

IPSO Ventures plc

Annual Report and Accounts 2008

Creating commercial
value from technology



Corporate statement

IPSO Ventures creates commercial value from intellectual property and technology generated by universities and other research institutions. IPSO Ventures provides funding, team building, business development, corporate finance advice, licencing expertise and facilitates both the initial establishment as well as the eventual exits for spin-out companies.

Highlights	1
Our methodology	2
Chairman and Chief Executive's review	4
Directors and advisers	7
Corporate governance statement	8
Directors' remuneration report	10
Directors' report	12
Statement of Directors' responsibilities	15
Independent auditors' report	16
Consolidated income statement	17
Consolidated statement of changes in equity	17
Consolidated balance sheet	18
Consolidated cash flow statement	19
Notes to the consolidated financial statements	20
Company income statement	32
Company statement of changes in equity	32
Company balance sheet	33
Company cash flow statement	34
Notes to the company financial statements	35
Notice of annual general meeting	38
Form of proxy	39

Our highlights

- first Loughborough spin-out, Axilica Limited, incorporated in September 2007
- value enhancing 'assets' added to all existing investments
- significant progress with our framework agreement with Loughborough University
- additional seed investment in three existing spin-out companies
- initial investments entering growth phase and achieving first revenues
- second Loughborough spin-out, Polyfect Solutions Limited, incorporated since the year end

Our methodology

From idea to exit



01

Evaluate

- Technology assessment
- Market assessment
- Management review
- Licensing assessment

02

Establish

- IP verification
- Market research
- Business plan
- Assess exit route
- Identify and hire key management
- Company information
- Initial investment



03

Develop

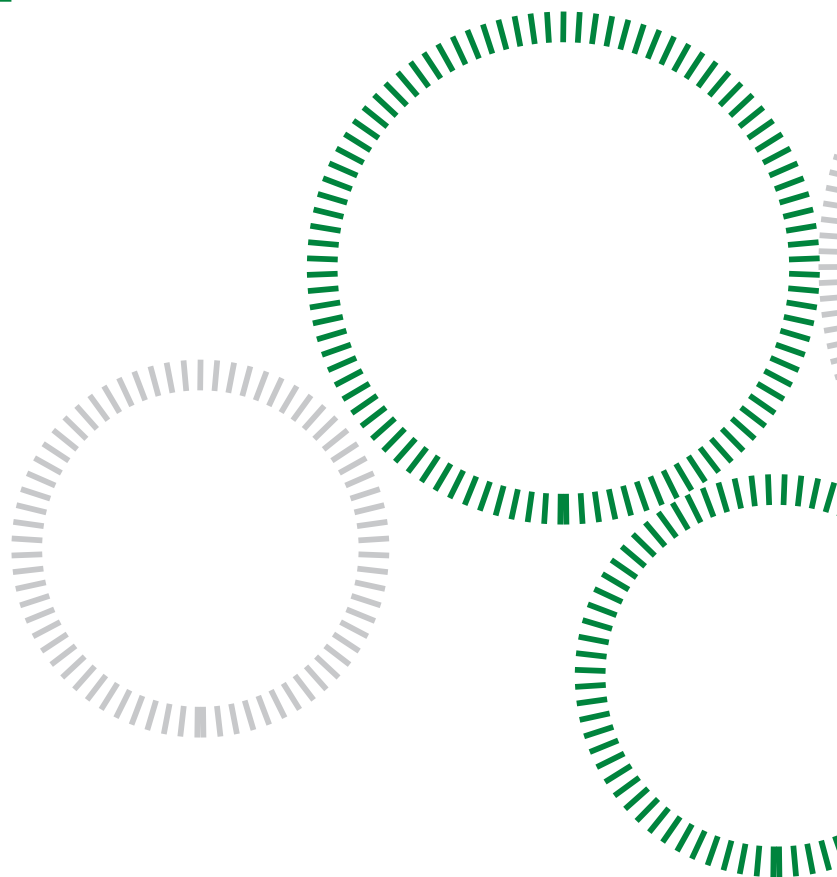
- Hire NEDs
- Additional management
- Assist with follow on financing
- Corporate finance advice
- Strategic advice

04

Exit

- Licence
- Trade sale
- Merger
- IPO

Chairman and Chief Executive's review



Highlights

IPSO Ventures plc ('IPSO') is pleased to report material progress in the year to 30 April 2008. During the period we invested £775,000 in new and existing spin-outs, as well as adding valuable 'assets' to these fledgling businesses. The nature of these assets varies from case to case but usually includes improvement in human capital, ensuring that products are developed on time and within budget, assisting with the negotiation of commercial contracts with third parties and enabling the generation of first revenues.

Our relationship with Loughborough University continues to flourish. We invested in our first Loughborough spin-out, Axilica Limited, in September 2007, within six months of the commencement of the agreement, and we recently created our second spin-out, Polyfect Solutions Limited. IPSO has the full support of Shirley Pearce, Vice Chancellor of Loughborough, to exploit technology opportunities in key research areas such as IT, materials, chemistry and environmental and energy technologies.

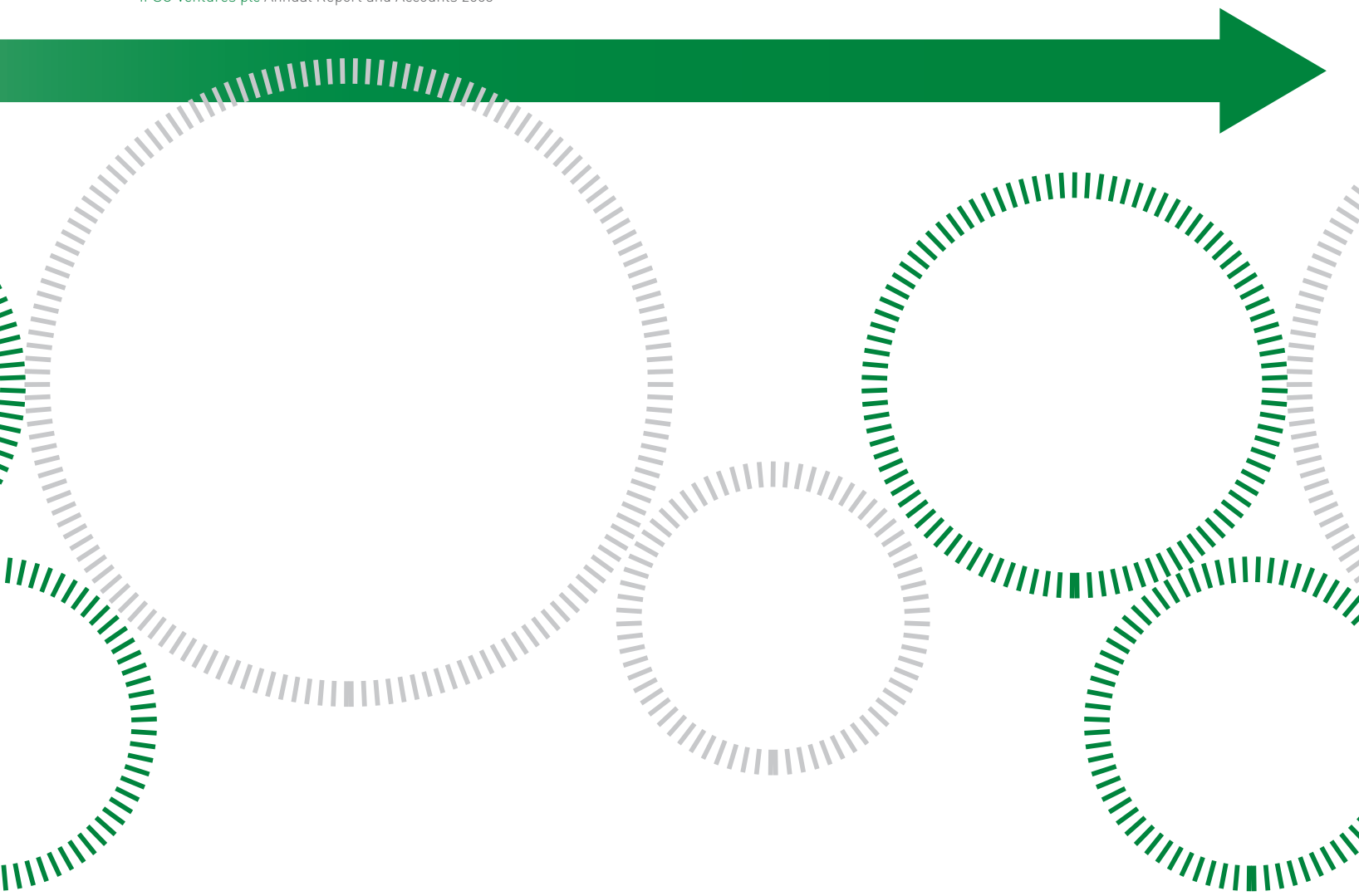
Outside Loughborough, we continued to develop our technology access, gaining knowledge of IP sources across the UK and Western Europe. We also invested further funds in our existing spin outs, Medermica Limited (formerly Intelligent Wound Care Limited), Therakind Limited and WildKey Limited.

Investments

Axilica Limited, our first spin out from Loughborough, is developing a software tool for the electronic design automation market. Using UML, it brings software design techniques to hardware design thereby speeding up the process and reducing the cost. Since formation, we have recruited a VP of business development and a non executive director with considerable senior management experience at Cadence Systems Inc, one of the world's leading EDA companies. The software tool is currently in beta testing with potential customers.

