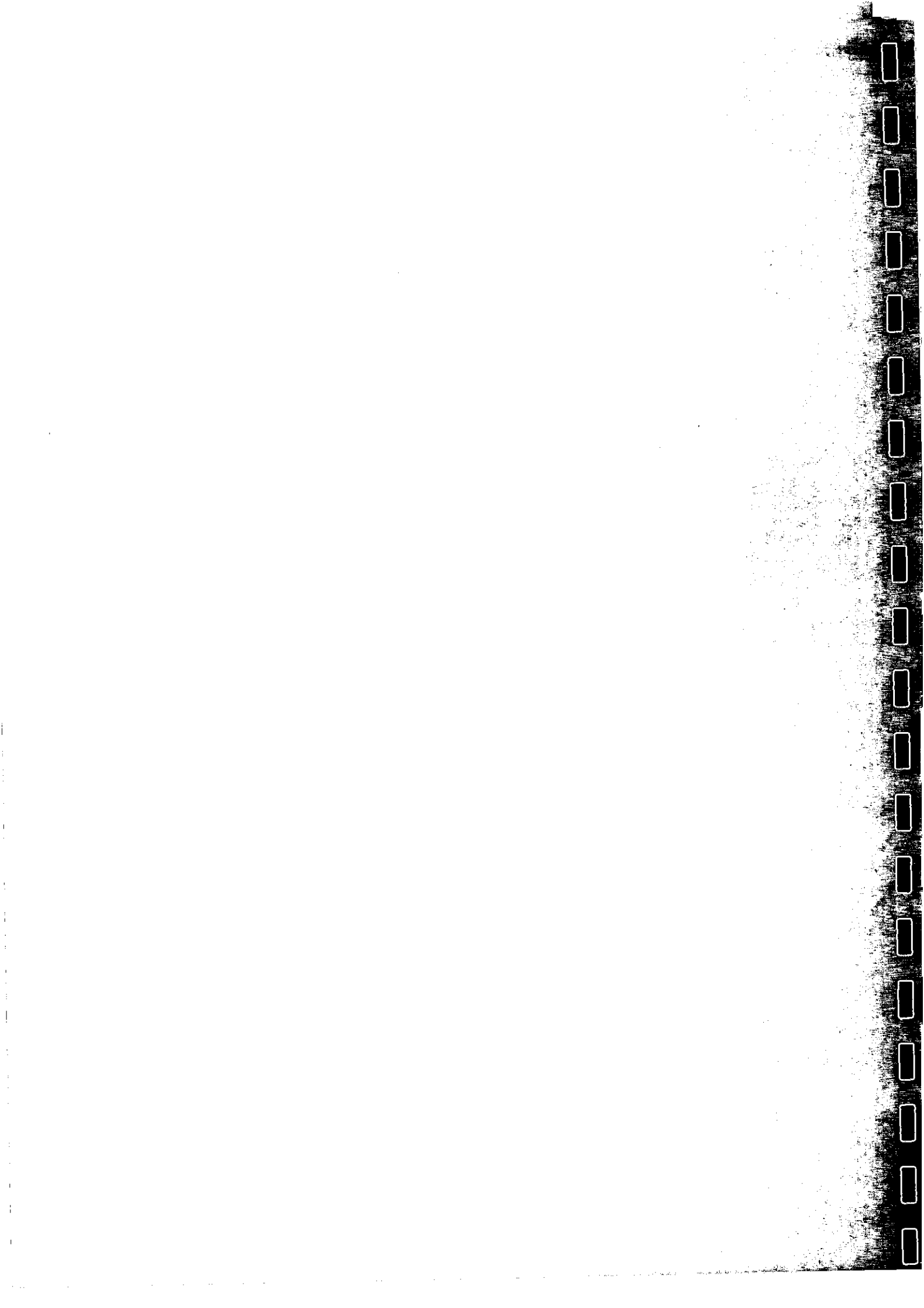
31 May 2005





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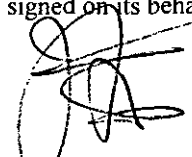
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Balance sheet
at 31 May 2005

