BILLAM PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2007

Company Number: 00298654

BILLAM PLC

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BILLAM PLC

CHAIRMAN'S STATEMENT

As shareholders will be aware there has been much talk in the press of the effects on the world economy created by the so called credit crunch. There can be little doubt that we will continue to see the effects of the credit crunch on both the world and the UK economy for sometime to come.

PERFORMANCE DURING THE YEAR

The Board announce that the loss on ordinary activities before taxation has been reduced to £0.8 million (2006: loss £0.9 million) but we are disappointed to note that Billam's net assets have now fallen to £0.7 million (2006: £1.5 million). Of the loss on ordinary activities £0.6 million is due to the further reduction in the value of Billam's investment portfolio, further details of which are set out below. Whilst this is unsatisfactory we do not have any control over the share price performance of our investee companies and shareholders should bear in mind that the performance of smaller company shares in the last 12 months has generally been poor.

The Directors do not intend to recommend the payment of a dividend.

We have four investments in our portfolio, three are listed on the Alternative Investment Market ("AIM") and one, TRI-MEX Group Limited is an unquoted private company. We have also invested in our wholly owned development finance subsidiary, Development Funding Limited ("DFL"). I would like to draw your attention to the achievements of our specific investee companies, as follows:-

AIM LISTED INVESTMENTS

Cybit Holdings plc

Cybit Holdings plc ("Cybit") is one of Europe's leading telematics service providers, that provides organisations with a comprehensive suite of online solutions to improve the management and control of their mobile assets. Cybit operates within three distinct sectors, namely: internet based vehicle telematics solutions; economic exclusion zone management and private mobile radio based asset tracking and precise positioning management.

In its latest interim results, for the 6 months ended 30 September 2007 Cybit announced some good results with turnover up 55 per cent at £9.0 million (2006: turnover £5.8 million), operating profits of £1.23 million (2006: operating profit £0.52 million) and profits before taxation up to £616,000 compared to £19,000 for the comparative period.

In terms of the future growth opportunities the Directors of Cybit consider that whilst the UK, the company's principal place of operations, is an established market, the rates of penetration into the UK commercial vehicle telematics sector are estimated to be no more than 3 per cent. Cybit estimates that they have a 20 per cent market share of those units currently installed and that they are therefore well placed to exploit the opportunities that are available to them.

Since these results were announced in December 2007 Cybit has announced a number of new business wins, contract renewals and contract extensions with such companies as: the online groceries business of Sainsbury's; Food Partners; SIG plc and May Guerney, the integrated construction and support services company.

EiRx Therapeutics plc

EiRx Therapeutics plc ("EiRx") is a drug discovery company developing targeted therapies for cancer. The company has its own in-house research department and has filed patents on potential new cancer drugs. EiRx is, at this stage of its development, largely pre-revenue and as a consequence EiRx has had a number of issues relating to the sufficiency of working capital during the year.

I am therefore pleased to be able to report that in February 2008 EiRx announced the completion of a funding package which the EiRx directors believe will give them sufficient working capital to fund the company for the next twelve months. The funding package comprised a placing of ordinary shares and a debt for equity swap amounting to £600,000, the issue of £300,000 zero coupon non-redeemable convertible loan stock and an increase in the company's bank facilities secured by a guarantee by one of EiRx's leading shareholders.

EiRx announced its interim results for the 6 months ended 31 December 2007 in March 2008. These results showed a reduced loss on ordinary activities before taxation of £0.515 million (2006: loss £0.892 million) and a big improvement on the loss on ordinary activities before taxation of £3.8 million announced for the year 30 June 2007.

In November, 2007 EiRx announced the filing of two new patent applications, which the Directors of EiRx believe demonstrates the ability of their EnPADTM technology. This technology enables the user to focus the selection of biologically active compounds against a chosen aspect of cell biology. EiRx believe that the EnPADTM technology is central to the future success of the company and is a central feature of the strategic realignment from a research based model to a drug development company. Further, the EiRx directors consider that this technology gives them a significant competitive advantage in the race to develop new cancer medicines.

Physiomics plc

Physiomics plc ("Physiomics") is a computational systems biology services company which applies simulations of cell behaviour to drug development companies aimed at reducing the high attrition rates of clinical trials. The commercial rationale for Physiomics services is that at present it is estimated that the cost of bringing a new drug to market is $800 million and that 80 to 90 per cent of all clinical drug candidates fail.

In February 2008 Physiomics announced that Billam had increased its investment in the company by the issue of £50,000 7% Loan Notes which are repayable on demand and convertible, at Billam's option into Physiomics ordinary shares.

In March 2008 Physiomics announced its interim results for the 6 months ended 31 December 2007 which showed a loss before taxation of £204,000 (2006: loss before taxation of £154,000) on revenue of £55,000 (2006: revenue of £48,000). Physiomics reported that they had signed a 3 year Memorandum of Understanding with the Institute of Life Science at Swansea University. This allows Physiomics access to the university's IBM super computer which is dedicated to life sciences and allows computations that would normally take days to be completed in minutes.

In September 2007 Physiomics announced a contract with the US pharmaceutical giant Eli Lilly. The directors of Physiomics believe that this contract is a massive endorsement of their proprietary SystemCell® technology.

UNQUOTED INVESTMENTS

TRI-MEX Group Limited

TRI-MEX Group Limited ("TRI-MEX") provides monitoring and protection solutions for the protection of vehicles and goods in transit. The accounts for the year ended 31 March 2007 showed a loss before taxation of £1.1 million (2006: loss before taxation of £1.24 million) on turnover of £0.606 million (2006: turnover £0.354 million). The Group is now focussed on its "EUROWATCH" system and the group's principal source of revenue was sales of subscriptions from this source.

In Europe 1.5 million automobiles and the cargoes of 200,000 commercial vehicles are stolen each year. TRI-MEX's EUROWATCH technology connects all types of GPS tracking systems through to the police across Europe providing them with real time data on a vehicles location. This has resulted in recovery rates of 100 per cent for vehicles and 90 per cent for stolen freight.

TRI-MEX has contracts with Jaguar, Land Rover and Aston Martin.

DEVELOPMENT FUNDING LIMITED

The direct result of the credit crunch has been to reduce the availability of both debt and equity, of the type offered by our wholly owned development finance subsidiary Development Funding Limited ("DFL"), to the small and medium sized housebuilders. Set against a background of wholesale redundancies and the dramatic slowdown in sales of new homes being announced by the housebuilding industry, which are running at levels approximately 25 per cent lower than the levels seen in 2007, we have adopted a cautious approach to requests for new funding.

The first development that DFL has provided mezzanine finance to is located in Northamptonshire and we have now invested a total of £1.05 million. The development comprises 29 houses and is now substantially complete with regard to construction. I am pleased to report that in spite of the poor conditions in the market as a whole, completions have been recorded on five houses and contracts have been exchanged on a further two.

As previously reported DFL, are sharing the development risk with the developer on this development and despite the slower than anticipated sales we remain confident that we will still achieve a reasonable return on this project. The financing of DFL's investment has been provided by Billam's principal shareholder, Mr Stephen Wicks, who has made loans to the Group, on commercial terms, totalling £1.4 million at 31 December 2007. Mr Wicks has the option to convert part of his loans into ordinary shares in Billam. Whilst we are cautious as to the short term outlook, we expect to make other development financing investments as and when suitable opportunities arise and remain confident of the longer term prospects for DFL.

OVERHEADS

As previously reported we have made further efforts to reduce our cost base. I am therefore pleased to report that total overheads have been reduced to just under £0.36 million for the year (2006: £0.52 million) and we will continue to do all we can to reduce costs during the coming year.