Medermica Limited, from Imperial College, is developing devices to enable clinicians to make informed assessments of the health of tissues. A prototype device has been developed and is now being tested prior to deployment in research settings.

We have added sector specific business development skills to the team to identify and engage with commercial partners.



Therakind Limited, which specialises in creating children's medicines, was a spin-out from the School of Pharmacy, University of London. Therakind is now taking forward a number of products with its partners and has started to generate revenue using its considerable scientific knowledge base and relationships.

We have helped the COO to secure the first revenues for this business and to negotiate with potential product development partners. A regulatory affairs adviser has been recruited and further medical and pharmacokinetic expertise added.

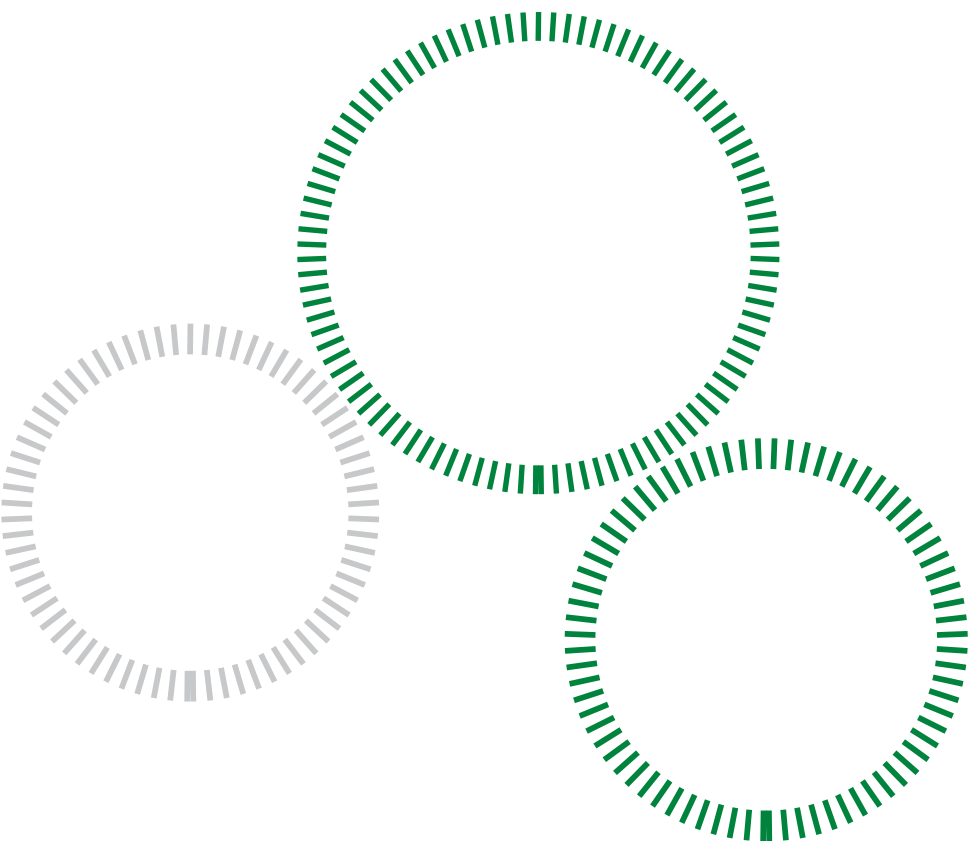
WildKey Limited, from Oxford Brookes University, is now developing its market-leading e-learning products for SmartPhone applications as well as for the educational PDA market and is steadily increasing its revenues. The company has already established itself as a leading provider in the sector.

Outlook

In an environment where there is a perception that capital markets have little appetite for the provision of additional funding, IPSO is able to continue progress by applying existing in-house funds to develop its portfolio companies and prospective spin-outs. We are seeking to create additional spin-outs from Loughborough, as well as combining exciting technologies from the wider market, and are able to do so without undue reliance on capital markets. We have taken prudent steps to optimise our cost base and, in revenue terms, we are working towards achieving our first exit during this financial year.

Meanwhile, the value of our informal relationships has become increasingly apparent during the year. We continue to invest time and energy in assessing the technology portfolios of other universities and research institutions across a wide geographical base. Also, and with equal emphasis, we are developing our connections with industry in order to address the demand for specific technologies. These connections are proving exceptionally valuable to the universities and corporates involved and, consequently, to IPSO.

Chairman and Chief Executive's review continued



Financial and operational review

Investment activities

During the year the Group invested a total of £775,000:

- In July 2007, we invested a further £270,000 in Medermica Limited, which is eliminated on consolidation, and a further and final investment of £270,000 is scheduled in the current financial year.
- In June 2007, we made a further planned investment of £300,000 in Therakind Limited.
- In September 2007, we increased our investment in WildKey Limited to £61,000 and, just after the year end, we added a further £30,000 to take the total invested to £91,000. These additional investments have provided necessary working capital allowing WildKey Limited to develop its products for SmartPhones.
- In September 2007, we invested £165,000 in Axilica Limited and we plan to invest a second tranche of funding in the period to April 2009.
- Investments in potential projects amounted to £24,000.

Operating costs

Operating costs reflected a full complement of staff to service our industry and academic relationships and to control and develop the business. Our core team of staff is highly focused and we complement this with outside resources where required. Operating costs also included £274,000 of research and development expenses for Medermica Limited, which is currently a wholly-owned subsidiary.

Exceptional administrative expenses

Earlier this year, we identified a potential acquisition which would have strengthened the Group. We secured the appropriate funding for the acquisition; however the vendors decided to discontinue the transaction at a late stage. We have therefore expensed legal and other costs totalling £109,408.

Cash

At the year end the Group had cash and short-term investments totalling £2,677,140 (2007: £4,247,641).

Simon Hunt

Executive Chairman
31 July 2008

Nick Rodgers

Chief Executive
31 July 2008

Directors and advisers

01. Simon Hunt

Executive Chairman

Simon is a co founder of IPSO Ventures and leads our spin-out activities. He trained as a corporate lawyer, specialising in corporate finance and M&A as well as intellectual property law, before moving into venture capital management with Gartmore Investment Management Limited, focusing mainly on technology in the US. He later added public company operational experience as well as corporate finance and M&A. Simon has worked with companies at all stages of their development both in the UK and the US. He is Non-executive Chairman of GEM Biofuels plc, Strathdon Investments plc as well as a number of private companies.

02. Nick Rodgers

Chief Executive

Nick is a co founder of IPSO Ventures and is responsible for sourcing new technology and relationships. Nick trained as an accountant and then became an investment banker specialising in life sciences. Between 1989 and 2003 he worked for Beeson Gregory (later Evolution Securities) and was responsible for a significant number of IPOs, fundraisings and acquisitions involving life sciences and other companies. As part of his role within Beeson Gregory he was involved in the establishment of the Oxford and Southampton partnerships for IP2IPO plc (now IP Group plc). Nick is also the Senior Independent Director and Deputy Chairman of Oxford Biomedica plc and a Non-executive Director of TMO Renewables Limited and Morvus Technology Limited.

03. Simon Haworth

Director

Simon is a co founder of IPSO Ventures. He is responsible for development of portfolio companies, for the development of our industry links, and for the management of team building activities. Simon is also a founder director of international recruiter BSG Team Ventures which underpins our team building work and gives IPSO portfolio companies preferential access to a vast international network of connections and potential CEOs, Chairmen/NEDs and other senior executives. Simon has built teams for many startups and for venture capitalists themselves, has founded or co founded four companies following training with Arthur Andersen and holds a PhD in Economics ('The growth of firms').

04. Michael Baines

Non-executive Director

Michael has worked in the financial services industry for 25 years. From 1985–2000 he was at Robert Fleming & Co, an international asset management and investment banking group, where he held senior positions in asset management, securities trading and investment banking. Key roles included head of risk management and deputy chairman at Robert Fleming Securities. Michael was also a main board director at the bank between 1994 and 1998. Michael currently acts as consultant to Atlas Capital Limited, a specialist hedge fund group, and is a Non-executive Director of MG Capital plc and Church House Trust plc. He is also an active seed investor in technology focused companies.

05. Dr Peter Knox

Non-executive Director

After graduating from Oxford University, Peter spent over a decade as an academic in the field of biochemistry at the University of Birmingham and St George's Hospital Medical School, London. Peter has held senior management positions in several companies including Group Chief Scientist for Amersham International plc and head of department at Glaxo Group Research Ltd. Peter was managing director of Metris Therapeutics Limited until 2005. Metris is a University of Cambridge spin-out that specialises in research and development of medicines that treat gynaecological or women's health disorders. He is Non-executive Director of Metris Therapeutics Limited and The Automation Partnership plc. Recently Peter has been appointed Visiting Professor at Imperial College London.

Company registration number

5859612

Registered office

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Covent Garden
London WC2N 4HS

Company secretary

Cargil Management Services Limited
27/28 Eastcastle Street
London W1W 8DH

Nominated adviser and broker

Ambrian Partners Limited
8 Angel Court
London EC2R 7HP

Registrars

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

Bankers

HSBC Bank plc
16 King Street
London WC2E 8JF

Solicitors

Memery Crystal
44 Southampton Buildings
London WC2A 1AP

Public relations

Rawlings Financial PR Limited
2 Howsham
York YO6O 7PH

Independent auditors

Deloitte & Touche LLP
City House
126–130 Hills Road
Cambridge

Corporate governance statement

While the Group is not required to report on compliance with the Combined Code of Corporate Governance ('the Code') since its shares are traded on Alternative Investment Market ('AIM'), we make every effort to comply, where relevant, to a company of our size.