	<i>Notes</i>	2005 £	2005 £	2004 £	2004 £
Fixed assets					
Tangible assets	2		8,058		-
Current assets					
Debtors		46,597		27,936	
Cash at bank and in hand		45		7,645	
		<u>46,642</u>		<u>35,581</u>	
Creditors: amounts falling due within one year	3	<u>(102,800)</u>		<u>(14,796)</u>	
Net current assets			<u>(56,158)</u>		<u>20,785</u>
Total assets less current liabilities			<u>(48,100)</u>		<u>20,785</u>
Creditors: amounts due after more than 1 year	4		<u>(42,424)</u>		<u>-</u>
Net assets			<u>(90,524)</u>		<u>20,785</u>
Capital and reserves:					
Called up share capital	5		13		11
Share premium			141,788		41,790
Profit and loss account			<u>(232,325)</u>		<u>(21,016)</u>
Shareholders' deficit			<u>(90,524)</u>		<u>20,785</u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act relating to Small Companies (s246(8),s248A(5)) and the Financial Reporting Standard for Smaller Entities (effective June 2002) and were approved by the board of directors on 1 July 2005 and were signed on its behalf by:



Dr J Favier
Director



Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002) and under the historical cost accounting rules. They have been prepared on the going concern basis, which assumes that the company will continue to trade. The validity of this assumption is dependent upon the ability of the company to trade profitably and receipt of a £1million equity investment by Sigma Technology Management Limited referred to in note 15 below. If the company were unable to trade, adjustments would have to be made to reduce the value of assets to their recoverable amount, to provide for any further liabilities that might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.

The company is exempt from the requirement of Financial Reporting Standard 1 (revised 1996) to prepare a cash flow statement on the grounds of its size.

Turnover

Turnover represents invoiced sales of goods and services, excluding value added tax.

Grants received

Grants are recognised when receivable.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset in equal instalments over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter:

Fixtures and fittings	20%
Computer equipment	33%

Taxation

Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

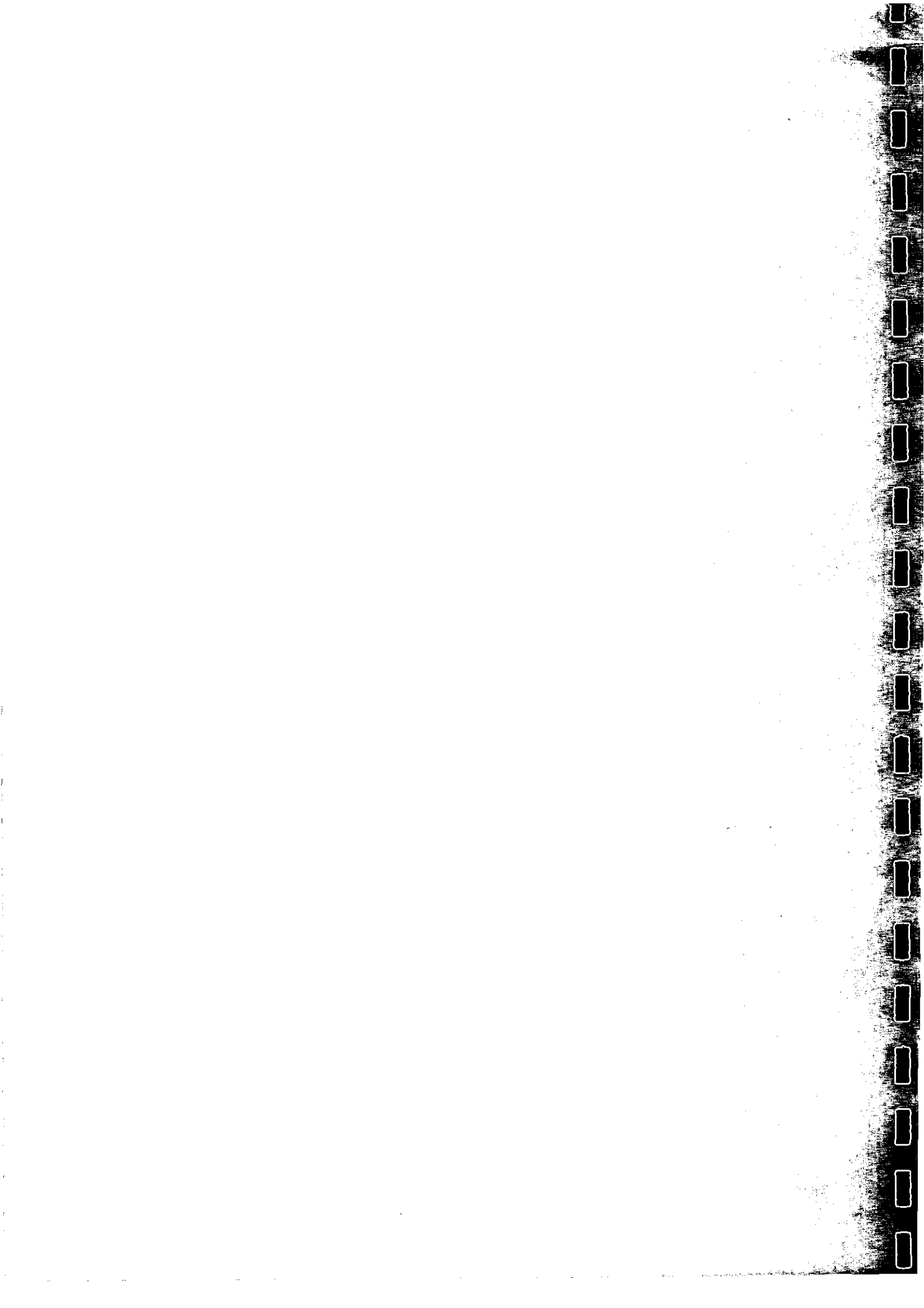
Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Assets acquired under hire purchase contracts or finance leases are capitalised and outstanding lease obligations are shown in creditors.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.



