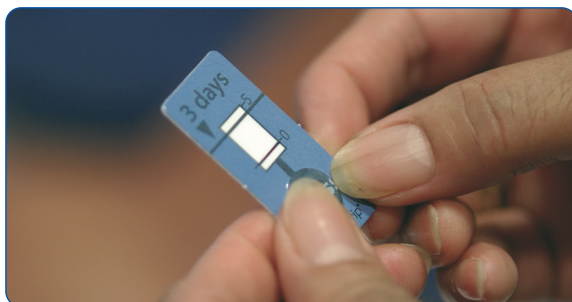




## Timestrip plc

# Annual Report and Accounts

Year ended 31<sup>st</sup> December 2008



# TIMESTRIP PLC

## DIRECTORS AND ADVISERS

### Directors

S V Oakes  
P J Freedman  
R Isbitsky  
J A Steinberg Non-Executive Director  
S A Leslie Non-Executive Director (resigned 14 May 2008)  
G Platts Non-Executive Director (appointed 28 July 2008)

### Secretary

International Registrars Limited

### Company number

03836605 (England & Wales)

### Registered office

Finsgate  
5-7 Cranwood Street,  
London  
EC1V 9EE

### Registered auditors

Jeffreys Henry LLP  
Finsgate  
5-7 Cranwood Street  
EC1V 9EE

### Nominated Adviser and Broker

JM Finn Capital Markets Limited  
4 Coleman Street  
London  
EC2R 5TA

### Bankers

Anglo Irish Bank Corporation Plc  
10 Old Jewry  
London  
EC2R 8DN

### Solicitors

Kemp Little LLP  
Cheapside House  
138 Cheapside  
London  
EC2V 6BJ



**TIMESTRIP PLC**  
**ANNUAL REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**Company Registration No. 03836605 (England and Wales)**

# TIMESTRIP PLC

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## **CHAIRMAN'S STATEMENT**

### **FOR THE YEAR ENDED 31 DECEMBER 2008**

The Group has continued to see a marked improvement in sales during 2008 with revenue for the year 280% higher than achieved in 2007. Progression was made throughout the period as demonstrated in the final six months where revenue was four times greater than the comparable period in 2007. I am pleased to report that the group has been consistently achieving increases in its average selling prices and gross profitability, coupled with a reduction in overheads that has been achieved despite the detrimental impact of sterling's weakness on our overseas manufacturing cost base.

Since the year end we have further strengthened the cash resources of the group through two share placings as we look to build on sales of our existing products and to roll out recently launched products into the Healthcare and Cold Chain markets.

### **Financial results**

Revenue for the year to 31st December 2008 grew to £673,485 (2007 - £176,900). Pre-tax losses narrowed by 22% to £1,304,902 (2007 - £1,679,927). Included in the pre-tax loss is an additional charge of £150,000 against capitalised R&D in respect of iStrip, which is subject to an ongoing patent dispute in the US. The loss per share of 0.55p (2007 – loss of 0.18p) reflects a charge of £866,247 (2007 – credit of £951,742) relating to a provision against the Group's deferred tax asset in line with recently introduced guidance on the prudent period to be used for recognising tax assets. Cash at the end of 2008 was £812,000. The group has since raised an additional £1m through placings in March and May 2009.

### **Current Trading and prospects**

I am pleased to report that, despite the challenging economic climate, our existing customers continue to see Timestrip® as a beneficial technology that helps encourage consumers to comply with recommended usage instructions. We are encouraged by repeat orders achieved in our core sectors as well as the addition of new customers and the adoption of the technology by existing customers for new products and markets.

The addition of two new product ranges - TimestripPlus™ and TimestripMedical™ - have significantly increased the revenue potential for the group and early sales into the **Cold Chain** and **Healthcare sectors** give us much cause for optimism. These products represent a great achievement by everyone involved in the R&D effort and the group now has a product range that addresses the needs of a wide range of companies interested in communicating time and temperature issues to their customers.

There remains a clear focus on reaching the key milestone of profitability as quickly as possible. Accordingly we are concentrating our resources on the products and markets that are capable of yielding profitable orders in the shortest possible timeframe. With a stronger balance sheet and a greater range of products we look forward to continued progress during 2009.

S.V.Oakes  
**Chairman**

10<sup>th</sup> June 2009

## JOINT CHIEF EXECUTIVES' STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

### Operating Review

The group develops, and commercialises patent protected technologies with the capability of radically transforming the markets in which they are targeted. These technologies comprise Timestrip®, iStrip™ and most recently TimestripPlus™, all of which operate in the field of time and temperature measurement and are positioned for adoption within six major mass markets: Food and Beverage, Appliances, Catering/Foodservice, Medical Devices, Pharmaceuticals and Cosmetics/Personal Care.

Having reviewed our progress to date, we have now identified the specific markets and products which offer the group the best way of meeting our key objective of achieving profitability in the shortest possible timeframe. Accordingly, we are focusing our resources on markets and products that combine the shortest sales cycles with the greatest margin potential. This has naturally led us to concentrate on two specific sectors for our core Timestrip® product range - **Consumables** and **Cosmetics/Personal Care** - as well as two sectors in which to launch our new TimestripMedical™ and TimestripPlus™ product ranges - namely the **Cold Chain** and **Healthcare** sectors.

#### Consumables

In this market Timestrip® is positioned as a cost effective visual reminder device to improve customer compliance with manufacturer's instructions such as "replace every three months". Our technology is currently sold to companies in connection with a wide range of products including air purifiers, aquariums, hearing aids, fridges, freezers, domestic water filtration, anti-rust protection and anti-mould protection. Included in our growing customer base are a number of international blue-chip brands including Whirlpool®, WD40®, and Tetra®.

Repeat orders and orders from existing customers to use Timestrip® with new products give us confidence that the Timestrip® technology has considerable traction in this sector. Regular shipments to **United Pet Group** (Tetra®) started in March 2008 and have helped our production facility to achieve significant operational efficiencies across all our products. Timestrip® has now been adopted for use with four different products by **Whirlpool** and has been extended to new territories including India. We are delighted that the "3-in-One No Rust Shield" with integrated Timestrip® has been well received in the US leading to our first repeat order from **WD40 Company** as part of their roll-out programme across national retail accounts.

Trade advertising highlighting our relationship with brands such as Tetra® has greatly increased the number of sales opportunities in the consumables sector and we will continue to devote considerable focus to this market in order to establish Timestrip® as a 'must-have' technology.

#### Cosmetics and Personal Care

We have been very encouraged by consumer feedback on the new Cargo® BluRay® lip gloss with Timestrip® technology that is sold in the US and Europe through the leading retail chain Sephora. We are delighted to have already received and shipped our first repeat order to Cargo in early 2009. This project has enabled us to demonstrate our ability to supply a customised Timestrip that can be fully integrated into a product in an aesthetically pleasing way. The association with Cargo has raised our profile in the cosmetics sector significantly and we are actively pursuing a number of other opportunities with companies in the US, Europe and Japan.

We reported in September 2008 that an order had been received that would result in Timestrip® being used by a leading manufacturer to promote the timely replacement of toothbrushes in Northern Europe. This order was delivered but the promotion has not yet taken place. In the meantime we have made significant progress with another European manufacturer looking to integrate the Timestrip® into a toothbrush handle and we are cautiously optimistic that this will generate revenues during 2009 and will start to establish the technology in this global mass market.

## JOINT CHIEF EXECUTIVES' STATEMENT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

### Cold Chain

The recently launched **TimestripPlus™** and **DefrostWatch™** are premium priced products based on the patented Timestrip technology platform. They are aimed specifically at identifying breaches in the cold chain for a wide variety of products. TimestripPlus™ not only shows that one or more predefined temperatures have been exceeded, it also registers the cumulative time over which a temperature breach has occurred, making it easy to see if a product is past its best, or safe to use. It uniquely marries low cost (relative to other solutions such as data loggers) and high performance, offering an affordable way to monitor the cold chain with precision and reliability.

Orders have already been taken in the food sector, from Sanipousse (France) and Daymark (USA) as well as several food manufacturers and food retailers who want to monitor temperature breaches in a more affordable way than was previously possible. TimestripPlus™ is manufactured on existing production machinery and with relatively few changes to our production process required, we are optimistic that Cold Chain will become a significant source of revenue and profitability for the group.

### Healthcare

There are a number of products in the TimestripMedical™ range which target healthcare providers worldwide. **TimestripIV™** has been designed to help hospitals comply with existing policy directives that stipulate the need to change Peripheral Intravenous Cannulae (PVCs) every 72 hours. Up to 60% of cases of blood infections known as MRSA Bacteraemia are caused by PVC's and the cost of treating MRSA in the UK alone is estimated at £1 billion per annum, according to the National Audit Office. Two leading NHS hospitals have purchased TimestripIV™ for in-use assessments and we are optimistic that these sites will roll-out the use of TimestripIV™ during 2009. The technology has been very well received by all key stakeholders in the healthcare sector and there exists a clear opportunity to supply additional hospitals during the course of 2009. The publicity surrounding the launch has generated leads from the US, South America, Germany, China and Australia in a relatively short space of time. Our partnership with Brenmoor Limited has resulted in the **BrenmoorTimestrip™**, which is fully integrated into a cap that clips onto the market leading Brenmoor printable wristband. Currently sold in over 100 NHS hospitals the integration of our technology with Brenmoor provides an excellent route to market.