OUTLOOK

We continue to review our remaining investments and keep a dialogue with the investee management teams on a regular basis. We will continue to look for opportunities to make realisations from our investment portfolio, as and when we can achieve valuations that meet our expectations. Whilst we remain cautious about the outlook for our development finance business DFL in the short term, we will look to take advantage of the attractive opportunities that we are currently being shown in the longer term.

Simon Bennett
Chairman
30 June 2008

BOARD OF DIRECTORS AND ADVISORS

Board of directors:	Simon Bennett (aged 50) - Non-executive Chairman Nishith Malde (aged 50)
Company registration number:	00298654
Registered office:	Trinity Court, Batchworth Island, Church Street, Rickmansworth, Hertfordshire WD3 1RT
Website:	www.billamplc.co.uk
Secretary:	Nishith Malde
Bankers:	Royal Bank of Scotland 1st Floor, Conqueror House, Vision Park, Chivers Way, Histon, Cambridge CB24 9NL
Auditors:	Grant Thornton UK LLP 2 Broadfield Court, Sheffield S8 0XF
Nominated advisor:	Dawnay Day Corporate Finance Limited 17 Grosvenor Gardens, London SW1W 0BD
Broker:	KBC Peel Hunt Limited 111 Old Broad Street, London EC2N 1PH
Registrars:	Computershare Investor Services PLC PO Box 82, The Pavilions, Bridgewater Road, Bristol BS99 7NH Tel. 0870 8735838

The directors have pleasure in submitting their report, together with the financial statements of the Group and Company for the year ended 31 December 2007.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The Company is registered as a Public Limited Company. The Company's shares of 20p each are listed on the Alternative Investment Market (AIM) of the London Stock Exchange.

The principal activity of the Group and Company is as an investment company investing in quoted and unquoted companies to achieve capital growth.

Results and dividends

The net loss of the Group for the year after taxation amounted to £837,000 (2006: £912,000). The directors do not recommend the payment of a dividend for the year ended 31 December 2007.

The net assets of the Group at 31 December 2007 totalled £703,000 (2006: £1,461,000). The net assets per ordinary share as at 31 December 2007 were 6.6p (2006: 13.8p).

A more detailed review of the activity and progress of the business including the portfolio of investments and the principal risks and uncertainties faced by the business, is contained in the Chairman's statement on pages 1 to 3.

As referred to above, the Group's principal activity is that of an investment company, investing in quoted and unquoted companies to achieve capital growth. Accordingly, the main key performance indicators used by the business are the underlying share price of the investments, the returns on project finance and the net assets position of the Group including net assets per share.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's policy in respect of financial instruments and risk profile is set out in note 18 of the accounts.

CORPORATE GOVERNANCE AND COMPLIANCE

The Company is listed on AIM and accordingly compliance with the revised Combined Code on Corporate Governance is not mandatory. However, the Company is committed to applying the principles of corporate governance as applicable to a company of this size and nature. The Board is accountable to the Company's shareholders for good corporate governance. This report and the Remuneration Report describe how the Company applies the provisions of good corporate governance.

Directors

The Company supports the concept of an effective Board leading and controlling the Company. The Company's Board meets regularly and special meetings are convened as and when matters require urgent consideration. The Board is responsible for approving Company policy and strategy and there is a schedule of matters specifically reserved to it for decision. All directors have access to advice from the Company Secretary and independent professionals at the Company's expense.

The Board consists of one executive director and one non-executive director. The non-executive director is independent of management and any business or other relationship which could interfere with the exercise of his independent judgement. The Board considers that the level of shareholdings held by the non-executive director is insufficient to affect his independence.

The Board members are listed on page 4.

All directors are subject to re-election every three years and at the first Annual General Meeting (AGM) after appointment.

Directors' and officers' insurance

The Company has insurance for the directors and officers of the Company and its subsidiaries in respect of liabilities incurred by them in the course of carrying out their duties or the exercise of their powers.

Relations with shareholders

The Company values the views of its shareholders and recognises their interest in the Company's strategy and performance, Board membership and quality of management. It therefore encourages shareholders to offer their views.

The AGM provides an opportunity for shareholders, particularly private investors, to question the Board on issues arising.

The notice convening the AGM is the notice of the meeting sent to shareholders with this report. A separate motion will be put to the meeting on each substantial issue.

The notice for the 2008 AGM will be dispatched more than 21 days in advance and the level of proxy votes lodged for and against each resolution will be disclosed at the meeting together with details of any abstentions.

Accountability and audit

The Board endeavours to present a balanced and understandable assessment of the Group’s position and prospects in all reports as well as in the information required to be presented by statutory requirements.

Going concern

The financial statements have been prepared on the going concern basis, the directors having considered the cash forecasts for the next 12 months. In doing so they have given due regard to the liquidity of investments, funding provided by Mr S D Wicks as referred to in note 17, additional funding of £285,000 provided by Highlands Village Limited after the year end also referred to in note 17 and the repayment of other loans as referred to in note 13. On this basis the Directors have a reasonable expectation that the funds available to the Group are sufficient to meet the requirements indicated by those forecasts.

Internal control

The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets and for reviewing its effectiveness. Such a system is designed to manage, but not eliminate, the risk of failure to achieve business objectives. There are inherent limitations in any control system and accordingly even the most effective systems can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Assessment of business risk

The Board regularly reviews operating and strategic risks.

The Group's operating procedures include a system for reporting financial and non-financial information to the Board including:

- Reports from management with review of the business at each Board meeting, focusing on any new decisions/risks arising
- Reports on the performance of investments
- Reports on selection criteria of new investments
- Discussion with senior personnel
- Consideration of reports prepared by third parties

Control procedures

Operational procedures have been developed for each of the Group's operating businesses that embody key controls over relevant areas. The implications of changes in law and regulations are taken into account by the Group.

The Board has considered the need for an internal audit function but has decided that this is not justified at present given the size of the Group. However, it will keep the decision under review on at least an annual basis.

Appointment of directors

The Board deals with all matters relating to the appointment of directors including determining the specification, identifying suitable candidates and selection of the appointee. No separate Nominations Committee has been formed.

Throughout the year the Articles of Association have required each director to seek re-election after no more than three years in office. Therefore the Board considers it inappropriate that non-executive directors be appointed for a fixed term as recommended by the Code.

POLICY FOR PAYING CREDITORS

The Company's policy is to pay creditors in accordance with agreed payment terms. Trade creditors at the year end amount to 84 days (2006: 50 days) of average supplies.

SIGNIFICANT SHAREHOLDINGS

According to the Company's register of substantial shareholdings at 30 June 2008, the following had notified the Company of their interest in 3% or more of the Company's issued ordinary share capital:

	Number of shares	%
S D Wicks	2,989,685	28.2
A G P Forrest	1,257,558	11.9
W Weston	1,175,000	11.1
Barclays plc	798,097	7.5
V N Beamish	433,110	4.1
Aberdeen Holdings Limited	390,000	3.7

DIRECTORS AND SECRETARY

Simon Bennett and Nishith Malde retire in accordance with the Articles of Association and, being eligible, offer themselves for re-appointment.

Those directors who held office during the year and their interests in shares of the Company which include beneficial and family interests are shown below:

	As at 31 December 2007 Ordinary shares of 20p	As at 1 January 2007 Ordinary shares of 10p
S Bennett	**50,000**	50,000
N Malde	**40,000**	40,000

The directors had no other interests in the shares of the Company. There have been no changes in these interests between 31 December 2007 and 30 June 2008. All the above interests are beneficial.

The Company has no contract with Mr N Malde. Mr S Bennett has a notice period of 6 months.

Details of directors' remuneration and share options are shown in the report on remuneration on pages 49 and 50.

TAXATION STATUS

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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. Under that law the directors have elected to prepare consolidated financial statements under International Financial Reporting Standards (IFRSs) as adopted by the EU and the parent company financial statements under United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors to the best of their knowledge state that:

- the financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities and financial position of the Group and Company and the profit of the Group, and

- the report of the directors includes a fair view of the development and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that it faces.