Notes *(continued)*

2 Tangible fixed assets

	Furniture & fittings £	Computer Equipment £	Total £
<i>Cost</i>			
At start of year	-	-	-
Additions	9,452	2,196	11,648
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At end of year	9,452	2,196	11,648
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At start of year	-	-	-
Charge for year	3,151	439	3,590
Eliminated on disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At end of year	3,151	439	3,590
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 May 2005	6,301	1,757	8,058
	<hr/>	<hr/>	<hr/>
At 31 May 2004	-	-	-
	<hr/>	<hr/>	<hr/>

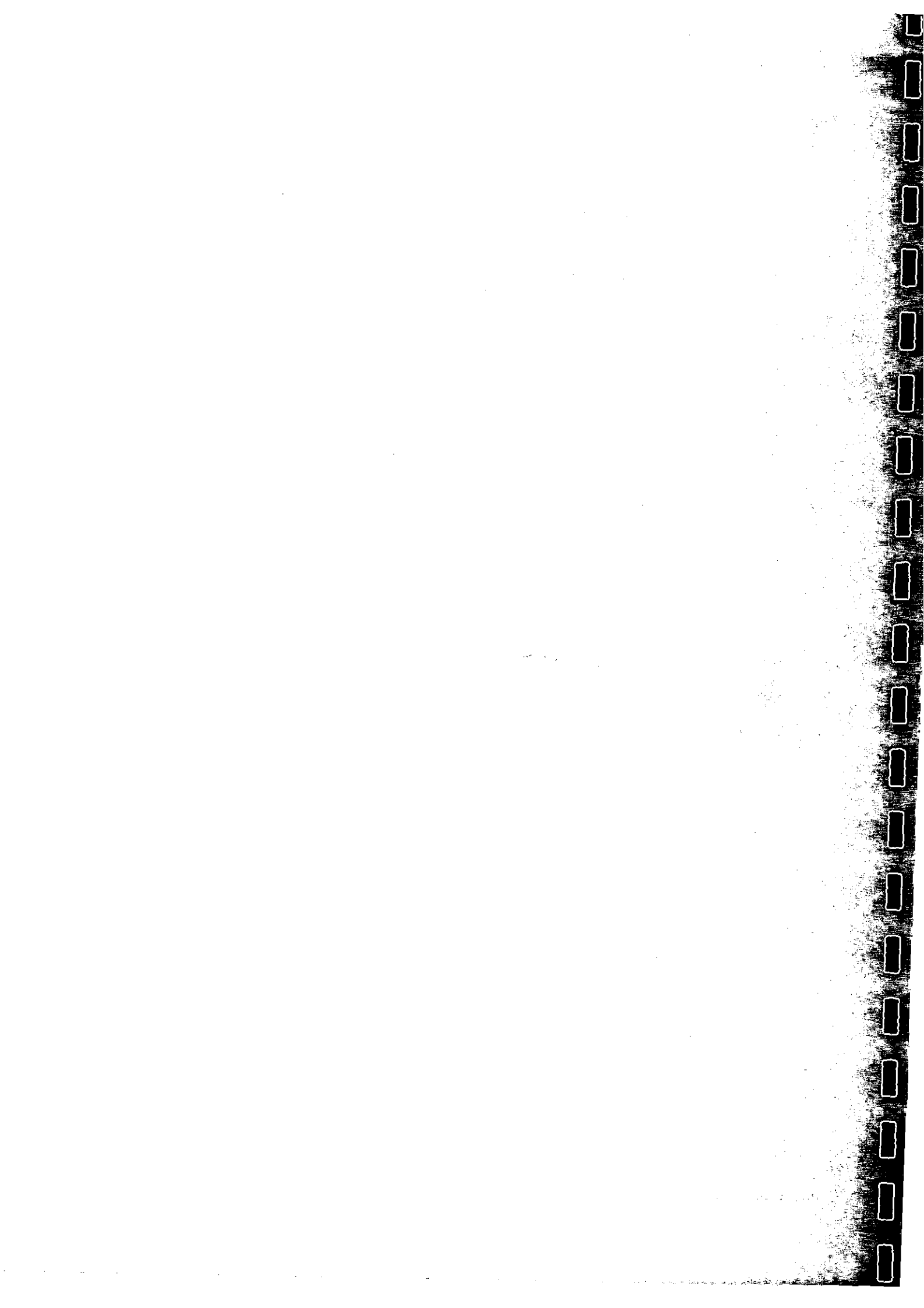
Included in the total net book value of fixed assets is £1,939 (2004: £Nil) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £955 (2004: £Nil).