The Company is committed to the principles of corporate governance contained in the Code that was issued in 2006 by the Financial Reporting Council for which the Board is accountable to shareholders.

Directors

Board effectiveness

The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board sets the Company's strategic aims, ensures that the necessary financial and human resources are in place for the Company to meet its objectives and reviews management performance. The Board also sets the Company's values and standards and ensures that its obligations to its shareholders and others are understood and met.

All Directors take decisions collectively and objectively in the interests of the Company, taking into account their respective roles as Executive and Non-executive Directors.

The Board manages these matters at its regular meetings. Reports are delivered to the Board by the Executive Directors covering key aspects of the business, its strategy and financial position. This ensures that all Directors are aware of the overall performance of the Group and are able to scrutinise and monitor it effectively.

Board meetings and decisions

The Board meets regularly and expects to meet at least ten times a year. In 2008 the Board met a total of 16 times, of which eleven were scheduled Board meetings. The Board has a schedule of matters which are reserved for its decision which includes: senior appointments; approval of interim and annual financial statements; business strategy and budgets; substantial investments; commitments and disposals; financing; executive remuneration and litigation.

Each Board member is supplied with a pack of financial and operational information sufficient for the Board to discharge its duties.

Attendance at scheduled Board meetings:

Simon Hunt	10 (out of 11)
Nick Rodgers	11 (out of 11)
Simon Haworth	11 (out of 11)
Peter Knox	11 (out of 11)
Michael Baines	11 (out of 11)

Directors

The Board consists of three Executive Directors and two Non-executive Directors. Biographies of the Directors are set out on page 7.

In accordance with the Code, the Company is deemed a 'Smaller Company' and meets the requirement to have at least two Non-executive Directors.

The two principal founders of IPSO are Simon Hunt and Nick Rodgers who are Executive Chairman and Chief Executive respectively. Due to the early stage of the business and the fact that they work very closely together, there is no formal division of responsibilities as would typically be expected to apply to these roles. In addition to being Chief Executive, Nick Rodgers is also responsible for the financial direction of the business and the Group Financial Controller reports to him.

As the business grows and develops it is envisaged that the responsibilities of each will be more closely defined and the Board will keep the matter under careful review to ensure that the management team works effectively and efficiently.

The Board does not believe it appropriate to appoint a Senior Independent Director given the size and development of the Company. The Board will keep this matter under review.

The Non-executive Directors provide a wide range of skills and experience to the Group. They bring independent judgement on matters such as risk, business strategy and performance and contribute both at Board meetings and on an ad hoc basis at other times. The Board considers that the Non-executive Directors are both independent in character and judgement and meet the independence criteria set by the Code.

All Directors may take independent professional advice at the Company's expense. The Directors also have access to the impartial advice of the Company Secretary who is responsible for ensuring that the Board procedures are followed.

Whilst the Board retains overall responsibility for the Company, the day-to-day management of the business is conducted by the Executive Directors. The Board also delegates specific responsibility to certain Committees such as the Audit and Remuneration Committees. Each Committee has its own terms of reference set by the Board.

Performance evaluation

The performance of each Director and of each Committee of the Board is formally evaluated annually. The Non-executive Directors meet to consider the performance of the Executive Directors and the Non-executive Directors' performance is considered by the Executive Directors. This year reviews took place in March 2008.

Committees of the Board

Audit Committee

The Audit Committee, which was established in February 2007, has written terms of reference and met three times during the current financial year. The members of the Audit Committee are Michael Baines and Peter Knox. Michael Baines chairs the Committee and has considerable financial experience gained in a long career in stockbroking, investment banking and investment management. Both members of the Audit Committee attended all meetings of the Committee.

The Audit Committee is required to meet at least twice per year to discuss the interim and preliminary announcements of results. It monitors the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance. It reviews the Company's internal financial controls and the internal control and risk management systems. It makes recommendations to the Board in relation to the appointment, re-appointment and removal of external auditors and approves the remuneration and terms of engagement of the external auditors. The Audit Committee is also responsible for agreeing the level of audit fees and monitoring the provision of non-audit services provided by the external auditors. The Audit Committee assesses the likely impact on the auditors' independence and objectivity before awarding them any material contract for additional services.

The Audit Committee invites the Chief Executive, Group Financial Controller, all Executive Directors and the external auditors to attend all of its meetings in full, although it reserves the right to request any of these individuals to withdraw.

During the current financial year, the Audit Committee has inter alia:

- agreed the fees to be paid to the external auditors for their audit of the 2008 accounts;
- reviewed and agreed the scope of the audit work to be undertaken by the auditors; and
- reviewed the financial statements in the 2008 report and accounts. As part of this review the Committee received a report from the external auditors on their audit of the Annual Report.

Remuneration Committee

The Remuneration Committee, which was established in February 2007, has written terms of reference and met twice in the period since its establishment. The members of the Committee are Peter Knox and Michael Baines who are both independent, Non-executive Directors. The Committee is chaired by Peter Knox.

No member of the Committee has any personal financial interest other than as shareholders, conflicts of interest arising from cross directorships or day-to-day involvement in running the business. The objective of the Remuneration Committee is to develop remuneration packages for Executive Directors that enable the Group to attract, retain and motivate executives of appropriate calibre without paying more than is necessary. No Director plays a part in any discussion about his or her own remuneration. The Board's policy on executive remuneration and the details of Executive Directors' individual remuneration are set out in the Directors' remuneration report on pages 10 to 11.

Nomination Committee

Due to the size of the Board the Directors do not consider it necessary to have a Nomination Committee. Appointment of Directors is therefore considered by the whole Board.

Internal control

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Executive Directors are actively involved in all aspects of the Group's business and this allows the Board to continually monitor and assess significant business, operational, financial and other risks and to review the effectiveness of internal controls. The Board meets monthly and has reports from the Executive Directors covering, inter alia, financial performance, university partnerships, investments and administration.

The Board annually reviews the effectiveness of all significant aspects of internal control. The review in 2008 did not highlight any matters that require reporting to shareholders.

The Board has procedures in place which incorporate the recommendations on internal control: guidance for Directors on the Combined Code (Turnbull).

Relations with shareholders

The Company is committed to having a constructive and regular dialogue with its shareholders. The Board's primary contact is through the Executive Chairman and the Chief Executive. The Company's website provides detailed information about the Group, including all the information necessary to comply with the AIM rules regarding investor relations.

The Annual General Meeting is one of the main opportunities for the Board to communicate with the Company's non-institutional shareholders and the Board welcomes all shareholder participation at that meeting.

Financial risk management objectives and policies

Financial risk management objectives and policies are set out in note 14 to the financial statements.

Directors' remuneration report

Unaudited information

Remuneration policy for the Executive Directors

Executive remuneration packages are prudently designed to attract, motivate and retain Directors of the high calibre needed to maintain the Group's position and to reward them for enhancing value to shareholders. The performance measurement of the Executive Directors and key members of senior management and the determination of their annual remuneration package are undertaken by the Remuneration Committee.

There are five main elements of the remuneration package for Executive Directors and senior management:

- basic annual salary;
- benefits-in-kind;
- annual bonus payments;
- share and share option incentives; and
- pension arrangements.

The Company's policy is that a substantial proportion of the remuneration of the Executive Directors should be performance related. As described below, Executive Directors may earn annual incentive payments together with the benefits of participation in share schemes and share option schemes.

Executive Directors are entitled to accept appointments outside the Company providing that the Remuneration Committee's permission is sought.

Basic salary

An Executive Director's basic salary is reviewed by the Committee prior to the beginning of each year and when an individual changes position or responsibility. In deciding appropriate levels, the Committee considers the Group as a whole and relies on objective research which gives up-to-date information on a comparator group of companies within the sector. Basic salaries were set in October 2006 and last reviewed in March 2008. Executive Directors' contracts of service, which include details of remuneration, will be available for inspection at the Annual General Meeting.

Benefits-in-kind

The Executive Directors receive certain benefits-in-kind, principally private medical insurance.

Annual bonus payments

The Committee establishes the objectives that must be met for each financial year if a cash bonus is to be paid. The Committee believes that any incentive compensation awarded should be tied to the interests of the Company's shareholders and that the principal measure of those interests is total shareholder return. Account is also taken of the relative success of the different parts of the business for which the Executive Directors are responsible and the extent to which the strategic objectives set by the Board are being met.

Long-term incentive plan and unapproved share option plan

The Long-term Incentive Plan ('LTIP') was established in February 2007. Awards under the LTIP may take the form of conditional shares, forfeitable shares or nil cost options. The Remuneration Committee will, when making awards, determine appropriate performance conditions which will be measured over a minimum of three years.

No awards have yet been made to any Director under the LTIP.

The Unapproved Share Option Plan was established in February 2007. No options were granted to Executive Directors during 2008.

Pension arrangements

Executive Directors are entitled to a contribution of 10% of salary payable to a personal pension scheme of their choice.

Directors' contracts

It is the Company's policy that Executive Directors should have contracts with an indefinite term providing for a maximum of one year's notice.

Non-executive Directors

All Non-executive Directors have specific terms of engagement and their remuneration is determined by the Board within the limits set by the Articles of Association. The basic fee paid to each Non-executive Director in the year was £20,000. The Non-executive Directors receive further fees for additional work performed for the Company in respect of membership of the Remuneration Committee and Audit Committee. The additional fees paid during the year were at a rate of £2,000 per Committee membership. Non-executive Directors cannot participate in any of the Company's share option schemes and are not eligible to benefit from the Company's pension arrangements. Michael Baines was awarded 20,000 options under an individual option agreement immediately prior to his appointment and in recognition of his assistance in the early stages of the Company. These options were converted at the time of the Company's admission to AIM to an option over 60,000 ordinary shares at an exercise price of 42.5p per share.