We have also identified a number of other time related protocols in the Healthcare sector that would benefit from our TimestripMedical™ products and we hope to provide updates on these in due course.

We are also delighted that **TimestripPlus™** has been very well received by NHS hospital pharmacies, three of which are already using the product to help monitor the storage of temperature sensitive medicines. Other applications for TimestripPlus™ include blood products which are stored at low temperatures, have strict time protocols for use once exposed to elevated temperatures, and are very expensive to collect and store.

With reference sites quickly established we are optimistic that the TimestripMedical™ range can be rolled out both within the NHS and with healthcare providers worldwide.

### Food & Beverage and Foodservice

Although we continue to work with a number of companies interested in incorporating the technology into food packaging, the current economic climate, long sales cycles and low margin potential (relative to our other products) have led us to focus our efforts in the **Food & Beverage** and **Foodservice** sectors on selling our premium TimestripPlus™ and DefrostWatch™ products to help guarantee and monitor the correct storage of food through the **Cold Chain** (see above).

**JOINT CHIEF EXECUTIVES' STATEMENT** (CONTINUED)  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**iStrip™**

We reported in August 2008 that a court action had been instigated in the US, claiming that iStrip infringes another US patent. Further to legal advice received at the time we have temporarily ceased marketing iStrip in North America pending the outcome of the court action. The plaintiff has only been granted a patent in the US at this point in time and we are closely monitoring the progress of their patent application in other territories. Our own patent application, which covers certain key aspects of the iStrip technology, is proceeding to national phase and it is therefore likely that a clearer picture of our respective patents will emerge during the course of 2009. Having considered the situation carefully the Directors have deemed it prudent to revise the useful economic life of iStrip resulting in an additional amortisation charge of £150,000.

**Staff and Partners**

The group has achieved a number of important milestones during 2008 and early 2009 and we would like to highlight the continued dedication of Timestrip employees and partners who work with great passion and drive to make our products a success.

**Strategy**

The group's strategy is driven by its revenue model which seeks to sell products directly and ultimately license the rights to manufacture and distribute Timestrip®, TimestripPlus™ and iStrip™ in local markets to customers, joint venture partners and distributors. This strategy is shaped by the manufacturing process and prevailing market dynamics for our product portfolio.

The implementation of this strategy requires us to maintain in-house production capacity at a sufficient level to seed markets in the early stages and ensure production machinery is kept at levels that will enable the group to satisfy initial contracts. Royalty revenues will be enhanced through the supply of key raw materials and technical support to licensees.

We also continually seek to broaden our product range and recent successes from our R&D team with the launch of TimestripPlus™ and DefrostWatch™ products have greatly enhanced the revenue and margin potential of the group as it strives to reach profitability.

Paul Freedman  
**Joint Chief Executive Officer**

Reuben Isbitsky  
**Joint Chief Executive Officer**

**10<sup>th</sup> June 2009**

**10<sup>th</sup> June 2009**

## **CORPORATE GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2008**

The Directors acknowledge the importance of the Principles set out in The Combined Code issued by the Committee on Corporate Governance. Although the Combined Code is not compulsory for AIM companies, the Directors have applied the principles as far as practicable and appropriate for a relatively small public company as follows:

### **The Board of Directors**

The Board meets regularly and is responsible for strategy and performance. The appointment and removal of the Company Secretary is a matter for the Board as a whole. In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. A nominations committee is not considered appropriate because of the small size of the Board and the Company, but all appointments are fully discussed by all Board members.

### **Audit Committee**

The Audit Committee consists of Stephen Oakes and Jonathan Steinberg and meetings are also attended by other executive directors of the Company on invitation. The Audit Committee is responsible for monitoring compliance with accounting and legal requirements, and for reviewing the annual and interim financial statements prior to their submission for approval by the Board.

### **Remuneration Committee**

The Remuneration Committee comprises Stephen Oakes and Graham Platts. The Remuneration Committee's role is to consider and approve the remuneration and benefits of the executive directors of the Company. In framing the Company's remuneration policy, the Remuneration Committee will give consideration to Section B of the Combined Code.

### **Internal Financial Control**

The Board is responsible for establishing and maintaining the group's system of internal financial control and places importance on maintaining a strong control environment. The Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives.

### **Statement by Directors on Compliance with the Provisions of the Combined Code**

The Board consider that they have complied with the provisions of The Combined Code, as far as practicable and appropriate for a public company of this size.

### **Directors Remuneration**

The Remuneration Committee will review the performance of executive Directors and recommend the scale and structure of their remuneration and review the basis of their service agreements with due regard to their interests of Shareholders. No member of the Board will participate in decisions concerning their own remuneration.

### **Model Code**

The Company has adopted and will operate a share dealing code for directors and senior executives on the same terms as the London Stock Exchange Model Code for companies whose shares have been admitted to AIM.

### **Relations with shareholders**

Communications with shareholders are given high priority. The Board uses the Annual General Meeting to communicate with investors and welcomes their participation. The Chairman aims to ensure that the Directors are available at Annual General Meetings to answer questions.

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008**

The directors present their report and financial statements of the group and company for the year ended 31 December 2008.

### **Principal activities and review of the business**

The principal activity of the group is the design, manufacture and distribution of smart label technology, creating products that can monitor changes in time and temperature.

A review of the group's business and future developments is included in the Chairman's Statement.

### **Key performance indicators**

The Board of Timestrip Plc use the following financial and non-financial key performance indicators to measure strategic and operational performance:-

- **Group Revenue**

This represents the total amount charged to customers for our products and services, including delivery but excluding inter-company sales, and sales taxes such as VAT.

Our aim is to increase revenue each year through a combination of price and volume growth, from our existing and potential market positions. In 2008 we are able to report a significant increase in revenue of 280% from last year.

- **Machine Production capacity**

This represents the quantity of Timestrips that we are able to produce at our plant. Our aim is to increase this capacity by investing in new machinery and continuing to train our staff to deliver operational improvements.

Future demand may also be satisfied by the Group licensing manufacturing rights to third parties, who will purchase machines and certain raw materials, and pay a royalty.

- **Sales into new markets and sectors**

Being a new and growing business it is crucial for us to continue to expand our product offering and to make our products attractive to the various market segments that we operate in. The board continually monitors the group's progress on this measure.

### **Key risks and uncertainties**

The group is exposed to a number of risks and has an established, structured approach to risk management.

Risks are analysed under three broad headings:

#### **Strategic risks**

- **Packaging and labelling market**

Timestrip is a sub set of the larger packaging and labelling market. We continue to work closely with the key players in those markets to achieve the incorporation of Timestrips. Any significant changes in that market away from achieving integration would threaten the group's level of performance.

- **Competitive forces**

We do not believe there is a serious competitive threat to the business at the moment. Our product is unique and protected by a number of international patents. However, these factors alone do not protect the group from competition and we continue to engage in research and development to protect and enhance our competitive position. The market size for an expiry date indicator runs into the many billions of units and the impact of competition would not necessarily have a material effect on the prospects for the group.

**DIRECTORS' REPORT** (CONTINUED)  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**Financial risks**

These are risks that arise as a result of movements in financial markets. Principal risks are: movements in foreign currency exchange rates, interest rates, commodity prices and counterparty credit risk. In addition, being a new business we are at risk of liquidity problems due to the uneven revenue stream.

• **Liquidity & Credit risks**

The main financial risks, to which the Group has exposure, are liquidity risk and foreign currency risk. The Group is exposed to liquidity risk arising from the need to finance its ongoing operations and growth. Currently the group has achieved this through share placings where necessary and has avoided the need to borrow in the form of loans, notes or bonds. The Group aims to ensure that it has sufficient funds to meet ongoing commitments through actively and timely cash management reporting.

The Group is exposed to foreign currency risk arising from the need to finance its overseas operations. This is partly managed through the ongoing use of foreign currency receipts, and the Group does not use interest rate swaps or other financial products in order to manage fluctuations in exchange rates. Looking forward, the Group currently assumes it will adopt a similar approach.

**Operational risks**

• **Performance of supply chain**

The group's key raw materials are provided through supply chains external to the Group. Any failure of the supply chain would present a risk to the Group's ability to meet customer requirements and to achieve its financial goals.

The group's strategy is to simplify the external supply chain, forging deeper, strategic relationships with fewer but stronger suppliers. The group is also investing in its manufacturing facilities, enhancing the production base, which will enable it to improve productivity and reduce costs by developing world-class manufacturing facilities and processes.

**Results and dividends**

The results for the year are set out on page 13.

The directors do not recommend payment of an ordinary dividend.

**Directors**

The following directors have held office since 1 January 2008:

S V Oakes

P J Freedman

R Isbitsky

S A Leslie (resigned – 14 May 2008)

J A Steinberg Non-Executive Director

G Platts Non-Executive Director (appointed 28 July 2008)

All directors who are eligible offer themselves for re-election at the forthcoming Annual General Meeting.

**DIRECTORS' REPORT** (CONTINUED)  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**Directors' interests**

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of 0.02p each	
	31 December 2008	1 January 2008
S V Oakes	-	-
P J Freedman	38,716,698	38,716,698
R Isbitsky	38,716,698	38,716,698
S A Leslie	7,235,596	7,735,596
J A Steinberg	-	-
G Platts	25,000,000	-

At the year end Lloyd Traders Inc, which is owned beneficially by S V Oakes and others, had an interest in 15,408,740 Ordinary shares of 0.02p each.