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

In so far as the directors are aware:

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

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.

AUDITORS

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD

Nishith Malde
Company Secretary
30 June 2008

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF BILLAM PLC

We have audited the group financial statements of Billam plc for the year ended 31 December 2007 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the principal accounting policies and the notes 1 to 20. These group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Billam plc for the year ended 31 December 2007.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the group 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 group financial statements give a true and fair view and whether the group financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information given in the Report of the Directors includes that specific information presented in the Chairman's Statement that is cross referred from the Business Review section of the Report of the Directors.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited group financial statements. The other information comprises only the Chairman's statement, the Report of the Directors and the Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any other information.

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 group financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the group financial statements, and of whether the accounting policies are appropriate to the group'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 group 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 group financial statements.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF BILLAM PLC

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRS as adopted by the EU, of the state of the group's affairs as at 31 December 2007 and of its loss for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the group financial statements.

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS

Sheffield
30 June 2008

BILLAM PLC

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 £'000	2006 £'000
Continuing operations			
Revenue	**1**	**363**	438
Cost of sales		**(808)**	(806)
Gross loss		**(445)**	(368)
Administrative costs		**(361)**	(515)
Operating loss	**2**	**(806)**	(883)
Finance costs	**3**	**(115)**	(29)
Finance income	**3**	**84**	-
Loss before tax		**(837)**	(912)
Income tax expense	**5**	**-**	-
Loss for the period		**(837)**	(912)
Loss per share:			
Basic and diluted loss per share from total and continuing operations	**6**	**(7.89)p**	(8.67)p

The accompanying accounting policies and notes form an integral part of these financial statements.

BILLAM PLC

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	2007 £'000	2006 £'000
ASSETS			
Non-current assets			
Financial assets at fair value through profit and loss	7	1,651	2,446
Current assets			
Loans and receivables	10	1,026	-
Trade and other receivables	11	208	171
Cash and cash equivalents		5	1
		1,239	172
Total assets		2,890	2,618
LIABILITIES			
Current liabilities			
Trade and other payables	12	466	352
Short-term borrowings	13	1,422	353
		1,888	705
Non-current liabilities			
Long-term borrowings	13	299	282
Other payables	12	-	170
		299	452
Total liabilities		2,187	1,157
Net assets		703	1,461
EQUITY			
Share capital	14	2,279	2,279
Share premium account		5,423	5,423
Convertible loan		88	18
Merger reserve		1,012	1,012
Profit and loss account		(8,099)	(7,271)
Total equity		703	1,461

The financial statements were approved by the Board of Directors and authorised for issue on 30 June 2008.

Simon Bennett **Chairman**

Nishith Malde **Director**

The accompanying accounting policies and notes form an integral part of these financial statements.

BILLAM PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007

	Share capital £'000	Share premium account £'000	Convertible loan £'000	Merger reserve £'000	Profit and loss £'000	Total equity £'000
Balance at 1 January 2006	2,250	5,409	-	1,012	(6,359)	2,312
Loss for the year	-	-	-	-	(912)	(912)
Total recognised income and expense for the year	-	-	-	-	(912)	(912)
Issue of share capital	29	14	-	-	-	43
Issue of convertible loan - equity element	-	-	18	-	-	18
Balance at 31 December 2006	2,279	5,423	18	1,012	(7,271)	1,461
Loss for the year	-	-	-	-	(837)	(837)
Total recognised income and expense for the year	-	-	-	-	(837)	(837)
Share based compensation	-	-	-	-	9	9
Issue of convertible loan – equity element	-	-	70	-	-	70
Balance at 31 December 2007	**2,279**	**5,423**	**88**	**1,012**	**(8,099)**	**703**

BILLAM PLC

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 **£'000**	2006 £'000
Cash flows from operating activities		
Loss before and after taxation	**(837)**	(912)
Adjustments for:		
Fair value adjustments	**580**	588
Profit on sale of investments	**(37)**	(134)
Interest expense	**115**	29
Increase in loans, trade and other receivables	**(920)**	-
Decrease in trade payables	**(104)**	(197)
Interest received	**(84)**	-
Share option charge	**9**	-
Net cash from operating activities	**(1,278)**	(626)
Cash flows from investing activities		
Purchase of investments	**(13)**	(46)
Proceeds from sale of investment	**265**	352
Net cash used in investing activities	**252**	306
Cash flows from financing activities		
Proceeds from short-term borrowings	**1,134**	335
Re-payment of short term borrowings	**(82)**	(54)
Net cash used in financing activities	**1,052**	281
Net increase/(decrease) in cash and cash equivalents	**26**	(39)
Cash and cash equivalents at beginning of period	**(30)**	9
Cash and cash equivalents at end of period	**(4)**	(30)

The accompanying accounting policies and notes form an integral part of these financial statements.

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below.

BASIS OF ACCOUNTING

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention.

The consolidated financial statements have been prepared in accordance with the accounting policies set out below and International Financial Reporting Standards (IFRSs) as adopted by the EU and that are effective at 31 December 2007.

Billam plc's consolidated financial statements were prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) until 31 December 2006. These consolidated financial statements represent the first financial statements prepared under IFRS. The date of transition to IFRS was 1 January 2006. The comparative figures in respect of 2006 have been restated to reflect changes in accounting policies as a result of adoption of IFRS as set out in note 19.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these consolidated financial statements.

The financial statements have been prepared on the going concern basis, the directors having considered the cash forecasts for the next 12 months. In doing so they have given due regard to the liquidity of investments, funding provided by Mr S D Wicks as referred to in note 17, additional funding of £285,000 provided by Highlands Village Limited after the year end also referred to in note 17 and the repayment of other loans as referred to in note 13. On this basis the directors have a reasonable expectation that the funds available to the Group are sufficient to meet the requirements indicated by those forecasts.

Summary of significant accounting policies

The Group has taken advantage of certain exemptions available under IFRS1 First-time adoption of International Financial Reporting Standards. The exemptions used are explained under the respective accounting policies.

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 December 2007. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

Unrealised gains on transactions between the Company and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Business combinations completed prior to date of transition to IFRS

The Group has elected not to apply IFRS3 Business Combinations retrospectively to business combinations prior to the date of transition.

Accordingly the classification of the combination remains unchanged from that used under UK GAAP. Assets and liabilities are recognised at date of transition if they would be recognised under IFRS, and are measured using their UK GAAP carrying amount immediately post-acquisition as deemed cost under IFRS, unless IFRS requires fair value measurement. Deferred tax and minority interest are adjusted for the impact of any consequential adjustments after taking advantage of the transitional provisions.

Goodwill

Goodwill representing the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired, is capitalised and reviewed annually for impairment. Goodwill is carried at cost less accumulated impairment losses. Negative goodwill is recognised immediately after acquisition in the income statement.

Goodwill written off to reserves prior to date of transition to IFRS remains in reserves. There is no re-instatement of goodwill that was amortised prior to transition to IFRS. Goodwill previously written off to reserves is not written back to profit or loss on subsequent disposal.

Revenue

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for the sale of investments, services provided and rental income , excluding VAT and discounts. Revenue is recognised upon the performance of services or transfer of risk to the customer.

Sale of investments

Revenue from the sale of investments is recognised when all the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the investment which is generally when title has passed or an unconditional contract for sale has been entered into.
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the investments which is generally when the beneficial ownership has transferred to a third party.
- the amount of revenue can be measured reliably
- it is probable that the economic benefits associated with the transaction will flow to the Group, and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services
Services represent management fees excluding VAT.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the balance sheet date. The outcome of the transaction is deemed to be able to be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably
- it is probable that the economic benefits associated with the transaction will flow to the entity
- the stage of completion of the transaction at the balance sheet date can be measured reliably
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Where a contract involves delivery of several different elements and is not fully delivered or performed by the year end, revenue is recognised based on the proportion of the fair value of the elements delivered to the fair value of the overall contract.