Audited information**Aggregate Directors' remuneration**

The total amounts for Directors' remuneration were as follows:

Name of Director	Fees/basic salary £	Consideration paid to third parties £	Benefits-in-kind £	Pension £	Annual bonuses £	2008 total £	2007 total £
Executive							
Simon Hunt	120,000	—	—	12,000	—	132,000	97,000
Simon Haworth ¹	—	50,000	—	—	—	50,000	27,500
Nick Rodgers	120,000	—	—	12,000	—	132,000	97,000
Non-executive							
Michael Baines	24,000	—	—	—	—	24,000	34,730
Peter Knox	40,000	—	—	—	—	40,000	24,688
Total emoluments	304,000	50,000	—	24,000	—	378,000	280,918

¹ £50,000 (2007: £27,500) was paid to Team Ventures Limited, a company controlled by Simon Haworth, in respect of Simon Haworth's services as a Director.

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the Directors. No options were exercised during the year.

Details of options for Directors who served during the year are as follows:

Name of Director	1 May 2007	Granted	Exercised	30 April 2008	Exercise price	Date from which exercisable	Expiry date
Michael Baines	60,000	—	—	60,000	42p	01/06/08	01/06/11

There are no performance conditions attached to these options and there have been no variations to the terms and conditions during the year.

The market price of the ordinary shares at 30 April 2008 was 84.5p and the range during the year was 80.5p to 90.0p.

Approval

This report was approved by the Board of Directors on 31 July 2008 and signed on its behalf by:

Peter Knox

Chairman of the Remuneration Committee

31 July 2008

Directors' report

The Directors present their report and the consolidated financial statements of the Group for the year ended 30 April 2008.

Principal activities

The principal activity of the Company during the year was that of a holding company. The principal activity of the Group is the creation of commercial value from intellectual property and technology and the provision of related advice and services. IPSO seeks to capitalise on the high-quality research and IP that is generated by universities and other research institutions, particularly in the areas of life sciences, environmental sciences and technology.

Results and dividends

The Group made an overall loss of £1,173,739 (2007: £868,652) for the year ended 30 April 2008, as was expected in this early phase of the business. The Directors do not recommend the payment of a dividend.

The Group's results for the year also include the results for Medermica Limited (formerly Intelligent Wound Care Limited), the Group's subsidiary, which is developing medical devices.

The Balance sheet on page 18 shows the net assets of the Group at 30 April 2008. The principal assets were cash and short-term deposits totalling £2,677,140 (2007: £4,247,641).

Capital structure

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 16. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in note 19. Shares held by the IPSO EBT Limited on behalf of The IPSO Employee Benefit Trust abstain from voting.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Companies Acts and related legislation. The Articles themselves may be amended by special resolution of the shareholders.

Under its Articles of Association, the Company has authority to issue 20,000,000 ordinary shares.

Post balance sheet events

Full details of all significant post balance sheet events are set out in note 21 to the financial statements.

Business review

During the year ended 30 April 2008 the Group made one new investment and three follow-on investments. A more detailed review of the Group's business is set out in the Chairman and Chief Executive's review on pages 4 to 6.

Key performance indicators

The Directors consider that the Group's key performance indicators are:

- the rate of formation of spin-out companies;
- increasing the value of the spin-out investments owned by the Group;
- realising investments, especially for cash; and
- controlling operating costs.

Research and development

The Group invests in spin-out companies, many of which are funding research and development. The Group's subsidiary, Medermica Limited, is also involved in the development of medical devices and, in the year ended 30 April 2008, spent a total of £274,000 on such development.

Principal risks and uncertainties

The Directors consider that the Group is exposed to a number of risks and uncertainties.

- the Group is at an early stage of development and, although it is following a model which has been successful for others, there can be no guarantee that IPSO will ultimately be successful;
- there may be changes in legislation or Government policy regarding the commercialisation of intellectual property which render the business model unworkable or less able to create value;
- the loss of key personnel would affect the Group;
- there can be no guarantee that Loughborough University will continue to create commercially valuable intellectual property;
- the failure of one or more investments could significantly affect the overall value of the Group and therefore its standing with investors and/or universities; and
- as the business develops the Group is likely to require more capital to make investments and there can be no guarantee that investors will support such a fundraising. If the Group is unable to raise money then any significant expansion will need to be curtailed.

The Board regularly reviews the risks facing the Group and seeks to avoid or mitigate those risks if possible and commercially desirable.

The Directors and their interests in the shares of the Company

The Directors who served the Company throughout the year together with their beneficial interests, including family holdings, in the shares of the Company were as follows:

	Ordinary shares of £0.05 each		Options
	At 30 April 2008	At 30 April 2007	
Simon Hunt ¹	1,511,765	1,511,765	—
Nick Rodgers ²	1,558,824	1,558,824	—
Simon Haworth	529,410	529,410	—
Peter Knox	29,412	29,412	—
Michael Baines ³	47,059	47,059	60,000

Notes

- 1 300,000 of these ordinary shares are held by Simon Hunt's wife, Anna Rosina Gow Hunt, and 11,765 shares are held by JM Finn Nominees Limited on behalf of Simon Hunt.
- 2 300,000 of these ordinary shares are held by Nick Rodgers and his wife, Thea Rodgers, as trustees of both the Thea Rodgers Children's Settlement and the Nick Rodgers Children's Settlement.
- 3 47,059 of these shares are held by Roy Nominees on behalf of Michael Baines.

Substantial shareholders

As at 30 April 2008 and at 30 July 2008 the Company had been advised of the following shareholders with interests of 3% or more in its ordinary share capital:

	Number	Percentage
Credit Suisse Client Nominees (UK) Limited ¹	5,588,233	44.50
Wittington Investments Limited	1,176,470	9.36
Bears Stearns Securities Corporation ²	1,176,470	9.36

1 Shares held on behalf of RAB Special Situations (Master) Fund Limited.

2 Shares held on behalf of Firebird Global Master Fund Limited and Firebird Global Master Fund II Limited.

Creditor payment policy

The Company and its subsidiaries agree the terms of payment when agreeing the terms and conditions for their transactions with suppliers. Payment is made in compliance with those terms, which is normally within 30 days of the invoice being received.

Going concern

IPSO Ventures is an intellectual property commercialisation business which creates commercial value from technology. At this stage in its development it is expected that the Group will continue to invest its funds without seeing any immediate financial return by way of realisation of those investments. The Board anticipates that, in the future, investments will be sold and income generated therefrom, but there is no certainty that the Group will have adequate resources to continue investing and additional financing may be required.

The Directors confirm that they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they have adopted the going concern basis in preparing the financial statements.

Directors' report continued

Charitable and political donations

The Group made no charitable contributions during the year (2007: £nil). The Group did not make any political donations in either year.

Directors' share options

Details of Directors' share options are provided in the Directors' remuneration report on page 11.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings.

Auditors

In the case of each person who is a Director of the Company at the date when this report is approved:

- so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Company's auditors are unaware; and
- each of the Directors has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to appoint them will be proposed at the forthcoming Annual General Meeting.

Signed by order of the Directors:

Simon Hunt

Executive Chairman
31 July 2008

Registered office

53 Chandos Place
Covent Garden
London WC2N 4HS

Statement of directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The Directors are required by the IAS Regulation to prepare the Group financial statements under IFRS as adopted by the European Union and have also elected to prepare the parent company financial statements in accordance with IFRS as adopted by the European Union. The financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. However, Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report

To the members of IPSO Ventures plc

We have audited the Group and parent company financial statements ('the financial statements') of IPSO Ventures plc for the year ended 30 April 2008 which comprise the Consolidated and individual Company income statements, the Consolidated and individual Company balance sheets, the Consolidated and individual Company cash flow statements, the Consolidated and individual Company statements of changes in equity and the related notes 1 to 33. These financial statements have been prepared under 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 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 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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and IFRS as adopted by the European Union are set out in the Statement of directors' responsibilities.

Our responsibility is to audit the financial statements 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 are 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. The information given in the Directors' report includes that specific information presented in the Chairman and Chief Executive's review that is cross referenced from the Business review section of the Directors' report.

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 the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. 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 outside the Annual Report.

Basis of audit 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 judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group and 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 by the European Union, of the state of the Group and the parent company's affairs as at 30 April 2008 and of the Group and the parent company's losses for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors, Cambridge, United Kingdom
1 August 2008

Consolidated income statement

For the year ended 30 April 2008

	Note	2008 £	2007 £
Revenue		—	—
Cost of sales		—	—
Gross profit		—	—
Other operating income		3,225	—
Administrative expenses		(1,112,128)	(647,242)
– exceptional aborted acquisition costs	6	(109,408)	—
– other administrative expenses		(1,002,720)	(647,242)
Research and development expenses		(274,000)	(270,000)
Operating loss		(1,382,903)	(917,242)
Investment revenues from cash and cash equivalents	8	200,358	49,080
Loss before tax		(1,182,545)	(868,162)
Tax	9	8,806	(490)
Loss for the year attributable to equity holders of the parent	6	(1,173,739)	(868,652)
Loss per share			
Basic and diluted	10	(9)p	(18)p

All results derive from continuing operations.