The directors also held the following ordinary shares under option:

	Ordinary shares of 0.02p each	
	31 December 2008	1 January 2008
S V Oakes	-	-
P J Freedman	5,000,000	5,000,000
R Isbitsky	5,000,000	5,000,000
S A Leslie	-	-
J A Steinberg	1,600,000	1,600,000
G Platts	-	-

Refer to Note 20 Share based payments for details of exercise prices and option periods.

**Substantial interest in shares**

As at 20<sup>th</sup> May 2009, the company has been notified of the following interests in 3% or more of the issued share capital of the company in accordance with Part V1 of the Companies Act 1985 (as amended).

	Number of Ordinary shares	Percentage of existing issued share capital
Mr Graham Platts	78,030,303	15.7%
Pershing Nominees Limited	62,319,459	12.5%
Mr Paul Freedman	38,716,698	7.8%
Mr Reuben Isbitsky	38,716,698	7.8%
Jim Nominees Limited	34,551,473	7.0%
J M Finn Capital Markets Limited	27,000,000	5.4%
Morstan Nominees Limited	18,682,000	3.8%
Mr David Lerer	16,463,678	3.3%
Brewin Nominees (Channel Islands)	16,450,000	3.3%

## **DIRECTORS' REPORT** (CONTINUED) **FOR THE YEAR ENDED 31 DECEMBER 2008**

### **Employee involvement**

The group is committed to the involvement of employees in the business.

Staff are kept informed of the performance and objectives of the group through publications of results and staff meetings.

### **Publication of accounts on company website**

Financial statements are published on the Company's website. The maintenance and integrity of the website is the responsibility of the Directors. The Directors' responsibility also extends to the financial statements contained therein.

### **Indemnity of officers**

The Group may purchase and maintain, for any Director or officer, insurance against any liability and the Group does maintain appropriate insurance cover against legal action brought against its Directors and officers.

### **Disabled persons**

The group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

### **Creditor payment policy**

The group's current policy on the payment of creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction ;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts, and
- pay in accordance with the group's contractual and other legal obligations.

On average trade creditors at the year end represented 47 days (2007: 28) administrative expenses.

### **Auditors**

Jeffreys Henry LLP have expressed their willingness to continue in office. A resolution proposing that Jeffreys Henry LLP be re-appointed will be put to the Annual General Meeting.

### **Going Concern**

After making appropriate enquiries, the directors consider that the group has adequate resources to continue in operational existence for the foreseeable future (see note 1.1). For this reason they continue to adopt the going concern basis in preparing the financial statements.

### **Post Balance Sheet Events**

On 12 March 2009, the company raised £437,500, through a placing of 53,030,303 new ordinary shares of 0.02 pence each at a price of 0.825 pence per share. The net proceeds from the placing were £437,500.

On 8 May 2009, the company raised £610,550, through a placing of 40,703,334 new ordinary shares of 0.02 pence each at a price of 1.5 pence per share. The net proceeds from the placing were £580,022.

### **Research & Development**

The group is heavily involved in research and development activities. Please refer to the Joint Chief Executives' statement, and the Chairman's Statement for full details.

**DIRECTORS' REPORT** (CONTINUED)  
**FOR THE YEAR ENDED 31 DECEMBER 2008****Directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted for use in the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period. In preparing those 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business for the foreseeable future;
- state that the financial statements comply with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and enable them to ensure that the financial statements comply with the Companies Act 1985 and as regards to the group financial statements, article 4 of the IAS regulation. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Statement of disclosure to auditor**

So far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

On behalf of the board

S V Oakes  
**Director**

**10<sup>th</sup> June 2009**

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TIMESTRIP PLC**

We have audited the group and parent company financial statements (the "financial statements") of Timestrip Plc which include the consolidated income statement, the consolidated and parent company balance sheets, the consolidated and parent company cashflow statements, consolidated statement of changes in equity for the year ended 31 December 2008 and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

### **Respective responsibilities of directors and auditors**

As described in the statement of Directors' responsibilities, the group's Directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and as regard group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Director's report includes that specific information mentioned in the Joint Chief Executives' Statement and Chairman's statement that is cross referred from the Research and Development and Review of the Business sections of the Directors' report.

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

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

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITORS' REPORT (CONTINUED)  
TO THE SHAREHOLDERS OF TIMESTRIP PLC****Opinion**

In our opinion:-

- the group financial statements give a true and fair view, in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union, of the state of the group's affairs as at 31 December 2008 and of the group's loss for the year then ended;
- the company financial statements give a true and fair view, in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 1985, of the state of affairs as at 31 December 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and, as regard the group financial statements, article 4 of the IAS regulation, and
- the information given in the directors' report is consistent with the financial statements.

**Emphasis of matter - Intangible assets**

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1.1 and 8 which indicate the basis on which the carrying value of the intangible assets have been determined by assessing the net present value of discounted cash flow projections. These projections are based on the assumption that the group can realise projected sales together with existing customers extending the use of Timestrips within their organisations. As the group has no significant sales history this indicates the existence of material uncertainty and as a result if the projections are not achieved, the intangible assets may become impaired.

Jeffreys Henry LLP

**Chartered Accountants  
Registered Auditor**

Finsgate, 5-7 Cranwood Street  
London  
EC1V 9EE

**Date: 10<sup>th</sup> June 2009**

**CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2008**

		<b>2008</b>	<b>2007</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>
<b>Revenue</b>	<b>2</b>	<b>673,485</b>	176,900
Cost of sales		<u>(241,346)</u>	<u>(112,918)</u>
<b>Gross profit</b>		<b>432,139</b>	63,982
Administrative expenses		<u>(1,750,619)</u>	<u>(1,833,099)</u>
<b>Operating loss</b>	<b>3</b>	<b>(1,318,480)</b>	(1,769,117)
Finance income		<b>22,789</b>	98,164
Finance costs	<b>4</b>	<u>(9,211)</u>	<u>(8,974)</u>
<b>Loss before taxation</b>		<b>(1,304,902)</b>	(1,679,927)
Tax on loss on ordinary activities	<b>5</b>	<u>(717,294)</u>	1,107,310
<b>Loss for the year</b>	<b>18</b>	<u><b>(2,022,196)</b></u>	<u><b>(572,617)</b></u>
Attributable to:			
Equity holders of the Company		<u><b>(2,022,196)</b></u>	<u><b>(572,617)</b></u>
<b>Loss per share (basic &amp; diluted)</b>	<b>7</b>	<b>(0.0055)</b>	(0.0018)

The income statement has been prepared on the basis that all operations are continuing operations.

There is no difference between basic and diluted loss per share.

## BALANCE SHEETS AS AT 31 DECEMBER 2008

	Notes	Group		Company	
		2008	2007	2008	2007
		£	£	£	£
<b>Non Current assets</b>					
Intangible assets	8	7,809,257	7,441,582	-	-
Property plant & equipment	9	380,708	357,223	-	-
Deferred tax asset	14	85,495	951,742	-	-
Amounts owed by group undertakings	12	-	-	6,635,742	4,716,906
Investments	10	-	-	6,526,637	6,526,637
		<u>8,275,460</u>	<u>8,750,547</u>	<u>13,162,379</u>	<u>11,243,543</u>
<b>Current assets</b>					
Inventory	11	351,221	234,525	-	-
Trade and other receivables	12	308,764	161,862	-	15,278
Cash and cash equivalents	13	812,186	833,903	63,050	491,943
Current tax receivable		149,017	131,891	-	-
		<u>1,621,188</u>	<u>1,362,181</u>	<u>63,050</u>	<u>507,221</u>
<b>Current Liabilities</b>					
Bank overdraft and loans	16	(14,280)	(14,280)	-	-
Trade and other payables	15	(543,876)	(303,042)	(78,374)	(48,372)
Obligations under finance leases	22	(10,886)	(6,244)	-	-
		<u>(569,042)</u>	<u>(323,566)</u>	<u>(78,374)</u>	<u>(48,372)</u>
<b>Net current assets</b>		<u>1,052,146</u>	<u>1,038,615</u>	<u>(15,324)</u>	<u>458,849</u>
<b>Total assets less current liabilities</b>		<u>9,327,606</u>	<u>9,789,162</u>	<u>13,147,055</u>	<u>11,702,392</u>
<b>Non Current Liabilities</b>					
Bank loans	16	(23,816)	(38,101)	-	-
Finance lease	22	(7,781)	(8,615)	-	-
		<u>(31,597)</u>	<u>(46,716)</u>	<u>-</u>	<u>-</u>
<b>Net Assets</b>		<u>9,296,009</u>	<u>9,742,446</u>	<u>13,147,055</u>	<u>11,702,392</u>
<b>Equity</b>					
<b>Capital and reserves attributable to equity holders of the Group</b>					
Called up share capital	17	3,624,462	3,607,991	3,624,462	3,607,991
Share premium account	18	29,278,455	27,719,167	29,278,455	27,719,167
Share Option Reserve		395,366	395,366	395,366	395,366
Profit and loss account	18	(24,002,274)	(21,980,078)	(20,151,228)	(20,020,132)
<b>Total Equity</b>	19	<u>9,296,009</u>	<u>9,742,446</u>	<u>13,147,055</u>	<u>11,702,392</u>

The financial statements were approved and authorised for issue by the board on 10<sup>th</sup> June 2009

S V Oakes  
Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
AS AT 31 DECEMBER 2008**