3 Creditors: amounts falling due within one year

The following creditors are secured:

	2005 £	2004 £
Bank loans and overdrafts	13,291	-
Small Firms Loan Guarantee Scheme loan	36,364	-
Amounts due in respect of finance leases or similar hire purchase	1,642	-
	<hr/>	<hr/>

The company's bankers hold a bond and floating charge over the company's assets and undertakings for all sums due.



Notes (continued)

4 Creditors: amounts falling due after more than one year

The following creditors are secured:

	2005 £	2004 £
Small Firms Loan Guarantee Scheme loan	42,424	-

5 Called up share capital

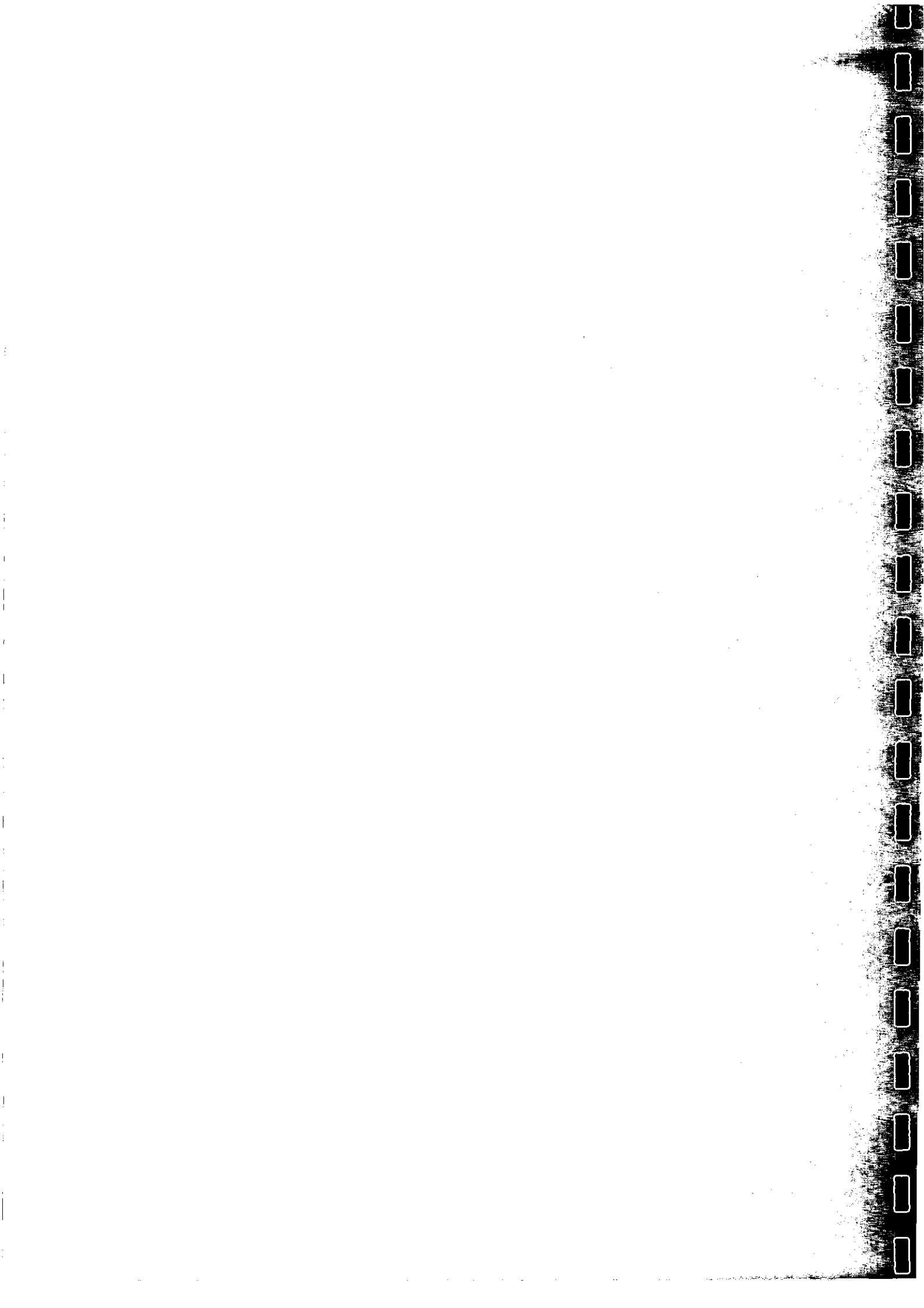
	2005 £	2004 £
Authorised		
100,000 Ordinary shares of £0.01 each	1,000	1,000
Allotted, issued and fully paid		
1,298 Ordinary shares of £0.01 (2004: 1,112)	13	11