Consolidated statement of changes in equity

For the year ended 30 April 2008

	Share capital £	Own shares £	Share premium £	Share option reserve £	Other reserve £	Retained losses £	Total £
At 30 April 2006	1,177	—	—	—	—	(62,283)	(61,106)
Issue of share capital	625,647	—	4,941,281	—	(176,469)	—	5,390,459
Transfer of shares on reverse acquisition	(1,177)	—	—	—	1,177	—	—
Consolidated loss for the year	—	—	—	—	—	(868,652)	(868,652)
Employee share option charge	—	—	—	13,676	—	—	13,676
At 30 April 2007	625,647	—	4,941,281	13,676	(175,292)	(930,935)	4,474,377
Issue of share capital	2,235	—	37,765	—	—	—	40,000
Own shares held by Employee Benefit Trust	—	(40,000)	—	—	—	—	(40,000)
Consolidated loss for the year	—	—	—	—	—	(1,173,739)	(1,173,739)
Employee share option charge	—	—	—	34,210	—	—	34,210
At 30 April 2008	627,882	(40,000)	4,979,046	47,886	(175,292)	(2,104,674)	3,334,848

Consolidated balance sheet

30 April 2008

	Note	2008 £	2007 £
Non-current assets			
Property, plant and equipment	11	9,121	12,146
Investments	13	681,027	175,582
		690,148	187,728
Current assets			
Other receivables	14	137,984	158,256
Cash and cash equivalents	14	2,677,140	4,247,641
		2,815,124	4,405,897
Total assets		3,505,272	4,593,625
Current liabilities			
Trade and other payables	15	(170,340)	(118,758)
Net current assets		2,644,784	4,287,139
Non-current liabilities			
Deferred tax liabilities	9	(84)	(490)
Total liabilities		(170,424)	(119,248)
Net assets		3,334,848	4,474,377
Equity			
Share capital	16	627,882	625,647
Share premium		4,979,046	4,941,281
Own shares		(40,000)	—
Share option reserves	19	47,886	13,676
Other reserve		(175,292)	(175,292)
Retained losses	17	(2,104,674)	(930,935)
Equity attributable to equity holders of the parent		3,334,848	4,474,377

The financial statements were approved by the Board of Directors and authorised for issue on 31 July 2008. They were signed on its behalf by:

Simon Hunt
Director
31 July 2008

Consolidated cash flow statement

For the year ended 30 April 2008

	Note	2008 £	2007 £
Net cash from operating activities	18	(1,262,670)	(1,001,446)
Investing activities			
Interest received		200,358	49,080
Purchases of property, plant and equipment		(2,744)	(15,942)
Payments to acquire investments		(505,445)	(175,582)
Net cash used in investing activities		(307,831)	(142,444)
Financing activities			
Proceeds on issue of shares		—	6,135,995
Cost of share issue		—	(745,538)
Net cash from financing activities		—	5,390,457
Net (decrease)/increase in cash and cash equivalents		(1,570,501)	4,246,567
Cash and cash equivalents at beginning of year		4,247,641	1,074
Cash and cash equivalents at end of year		2,677,140	4,247,641

Notes to the consolidated financial statements

For the year ended 30 April 2008

1. General information

IPSO Ventures plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 7. The nature of the Group's operations and its principal activities are set out in note 5 and in the Chairman and Chief Executive's review on pages 4 to 6.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

2. Adoption of new and revised standards

In the current year, the Group has adopted IFRS 7 'Financial Instruments: Disclosures' which is effective for annual reporting periods beginning on or after 1 January 2007, and the related amendment to IAS 1 'Presentation of Financial Statements'. The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital (see notes 14 and 15).

Four Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are:

- IFRIC 7 'Applying the Restatement Approach' under IAS 29, 'Financial Reporting in Hyperinflationary Economies';
- IFRIC 8 Scope of IFRS 2;
- IFRIC 9 'Reassessment of Embedded Derivatives';
- IFRIC 10 'Interim Financial Reporting and Impairment'; and
- IFRIC 11 IFRS 2 – 'Group and Treasury Share Transactions'.

The adoption of these Interpretations has not led to any changes in the Group's accounting policies.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 8 'Operating segments';
- IFRIC 12 'Service Concession Arrangements'; and
- IFRIC 14 IAS 19 – 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements 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 Group except for additional segment disclosures when IFRS 8 comes into effect for periods commencing on or after 1 January 2009.

3. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with IFRS. The financial statements have also been prepared in accordance with IFRS adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for certain financial instruments. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled solely by the Company (its subsidiaries) made up to 30 April each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

Subsidiaries include all entities, including investee companies, controlled by the Company.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Any goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Any interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Investments in associates and jointly controlled entities

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

3. Significant accounting policies continued

Investments in associates and jointly controlled entities continued

A jointly controlled entity is one over which the Group, together with one or more unrelated entities, is in a position to control the financial and operating policies of the entity.

The Group's equity investments are held with a view to realisation of capital gains and for this reason the Directors have designated such investments in associates and jointly controlled entities to be measured at fair value through profit or loss in accordance with IAS 39 'Financial Investments: Recognition and Measurement'.

Other investments

Investments over which the Group does not exercise control or significant influence are recognised at fair value.

Operating loss

Operating loss is stated before investment income and finance costs.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable 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 recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, 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.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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 Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives using the straight-line method, on the following bases:

Computer equipment	three years
Fixtures and equipment	five years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Notes to the consolidated financial statements continued

For the year ended 30 April 2008

3. Significant accounting policies continued

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Group's development activities is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial Assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (at 'FVTPL'), 'available-for-sale' ('AFS') financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the Group is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

The fair value of unlisted investments is established using valuation techniques. The valuation methodology used most commonly by the Group is the 'price for recent investment' contained in the 'International private equity and venture capital valuation guidelines' endorsed by the British & European Venture Capital Associations. The following considerations are used when calculating the fair value of unlisted investments:

- where the investment being valued was itself made recently, its cost will generally provide a good indication of fair value; and
- where there has been any recent investment by third parties, the price of that investment will provide a basis of the valuation.

3. Significant accounting policies continued

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For shares classified as available-for-sale (AFS), a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Notes to the consolidated financial statements continued

For the year ended 30 April 2008

3. Significant accounting policies continued

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Share-based payments

The Group has applied the requirements of IFRS 2 'Share-based Payments'.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value 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 Group's estimate of shares that will eventually vest and adjusted for the effect of non market based vesting conditions.

Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

4. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group's accounting policies

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Share-based compensation

In order to calculate the charge for share-based compensation as required by IFRS 2, the Group makes estimates principally relating to the assumptions used in its option pricing model as set out in note 19.

(ii) Valuation for unquoted equity investments

As described above, investments in associates are held at fair value with changes in such fair value recorded in the Income statement. This represents a critical accounting policy of the Group. The Group relies on judgements in order to determine the appropriate valuation methodology of unquoted equity investments. These judgements include making assessments of the future earnings potential of associated companies and marketability discounts.

5. Business segments

The Group is currently divided between the core business of creating commercial value from technology and the activities of investee companies controlled by the Group and accounted for as subsidiary companies, including Medermica Limited (formerly Intelligent Wound Care Limited). The results of these business segments, all operations of which are based in the United Kingdom, were as follows:

	Core business 2008 £	Medermica Limited 2008 £	Consolidated 2008 £
Income statement			
Other operating revenue	3,225	—	3,225
Administrative expenses	(1,072,930)	(39,198)	(1,112,128)
– exceptional aborted acquisition costs	(109,408)	—	(109,408)
– other administrative expenses	(963,522)	(39,198)	(1,002,720)
Research and development expenses	—	(274,000)	(274,000)
Operating loss	(1,069,705)	(313,198)	(1,382,903)
Finance income – interest receivable	200,264	94	200,358
Loss before taxation	(869,441)	(313,104)	(1,182,545)
Tax	406	8,400	8,806
Loss attributable to equity holders	(869,035)	(304,704)	(1,173,739)
Balance sheet			
Assets	3,487,818	17,454	3,505,272
Liabilities	(105,216)	(65,208)	(170,424)
Net assets	3,382,602	(47,754)	3,334,848
Other segment items			
Capital expenditure	2,744	—	2,744
Depreciation	5,769	—	5,769

5. Business segments continued

	Core business 2007 £	Medermica Limited 2007 £	Consolidated 2007 £
Income statement			
Administrative expenses	(633,192)	(14,050)	(647,242)
Research and development expenses	—	(270,000)	(270,000)
Operating loss	(633,192)	(284,050)	(917,242)
Finance income – interest receivable	49,080	—	49,080
Loss before taxation	(584,112)	(284,050)	(868,162)
Tax	(490)	—	(490)
Loss attributable to equity holders	(584,602)	(284,050)	(868,652)
Balance sheet			
Assets	4,593,625	—	4,593,625
Liabilities	(106,198)	(13,050)	(119,248)
Net assets	4,487,427	(13,050)	4,474,377
Other segment items			
Capital expenditure	15,942	—	15,942
Depreciation	3,796	—	3,796

6. Loss for the year

Loss for the year has been arrived at after charging:

	2008 £	2007 £
Research and development costs	274,000	270,000
Depreciation of property, plant and equipment	5,769	3,796
Operating lease in respect of property	74,702	18,000
Exceptional administrative expense ¹	109,408	—
Employee costs (see note 7)	604,067	178,935

¹ The exceptional administrative expense relates to legal and professional fees that were incurred as part of an aborted acquisition, as explained in the exceptional administrative expenses section of the Chairman and Chief Executive's review.