Rent receivable

Revenue includes rent receivable (excluding VAT) from third parties and is recognised in the period to which the rental relates.

Interest

Interest is recognised using the effective interest method which calculates the amortised cost of a financial asset and allocates the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividends

Dividends are recognised when the shareholders' right to receive payment is established.

Taxation

Current tax is the tax currently payable based on taxable profit for the period.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Financial assets

Financial assets are divided into the following categories: loans and receivables and financial assets at fair value through profit or loss. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets other than those categorised as at fair value through profit or loss are recognised at fair value plus transaction costs. Financial assets categorised as at fair value through profit or loss are recognised initially at fair value with transaction costs expensed through the income statement.

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the entity as at fair value through profit or loss upon initial recognition. Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in the income statement. Financial assets originally designated as financial assets at fair value through profit or loss may not be reclassified subsequently.

Financial assets are designated as at fair value through profit or loss where they are managed and their performance evaluated on a fair value basis in accordance with the Group's documented investment strategy.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables and certain other current assets are classified as loans and receivables. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

An assessment for impairment is undertaken at least at each balance sheet date.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the Group transfers substantially all the risks and rewards of ownership of the asset, or if the Group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recorded initially at fair value, net of direct issue costs.

They are recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial instruments and IFRS 1 - exemptions utilised by the Group

Designation of previously recognised financial instruments

The Group has elected to designate certain financial instruments at the date of transition to IFRS as a financial asset or financial liability at fair value through profit or loss.

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Convertible loan" comprises the equity element of a convertible loan carried in the financial statements at fair value.
- "Profit and loss reserve" represents retained profits.
- "Merger reserve" represents the excess of the nominal value of shares issued in the acquisition of a subsidiary undertaking and the nominal value of those shares.

Leased assets

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The Group holds no such assets. All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

Segment reporting

In identifying its operating segments, management differentiates between investment activities and sub letting of its leasehold properties. These segments are monitored separately by management. The sub letting segment utilises leasehold property not used in the investment activities. The Group's result to date is substantially derived from the investment activities.

Future changes in accounting policies – standards issued but not yet effective

A revised IAS 1 Presentation of Financial Statements was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2008. The revision is aimed at improving users' ability to analyse and compare the information given in financial statements, and will mean a significant change to the format of the primary statements.

A revised IAS 23 Borrowing costs was issued in March 2007 and becomes effective for financial years beginning on or after 1 January 2009. The Standard has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset and is not expected to be applicable to the Group.

A revision to IAS 27 Consolidated and Separate Financial Statements was issued in 2008 and becomes effective 1 July 2009. It deals with partial disposals of subsidiaries and will not impact the Group's financial statements.

An amendment to IFRS 2 Share based payment becomes effective for accounting periods beginning on or after 1 July 2009. It aims to bring definition to the terms 'vesting conditions' and 'cancellations', and is not expected to impact the Group's financial statements.

The January 2008 revision to IFRS 3 will come into effect from July 2009. Costs of issuing debt or equity instruments are accounted for under IAS 39. All other costs associated with an acquisition must be expensed, including reimbursements to the acquirer for bearing some of the acquisition costs. Examples of costs to be expensed include finder's fees, advisory, legal, accounting, valuation, and other professional or consulting fees, and general administrative costs, including the costs of maintaining an internal acquisitions department.

IFRS 8 Operating segments becomes effective 1 January 2009. The IFRS requires entities to disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages. The Group has voluntarily adopted this standard in the current financial statements.

IFRIC interpretation 12 was issued in February 2007 and deals with Service Concession arrangements. The Group expects that this interpretation will have no effect on the financial position or performance of the Group.

IFRIC Interpretation 13 was issued in June 2007 and deals with Customer Loyalty Programmes. The interpretation will have no effect on the financial position of the Group.

IFRIC Interpretation 14 was issued July 2007 and becomes effective for annual periods beginning on or after 1 January 2008. This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 *Employee Benefits*. The Group expects that this interpretation will have no impact on the financial position of the Group.

Critical judgements in applying the accounting policies

In the process of preparing the accounting policies, the directors have applied critical judgements in adopting the going concern basis to the financial statements as more fully set out in the basis of preparation paragraph of these accounting policies.

Key sources of estimation uncertainty

Valuation of unlisted investments

Unlisted investments have been valued using the International Private Equity and Venture Capital Valuation Guidelines. However, the largest unlisted investment held by the Group holds investments in listed investments itself, meaning the valuation is based upon the actual publicly quoted price of the securities at the year end.

Fair value of loans

The fair value of loans has been calculated in the absence of information for directly comparable instruments as no active market exists for such items. Accordingly the inputs to the valuation techniques rely on other sources of data including the directors knowledge of similar loans. The carrying value of loans and receivables at the year end was £1.026m and the carrying value of other loans included in borrowings was £1.712m.

1. INCOME AND SEGMENTAL ANALYSIS

Billam plc is an investment company and generates income by way of management fees and profits or losses on investments. It also generates rental income from sub letting its leasehold properties. The segmental analysis of operations is as follows:

Segmental analysis by activity

	2007	2006
	£'000	£'000
REVENUE BY SEGMENT		
Management fees	**18**	11
Rental and other related income	**80**	75
Sale of investments	**265**	352
	363	438
SEGMENT RESULT		
Management fees	**18**	11
Rental and other related income	**(40)**	(14)
Losses on investment	**(784)**	(880)
Operating loss	**(806)**	(883)
Finance costs	**(115)**	(29)
Finance income	**84**	-
Loss before tax	**(837)**	(912)

All assets and liabilities, capital additions and depreciation are wholly attributable to investment activities.

The activity of both the investment activities and property rental arose wholly in the United Kingdom.

2. OPERATING LOSS

Operating loss is stated after charging	**2007**	2006
	£'000	£'000
Auditors' remuneration for		
- audit of the Group's annual accounts	**16**	14
- audit of subsidiaries pursuant to legislation	**3**	-
- taxation services	**4**	3
- other services	**6**	-
Other operating lease rentals - land and buildings	**77**	81

3. FINANCE COSTS AND FINANCE INCOME

	2007	2006
	£'000	£'000
Finance costs		
On director's loans	**-**	11
Short term loans	**85**	5
Notional interest on loans carried at fair value	**30**	13
	115	**29**
Finance income		
Interest on loans and receivables	**84**	**-**

4. DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:	**2007** **£'000**	2006 £'000
Wages and salaries	**110**	190
Social security costs	**13**	19
Pension costs	**-**	3
	123	212

The average number of employees (including directors) of the Group were:	**2007** **Number**	2006 Number
Management of investments	**3**	3

Further details of individual directors' remuneration, pension fund and share options are shown in the table on pages 49 and 50.

5. INCOME TAX EXPENSE

There is no tax credit / (charge) for either the current or prior years due to the generation of tax losses.

The current tax assessed for the year is higher than the standard rate of corporation tax in the UK of 30%. The differences are explained as follows:

	2007 **£'000**	2006 £'000
Loss on ordinary activities before taxation	**(837)**	(912)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	**(251)**	(274)
Effect of:		
Expenses not deductible for tax	**22**	19
Deductions allowable for tax	**(5)**	(7)
Capital losses brought forward utilised	**(12)**	(33)
Short term timing differences	**(43)**	(13)
Unrealised loss not allowable for tax	**180**	176
Unused tax losses carried forward	**109**	132
Total tax charge	**-**	-

The Group has unrecognised deferred tax assets of £864,000 (2006: £816,000) as a result of losses carried forward of £3,084,000 (2006: £2,720,000).