On 9 June 2004 the company sold 93 ordinary £0.01 shares for a total consideration of £50,000 and a further 93 ordinary £0.01 shares on 10 November 2004 for a consideration of £50,000. Amounts received in excess of the nominal value were credited to the share premium account.

6 Post balance sheet event

On 30 June 2005 the company increased its authorised share capital to £4,000 by the creation of an additional 300,000 Ordinary £0.01 shares. On the same day a bonus issue of 99 Ordinary £0.01 shares was issued for every 1 Ordinary £0.01 share held.

On 1 July 2005 the company converted 237,500 Ordinary £0.01 shares to 'A' Ordinary £0.01 shares and further increased its authorised share capital to £10,000 by the creation of an additional 600,000 'A' Ordinary £0.01 shares. On 1 July 2005 Sigma Technology Venture Fund and Scottish Enterprise made a combined £1million equity investment in 133,000 'A' ordinary shares.





HENDERSON LOGGIE

Chartered Accountants

10 Great Stuart Street
Edinburgh
EH3 7TN
United Kingdom

Report of the independent auditors' to DEM Solutions Limited pursuant to Section 247B of the Companies Act 1985

We have examined the abbreviated accounts set out on pages 1 to 4 together with the financial statements of DEM Solutions Limited prepared under section 226 of the Companies Act 1985 for the year ended 31 May 2005.

This report is made solely to the company's members, 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 members those matters we are required to state to them in an auditor's 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with section 246 of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with sections 246(5) and (6) of the Act to the Registrar of Companies and whether the abbreviated accounts have been prepared in accordance with those provisions and to report our opinion to you.