	Deferred shares of 24p	Deferred shares of 49.8p	Ordinary shares 0.02p	Share premium	Share Options Reserve	Retained Losses	Total equity
<b>Balance at 1 Jan 2007</b>	3,206,119	337,728	62,774	27,541,931	180,274	(21,407,461)	9,921,365
Loss for the period			-	-	-	(572,617)	(572,617)
<b>Total recognised income and expense for the period</b>	-	-	-	-	-	(572,617)	(572,617)
Shares issued during period	-	-	1,370	177,236	-	-	178,606
Share Option charge	-	-	-	-	215,092	-	215,092
<b>Balance at 31 Dec 2007</b>	<u>3,206,119</u>	<u>337,728</u>	<u>64,144</u>	<u>27,719,167</u>	<u>395,366</u>	<u>(21,980,078)</u>	<u>9,742,446</u>
<b>Balance at 1 Jan 2008</b>	<b>3,206,119</b>	<b>337,728</b>	<b>64,144</b>	<b>27,719,167</b>	<b>395,366</b>	<b>(21,980,078)</b>	<b>9,742,446</b>
Loss for the period	-	-	-	-	-	(2,022,196)	(2,022,196)
<b>Total recognised income and expense for the period</b>	-	-	-	-	-	(2,022,196)	(2,022,196)
Shares issued during period	-	-	16,471	1,709,248	-	-	1,725,719
Share issue expenses in the period	-	-	-	(149,960)	-	-	(149,960)
Share Option charge	-	-	-	-	-	-	-
<b>Balance at 31 Dec 2008</b>	<u>3,206,119</u>	<u>337,728</u>	<u>80,615</u>	<u>29,278,455</u>	<u>395,366</u>	<u>(24,002,274)</u>	<u>9,296,009</u>

Share capital (deferred and ordinary) is the amount subscribed for shares at nominal value.

Share premium represents the excess of the amount subscribed for share capital over the nominal value of the respective shares net of share issue expenses.

Retained loss represents the cumulative loss of the Group attributable to equity shareholders.

Share options reserve relates to increases in equity for services received in equity-settled share based payment transactions.

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Notes	2008		2007	
		£	£	£	£
<b>Net cash outflow from operating activities</b>	<b>1</b>	<b>(1,443,245)</b>		<b>(1,837,012)</b>	
<b>Investing Activities</b>					
Investment in intangible assets		<b>(17,372)</b>		(43,412)	
Purchase of property plant & equipment		<b>(144,529)</b>		(65,502)	
Interest received		<b>22,789</b>		98,165	
		<hr/>		<hr/>	
<b>Net cash outflow for returns on investments and servicing of finance</b>		<b>(139,112)</b>		<b>(10,749)</b>	
		<hr/>		<hr/>	
<b>Net cash outflow before management of liquid resources and financing</b>		<b>(1,582,357)</b>		<b>(1,847,761)</b>	
<b>Financing activities</b>					
Issue of ordinary share capital		<b>1,575,759</b>		178,608	
Repayment of long term bank loan		<b>(15,119)</b>		(14,285)	
		<hr/>		<hr/>	
<b>Net cash inflow from financing</b>		<b>1,560,640</b>		<b>164,323</b>	
		<hr/>		<hr/>	
<b>Decrease in cash in the period</b>		<b>(21,717)</b>		<b>(1,683,438)</b>	
<b>Cash and cash equivalents at the start of the year</b>	<b>2</b>	<b>833,903</b>		<b>2,517,341</b>	
		<hr/>		<hr/>	
<b>Cash and cash equivalents at the end of the year</b>	<b>2</b>	<b>812,186</b>		<b>833,903</b>	
		<hr/>		<hr/>	

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2008**

<b>1 Reconciliation of operating profit to net cash outflow from operating activities</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Operating loss	<b>(1,318,480)</b>	(1,769,117)
Depreciation, amortisation and impairment charges of intangible assets	<b>303,180</b>	120,927
Depreciation of property plant & equipment	<b>121,044</b>	79,981
Increase in inventories	<b>(116,696)</b>	(51,208)
(Increase)/ decrease in receivables	<b>(146,966)</b>	23,749
Increase / (decrease ) in payables	<b>245,476</b>	(104,766)
Cost of Share Options	-	215,092
Research & Development Capitalised	<b>(653,483)</b>	(549,936)
Interest paid	<b>(9,211)</b>	(8,974)
Corporation tax received	<b>131,891</b>	207,240
	<hr/>	<hr/>
<b>Net cash outflow from operating activities</b>	<b>(1,443,245)</b>	(1,837,012)
	<hr/> <hr/>	<hr/> <hr/>

**2 Cash and cash equivalents**

The amounts disclosed in the cash flow statement in respect of cash and cash equivalents are in respect of these balance sheet amounts:

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Bank accounts	<b>812,186</b>	833,903
	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>

**COMPANY CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2008**

		2008		2007	
	Notes	£	£	£	£
<b>Net cash outflow from operating activities</b>	<b>3</b>		<b>(2,017,864)</b>		<b>(790,154)</b>
<b>Investing Activities</b>					
Interest received		<u>13,212</u>		<u>50,912</u>	
<b>Net cash inflow for returns on investments and servicing of finance</b>			<u>13,212</u>		<u>50,912</u>
<b>Net cash outflow before management of liquid resources and financing</b>			<b>(2,004,652)</b>		<b>(739,242)</b>
<b>Financing activities</b>					
Issue of ordinary share capital		<u>1,575,759</u>		<u>178,608</u>	
<b>Net cash inflow from financing</b>			<u>1,575,759</u>		<u>178,608</u>
<b>Decrease in cash in the period</b>			<b>(428,893)</b>		<b>(560,634)</b>
<b>Cash and cash equivalents at the start of the year</b>	<b>4</b>		<u><b>491,943</b></u>		<u><b>1,052,577</b></u>
<b>Cash and cash equivalents at the end of the year</b>	<b>4</b>		<u><b>63,050</b></u>		<u><b>491,943</b></u>

**NOTES TO THE COMPANY CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2008**

**3 Reconciliation of operating profit to net cash  
outflow from operating activities**

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Operating loss	<b>(144,308)</b>	(314,349)
Increase in receivables	<b>(1,903,558)</b>	(624,592)
Increase / (decrease) in payables	<b>30,002</b>	(66,305)
Cost of Share Options	-	215,092
	<hr/>	<hr/>
<b>Net cash outflow from operating activities</b>	<b><u>(2,017,864)</u></b>	<b><u>(790,154)</u></b>

**4 Cash and cash equivalents**

The amounts disclosed in the cash flow statement in respect of cash and cash equivalents are in respect of these balance sheet amounts:

	<b>Company</b>	
	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Bank accounts	<b><u>63,050</u></b>	<b><u>491,943</u></b>

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008**

### **1 Accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

Timestrip plc ('the company') is a public limited company incorporated in England & Wales and quoted on the Alternative Investment Market of the London Stock Exchange.

#### **1.1 Basis of Preparation**

These financial statements have been prepared in accordance with IFRS as adopted by the European Union, and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

##### **Measurement basis**

These financial statements are prepared under the historical cost convention.

##### **Going concern**

These financial statements have been prepared on the assumption that the Group is a going concern.

When assessing the foreseeable future, the directors have looked at a period of twelve months from the date of approval of this report. The forecast cash-flow requirements of the business are contingent upon the ability of the group to generate future sales.

The group is still at an early stage of its commercialisation and the success of the business depends on the realisation of projected sales together with existing customers extending the use of Timestrips within their organisations.

The uncertainty as to the timing and volume of the future growth in sales, require the directors to consider the group's ability to continue as a going concern. Notwithstanding this uncertainty, the directors believe that the group has demonstrated progress in achieving its objective of positioning the group as a major supplier of smart labels to the industries served by the group.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Were the Group to be unable to continue as a going concern, adjustments may have to be made to the balance sheet of the Group to reduce balance sheet values of assets to their recoverable amounts, to provide for future liabilities that might arise and to reclassify non-current assets and long-term liabilities as current assets and liabilities.

##### **Preparation of financial statements**

The preparation of financial statements under IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the groups accounting policies. Those areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 1.19.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**1.1 Basis of Preparation** (continued...)

**(a) Standards, amendments and interpretations effective at 1 January 2008.**

There are no new relevant standards, amendments or interpretations to existing standards that have been published and that are mandatory for the group's accounting periods beginning on or after 1 January 2008 or later periods.

**(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the group**

The following interpretations to existing standards have been published that are mandatory for the company's accounting periods beginning on or after 1 January 2009 or later periods but that the company has not adopted early:

- IAS 1 Revised – Presentation of Financial Statements (effective from 1 January 2009). Key changes include, the requirement to aggregate information in the financial statements on the basis of shared characteristics, the introduction of a Statement of Comprehensive Income & changes in titles of some of the financial statements.

Preparers of financial statements will have the option of presenting income and expense and components of other comprehensive income either in a single statement or in two separate statements (a separate income statement followed by a statement of comprehensive income).

The new titles for the financial statements (for example 'statement of financial position' instead of balance sheet) will be used in the accounting standards but are not mandatory for use in financial statements.

The expected impact is still being assessed in detail by management as the IASB is involved in discussions to examine more fundamental questions about the presentation of information in financial statements.

- IFRS 8 – Operating Segments (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.
- IAS 27 (Revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)  
**FOR THE YEAR ENDED 31 DECEMBER 2008****1.1 Basis of Preparation** (continued...)

- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The group will apply IFRS 2 (Amendment) from 1 January 2009. It may have a material impact on the group's financial statements depending on the specific circumstances of any share options granted in the future.
- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.
- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The group will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.
- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The group will apply the IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.
- IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered. IAS 37, 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent. The group will apply the IAS 19 (Amendment) from 1 January 2009.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

### 1.1 Basis of Preparation (continued...)

- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes the example of a segment so that the guidance is consistent with IFRS 8, 'Operating segments', which requires disclosure for segments to be based on information reported to the chief operating decision-maker. Currently, for segment reporting purposes, each subsidiary designates contracts with group treasury as fair value or cash flow hedges so that the hedges are reported in the segment to which the hedged items relate. This is consistent with the information viewed by the chief operating decision-maker. After the amendment is effective, the hedge will continue to be reflected in the segment to which the hedged items relate (and information provided to the chief operating decision-maker), but the group will not formally document and test this relationship. When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used. The group will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the group's income statement.
- There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting', which are part of the IASB's annual improvements project published in May 2008 (not addressed above). These amendments are unlikely to have an impact on the group's accounts and have therefore not been analysed in detail.

### (c) Interpretations to existing standards that are not yet effective and not relevant for the company's operations

The following interpretations to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2009 or later periods but are not relevant to the group's operations:

- IFRS 1 (Amendment) 'First time adoption of IFRS', and IAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009).
- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009).
- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendments to IFRS 1, 'First-time adoption')(effective from 1 July 2009).
- IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009).
- IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2009).

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED) **FOR THE YEAR ENDED 31 DECEMBER 2008**

### **1.1 Basis of Preparation** (continued...)

- IAS 19 (Amendment), 'Employees benefits' (effective from 1 January 2009).
- IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009).
- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009).
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009).
- IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009).
- IAS 31 (Amendment), 'Interest in joint ventures' (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009).
- IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16) (effective from 1 January 2009).
- IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009).
- IFRIC 15, 'Agreements for construction of real estate' (effective from 1 January 2009).
- The minor amendments to IAS 20 'Accounting for government grants and disclosure of government assistance', and IAS 20, 'Financial reporting in hyperinflationary economies', IAS 40, 'Investment property', and IAS 41, 'Agriculture'.
- IFRIC 16, 'Hedges of a net investment in a foreign operation'.

### **1.2 Compliance with accounting standards**

The financial statements are prepared in accordance with applicable accounting standards.

### **1.3 Basis of consolidation**

The consolidated income statement and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 December 2008. The results of subsidiaries sold or acquired are included in the income statement up to, or from, the date control passes, and are consolidated using uniform accounting policies for like transactions and other events in similar circumstances. Intra-group sales and profits are eliminated fully on consolidation.

### **1.4 Revenue Recognition**

Revenue, which excludes value added tax ("VAT"), constitutes the value of goods and services provided by the group for its principal activities, which are the design, manufacture and marketing of smart labels. These consist of:

- revenue from sale of Timestrips, which represents amounts billed for the supply of finished goods ;
- revenue from development projects to research new and enhanced products.

Revenue on the sale of Timestrips is recognised when the group has transferred to the buyer the significant risks and rewards of ownership.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**1.5 Goodwill**

The goodwill is the difference between the amount paid on the acquisition of Timestrip UK Limited and the aggregate assets, less amortisation.

In accordance with IFRS 3 Business Combinations, goodwill is not amortised but reviewed annually for impairment and as such, is stated at cost less any provision for impairment of value. Any impairment is recognised immediately in the income statement and is not subsequently reversed. On acquisition, any goodwill acquired is allocated to cash generating units for the purposes of impairment testing. Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

**1.6 Intangible Fixed Assets ( excluding Goodwill )**

Intangible assets acquired separately are capitalised at cost and those acquired as part of a business combination are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. The costs relating to internally generated intangible assets are capitalised if the criteria for recognition as assets are met. Other expenditure is charged against income statement in the year in which the expenditure is incurred. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of these intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on assets with finite lives, this expense is taken to the income statement. Useful lives are also reviewed on an annual basis. Intangible assets with indefinite lives are tested for impairment annually, either on an individual or cash generated unit level. Detailed assumptions have been included within note 1.19

**Patents**

Patent costs are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over the estimated useful economic life of 20 years.

**Website**

Website development costs are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over the estimated useful economic life of 3 years.

**Development**

Development expenditure is capitalised when it is considered that there is a commercially and technically viable product, the related expenditure is separately identifiable and there is reasonable expectation that the related expenditure will be exceeded by future revenues.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of these intangible assets are assessed to be finite. Where amortisation is charged on assets with finite lives, this expense is taken to the income statement. Useful lives are also reviewed on an annual basis. Currently maximum useful lives of 20 years are being used.

**Research**

Research expenditure that does not meet the above recognition criteria for development is expensed to the income statement in the period incurred.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**1.7 Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered any impairment are reviewed for possible reversal of the impairment at each reporting date.

**1.8 Property, Plant & Equipment**

Property, Plant & Equipment are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Office Equipment and Motor Vehicles	20% per annum
Plant & Machinery	20% per annum from when the machinery is brought into use.

**1.9 Leasing**

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Assets held under finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease with the corresponding liability being recognised at the lower of fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and the finance charge in the income statement, so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

**1.10 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**1.11 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008**

### **1.12 Trade Receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired.

### **1.13 Share premium**

Share premium represents the excess of the amount subscribed for share capital over the nominal value of these shares net of share issue expenses.

### **1.14 Investments**

Fixed asset investments are stated at cost less provision for diminution in value.

### **1.15 Inventory**

Inventory is valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving inventory.

Cost is determined as follows:

- raw materials - by the "First in first out" method.
- work in progress and finished goods - on the basis of standard production costs.

### **1.16 Taxation**

Tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date together with any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full using the balance sheet liability method. Deferred tax is the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities shown on the balance sheet. Deferred tax assets and liabilities are not recognised if they arise in the following situations: the initial recognition of goodwill; or the initial recognition of assets and liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. The group does not recognise deferred tax liabilities, or deferred tax assets, on temporary differences associated with investments in subsidiaries as it is not considered probable that the temporary differences will reverse in the foreseeable future. It is the group's policy to reinvest undistributed profits arising in group companies. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of the deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**1.17 Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the income statement.

The results and financial position of foreign operations that have a functional currency different from the presentation currency of the consolidated financial statements are translated as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date.
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions;

**1.18 Share-based payments**

The group has applied the requirements of IFRS 2, Share-based Payments.

The group issued equity-settled and share-based payments which are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

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

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008**

### **1.19 Critical accounting estimates and assumptions**

The Group makes estimates and assumptions concerning the recovery of its assets and the extent of its liabilities where these are estimated. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

- **Plant and equipment, intangible assets & Impairment of goodwill**

Intangible assets excluding goodwill and plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Due to the long lives of assets, changes to the estimates used can result in significant variations in the carrying value.

The Group assesses the impairment of plant and equipment and intangible assets subject to amortisation or depreciation whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Additionally, goodwill arising on acquisitions is subject to impairment review. The Group's management undertakes an impairment review of goodwill annually or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable.

The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent in the application of the Group's accounting estimates in relation to plant and equipment and intangible assets affect the amounts reported in the financial statements, especially the estimates of the expected useful economic lives and the carrying values of those assets. If business conditions were different, or if different assumptions were used in the application of this and other accounting estimates, it is likely that materially different amounts could be reported in the Group's financial statements.

The directors have carried out a detailed impairment review in respect of goodwill. The group assesses at each reporting date whether there is an indication that an asset may be impaired, by considering the net present value of discounted cash flows forecasts which have been discounted at 5%. The cash flow projections are based on the assumption that the group can realise projected sales together with existing customers extending the use of Timestrips within their organisations. A prudent approach has been applied with no residual value being factored. At the period end, based on these assumptions there was no indication of impairment of the value of goodwill or of development costs.

However, if the projected sales do not materialise there is a risk that the value of the intangible assets shown above would be impaired.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

### 1.19 Critical accounting estimates and assumptions (continued...)

- **Amortisation of intangible assets**

Intangible assets are amortised on a straight-line basis over their useful life. Changes in the expected level of usage and technological developments could impact the economic value of these assets, therefore future amortisation charges could be revised.

- **Deferred taxation**

The deferred tax asset has been recognised as at 31 December 2008 to the extent that it is possible that future taxable profit will be available against which the unused tax losses can be utilised. This is based on the company achieving forecast profits which are reviewed by the directors on a regular basis. If there are any indications that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will need to be reviewed. As at 31 December 2008, the amount carried forward in respect of deferred tax asset is based on the likelihood of recovery within the next two years which in the opinion of the directors reflect the current best practice.

- **Contingent liabilities**

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

The Directors are of the opinion that no provisions are required in respect of the contingent liabilities as disclosed in Note 28 as it is not probable that future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

### 1.20 Borrowing costs

Borrowing costs are expensed to the income statement in the period incurred.

### 1.21 Provisions

A provision is recognised when:

- the Group has a legal or constructive obligation as a result of a past event; and
- it is probable that an outflow of economic benefits will be required to settle the obligation; and
- the effect is material.

Expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**1.22 Severance Pay**

Pursuant to Israeli severance pay law, employees of more than one year are entitled to one month's salary for each year employed or a portion thereof. The cost of providing severance pay is determined using the current salary of the employee and their length of service. From January 2008, the company has implemented a policy of paying severance pay on a current basis direct to the individual pension policies of the employees each month. This method caps the future liabilities of the company, so that they cannot exceed the amounts paid. Any other possible severance liabilities from pre-January 2008 are not material.