The analysis of auditors' remuneration is as follows:

	2008 £	2007 £
Fees payable to the Company's auditors for the audit of the Company's annual accounts	7,000	6,000
Fees payable to the Company's auditors and their associates for other services to the Group		
– the audit of the Company's subsidiaries pursuant to legislation	18,900	18,000
– the audit of the Company's associates pursuant to legislation	2,100	1,000
Total audit fees	28,000	25,000
Other services pursuant to legislation		
– reporting accountant work	—	87,500
– due diligence	22,500	
– tax services	8,000	6,500
Total non-audit fees	30,500	94,000

7. Employee costs (including Directors)

	2008 £	2007 £
Salaries	481,847	141,848
Defined contribution pension cost	37,589	6,984
Employee share option charge	34,210	13,676
Employer's national insurance contributions	50,421	16,427
	604,067	178,935

The average monthly number of employees (including Executive Directors) employed by the Group during the year was five, all of whom were involved in management and administration activities (2007: four). All Company employee costs were borne by another Group Company. The Company did not have any employees during the year. Details of Directors' remuneration and gains on the exercise of share options can be found in the audited section of the Directors' remuneration report on pages 10 and 11.

Notes to the consolidated financial statements continued

For the year ended 30 April 2008

8. Investment revenues

	2008 £	2007 £
Interest on bank deposits	200,358	49,080

9. Tax

	2008 £	2007 £
Current tax	8,400	—
Deferred tax	406	(490)
	8,806	(490)

Corporation tax is calculated at 30% (2007: 30%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The (credit)/charge for the year can be reconciled to the loss per the Income statement as follows:

Consolidated tax reconciliation	2008 £	2007 £
Loss before tax	(1,182,545)	(868,162)
Tax at UK corporation tax rate of 30% (2007: 30%)	(354,764)	(260,449)
Effects of:		
Expenses not deductible for tax purposes	5,504	14,647
Research and development uplift	(26,325)	(26,325)
Research and development expenditure surrendered for tax credit	15,750	—
Research and development	(8,400)	—
Capital allowances in deficit/(excess) of depreciation	684	(774)
Tax losses carried forward	358,745	273,391
Total (credit)/charge for the year	(8,806)	490

	2008 £	2007 £
Accelerated capital allowances	(84)	(490)
Total deferred tax	(84)	(490)

Temporary differences arising in connection with interests in associates and joint ventures are insignificant.

Deferred tax assets of £618,962 (2007: £300,546) have not been recognised as the Directors consider there to be insufficient evidence that the assets will be recovered. An analysis of the deferred tax assets not recognised is shown below:

	2008 £	2007 £
Opening balance	300,546	18,253
Accelerated capital allowances	(84)	—
Share option costs	6,937	9,392
Unused tax losses	311,563	272,901
	618,962	300,546

The corporation tax rate was reduced to 28% with effect from 1 April 2008. Deferred tax assets and liabilities have been restated at 28%.

10. Loss per share

Basic loss per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

In order to calculate diluted loss per share, the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares according to IAS 33. Dilutive potential ordinary shares include share options granted to employees and Directors where the exercise price (adjusted according to IAS 33) is less than the average market price of the Company's ordinary shares during the year.

IPSO EBT Limited, a wholly-owned indirect subsidiary of the Group, held 44,692 shares in the Group at 30 April 2008. In accordance with IAS 33, these shares have been accounted for as treasury shares and have therefore not been taken into account in the calculation.

IAS 33 'Earnings per share' requires presentation of diluted earnings per share when a Company could be called upon to issue shares that would decrease net profit or increase net loss per share. Only options that are 'in the money' are treated as dilutive and net loss per share would not be increased by the exercise of such options. Therefore no adjustment has been made to dilute loss per share for any outstanding share options.

The calculation of the basic and diluted loss per share is based on a net loss attributable to equity holders of the parent of £1,173,739 (2007: £868,652). The weighted average number of ordinary shares for the purposes of basic and diluted loss per share was 12,512,932 (2007: 4,906,679).

11. Property, plant and equipment

	Fixtures and fittings £	Computer equipment £	Total £
Cost			
At 1 May 2006	—	—	—
Additions	652	15,290	15,942
At 30 April 2007	652	15,290	15,942
Accumulated depreciation and impairment			
At 1 May 2006	—	—	—
Charge for the year	(98)	(3,698)	(3,796)
At 30 April 2007	(98)	(3,698)	(3,796)
Net book value			
At 30 April 2007	554	11,592	12,146
At 30 April 2006	—	—	—
	Fixtures and fittings £	Computer equipment £	Total £
Cost			
At 1 May 2007	652	15,290	15,942
Additions	793	1,951	2,744
At 30 April 2008	1,445	17,241	18,686
Accumulated depreciation and impairment			
At 1 May 2007	(98)	(3,698)	(3,796)
Charge for the year	(210)	(5,559)	(5,769)
At 30 April 2008	(308)	(9,257)	(9,565)
Net book value			
At 30 April 2008	1,137	7,984	9,121
At 30 April 2007	554	11,592	12,146

12. Subsidiaries and association

A list of the significant investments in subsidiaries and associates, including the name, country of incorporation, proportion of ownership interest is given to the Company's separate financial statements (see note 27).

13. Investments

The Group held the following investments in unquoted companies:

	2008 £	2007 £
Available-for-sale investments (fair value)		
Therakind Limited	429,962	129,962
WildKey Limited	61,407	45,620
Axilica Limited	164,835	—
Other investments	24,823	—
	681,027	175,582

All of the available-for-sale investments, held at fair value through profit and loss, were designated as such upon initial recognition.

14. Other financial assets

Categories of financial instruments

	Carrying value	
	2008	2007
Financial assets		
Designated as FVTPL	681,027	175,582
Loans and receivables (including cash and cash equivalents)	2,815,124	4,405,897
	3,496,151	4,581,479

Notes to the consolidated financial statements continued

For the year ended 30 April 2008

14. Other financial assets continued

	2008	2007
Other receivables		
Amount due from investee companies	2,966	—
Corporation tax receivable	8,400	—
Other receivables	105,025	158,256
Prepayments and accrued income	21,593	—
	137,984	158,256

The Directors consider that the carrying amount of other receivables approximates to their fair value.

Cash and cash equivalents

	2008 £	2007 £
Cash and cash equivalents	177,140	1,247,641
Short-term deposits	2,500,000	3,000,000
	2,677,140	4,247,641

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Available for sale investments (fair value)

No gains or losses were recognised in the year in respect of the available for sale investments, held at fair value through profit or loss.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders. The capital structure of the Group consists of cash, cash equivalents and equity, comprising issued capital, reserves and retained losses, as disclosed in notes 16 and 17.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

Financial risk management objectives

The Group's Finance function monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks, in accordance with the Group's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk and the investment of excess liquidity. The Group does not enter into or trade financial instruments, including derivative financial instruments, for any purpose.

Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Interest rate risk

The Group's exposure to interest rate risk is limited to their short-term cash deposits.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group's principal financial assets are bank balances and cash, other receivables and investments.

The Group's credit risk is primarily attributable to its other receivables. The other receivables balance relates to an amount due from one other party. The Directors do not consider that there is any significant credit risk associated with this and, therefore, no allowance has been made against this amount. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

15. Other financial liabilities

Trade and other payables

	2008 £	2007 £
Trade creditors	110,484	15,285
Other creditors	1,733	14,460
Accruals and deferred income	58,123	89,013
	170,340	118,758

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The Directors consider that the carrying amount of trade payables approximates to their fair value.

16. Share capital

	2008 Number	2008 £	2007 Number	2007 £
Authorised:				
Ordinary shares of £0.05 each	20,000,000	1,000,000	20,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of £0.05 each	12,557,624	627,882	12,512,932	625,647

Share issues during the year

	Number	Nominal value £	£
Ordinary shares			
Issued shares on 1 May 2007	12,512,932	0.05	625,647
Issue of shares	44,692	0.05	2,235
Total	12,557,624	0.05	627,882

During the year, the Group issued 44,692 ordinary £0.05 shares to the Employee Benefit Trust for consideration of £40,000.

17. Retained earnings

	£
Balance at 1 May 2007	(930,935)
Net loss for the year	(1,173,739)
Balance at 30 April 2008	(2,104,674)

18. Notes to the cash flow statement

	2008 £	2007 £
Operating loss	(1,382,903)	(917,242)
Adjustments for:		
Depreciation of property, plant and equipment	5,769	3,796
Share-based payment expense	34,210	13,676
Operating cash flows before movements in working capital	(1,342,924)	(899,770)
Decrease/(increase) in receivables	28,672	(149,167)
Increase in payables	51,582	47,491
Net cash from operating activities	(1,262,670)	(1,001,446)

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

19. Share-based payments

Equity-settled share option scheme

The Directors have established the Unapproved Share Option Plan, the Long-term Incentive Plan ('LTIP') and the Employee Benefit Trust. The Share Option Schemes were adopted on 27 February 2007 and are not approved by Her Majesty's Revenue and Customs under Schedule 9 of the Income and Corporation Taxes Act 1988. The Schemes are governed by Rules and are administered by the Directors of the Company.

Notes to the consolidated financial statements continued

For the year ended 30 April 2008

19. Share-based payments continued

Equity-settled share option scheme continued

Details of the share options outstanding during the year are as follows:

	2008		2007	
	Number of share options	Weighted average exercise price (in £)	Number of share options	Weighted average exercise price (in £)
Outstanding at beginning of period	143,529	49p	—	—
Granted during the period	44,692	—	143,529	49p
Outstanding at the end of the period	188,221	37p	143,529	49p
Exercisable at the end of the period	—	—	—	—

The options outstanding at 30 April 2008 had a weighted average exercise price of 37p, and a weighted average remaining contractual life of four years. In 2008, options were granted on 23 May 2007 and 10 September 2007. The aggregate of the estimated fair values of the options granted on those dates was £40,000. In 2007, options were granted on 1 June 2006 and 4 August 2006. The aggregate of the estimated fair values of the options granted on those dates was £58,000.