Basis of opinion

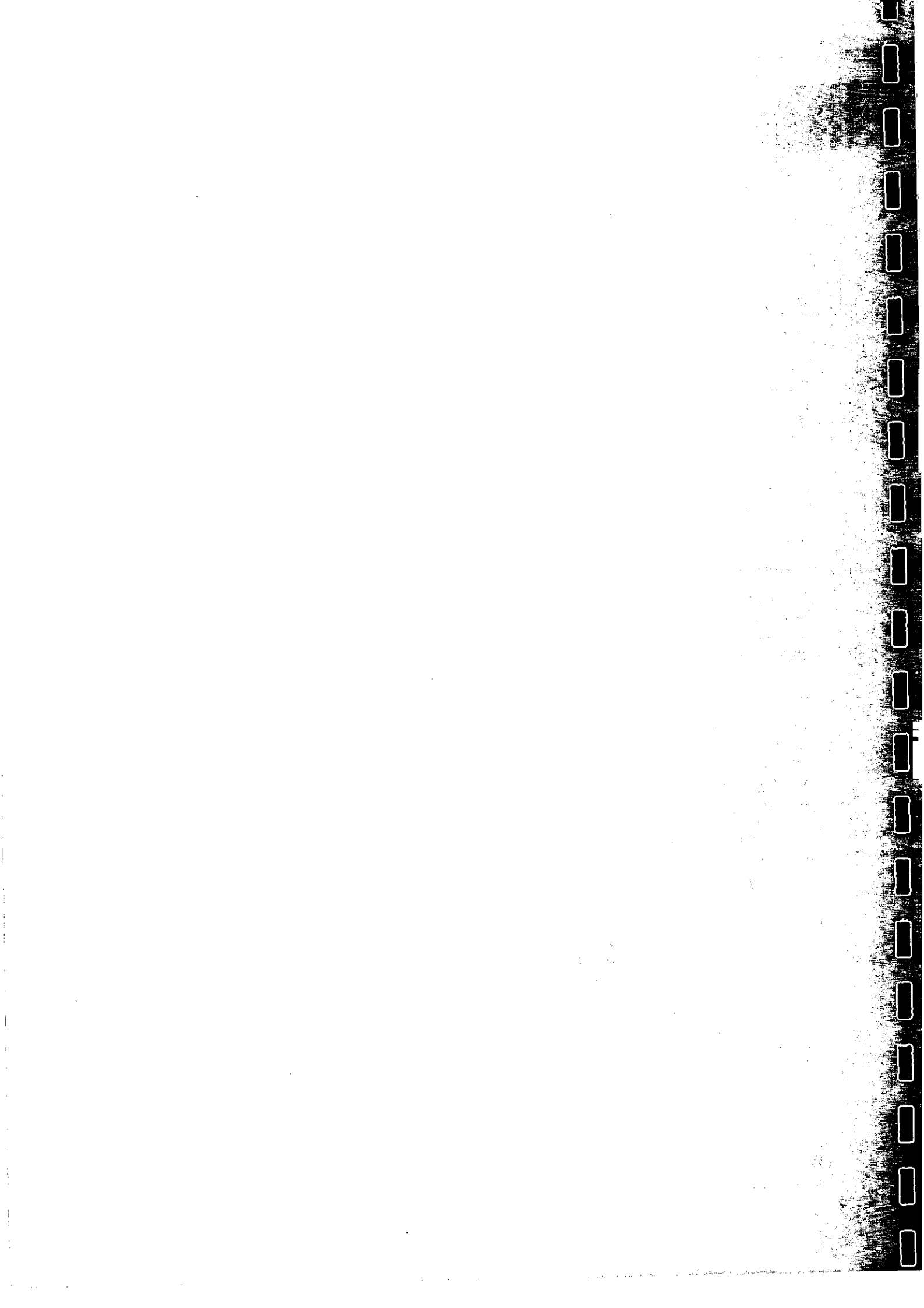
We have carried out the procedures considered necessary to confirm, by reference to the audited financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered have been properly prepared. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts in accordance with section 246(5) and (6) of the Companies Act 1985 and the abbreviated accounts are properly prepared in accordance with those sections.

Henderson Loggie
Chartered Accountants
Registered Auditors

1 July 2005





HENDERSON LOGGIE

Chartered Accountants

United Kingdom

Independent audit report to the members of DEM Solutions Limited

We have audited the accounts of DEM Solutions Limited for the year ended 31 May 2005 on pages 6 to 12. These accounts have been prepared under the historical cost accounting rules and the accounting policies set out therein.

This report is made solely to the company's members, 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 members those matters we are required to state to them in an auditor's 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 members 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 accounts in accordance with applicable law and United Kingdom Accounting Standards.