6. LOSS PER ORDINARY SHARE

The loss per ordinary share is based on the weighted average number of ordinary shares in issue during the year of 10,603,835 ordinary shares of 20 pence (2006: 10,524,035 ordinary shares of 20 pence) and the following figures:

	2007 £'000	2006 £'000
Loss attributable to equity shareholders	**(837)**	(912)
Loss per ordinary shares	**(7.89)p**	(8.67)p

Diluted earnings per share is taken as equal to basic earnings per share as the Group has recorded a loss and therefore the effect of including share options is anti-dilutive.

7. INVESTMENTS

	2007 **£'000**	2006 £'000
Investments listed on a recognised investment exchange	**1,025**	1,087
Other unlisted investments	**626**	1,359
	1,651	2,446

	Listed **£'000**	**Listed overseas** **£'000**	**Unlisted investments** **£'000**	**Total** **£'000**
Cost				
At 1 January 2006	745	82	5,036	5,863
Additions	-	-	46	46
Sales				
- proceeds	(174)	(150)	(28)	(352)
- realised gains/(losses) on sales	105	68	(39)	134
At 31 December 2006	676	-	5,015	5,691
Unrealised appreciation / (depreciation)				
At 1 January 2006	638	140	(3,435)	(2,657)
(Decrease)/increase in unrealised appreciation	(227)	(140)	(221)	(588)
At 31 December 2006	411	-	(3,656)	(3,245)
Cost or valuation				
At 31 December 2006	**1,087**	**-**	**1,359**	**2,446**
At 31 December 2005	1,383	222	1,601	3,206

7. INVESTMENTS (CONTINUED)

	Listed £'000	Unlisted investments £'000	Total £'000
Cost			
At 1 January 2007	676	5,015	5,691
Additions	13	-	13
Sales			
- proceeds	(115)	(150)	(265)
- realised gains/(losses) on sales	-	37	37
At 31 December 2007	574	4,902	5,476
Unrealised appreciation / (depreciation)			
At 1 January 2007	411	(3,656)	(3,245)
Increase/(decrease) in unrealised appreciation/(depreciation)	40	(620)	(580)
At 31 December 2007	451	(4,276)	(3,825)
Cost or valuation			
At 31 December 2007	**1,025**	**626**	**1,651**
At 31 December 2006	1,087	1,359	2,446

	2007 £'000	2006 £'000
Net gains on sales	**37**	134
Net decrease in unrealised depreciation	**(580)**	(588)
Loss on investments	**(543)**	(454)

8. SIGNIFICANT INTERESTS

Details of investments other than subsidiary undertakings in which the Group has a holding of 3% or more that are material in the context of the financial statements:

	Country of incorporation	**Class of share capital held**	**Percentage of share capital held %**	**Total cost £'000**	**Carrying value at 31 December 2007 £'000**	Carrying value at 31 December 2006 £'000
Listed investments						
Cybit Holdings plc	United Kingdom	Ordinary	7.4	333	830	903
Physiomics plc	United Kingdom	Ordinary	11.0	258	194	157

8. SIGNIFICANT INTERESTS (CONTINUED)

	Country of incorporation	Class of share capital held	Percentage of share capital held %	Total cost £'000	Carrying value at 31 December 2007 £'000	Carrying value at 31 December 2006 £'000
Unlisted Investments						
EiRx Pharma Limited	United Kingdom	Ordinary	39.2	2,700	562	1,096

EiRx Pharma Limited holds 9.6% of the shares in EiRx Therapeutics plc and 36.0% of the shares in Physiomics plc.

The directors consider that the conditions required to categorise an investment as an associated undertaking are not met in respect of EiRx Pharma Limited as the investment is held as part of the Group's investment portfolio. The Group does not seek to influence the day to day management of the companies in which its investments are made.

9. SUBSIDIARY UNDERTAKINGS

At 31 December 2007 Billam plc held 50% or more of the equity of the following:

Company name	Country of registration	Principal activity	Holding	Class of shares
World Life Sciences Ltd	England	Dormant	100%	Ordinary
Urco Ltd	England	Dormant	100%	Ordinary
Development Funding Ltd	England	Development Finance	100%	Ordinary

10. LOANS AND RECEIVABLES

	2007 £'000	2006 £'000
Loans	1,026	-

11. TRADE AND OTHER RECEIVABLES

	2007 £'000	2006 £'000
Other debtors	208	171

12. TRADE AND OTHER PAYABLES

	2007 £'000	2006 £'000
Current		
Trade creditors	**69**	20
Social security and other taxes	**32**	6
Other creditors and accruals	**306**	326
Deferred income	**59**	-
	466	352
Non Current		
Other creditors and accruals	**-**	170
	466	522

13. BORROWINGS

	2007 £'000	2006 £'000
Current		
Bank overdraft	**9**	31
Other loans	**1,413**	322
	1,422	353
Non current		
Other loans due to Billam AG	**299**	282
	1,721	635

The amount due to Billam AG is an unsecured non-interest bearing loan and the total balance is repayable in 2013. Billam AG is an unconnected third party.

14. SHARE CAPITAL

	2007 £'000	2006 £'000
Authorised		
19,210,250 ordinary shares of 20p each (2006: 19,210,250 ordinary shares of 20p each)	**3,842**	3,842
157,950,000 deferred shares of 0.1p each	**158**	158
	4,000	4,000
Allotted, called up and fully paid		
10,603,835 ordinary shares of 20p each (2006: 10,603,835 ordinary shares of 20p each)	**2,121**	2,121
157,950,000 deferred shares of 0.1p each	**158**	158
	2,279	2,279

14. SHARE CAPITAL (CONTINUED)

Deferred shares

The deferred shares were issued as part of the re-organisation on 30 May 2000, have:

- no right to any dividend;
- the right to receive notice of any general meeting and to attend such meeting, but no right to vote there at; and
- the right on a winding up or other return of capital (after payment of the debts and liabilities of the Company and an amount equal to the amounts paid up, or credited as paid up, including any premium on the ordinary shares of the Company, together with any unpaid arrears of dividend declared on such shares) to an amount equal to the amounts paid up or credited as paid up on such deferred shares.

The Group operates an unapproved share option scheme. Awards under each scheme are made periodically to employees

The Group has used the Black-Scholes-Merton formula to calculate the fair value of outstanding options and deferred shares. The assumptions applied to the Black-Scholes-Merton formula for share options issued and the fair value per option are as follows:

	Share options
Expected life of options based on options exercised to date	4 years
Volatility of share price	41%
Dividend yield	0%
Risk free interest rate	5.62%
Share price at date of grant	15p
Exercise price	20p
Fair value per option	£0.03

The charge calculated up to 31 December 2007 is £9,000 (2006: £nil).

Volatility was assessed over the period since the shares were listed.

A reconciliation of option movements over the year ended 31 December 2007 is shown below:

	Number	**Exercise price**
Granted in the year	1,900,000	20p
Outstanding at 31 December 2007	1,900,000	
Exercisable at 31 December 2007	-	

At 31 December 2007 outstanding options granted over 20p ordinary shares were as follows:

Share option scheme	**Exercise price**	**Number**	**Dates exercisable**
Company unapproved	20p	1,900,000	24 March 2010 to 23 March 2017

There were no share options in issue in the prior year.

15. RETIREMENT BENEFITS

Defined Contribution Pension Scheme

The Group operates a defined contribution scheme for the benefit of certain employees and directors. The assets of the scheme are administered by trustees in a fund independent from those of the Company.

16. COMMITMENTS UNDER OPERATING LEASES

There were total commitments under operating leases expiring as follows:

	2007	2006
	£'000	£'000
Land and buildings		
Less than one year	**14**	-
Between 1 to 2 years	**100**	-
Within 2 to 5 years	**-**	157
	114	157

17. TRANSACTIONS WITH RELATED PARTIES

Within creditors is an amount accrued but not yet paid to former director A G P Forrest in relation to remuneration amounting to £118,000 (2006: £377,000). This amount is to be repaid in two half yearly instalments. Included in creditors is also an amount due to Mr N Malde of £50,000 in respect of unpaid remuneration.