The fair value of equity-settled share options granted is estimated as at the date of grant using a Black Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the period ended 30 April 2008.

	Weighted average 2008	Weighted average 2007
Weighted average share price at the date of grant (pence)	89.5	85.0
Weighted average option price (pence)	—	49.0
Expected share price volatility (%)	30	30
Expected life (years)	3	3.6
Risk free interest rate (%)	5	5
Dividend yield (%)	—	—

The expected life of the options is based on academic research and is not necessarily indicative of actual exercise patterns that may occur. Expected volatility was determined by calculating the historical volatility of certain similar businesses. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions, and behavioural considerations. No other features of options granted were incorporated into the measurement of fair value.

The Group recognised total expenses of £34,210 (2007: £13,676) related to equity-settled share-based payment transactions during the year.

20. Retirement benefit schemes

Defined contribution schemes

The Group makes contributions to employees' personal pension schemes.

21. Events after the balance sheet date

(i) Polyfect Solutions Limited

The Group invested £150,000 in Polyfect Solutions Limited in July 2008. Polyfect is commercialising a new process which enables a significant reduction in the cost of functional fillers in polymers and plastics.

(ii) WildKey Limited

The Group invested a further £30,000 in WildKey Limited in May 2008.

22. Operating lease arrangements

The Group as lessee

	2008 £	2007 £
Minimum lease payments under operating leases recognised as an expense in the year	74,702	18,000

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2008 £	2007 £
Within one year	16,458	47,666

Operating lease payments represent rentals payable by the Group for certain of its office properties.

23. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

During the year ended 30 April 2008, fees of £5,000 (2007: £5,000) were paid to Team Ventures Limited in respect of recruitment services.

At 30 April 2008, other debtors included an amount of £1,322 (2007: £nil) receivable from Team Ventures Limited in terms of a revenue sharing agreement.

At 30 April 2008, Therakind Limited and Axilica Limited owed £1,187 (2007: £53,423) and £1,779 (2007: £nil), respectively, to the Group for expenses incurred on behalf of these entities.

Details of Directors' remuneration is given in the audited section of the Directors' remuneration report on page 11.

Company income statement

For the year ended 30 April 2008

	Note	2008 £	2007 £
Administrative expenses		(178,674)	(60,548)
Operating loss		(178,674)	(60,548)
Investment income from cash and cash equivalents		190	11,206
Loss before tax		(178,484)	(49,342)
Tax	26	—	—
Net loss attributable to equity holders of the parent	25	(178,484)	(49,342)

All results derive from continuing operations.

Company statement of changes in equity

For the year ended 30 April 2008

	Share capital £	Share premium £	Share option reserve £	Other reserve £	Retained earnings £	Total £
At 27 June 2006	—	—	—	—	—	—
Issue of share capital	625,647	4,941,281	—	4,323,529	—	9,890,457
Loss for the period	—	—	—	—	(49,342)	(49,342)
Employee share option charge	—	—	24	—	—	24
At 30 April 2007	625,647	4,941,281	24	4,323,529	(49,342)	9,841,139
Issue of share capital	2,235	37,765	—	—	—	40,000
Loss for the year	—	—	—	—	(178,484)	(178,484)
Employee share option charge	—	—	47,862	—	—	47,862
At 30 April 2008	627,882	4,979,046	47,886	4,323,529	(227,826)	9,750,517

Company balance sheet

30 April 2008

	Note	2008 £	2007 £
Non-current assets			
Inter-company receivables	28	5,296,453	5,380,457
Investment in subsidiaries	27	4,499,997	4,499,997
		9,796,450	9,880,454
Current assets			
Other receivables	28	16,893	850
Inter-company receivables	28	40,000	—
Cash and cash equivalents	28	6,802	10,792
		63,695	11,642
Total assets		9,860,145	9,892,096
Current liabilities			
Trade and other payables	29	(109,628)	(50,957)
Total liabilities		(109,628)	(50,957)
Net assets		9,750,517	9,841,139
Equity			
Share capital	30	627,882	625,647
Share premium account		4,979,046	4,941,281
Share option reserve		47,886	24
Other reserve		4,323,529	4,323,529
Retained losses	31	(227,826)	(49,342)
		9,750,517	9,841,139

The financial statements were approved by the Board of Directors and authorised for issue on 31 July 2008. They were signed on its behalf by:

Simon Hunt
Director
31 July 2008

Company cash flow statement

For the year ended 30 April 2008

	Note	2008 £	2007 £
Net cash from operating activities	32	(44,180)	(5,390,898)
Investing activities			
Interest received		190	11,206
Net cash from investing activities		190	11,206
Financing activities			
Proceeds on issue of shares		40,000	5,390,484
Net cash from financing activities		40,000	5,390,484
Net (decrease)/increase in cash and cash equivalents		(3,990)	10,792
Cash and cash equivalents at beginning of year		10,792	—
Cash and cash equivalents at end of year		6,802	10,792

Notes to the company financial statements

For the year ended 30 April 2008

24. Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 1985. As permitted by that Act, the separate financial statements have been prepared in accordance with IFRS.

The financial statements have been prepared on the historical cost basis, except for certain financial instruments. The principal accounting policies adopted are the same as those set out in note 3 to the consolidated financial statements. In addition, investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

25. Loss for the year

Loss for the year has been arrived at after charging:

	2008 £	2007 £
Audit fees	7,000	6,000

The Company had no employees in either the current or preceding year.

26. Company tax

	2008 £	2007 £
Current tax	—	—
Deferred tax	—	—
	—	—

Corporation tax is calculated at 30% of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the profit per the Income statement as follows:

Company tax reconciliation

	2008 £	2007 £
Loss before tax	(178,484)	(49,342)
Tax at UK corporation tax rate of 30%	(53,545)	(14,803)
Effects of:		
Expenses not deductible for tax purposes	(6,007)	6,010
Tax losses carried forward	59,552	8,793
Total tax charge	—	—

Deferred tax assets of £80,118 (2007: £18,185) have not been recognised as the Directors consider there to be insufficient evidence that the assets will be recovered. An analysis of the deferred tax asset not recognised is shown below:

	2008 £	2007 £
Opening balance	18,185	—
Share option costs	6,937	9,392
Unused tax losses	54,996	8,793
	80,118	18,185

The corporation tax rate was reduced to 28% with effect from 1 April 2008. Deferred tax assets and liabilities have been restated at 28%.

27. Subsidiaries, associates, jointly controlled entities and trade investments

Details of the Company's subsidiaries at 30 April 2008 are as follows:

Name	Place of incorporation and operation	Proportion of ownership interest %	Proportion of voting power held %	Method used to account investment
IPSO Management Limited*	England and Wales	100%	100%	Purchase method
Medermica Limited	England and Wales	100%	100%	Purchase method

* denotes direct subsidiary

Notes to the company financial statements continued

For the year ended 30 April 2008

27. Subsidiaries, associates, jointly controlled entities and trade investments continued

Dormant subsidiaries

Name	Place of incorporation and operation	Proportion of ownership interest %	Proportion of voting power held %	Method used to account investment
IPSO EBT Limited	England and Wales	100%	100%	—
IPSO Capital Limited	England and Wales	100%	100%	—

The following investments are all indirectly held by the Group:

Associates

Name	Place of incorporation and operation	Proportion of ownership interest %	Proportion of voting power held %
Axilica Limited	England and Wales	29%	29%

Jointly controlled entities

Name	Place of incorporation and operation	Proportion of ownership interest %	Proportion of voting power held %
Therakind Limited ¹	England and Wales	51%	51%

¹ IPSO holds a 51% equity investment in Therakind. However, the holding is governed by an investment agreement which provides IPSO with the power to appoint a Director but without the power to carry a majority of Directors' votes. Further, while IPSO holds veto rights over certain decisions, the same veto effect has been achieved by the remaining two investors acting together. Accordingly, the Directors are of the view that Therakind is jointly controlled and meets the definition of a joint venture. It is therefore not consolidated, but dealt with similarly to other portfolio investments at fair value through profit and loss.

Trade investments

Name	Place of incorporation and operation	Proportion of ownership interest %	Proportion of voting power held %
WildKey Limited	England and Wales	11%	11%

28. Financial assets

Other receivables and Inter-company receivables

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Cash and cash equivalents

These comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders. The capital structure of the Company consists of cash, cash equivalents and equity, comprising issued capital, reserves and retained losses, as disclosed in notes 30 and 31.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

Financial risk management objectives

The Company's financial risk management objectives are consistent with those of the Group, as set out in note 14.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company's principal financial assets are bank balances and cash, inter-company receivables, other receivables and investments.

The Company's credit risk is primarily attributable to its other receivables. The other receivables balance relates to an amount due from one other party. The Directors do not consider that there is any significant credit risk associated with this and, therefore, no allowance has been made against this amount. The credit risk on inter-company receivables is limited, as all of the executive Directors of the Company are also Directors of the relevant subsidiary companies. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

28. Financial assets continued**Liquidity risk**

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Company manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Categories of financial assets

Financial assets comprised an amount of £5,360,148 (2007: £5,392,099) in respect of loans and receivables (including cash and cash equivalents).

29. Financial liabilities**Trade and other payables**

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The Directors consider that the carrying amount of trade payables approximates to their fair value.

Categories of financial liabilities

Financial liabilities comprised an amount of £109,628 (2007: £50,957) in respect of amounts held at amortised cost.