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

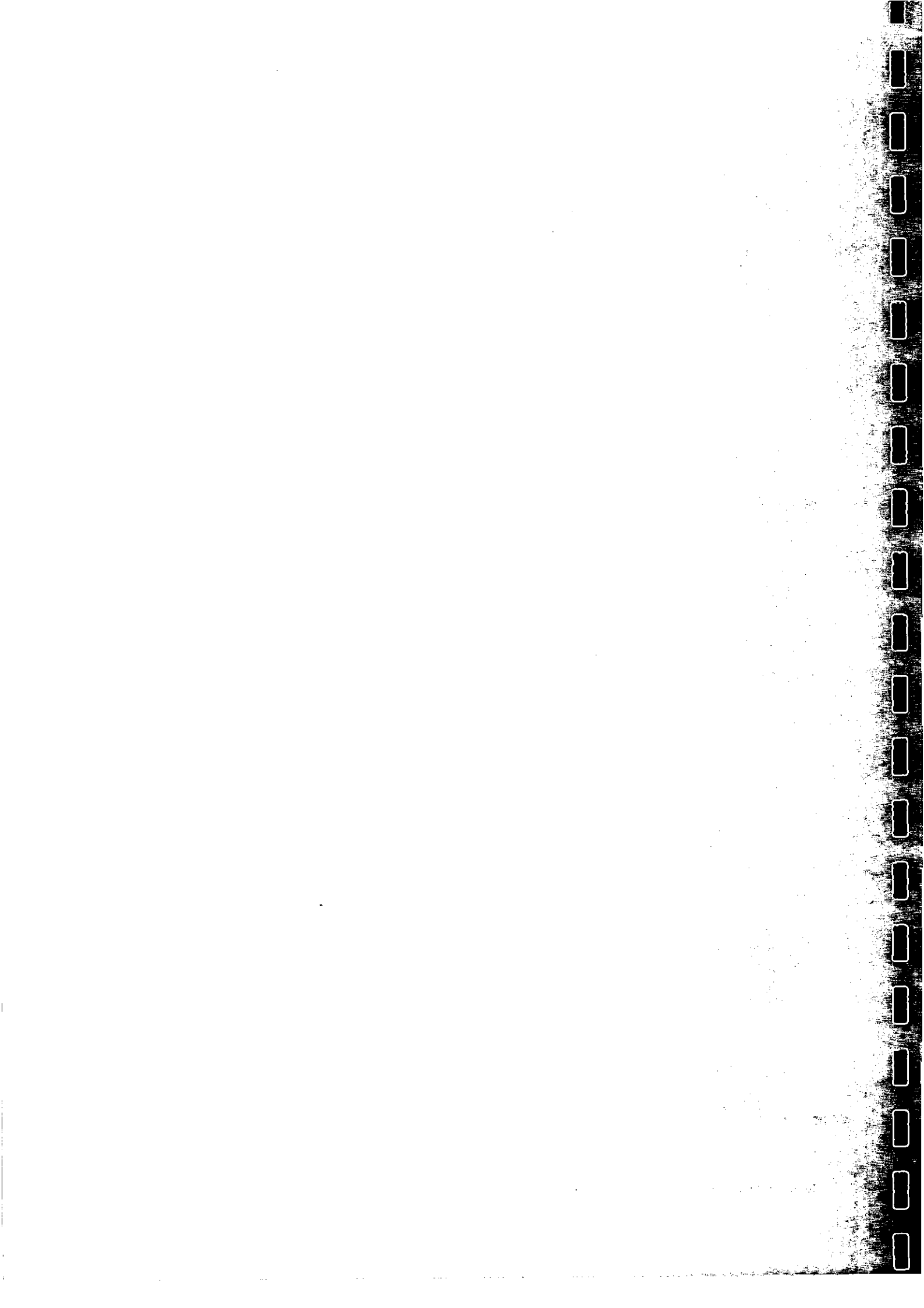
We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the company has not kept proper accounting records, 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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. However, the evidence available to us was limited because we were not appointed auditors until 23 May 2005 and in consequence it was not possible for us to perform the auditing procedures necessary to obtain sufficient appropriate audit evidence as regards opening balances. Any adjustment would have a consequential effect on the loss for the year ended 31 May 2005.



Report of the auditors to the members of DEM Solutions Limited *(continued)*

Qualified opinion arising from limitation in audit evidence about opening balances

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 May 2005 and, except for any adjustments that we might have been found to be necessary had we been able to obtain sufficient evidence concerning opening balances as at 1 June 2004, of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work relating to opening balances:

- We have not obtained all the information and explanation that we considered necessary for the purpose of our audit; and
- We were unable to determine whether proper accounting records had been maintained.



Henderson Loggie
Chartered Accountants
Registered Auditors

1 July 2005