The funds are invested under the name of each individual employee. The deposited funds may be withdrawn only upon fulfilment of the severance pay obligations, pursuant to Israeli severance pay law or labour agreements. At the end of employment, the full value of the fund is transferred to the employee's ownership.

**1.23 Government grants**

Government grants are not recognised until there is reasonable assurance that any conditions attached to them will be complied with, and that the grants will be received.

Accordingly, expenditure that may be refunded by way of a government grant is expensed to the income statement in the period incurred, unless the above recognition criteria are met.

**1.24 Segmental reporting**

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns differing from those of segments operating in other economic environments.

There are no separately reportable business segments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

### 1.25 Risk and sensitivity analysis

The Group's activities expose it to a variety of financial risks: interest rate risk, foreign currency risk, liquidity risk and capital risk. The Group's activities also expose it to market risk and technological risk, which are non-financial risks. The Group's overall risk management programme focuses on unpredictability and seeks to minimise the potential adverse effects on the Group's financial performance. The Board reviews key risks on a regular basis and, where appropriate, actions are taken to mitigate the key risks identified.

- **Interest rate risk and foreign currency risk**

The Group does not have formal policies on interest rate risk or foreign currency risk. However, the Group's exposure in these areas as at the balance sheet date was minimal.

- **Liquidity risk**

The Group prepares periodic working capital forecasts for the foreseeable future, allowing an assessment of the cash requirements of the Group, to manage liquidity risk. The directors have considered the risk posed by liquidity and are satisfied that there is sufficient growth and equity in the Group.

- **Capital risk**

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

- **Market risk**

The market for Timestrips may not grow as rapidly as expected. The Group may not be able to secure new contracts if potential customers do not want to incorporate Timestrips within their products. Currently, market risk is not characterised by a risk of losing business to competitors, as the product remains unique. The Group is actively selling Timestrips in all relevant markets, and developing new products in order to spread the risk.

- **Technological risk**

There is a risk that the Group will be unable to procure the infrastructure necessary to deliver the future sales volumes that are forecasted. The Group has relationships with suppliers of machinery to help ensure it is developed to meet specific requirements and it can be delivered on time.

### 1.26 Borrowing costs

Borrowing costs are expensed to the income statement in the period incurred.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**2 Revenue**

Sales are made by the group in the following geographical markets:

	<b>2008</b> £	<b>2007</b> £
United Kingdom	<b>22,658</b>	913
Europe	<b>161,969</b>	58,098
North America	<b>470,115</b>	38,172
Rest of World	<b>18,743</b>	79,717
	<u><b>673,485</b></u>	<u>176,900</u>
Loss for the year		
United Kingdom	<b>(21,419)</b>	(2,956)
Europe	<b>(220,139)</b>	(188,062)
North America	<b>(1,730,823)</b>	(123,562)
Rest of World	<b>(49,815)</b>	(258,037)
	<u><b>(2,022,196)</b></u>	<u>(572,617)</u>

There are no separately reportable business segments

	<b>United Kingdom</b>	<b>Europe</b>
Net assets	11,869,774	(1,454,753)
Liabilities	(270,316)	(330,323)
Property plant & equipment acquired	-	144,529
Intangible assets acquired	670,855	-
Depreciation	6,256	114,788
Amortisation	303,180	-

Liabilities of £600,639 as per the consolidated balance sheet are made up by the UK & Europe segments as disclosed above.

Net assets of £9,296,009 as per the consolidated balance sheet are made up by the UK & Europe segments as disclosed above, less consolidation adjustments of £1,119,012.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

<b>3 Operating loss</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Operating loss is stated after charging:		
Depreciation of property plant and equipment	<b>121,044</b>	79,981
Amortisation of Patents	<b>49,249</b>	50,633
Amortisation of Website	<b>6,697</b>	5,756
Amortisation of Development	<b>247,234</b>	64,538
Research and development expenditure recognised as an expense	<b>19,370</b>	55,101
Operating lease rentals – buildings & motor	<b>83,608</b>	72,669
Auditors' remuneration (company £12,000) – audit fees	<b>25,959</b>	21,000
Auditors' remuneration – non-audit fees	<b>6,780</b>	6,000
(Profit) or loss on foreign currency translation	<b>(155,638)</b>	3,560
	<u><u>          </u></u>	<u><u>          </u></u>
<b>4 Finance costs</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
On bank loans and overdrafts	<b>9,211</b>	8,974
	<u><u>          </u></u>	<u><u>          </u></u>
	<b>9,211</b>	8,974
	<u><u>          </u></u>	<u><u>          </u></u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

<b>5 Taxation</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
<b>Domestic current year tax</b>		
R&D tax credit	<b>(149,017)</b>	(131,891)
R&D tax credits (under) / over provisions in respect of prior years	<b>64</b>	(23,677)
	<hr/>	<hr/>
<b>Current tax charge</b>	<b>(148,953)</b>	(155,568)
<b>Deferred tax</b>		
Deferred tax charge / credit current year (see note 14)	<b>866,247</b>	(951,742)
	<hr/>	<hr/>
	<b>717,294</b>	(1,107,310)
	<hr/>	<hr/>
<b>Factors affecting the tax charge for the year</b>		
Loss on ordinary activities before taxation	<b>(1,304,902)</b>	(1,679,927)
	<hr/>	<hr/>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28% (2007: 30%)	<b>(365,373)</b>	(503,978)
	<hr/>	<hr/>
Effects of:		
Non deductible expenses	<b>797</b>	129,456
Non accounting deduction claimed - employee exercise of warrants	<b>(25,990)</b>	(57,951)
Depreciation add back	<b>70,977</b>	20,546
Capital allowances	<b>(718)</b>	(2,151)
Tax losses created	<b>206,057</b>	316,552
R&D tax credits	<b>(148,953)</b>	(155,568)
Other tax adjustments	<b>114,250</b>	97,526
	<hr/>	<hr/>
	<b>216,420</b>	348,410
	<hr/>	<hr/>
<b>Current tax charge</b>	<b>(148,953)</b>	(155,568)
	<hr/>	<hr/>

As at 31 December 2008, the group carried forward estimated tax losses of £4,141,833 (2007: £3,405,916).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**6 Loss for the financial period**

As permitted by section 230 of the Companies Act 1985, the holding company's income statement has not been included in these financial statements. The loss for the financial period is made up as follows:

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Holding company's loss for the financial period	<b>(131,096)</b>	(263,438)

**7 Basic and diluted loss per share**

Basic and diluted loss per ordinary share has been calculated using the weighted average number of shares in issue during the financial period. The weighted average number of equity shares in issue was 368,499,123 (2007 – 318,206,472) and the loss after tax, was £ 2,022,196 (2007 – £ 572,617).

Share options as disclosed in Note 17 are anti-dilutive as they decrease the loss per share. Therefore, for the period ended 31 December 2008, the diluted loss per share is equivalent to the basic loss per share.

After the year end 93,733,637 ordinary shares of 0.02p were issued as disclosed in Note 29, and these would have changed significantly the number of ordinary shares in issue had the transaction occurred prior to the year end.

**8 Intangible fixed assets**

<b>Group</b>	<b>Goodwill</b>	<b>Patent</b>	<b>Website</b>	<b>Development</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>					
At 1 January 2007	5,642,742	950,079	11,613	741,212	7,345,646
Additions	-	34,952	8,460	549,936	593,348
At 31 December 2007	5,642,742	985,031	20,073	1,291,148	7,938,994
<b>Amortisation</b>					
At 1 January 2007	235,114	85,318	3,871	52,182	376,485
Charge for the year	-	50,633	5,756	64,538	120,927
At 31 December 2007	235,114	135,951	9,627	116,720	497,412
<b>Carrying amount</b>					
At 31 December 2007	5,407,628	849,080	10,446	1,174,428	7,441,582

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**8 Intangible fixed assets (continued...)**

<b>Group</b>	<b>Goodwill</b>	<b>Patent</b>	<b>Website</b>	<b>Development</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>					
At 1 January 2008	5,642,742	985,031	20,073	1,291,148	7,938,994
Additions	-	17,372	-	653,483	670,855
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	<b>5,642,742</b>	<b>1,002,403</b>	<b>20,073</b>	<b>1,944,631</b>	<b>8,609,849</b>
<b>Amortisation</b>					
At 1 January 2008	235,114	135,951	9,627	116,720	497,412
Charge for the year	-	49,249	6,697	247,234	303,180
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	<b>235,114</b>	<b>185,200</b>	<b>16,324</b>	<b>363,954</b>	<b>800,592</b>
<b>Carrying amount</b>					
At 31 December 2008	<b>5,407,628</b>	<b>817,203</b>	<b>3,749</b>	<b>1,580,677</b>	<b>7,809,257</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The group assesses at each reporting date whether there is an indication that an asset may be impaired, by considering the net present value of discounted cash flows forecasts which have been discounted at 5% and are then compared against the carrying value. Cash flow projections are based on the assumption that the group can realise projected sales together with existing customers extending the use of Timestrips within their organisations. A prudent approach has been applied with no residual value being factored into these calculations. If an indication exists an impairment review is carried out. At the period end, based on these assumptions there was no indication of impairment of the value of goodwill or of development costs.

If the projected sales do not materialise there is a risk that the total value of the intangible assets shown above would be impaired.

The development and website intangibles are internally generated. The directors have concluded that the amortisation of the development costs over its maximum useful life of 20 years is adequate.