30. Share capital

The movements on these items are disclosed in note 16 to the consolidated financial statements.

31. Retained losses

	£
Balance at 27 June 2006	—
Net loss for the period	(49,342)
Balance at 30 April 2007	(49,342)
Balance at 1 May 2007	(49,342)
Net loss for the year	(178,484)
Balance at 30 April 2008	(227,826)

32. Notes to the Company cash flow statement

	2008 £	2007 £
Operating loss	(178,674)	(60,548)
Non-cash movement in share option reserve	47,862	—
Operating cash flow before movements in working capital	(130,812)	(60,548)
Decrease in receivables	27,961	(5,381,307)
Increase in payables	58,671	50,957
Net cash from operating activities	(44,180)	(5,390,898)

33. Related party transactions

The Company issued shares to IPSO EBT Limited during the year for consideration of £40,000 which represents the inter-company receivables at 30 April 2008.

The Company also provides financing to IPSO Management Limited. The amount outstanding at 30 April 2008 was £5,296,453 (2007: 5,380,457).

Notice of annual general meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at the offices of Memery Crystal LLP, 44 Southampton Buildings, London WC2A 1AP on Wednesday 10 September 2008 at 12 noon.

You will be asked to consider and vote on the resolutions below. Resolutions 1 to 7 will be proposed as Ordinary Resolutions and Resolution 8 will be proposed as a Special Resolution.

Ordinary business

To consider and if thought fit to pass the following resolutions which will be proposed as Ordinary Resolutions:

1. To receive and adopt the Directors' report and the audited Accounts for the year ended 30 April 2008.
2. To re-elect Simon Haworth as a Director.
3. To re-elect Michael Baines as a Director.
4. To re-elect Peter Knox as a Director.
5. To re-appoint Deloitte & Touche LLP as auditors, to hold office from the conclusion of this meeting until the conclusion of the next general meeting of the Company at which accounts are laid before the Company in accordance with sections 437 and 438 of the Companies Act 2006.
6. To authorise the Directors to fix the auditors' remuneration.

Special business

To consider, and if thought fit, to pass the following resolutions of which Resolution 7 will be proposed as an Ordinary Resolution and Resolution 8 will be proposed as a Special Resolution:

7. That the Directors of the Company be and are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 ('the Act') [and in substitution for all existing authorities under the said section 80] to exercise all the powers of the Company to allot relevant securities (within the meaning of the said section 80) up to an aggregate nominal amount of £372,118 provided that this authority hereby conferred shall operate in substitution for and the exclusion of any previous authority given to the Directors pursuant to section 80 of the Act and shall expire on whichever is the earlier of the conclusion of the next Annual General Meeting of the Company held in 2009 or the date falling 15 months from the date of the passing of this resolution unless such power is renewed or extended prior to or at such meeting except that the Company may before such expiry make any offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority hereby conferred had not expired.
8. That, subject to the passing of Resolution 7 above, the Directors of the Company be and they are empowered in accordance with section 95 of the Act to allot equity securities (as defined in section 94 of the Act) for cash pursuant to the authority conferred in the previous resolution as if section 89(1) of the Act did not apply to any such allotment, provided this power shall be limited to the allotment of equity securities:
 - (i) in connection with a rights issue or any other pre-emptive offer in favour of holders of equity securities where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as may be) to the respective amounts of equity securities held by them but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of and the requirements of any recognised regulatory body or stock exchange in any territory; and
 - (ii) otherwise than pursuant to sub paragraph (i) above up to an aggregate nominal amount of £100,000 of equity securities.

And the power hereby conferred shall expire on whichever is the earlier of the conclusion of the next Annual General Meeting of the Company held in 2009 or the date falling 15 months from the date of the passing of this resolution unless such power is renewed or extended prior to or at such meeting except that the Company may before such expiry of any power contained in the resolution make any offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

By order of the Board

Cargill Management Services Limited

Company Secretary
27/28 Eastcastle Street, London W1W 8DH
31 July 2008

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at 12 noon on 8 September 2008 shall be entitled to attend and vote at the meeting.
 2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a Proxy form with this Notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the Proxy form.
 3. A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the Chairman of the meeting or another person as your proxy using the Proxy form are set out in the notes to the Proxy form. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
 4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the Company's registrars Share Registrars Limited, Suite E, First Floor, 9 Lion & Lamb Yard, Farnham, Surrey GU9 7LL.
 5. The notes to the Proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.
- To appoint a proxy using the Proxy form, the form must be:
- completed and signed;
 - sent or delivered to Share Registrars Limited, Suite E, First Floor, 9 Lion & Lamb Yard, Farnham, Surrey GU9 7LL; and
 - received by Share Registrars Limited no later than 12 noon on 8 September 2008.
- Proxies will be accepted by facsimile transmission to 01252 719232.
- In the case of a member which is a company, the Proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
- Any power of attorney or any other authority under which the Proxy form is signed (or a duly certified copy of such power or authority) must be included with the Proxy form.
6. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
 7. Except as provided above, members who have general queries about the meeting should use the following means of communication (no other methods of communication will be accepted) calling our Registrar's shareholder helpline on 01252 821390.

You may not use any electronic address provided either:

- in this Notice of Annual General Meeting; or
 - any related documents (including the Chairman's letter and Proxy form)
- to communicate with the Company for any purposes other than those expressly stated.
8. As at 5.00pm on the day immediately prior to the date of posting of this notice of Annual General Meeting, the Company's issued share capital comprised 12,557,624 ordinary shares of 5p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 12.00pm on the day immediately prior to the date of posting of this notice of Annual General Meeting is 12,557,624.

Form of proxy

For use at the Annual General Meeting to be held at the offices of Memery Crystal LLP, 44 Southampton Buildings, London WC2A 1AP on Wednesday 10 September 2008 at 12 noon.

I/We

(NAMES IN FULL AND IN BLOCK CAPITAL PLEASE)

Of

(ADDRESS)

Being (a) member(s) of IPSO Ventures plc hereby appoint (please see note 3).....

or failing him, the Chairman of the meeting, as my/our proxy to attend and, on a poll or on a show of hands, to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on at the offices of Memery Crystal LLP, 44 Southampton Buildings, London WC2A 1AP on Wednesday 10 September 2008 at 12 noon an any adjournment thereof.

I/We direct the proxy to vote in respect of the resolutions to be proposed as shown below (please indicate with an X in the space below how you wish your vote to be cast).

ORDINARY RESOLUTIONS	FOR	AGAINST	WITHHELD*
1. To receive and adopt the Directors' report and the audited Accounts for the year ended 30 April 2008.			
2. To re-elect Simon Haworth as a Director.			
3. To re-elect Michael Baines as a Director.			
4. To re-elect Peter Knox as a Director.			
5. To appoint Deloitte & Touche LLP as auditors of the Company.			
6. To authorise the Directors to fix the auditors' remuneration.			
7. To allot equity securities up to an aggregate nominal amount of £372,118.			
SPECIAL RESOLUTION			
8. To disapply section 89 of the Companies Act 1985 to allot equity securities wholly for cash: (i) in connection with an offer of equity securities by way of rights to holders of equity securities; and (ii) otherwise up to an aggregate nominal amount of £100,000.			
* the 'withheld' option is to enable you to abstain on any of the specified resolutions.			

Please note that a 'withheld' vote has no legal effect and will not be counted in the votes 'for' and 'against' a resolution.

Dated:

Signature(s) or Common Seal:

(see Notes 2 and 3)

NOTES

- As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. You can only appoint a proxy using the procedures set out in these notes.
- Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
- A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the box. If you sign and return this Proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.
- You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the Company's registrars, Share Registrars Limited, Suite E, First Floor, 9 Lion & Lamb Yard, Farnham, Surrey GU9 7LL.
- To direct your proxy how to vote on the resolutions mark the appropriate box with an 'X'. To abstain from voting on a resolution, select the relevant "Vote withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
- To appoint a proxy using this form, the form must be:
 - completed and signed;
 - sent or delivered to Share Registrars Limited, Suite E, First Floor, 9 Lion & Lamb Yard, Farnham, Surrey GU9 7LL; and
 - received by Share Registrars Limited no later than 12 noon on 8 September 2008.

Proxies can be sent by way of facsimile transmission to 01252 719232.
- In the case of a member which is a company, this Proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
- Any power of attorney or any other authority under which this Proxy form is signed (or a duly certified copy of such power or authority) must be included with the Proxy form.
- In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
- If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
- To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.
- Where you have appointed a proxy using the hard-copy Proxy form and If you would like to change the instructions using another hard-copy Proxy form, please contact Share Registrars Limited, Suite E, First Floor, 9 Lion & Lamb Yard, Farnham, Surrey GU9 7LL.
- If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
- In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Share Registrars Limited, Suite E, First Floor, 9 Lion & Lamb Yard, Farnham, Surrey GU9 7LL. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
- The revocation notice must be received by Share Registrars Limited no later than 12 noon on 8 September 2008.
- If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.
- Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
- You may not use any electronic address provided in this Proxy form to communicate with the Company for any purposes other than those expressly stated.

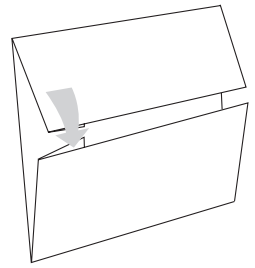
Business Reply
Licence Number
GI2155



Share Registrars Limited
Suite E
First Floor
9 Lion & Lamb Yard
Farnham
Surrey GU9 7LL

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first fold



second fold



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