During the year, a major shareholder, Mr S D Wicks advanced monies to the Group and the fair value of the outstanding balance at the year end was £1,413,000. Interest accrued during the year at 1% above base rates amounted to £60,000 and this remained outstanding at the year end. Interest of £7,000 relating to previous years also remains outstanding at the year end. The loan was secured by way of a debenture over the Company's assets. Whilst there are no formal terms of repayment, Mr S D Wicks has agreed not to seek repayment for a period of at least 12 months from the date of approval of these accounts unless the Group has funds to do so, albeit he may exercise his option to convert part or all of these loans into shares during that time.

Following the year end Highlands Village Limited, a company in which Mr S D Wicks and Mr N Malde are both directors and shareholders, has advanced £285,000 to the Company on an unsecured basis at 1% above base rates.

18. FINANCIAL INSTRUMENTS AND RISK PROFILE

The Group's financial instruments comprise its investment portfolio, cash balances and debtors and creditors that arise directly from its operations. The Group does not use derivative instruments The Group is exposed to market risk through the use of financial instruments and specifically to liquidity risk, market price risk and credit risk, which result from the group's operating activities.

The Board's policy for managing these risks is summarised below.

18. FINANCIAL INSTRUMENTS AND RISK PROFILE (CONTINUED)

Liquidity risk

The Group invests in securities for the long term. Accordingly the Group rarely trades investments in the short term. However, in rare circumstances listed investments may be sold to meet the Group's funding requirements as they are readily realisable to cash. Unlisted investments in the portfolio are subject to greater liquidity risk. This risk is taken into account by the directors when arriving at the valuation of these assets.

Market price risk

The Group is exposed to market price risk as shown by movements in the value of its equity investments. These are regularly monitored by the directors.

Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date

	2007	2006
	£'000	£'000
Loans and receivables	**1,026**	-
Trade and other receivables	**208**	171
Cash and cash equivalents	**5**	1
	1,239	172

The directors monitor the development projects for which the loans are advanced on a regular basis and consider that all the above financial assets are of reasonable quality. No amounts shown above are considered to be past due.

The directors do not consider that there are any areas of significance that require sensitivity analysis to be applied.

18. FINANCIAL INSTRUMENTS AND RISK PROFILE (CONTINUED)

Summary of financial assets and liabilities by category

The carrying amount of financial assets and liabilities as recognised at the balance sheet date of the reporting periods under review may also be categorised as below:

	2007	2006
	£'000	£'000
Non current assets		
Financial assets at fair value through profit and loss	**1,651**	2,446
Current assets		
Loans and receivables	**1,234**	171
Cash and cash equivalents	**5**	1
	1,239	172
Current liabilities		
Financial liabilities carried at amortised cost	**1,888**	705
Non current liabilities		
Financial liabilities carried at amortised cost	**299**	452

The financial assets at fair value through profit and loss have been valued in accordance with the International Private Equity and Venture Capital Valuation guidelines.

There is no material difference between the carrying value and fair value of the group's aggregate financial assets and liabilities.

18 FINANCIAL INSTRUMENTS AND RISK PROFILE (CONTINUED)

Interest rate risk profile of financial liabilities

	2007	2006
	£'000	£'000
Floating rate financial liabilities	**1,422**	353
Financial liabilities on which no interest is paid	**765**	804
	2,187	1,157

The floating rate financial liabilities principally comprise loans of loans with interest payable at 1% over base rate.

The loan held under loans and receivables attracted no interest, but instead was entitled to a minimum share of profit generated by the development project for which the funds were used. No other financial assets were held on which interest was receivable.

All financial assets and liabilities are denominated in sterling.

Maturity profile of financial liabilities

The maturity profile of the group's financial liabilities was as follows:

	2007	2006
	£'000	£'000
In one year or less, or on demand	**1,944**	705
In more than one year but not more than two	**-**	170
In more than five years	**299**	282
	2,243	1,157

Other loans of £1,469,000 (held at fair value of £1,413,000) are repayable on demand only to the extent that the Group has sufficient funds to allow repayment.

19. EXPLANATION OF TRANSITION TO IFRS

As stated in the Basis of Preparation, these are the Group's first consolidated financial statements prepared in accordance with IFRS.

An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out below.

IFRS permits groups adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period. These financial statements have been prepared on the basis of taking the following exemptions:

- business combinations prior to 1 January 2006, the Group's date of transition to IFRS, have not been restated to comply with IFRS 3 "Business Combinations".

- the Group has elected to designate certain financial instruments at the date of transition to IFRS as a financial asset or financial liability at fair value through profit and loss.

19. EXPLANATION OF TRANSITION TO IFRS (CONTINUED)

There were no material adjustments required to the consolidated cash flow statement.

Notes to the reconciliations

The Group has applied IAS 39; Financial instruments: Recognition and Measurement to certain loan agreements as follows:

a) An interest free loan from Billam AG. The loan was previously included under UK GAAP at the value of the proceeds of the loan. This has now been shown on initial recognition at fair value and recorded at amortised cost on subsequent measurement.

b) Borrowings with rights to convert to shares. Historically, not being material, the loan was accounted for as a debt instrument under UK GAAP. On conversion, as the instrument has increased in value as a result of piecemeal advances to the company, the instrument has been split between debt and equity with the equity element of the convertible loan calculated by discounting the liability to its net present value . The loan is then decreased to the settlement value over the period of the loan with the net interest debited to the income statement and a corresponding increase in the loan.

c) An interest free loan with a former director. The loan was previously included at the value of the proceeds of the loan. This has now been shown on initial recognition at fair value and recorded at amortised cost on subsequent measurement.

d) The reclassification to financial assets at fair value through profit and loss on transition of an amount previously included in current assets.

19. EXPLANATION OF TRANSITION TO IFRS (CONTINUED)

Reconciliation of equity at 1 January 2006

			Note		
	UK GAAP	**a**	**c**	**d**	**IFRS**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Non-current assets					
Financial assets at fair value through profit and loss	3,106	-	-	100	3,206
Current assets					
Trade and other receivables	121	-	-	(100)	21
Other current assets	50	-	-	-	50
Cash and cash equivalents	9	-	-	-	9
Current liabilities					
Trade and other payables	(205)	-	-	-	(205)
Short-term borrowings	(54)	-	-	-	(54)
Non-current assets			-		
Long-term borrowings	(397)	118	39	-	(240)
Other payables	(475)	-	-	-	(475)
Net assets	2,155	118	39	-	2,312
Equity					
Share capital	2,250	-	-	-	2,250
Share premium account	5,409	-	-	-	5,409
Merger reserve	1,012	-	-	-	1,012
Profit and loss account	(6,516)	118	39	-	(6,359)
Total equity	2,155	118	39	-	2,312

19. EXPLANATION OF TRANSITION TO IFRS (CONTINUED)

Reconciliation of equity at 31 December 2006

			Note		
	UK GAAP	**a**	**b**	**c**	**IFRS**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Non-current assets					
Financial assets at fair value through profit and loss	2,446	-	-	-	2,446
Current assets					
Trade and other receivables	121	-	-	-	121
Other current assets	50	-	-	-	50
Cash and cash equivalents	1	-	-	-	1
Current liabilities					
Trade and other payables	(379)	-	-	27	(352)
Short-term borrowings	(366)	-	13	-	(353)
Non-current assets					
Long-term borrowings	(397)	115	-	-	(282)
Other payables	(170)	-	-	-	(170)
Net assets	1,306	115	13	27	1,461
Equity					
Share capital	2,279	-	-	-	2,279
Share premium account	5,423	-	-	-	5,423
Convertible loan	-	-	18	-	18
Merger reserve	1,012	-	-	-	1,012
Profit and loss account	(7,408)	115	(5)	27	(7,271)
Total equity	1,306	115	13	27	1,461

Reconciliation of profit for the year to 31 December 2006

			Note		
	UK GAAP	**a**	**b**	**c**	**IFRS**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Continuing operations					
Revenue	438	-	-	-	438
Cost of sales	(806)	-	-	-	(806)
Gross loss	(368)	-	-	-	(368)
Administrative costs	(515)	-	-	-	(515)
Finance costs	(11)	(3)	(5)	(10)	(29)
Loss before tax	(894)	(3)	(5)	(10)	(912)
Income tax expense	-	-	-	-	-
Loss after tax	(894)	(3)	(5)	(10)	(912)

20. COMPANY INFORMATION

The Company is a public limited company registered in England and Wales. The registered office and principal place of business is Trinity Court, Batchworth Island, Church Street, Rickmansworth, Hertfordshire, WD3 1RT.