Patent includes the costs associated with acquiring the full patent rights to the Timestrip technology from the original inventors. The carrying amount of this asset is £726,331 (2007: £ 771,259) and the remaining amortisation period is 16 years and two months.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**9 Property Plant & Equipment Group**

	<b>Motor Vehicles</b>	<b>Office Equipment</b>	<b>Plant and Machinery</b>	<b>Total</b>
	£	£	£	£
<b>Cost</b>				
At 1 January 2007	33,777	39,486	359,928	433,191
Additions	-	34,443	31,059	65,502
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2007	33,777	73,929	390,987	498,693
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At 1 January 2007	3,656	16,646	41,187	61,489
Charge for the year	6,744	9,322	63,915	79,981
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2007	10,400	25,968	105,102	141,470
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Carrying Amount</b>				
At 31 December 2007	23,377	47,961	285,885	357,223
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Cost</b>				
At 1 January 2008	33,777	73,929	390,987	498,693
Additions	-	2,574	141,955	144,529
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	<b>33,777</b>	<b>76,503</b>	<b>532,942</b>	<b>643,222</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At 1 January 2008	10,400	25,968	105,102	141,470
Charge for the year	6,756	13,847	100,441	121,044
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	<b>17,156</b>	<b>39,815</b>	<b>205,543</b>	<b>262,514</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Carrying Amount</b>				
At 31 December 2008	<b>16,621</b>	<b>36,688</b>	<b>327,399</b>	<b>380,708</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The carrying amount of motor vehicles held under finance lease is £16,621 (2007: £ 23,377)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**10 Fixed asset investments**  
**Company**

	<b>Shares in group undertakings</b>
<b>Cost</b>	<b>£</b>
At 1 January 2008	6,526,637
Additions	-
	<hr/>
At 31 December 2008	<b><u>6,526,637</u></b>

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

**Company**

**Holdings of more than 20%**

The company holds more than 20% of the share capital of the following companies:

<b>Name of Subsidiary</b>	<b>Country of registration or incorporation</b>	<b>Class</b>	<b>Shares held %</b>
Timestrip UK Limited	England	Ordinary	100
Timestrip Technical Services Limited	Israel	Ordinary	100

The principal activity of these undertakings for the last relevant financial year was as follows:

	<b>Principal activities</b>
Timestrip UK Limited	Distribute and market time sensitive material for use in multiple markets.
Timestrip Technical Services Limited	Develop and manufacture time sensitive material for use in multiple markets.

As at 31 December 2008 the aggregate capital and reserves for Timestrip UK Limited were £(1,277,284) (2007: £172,012) and the loss for the period then ended was £1,449,296 (2007: Profit £279,242).

As at 31 December 2008 the aggregate capital and reserves for Timestrip Technical Services Limited were £(1,454,753) (2007: £(1,012,950)) and the loss for the period then ended was £441,804 (2007: £588,421).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**11 Inventory**

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Raw Materials	235,964	172,610	-	-
Work In Progress	78,689	30,070	-	-
Finished Goods	36,568	31,845	-	-
	<u>351,221</u>	<u>234,525</u>	<u>-</u>	<u>-</u>

Raw Materials are reported net of a provision for slow moving inventory of £15,208 ( 2007: £ 7,449 )  
 Finished goods are reported net of a provision for slow moving inventory of £51,928 ( 2007: £ 32,985)

**12 Trade and other receivables**

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
<b>Current assets</b>				
Trade receivables	242,763	65,909	-	-
Other receivables	20,516	32,320	-	8,019
Prepayments and accrued income	45,485	63,633	-	7,259
	<u>308,764</u>	<u>161,862</u>	<u>-</u>	<u>15,278</u>
<b>Current -Trade and other receivables</b>				
	<u>308,764</u>	<u>161,862</u>	<u>-</u>	<u>15,278</u>
<b>Non current assets</b>				
Amounts owed by group undertakings	-	-	6,635,742	4,716,906
	<u>-</u>	<u>-</u>	<u>6,635,742</u>	<u>4,716,906</u>
<b>Non current - Trade and other receivables</b>				
	<u>-</u>	<u>-</u>	<u>6,635,742</u>	<u>4,716,906</u>

**13 Cash and cash equivalents**

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Bank accounts	812,186	833,903	63,050	491,943
	<u>812,186</u>	<u>833,903</u>	<u>63,050</u>	<u>491,943</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**14 Non Current assets**

<b>Group</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
<b>Deferred Tax asset</b>		
Balance as at 1 January	<b>951,742</b>	-
Profit and Loss account	<b>(866,247)</b>	951,742
Balance as at 31 December	<b><u>85,495</u></b>	<u>951,742</u>

The total potential deferred tax asset calculated at 28% at 31 December 2008 was £ (882) (2007: £(1,915)) and £1,159,713 (2007: £953,657) on depreciation in excess of capital allowances and losses carried forward respectively.

As discussed in note 1.19, a deferred tax asset of £85,495 (2007: £951,742) has been recognised to the extent that it is possible that future taxable profit will be available within the next two years against which the unused tax losses can be utilised. This has resulted in a write back of £866,247 in the current year.

If the projected sales do not materialise there is a risk that the total value of the deferred tax asset shown above would not be recoverable.

**15 Current liabilities**

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade payables	<b>258,805</b>	125,305	<b>60,450</b>	29,899
Other payables	<b>201,811</b>	142,554	-	18,473
Taxes and social security costs	<b>48,866</b>	15,850	-	-
Accruals and deferred income	<b>34,394</b>	19,333	<b>17,924</b>	-
	<b><u>543,876</u></b>	<u>303,042</u>	<b><u>78,374</u></b>	<u>48,372</u>

Included within other payables is an amount of £86,553 (2007 - £43,123) in respect of severance pay liability. Refer to note 1.22.

**16 Non Current Liabilities**

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loans	<b>23,816</b>	38,101	-	-
Finance lease (see note 22 )	<b>7,781</b>	8,615	-	-
	<b><u>31,597</u></b>	<u>46,716</u>	<u>-</u>	<u>-</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**16 Non Current Liabilities (continued...)**

**Analysis of loans**

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Wholly repayable within five years	<b>56,763</b>	67,240	-	-
Included in current liabilities	<b>(25,166)</b>	(20,524)	-	-
	<u><b>31,597</b></u>	<u>46,716</u>	<u>-</u>	<u>-</u>

The amount included in current liabilities consists of £14,280 (2007: £14,280) bank loans and £10,886 (2007: £6,244) finance lease.

**Loan maturity analysis**

In more than one year but not more than two years	25,166	20,524	-	-
In more than two years but not more than five years	6,431	26,192	-	-
In more than five years	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The bank loan is secured under the Small Firm Loan Guarantee Scheme. The company has issued a debenture in favour of National Westminster Bank Plc whereby all the assets, of the subsidiary Timestrip UK Limited, are secured on a fixed and floating charge.

**17 Share capital**

	2008	2007
	£	£
<b>Authorised</b>		
12,280,761,700 Ordinary shares of 0.02p each	<b>2,456,152</b>	2,456,152
678,170 Deferred shares of 49.8p each	<b>337,728</b>	337,728
13,358,829 Deferred share of 24p each	<b>3,206,119</b>	3,206,119
	<u><b>3,624,462</b></u>	<u>3,607,991</u>
<b>Allotted, called up and fully paid</b>		
403,078,739 (2007: 320,722,739) Ordinary shares of 0.02p each	<b>80,615</b>	64,144
678,170 Deferred shares of 49.8p each	<b>337,728</b>	337,728
13,358,829 Deferred share of 24p each	<b>3,206,119</b>	3,206,119
	<u><b>3,624,462</b></u>	<u>3,607,991</u>

At 31 December 2008 there were 403,078,739 ordinary 0.02p shares in issue. During the year the issued share capital was increased by 82,356,000 ordinary 0.02p shares. 3,536,000 shares were issued at par, 53,820,000 at 2.26p and the remaining 25,000,000 at 2.25p each.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**17 Share capital (continued...)**

Holders of Deferred shares have no right to attend or vote at any General Meetings of the company, and they are not entitled to receive any dividends or other distributions.

On return of capital in a liquidation, holders of Deferred shares shall be entitled to receive only the amount credited as paid up on each share but only after the holder of each Ordinary Share shall have received the amount paid up or credited as paid up on such share, together with a payment of £10,000 per share, but the holders of Deferred Shares shall not be entitled to any further participation in the assets or profits of the company.

**Share warrants**

The company has the following share warrants outstanding:

	<b>Number</b>	<b>Price</b>	<b>Period of exercise</b>
'B' Warrants	1,002,582	4.00p	25 Feb 05 – 25 Feb 10
'C' Warrants	2,553,070	0.02p	25 Feb 07 – 25 Feb 12
'D' Warrants	4,000,000	4.00p	25 Feb 05 – 25 Feb 09
EMI Scheme	6,300,000	7.25p	15 Apr 06 – 15 Apr 16
EMI Scheme	150,000	7.00p	02 Jul 06 - 15 Apr 16
Approved Scheme	1,650,000	5.75p	14 Dec 06 – 14 Dec 16
EMI Scheme	1,650,000	5.63p	2 Feb 07 - 2 Feb 17
Unapproved	8,500,000	5.63p	2 Feb 07 - 2 Feb 17
Approved Scheme	7,100,000	6.25p	15 May 07 - 12 May 17
Approved Scheme	2,000,000	0.02p	15 May 07 - 12 May 17

After the year end, the "B" warrants had their exercise period extended by one year to 25 Feb 2010 and the "D" warrants were cancelled.