We have audited the parent company financial statements of Billam plc for the year ended 31 December 2007 which comprise the balance sheet, the principal accounting policies and the notes 1 to 11. These financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the group financial statements of Billam plc for the year ended 31 December 2007.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, and the parent company financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company 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 parent company financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the parent company financial statements. The information given in the Report of the Directors includes that specific information presented in the Chairman's Statement that is cross referred from the Business Review section of the Report of the Directors.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's statement, the Report of the Directors and the Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

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 parent company financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company 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 parent company financial statements.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the parent company financial statements.

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS

Sheffield
30 June 2008

BILLAM PLC

BALANCE SHEET AT 31 DECEMBER 2007

	Note	2007 £'000	2006 (Restated) £'000
Fixed assets			
Investments	3	**1,651**	2,446
Current assets			
Debtors	4	**1,101**	171
Cash at bank and in hand		**6**	1
		1,107	172
Creditors: amounts falling due within one year	5	**(1,840)**	(745)
Net current liabilities		**(733)**	(573)
Total assets less current liabilities		**918**	1,873
Creditors: amounts falling due after more than one year	6	**(397)**	(567)
Net assets		**521**	1,306
Capital and reserves			
Called up share capital	7	**2,279**	2,279
Share premium account	8	**5,423**	5,423
Convertible loan	8	**88**	-
Revaluation reserve	8	**451**	411
Merger reserve	8	**1,012**	1,012
Profit and loss account	8	**(8,732)**	(7,819)
Shareholders' funds	9	**521**	1,306

The financial statements were approved by the Board of Directors and authorised for issue on 30 June 2008.

Simon Bennett **Chairman**

Nishith Malde **Director**

The accompanying accounting policies and notes form an integral part of these financial statements.

The principal accounting policies of the Company remain unchanged from the previous year, other than as noted below. The accounting policies of the Company are set out below.

CHANGE IN ACCOUNTING POLICY

Although not an investment company within the meaning of Section 266 of the Companies Act 1985, the Company had previously presented the financial statements in accordance with the Statement of Recommended Practice (SORP) applicable for investment trusts. The directors do not now consider it appropriate to apply the SORP and accordingly have complied fully with the specific provisions of Schedule 4 of the Companies Act relating to the form and content of accounts for companies other than investment companies. The change has no effect on the Company's reported loss for the year or on the balance sheet. Amounts previously included in the capital reserve (realised and unrealised) and the revenue account totaling £7,408,000 (debit) at 31 December 2006 have now been included in the profit and loss account reserve other than unrealised gains on the revaluation of investments which are included in the revaluation reserve.

BASIS OF ACCOUNTING

The accounts have been prepared under the historical cost convention, as modified by the revaluation of investment assets. The accounts have been prepared in accordance with applicable accounting standards.

The financial statements have been prepared on the going concern basis, the directors having considered the cash forecasts for the next 12 months. In doing so they have given due regard to the liquidity of investments, funding provided by Mr S D Wicks as referred to in note 11, additional funding of £285,000 provided by Highlands Village Limited after the year end also referred to in note 11 and the repayment of other loans. On this basis the Directors have a reasonable expectation that the funds available to the Company are sufficient to meet the requirements indicated by those forecasts.

CASH FLOW STATEMENT

The Company has taken advantage of the exemption to not include a cash flow statement within its financial statements.

INVESTMENTS

Investments in subsidiaries are carried at cost less amounts written off.

Listed investments

Investments which are listed on a stock market such as AIM or similar markets are valued at their closing mid-price.

Where listed investments are subject to restrictions on sale or the marketability of the holding is limited then a discount to the listed market price may be applied. Unrealised gains are transferred to the revaluation reserve.

Unlisted shares

Valuation methods used are either costs or where appropriate fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines.

In estimating fair value a valuation methodology is applied that is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio. The valuation methodology will consider:

Price of recent investment
Earnings multiple
Net assets
Discounted cash flows or earnings of the underlying business
Discounted cash flows from the investment
Industry valuation benchmarks

For investments in start up or early-stage businesses, the "Price of Recent Investment" methodology is the most appropriate for a limited period following the date of investment. Thereafter the fair value is measured using the most appropriate methodology. If fair value cannot be reliably measured then a provision is made.

In the course of this review, increases above cost based valuations of unquoted investments are, in normal circumstances, only made if substantiated by significant third party transactions in relevant shares. Unrealised gains are recorded in the revaluation reserve.

LEASED ASSETS

Payments made under operating leases are charged to the revenue account on a straight line basis over the lease term.

EXPENSES

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except as follows:

- expenses which are incidental to the acquisition of an investment are included within the cost of the investment;
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment; and
- expenses are charged to capital reserve-realised where a connection with the maintenance or enhancement of the value of the investments can be demonstrated.

TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

FOREIGN CURRENCY

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as at the date of the transaction or, where appropriate, at the rate of exchange in a related forward exchange contract. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end or, where appropriate, at the rate of exchange in a related forward exchange contract. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the capital reserve or in the revenue account depending on whether the gain or loss is of a capital or revenue nature respectively.

RETIREMENT BENEFITS

Defined contribution pension scheme

The pension costs charged against operating profits are the contributions payable to the scheme in respect of the accounting period.

1. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the parent company has not presented its own profit and loss account.

The Company's loss for the year of £922,000 (2006: £525,000) has been transferred to reserves.

Auditors' remuneration

The audit fees for the Company were £16,500 (2006: £14,000). Auditors' remuneration for other services is disclosed in note 2 to the consolidated financial statements.

Fees paid to the Company's auditors, Grant Thornton UK LLP, and its associates for services other than statutory audit of the Company are not disclosed in Billam PLC's accounts since the consolidated accounts of Billam PLC are required to disclose non-audit fees on a consolidated basis.

2. STAFF COSTS

Staff costs during the year were as follows:	**2007**	2006
	£'000	£'000
Wages and salaries	**110**	190
Social security costs	**13**	19
Pension costs	**-**	3
	123	212

The average number of employees (including directors) of the Company were:	**2007**	2006
	Number	Number
Management of investments	**3**	3

See the Remuneration Report for directors' remuneration.

3. INVESTMENTS

	2007	2006
	£'000	£'000
Investments listed on a recognised investment exchange	**1,025**	1,087
Other unlisted investments	**626**	1,359
	1,651	2,446

	Listed £'000	**Subsidiary undertakings £'000**	**Other unlisted investments £'000**	**Total £'000**
Cost				
At 1 January 2007	676	2,623	5,015	8,314
Additions	13	-	-	13
Sales				
- proceeds	(115)	-	(150)	(265)
- realised gains/(losses) on sales	-	-	37	37
At 31 December 2007	574	2,623	4,902	8,099
Unrealised appreciation / (depreciation)				
At 1 January 2007	411	-	(3,656)	(3,245)
Increase/(decrease) in unrealised appreciation/(depreciation)	40	-	(620)	(580)
At 31 December 2007	451	-	(4,276)	(3,825)
Amounts due to subsidiaries	-	(2,623)	-	(2,623)
Cost or valuation				
At 31 December 2007	**1,025**	**-**	**626**	**1,651**
At 31 December 2006	1,087	-	1,359	2,446

4. DEBTORS

	2007	2006
	£'000	£'000
Trade debtors	**34**	-
Amounts owed by subsidiary undertaking	**892**	-
Other debtors	**133**	121
Prepayments and accrued income	**42**	50
	1,101	171

5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007	2006
	£'000	£'000
Bank overdraft	**9**	31
Other loans	**1,413**	335
Trade creditors	**68**	47
Social security and other taxes	**31**	6
Other creditors and accruals	**319**	326
	1,840	745

6. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2007	2006
	£'000	£'000
Loan notes due to Billam AG	**397**	397
Other creditors and accruals	**-**	170
	397	567

7. SHARE CAPITAL

	2007	2006
	£'000	£'000
Authorised		
19,210,250 ordinary shares of 20p each		
(2006: 19,210,250 ordinary shares of 20p each)	**3,842**	3,842
157,950,000 deferred shares of 0.1p each	**158**	158
	4,000	4,000
Allotted, called up and fully paid		
10,603,835 ordinary shares of 20p each		
(2006: 10,460,000 ordinary shares of 20p each)	**2,121**	2,092
157,950,000 deferred shares of 0.1p each	**158**	158
	2,279	2,250

Deferred shares

The deferred shares, which are non-equity shares were issued as part of the re-organisation on 30 May 2000, have:

- no right to any dividend;
- the right to receive notice of any general meeting and to attend such meeting, but no right to vote there at; and
- the right on a winding up or other return of capital (after payment of the debts and liabilities of the Company and an amount equal to the amounts paid up, or credited as paid up, including any premium on the ordinary shares of the Company, together with any unpaid arrears of dividend declared on such shares) to an amount equal to the amounts paid up or credited as paid up on such deferred shares.

At 31 December 2007 there were no options over the ordinary shares of the Company.

The Company operates an unapproved share option scheme. Awards under each scheme are made periodically to employees.

The Company has used the Black-Scholes-Merton formula to calculate the fair value of outstanding options and deferred shares. The assumptions applied to the Black-Scholes-Merton formula for share options issued and the fair value per option are as follows:

	Share options
Expected life of options based on options exercised to date	4 years
Volatility of share price	41%
Dividend yield	0%
Risk free interest rate	5.62%
Share price at date of grant	15p
Exercise price	20p
Fair value per option	£0.03

The charge calculated up to 31 December 2007 is £9,000 (2006: £nil).

Volatility was assessed over the period since the shares listed.

7. SHARE CAPITAL (CONTINUED)

A reconciliation of option movements over the year ended 31 December 2007 is shown below:

	Number	Exercise price
Granted in the year	1,900,000	20p
Outstanding at 31 December 2007	1,900,000	
Exercisable at 31 December 2007	-	

At 31 December 2007 outstanding options granted over 20p ordinary shares were as follows:

Share option scheme	Option price	Number	Dates exercisable
Company unapproved	20p	1,900,000	24 March 2010 to 23 March 2017

8. RESERVES

	Share premium account £’000	Equity element of convertible loan £'000	Revaluation reserve (Restated) £'000	Merger reserve £’000	Profit and loss account (Restated) £’000
At 1 January 2007	5,423	-	411	1,012	(7,819)
Issue of convertible loan	-	88		-	-
Share based compensation	-	-		-	9
Retained loss for the year	-	-	40	-	(922)
At 31 December 2007	**5,423**	**88**	**451**	**1,012**	**(8,732)**

9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007	2006 (Restated)
	£'000	£'000
Retained loss for the year	**(922)**	(525)
Movement in unrealised gains on investments transferred to/(from) revaluation reserve	**40**	(367)
New share capital subscribed	**-**	43
Equity element of convertible loan	**88**	-
Share based compensation	**9**	-
	(785)	(849)
Shareholders' funds brought forward	**1,306**	2,155
Shareholders' funds carried forward	**521**	1,306

10. COMMITMENTS UNDER OPERATING LEASES

There were annual commitments under operating leases expiring as follows:

	2007	2006
	£'000	£'000
Land and buildings		
Less than one year	**14**	-
Between 1 to 2 years	**55**	22
Within 2 to 5 years	**-**	57
	69	79

11. TRANSACTIONS WITH RELATED PARTIES

Within creditors is an amount accrued but not yet paid to former director A G P Forrest in relation to remuneration amounting to £118,000 (2006: £377,000). This amount is to be repaid in two half yearly instalments. Included in creditors is also an amount due to Mr N Malde of £50,000 in respect of unpaid remuneration.

During the year, a major shareholder, Mr S D Wicks advanced monies to the Company and the outstanding balance at the year end was £1,469,000. Interest accrued during the year at 1% above base rates amounted to £60,000 and this remained outstanding at the year end. Interest of £7,000 relating to previous years also remains outstanding at the year end. The loan was secured by way of a debenture over the Company's assets. Whilst there are no formal terms of repayment, Mr S D Wicks has agreed not to seek repayment for a period of at least 12 months from the date of approval of these accounts unless the Company has funds to do so, albeit he may exercise his option to convert part or all of these loans into shares during that time.

Following the year end Highlands Village Limited, a company in which Mr S D Wicks and Mr N Malde are both directors and shareholders, has advanced £285,000 to the Company on an unsecured basis at 1% above base rates.

Directors' remuneration

The Board submits its directors' remuneration report for the year ended 31 December 2007.

The policy of the Board is to provide executive remuneration packages designed to attract, motivate and retain directors of the calibre necessary to maintain the Company's position as a market leader and to reward them for enhancing shareholder value and return. It aims to provide sufficient levels of remuneration to do this, but to avoid paying more than is necessary.

Due to the Board's current size it does not have a Remuneration Committee.

Main elements of remuneration

The three main elements of the executive director's remuneration package are basic annual salary, performance related bonus and share option incentives.

Basic annual salary

Any executive director's basic salary is reviewed annually by the Board. In deciding upon appropriate levels of remuneration the Board believes that the Company should offer average levels of base pay reflecting individual responsibilities compared to similar jobs in comparable companies.

Summary of Directors' remuneration

	Salary 2007 £'000	Bonus 2007 £'000	Aggregate emoluments Total 2007 £'000	Total 2006 £'000	Company contributions to money purchase pension scheme 2007 £'000	2006 £'000
Executive						
N Malde	33	-	33	17	-	-
Non-executive						
S C Bennett	26	-	26	22	-	-
	59	-	59	39	-	-

Remuneration in respect of S C Bennett was paid to Incremental Capital LLP.

Non-executive director

The remuneration of the non-executive director is determined by the Board within the limits set out in the Articles of Association. The non-executive director does not have a contract of service and is not eligible to receive pension contributions.

Directors' interests

The interests of the directors and their families in the ordinary shares of the Company are shown below,

Ordinary shares	**As at 31 December 2007 20p Ordinary shares**	As at 1 January 2007 10p Ordinary shares
S C Bennett	**50,000**	50,000
N Malde	**40,000**	40,000

Share options

The Company granted 1,900,000 share options under an unapproved share option scheme during the year of which 1,000,000 share options were granted to the directors as follows:

	Options over 20p Ordinary shares
S C Bennett	300,000
N Malde	700,000
	1,000,000

Other than shown above, no director had any interest in the shares of the Company or any of its subsidiaries at 31 December 2007 and there have been no changes in directors' interests since that date and the date of this report.

ON BEHALF OF THE BOARD

Simon Bennett
Chairman

30 June 2008