In addition, the following options were cancelled after the year end:

EMI scheme @ 7.25p, expiring 15 Apr 2016 – 3,650,000 options cancelled

EMI scheme @ 5.63p expiring 2 Feb 2017 – 550,000 options cancelled

Unapproved scheme @ 5.63p expiring 2 Feb 2017 – 7,550,000 options cancelled

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**18 Statement of movements on reserves**

**Group**

	Share premium Account £	Profit and loss Account £
Balance at 1 January 2008	27,719,167	(21,980,078)
Premium on issue of shares	<b>1,559,288</b>	-
Loss for the financial year	-	<b>(2,022,196)</b>
	<hr/>	<hr/>
<b>Balance at 31 December 2008</b>	<b>29,278,455</b>	<b>(24,002,274)</b>
	<hr/> <hr/>	<hr/> <hr/>

**Company**

	Share premium account £	Profit and loss account £
Balance at 1 January 2008	27,719,167	(20,020,132)
Premium on issue of shares	<b>1,559,288</b>	-
Loss for the financial year	-	<b>(131,096)</b>
	<hr/>	<hr/>
<b>Balance at 31 December 2008</b>	<b>29,278,455</b>	<b>(20,151,228)</b>
	<hr/> <hr/>	<hr/> <hr/>

**19 Reconciliation of movements in shareholders' funds**

	2008 £	2007 £
<b>Group</b>		
Loss for the financial period	<b>(2,022,196)</b>	(572,617)
Proceeds from issue of shares	<b>1,559,288</b>	177,236
Shares issued in the period	<b>16,471</b>	1,370
Share Option Reserve	-	215,092
	<hr/>	<hr/>
Net reduction in shareholders' funds	<b>(446,437)</b>	(178,919)
Opening shareholders' funds	<b>9,742,446</b>	9,921,365
	<hr/>	<hr/>
Closing shareholders' funds	<b>9,296,009</b>	9,742,446
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

<b>19 Reconciliation of movements in shareholders' funds</b>	<b>2008</b>	<b>2007</b>
<b>Company</b>	<b>£</b>	<b>£</b>
Loss for the financial period	<b>(131,096)</b>	(263,438)
Proceeds from issue of shares	<b>1,559,288</b>	177,236
Shares issued in the period	<b>16,471</b>	1,370
Share Option Reserve	<b>-</b>	215,092
	<hr/>	<hr/>
Net addition to shareholders' funds	<b>1,444,663</b>	130,260
Opening shareholders' funds	<b>11,702,392</b>	11,572,132
	<hr/>	<hr/>
Closing shareholders' funds	<b>13,147,055</b>	11,702,392
	<hr/> <hr/>	<hr/> <hr/>

**20 Share-based Payments**

**Equity-settled share option plan**

The group plan provides for a grant price equal to the average quoted market price of the Company's shares on the date of grant. An option will not normally be exercisable during a closed period, and furthermore some can only be exercisable if the performance conditions are satisfied.

Subsisting options will lapse (at the latest) 10 years after the date of grant.

Options which have vested immediately before either the death of a participant or his ceasing to be an eligible employee by reason of injury, disability, redundancy, retirement or dismissal (otherwise than for good cause) shall remain, exercisable (to the extent vested) for a maximum of 12 months after such cessation, and all non-vested options shall lapse.

	<b>Year ended 31 December 2008</b>		<b>Year ended 31 December 2007</b>	
	<b>Options</b>	<b>Weighted Average Exercise price (in £)</b>	<b>Options</b>	<b>Weighted Average Exercise price (in £)</b>
Outstanding at beginning of period	<b>38,441,652</b>	<b>0.043</b>	28,100,000	0.037
Granted during the period	<b>0</b>	<b>0.000</b>	19,250,000	0.053
Exercised during the period	<b>-3,536,000</b>	<b>0.002</b>	-8,908,348	0.031
Outstanding at the end of the period	<b>34,905,652</b>	<b>0.042</b>	38,441,652	0.043
Exercisable at the end of the period	<b>34,905,652</b>	<b>0.042</b>	38,441,652	0.043

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**20 Share-based Payments (continued...)**

There were no equity instruments granted during the period. During 2007, share options were granted and their fair value was measured using the Black-Scholes model with the following inputs:

	<b>2007</b>
Weighted average share price	£0.002
Weighted average exercise price	£0.037
Expected volatility	40%
Expected life	4
Risk free rate	4.4%
Expected dividends	0.0%

Expected volatility was determined by calculating the historical volatility of the Company's share price since admission of the shares to AIM on 26<sup>th</sup> February 2005. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The group recognised no expenses (2007: £215,092) relating to equity-settled share-based payments.

**21 Financial commitments**

The future aggregate minimum lease payments under non-cancellable operating leases for the group are as follows:

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Expiry date:		
No later than 1 year	<b>78,032</b>	5,500
Later than 1 year and no later than 5 years	<b>104,056</b>	187,531
	<u><b>182,088</b></u>	<u>193,031</u>

There was no capital expenditure that had been contracted for at the balance sheet date but not yet incurred.

The lease for premises is non-cancellable and terminates in May 2011. At the end of the lease period there is an option to renew for a further twelve months at a 6.6% increase in rent.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

<b>22 Gross finance lease liabilities – minimum lease payments</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
No later than 1 year	<b>11,948</b>	8,335
Later than 1 year and no later than 5 years	<b>16,774</b>	9,313
	<u><b>28,722</b></u>	<u>17,648</u>
Future finance charges on finance leases	<u><b>10,055</b></u>	<u>2,789</u>
Present value of finance lease liabilities	<u><b>18,667</b></u>	<u>14,859</u>
The present value of finance lease liabilities is as follows:		
No later than 1 year	<b>10,886</b>	6,244
Later than 1 year and no later than 5 years	<b>7,781</b>	8,615
	<u><b>18,667</b></u>	<u>14,859</u>

Lease liabilities relate to motor vehicles on 5 year terms paying an average finance charge of 4.7%

**23 Directors' Emoluments**

Directors' remuneration excluding employer's national insurance amounted to:

	<b>Salary, fees and pension £</b>	<b>Share based payments £</b>	<b>Benefits in kind £</b>	<b>2008 Total £</b>	<b>2007 Total £</b>
S V Oakes	15,000	-	-	<b>15,000</b>	15,000
P J Freedman	125,000	-	1,750	<b>126,750</b>	121,833
R Isbitsky	125,000	-	1,682	<b>126,682</b>	121,622
S A Leslie	5,000	-	-	<b>5,000</b>	12,000
J A Steinberg	88,094	-	-	<b>88,094</b>	84,005
	<u>358,094</u>	<u>-</u>	<u>3,432</u>	<u><b>361,526</b></u>	<u>354,460</u>

Emoluments disclosed above include the following amounts paid to the highest paid director:

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Emoluments for qualifying services	<u><b>126,750</b></u>	<u>121,833</u>

Included within directors remuneration is £ 143,750 (2007 - £115,000) that has been capitalised as development expenditure.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**24 Employees**

**Number of employees**

The average monthly number of employees (including directors) during the period was:

	<b>2008</b>	<b>2007</b>
	<b>Number</b>	<b>Number</b>
Management	<b>6</b>	6
Administration	<b>6</b>	6
Production	<b>20</b>	23
Sales	<b>3</b>	3
	<hr/> <b>35</b> <hr/>	<hr/> 38 <hr/>

**Employment costs**

	<b>£</b>	<b>£</b>
Wages and salaries	<b>710,837</b>	653,970
Social security and other employment costs	<b>115,416</b>	102,721
	<hr/> <b>826,253</b> <hr/>	<hr/> 756,691 <hr/>

**25 Financial Instruments**

The objectives, policies and strategies applied by the group with respect to financial instruments are determined at a group level. The group's principal financial instruments are cash and its bank loans and overdraft facilities.

The group adopts a conservative policy towards the management of its cash and has not engaged in any speculative trades. The group has no derivative instruments or hedging transactions. The group has other financial instruments such as trade creditors, which arise directly from its operations.

The carrying amounts of financial assets and liabilities of the group and the company at the balance sheet date approximated their fair values.

The carrying amounts of cash and cash equivalents, trade and other receivables/payables, and borrowings approximate fair values due to the relatively short term maturity of these financial instruments.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**26 Control**

There is no ultimate controlling party.

**27 Related party transactions**

During the year, the company paid Mr. Stephen Oakes, a director, £ 15,000 (2007: £15,000) for professional fees in relation to his services as a non executive director.

During the year, the company paid Mr. Jonathan Steinberg, a director, £4,000 (2007: nil) for professional fees in relation to his services as a non executive director.

At the balance sheet date the company was owed £4,554,941 (2007: £2,629,215) by Timestrip UK Limited, and £2,080,801 (2007: £2,087,691) by Timestrip Technical Services Limited, both of which are subsidiaries.

**28 Contingent Liabilities**

The group has no contingent liabilities.

**29 Post Balance Sheet Events**

On 12 March 2009 the company issued 53,030,303 ordinary shares of 0.02p. The financial impact is that share capital will increase by £10,606 and share premium by £426,894.

On 8 May 2009 the company issued 40,703,334 ordinary shares of 0.02p. The financial impact is that share capital will increase by £8,141 and share premium by £571,881 net of expenses.

**30 Going concern**

The Directors believe that it is appropriate to prepare the financial statements on a going concern basis.



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