

**Amphion Innovations plc**  
**Interims Results for the 6 months to 30 June 2009**

London and New York, 20 August 2009 – Amphion Innovations plc (LSE: AMP) (“Amphion” or the “Company”), the developer of medical and technology businesses, today announces its unaudited interim results for the six months to 30 June 2009.

**Highlights**

- Net Asset Value per Share was approximately unchanged versus December 2008 at US \$0.44, but down 15.38% since June 2008 (US \$0.52). In sterling terms, the NAV per Share increased by 3.85% to £0.27 over the levels of June 2008 (£0.26), a 10% decrease since December 2008 (£0.30)
- Operating results improved sharply from a loss of over US \$1.73 million in the first half of 2008, to very close to breakeven for the first half of 2009
- DataTern, Inc. signed 7 non-exclusive patent license agreements during the first half of 2009, with an additional license agreement concluded in July. In August, the United States Patent and Trademark Office found DataTern’s ‘502 patent valid for all 18 original claims and 26 new claims after re-examination. DataTern has now signed a total of 11 license agreements, bringing its total revenues since inception to approximately US \$9.4 million
- Received a further subscription of £716,900 bringing the total to £3.5 million for Amphion’s Convertible Promissory Note, launched to support funding for Amphion and the Partner Companies

**Amphion’s Chief Executive Officer, Richard Morgan, said:**

“I am pleased to announce that Amphion has managed to weather the economic and financial storm of the last six months relatively well, with a near breakeven versus the US \$1.73 million operating loss for the first half of 2008. We have also made good progress in the development of our IP licensing programme through DataTern, which has established itself as a significant source of revenue for Amphion. I am excited by the value that is being created in each of our Partner Companies and remain confident in the strength of the Amphion model.”

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## **Notes to editors**

### **About Amphion Innovations plc**

Amphion Innovations plc (LSE: AMP) builds shareholder value in high growth companies in the medical and technology sectors, by using a focused, hands-on company building approach, based on decades of experience in both the US and UK.

Amphion has significant shareholding in 8 Partner Companies and two specialised entities, developing proven technologies targeting substantial commercial marketplaces, each in excess of US \$1 billion. Each Partner Company is chosen with the goal of achieving an exit valuation in excess of US \$100 million.

On the web: [www.amphionplc.com](http://www.amphionplc.com)

### **CEO's Statement**

Amphion has managed to weather the economic and financial turbulence of the last six months relatively well. Our Net Asset Value per Share has remained largely unchanged in this period and was US \$0.44 at the end of June, a similar position to the end of December 2008. This is the result of the majority of our assets being unchanged in value as expressed in US dollars, with the reduction in the valuation of Myconostica being offset by increases in the dollar value of Kromek and some of our other assets. In sterling terms, the NAV per Share fell slightly over the period as sterling recovered by 12.5% over the six months.

As we observed in the AGM statement, it is possible that the valuation of one or more of our individual assets will be reduced, given the significant fall in the broader capital markets in the last year or so, but we believe the significance of the effect on our NAV will be muted. This is due in part to our confidence in the valuation of our holding of Kromek, which continues to make progress and which has successfully raised additional capital in recent months at the same valuation of £8 per share. At the end of June, Kromek accounted for 24.8% of the total value of Amphion's assets. In addition, our holdings of convertible debt in our eight Partner Companies reached US \$8.1 million at 30 June 2009 and thus constituted 12.4% of the total value of our assets. Lastly, it is important to keep in mind that the intrinsic nature of the Partner Companies we help start and build is one of rapid and dynamic growth. In normal economic and financial conditions the inherent value of any one of these companies has gone up by a significant percentage each year for many years, usually a multiple of the capital we invest in them. To us, therefore, standing still is an unnatural act, even if it is considered to be an accomplishment in difficult conditions like these.

When Amphion starts or supports the start of a new company, we only commit after we are satisfied that the foundation of the company, particularly its intellectual property, is sound. We look for large unmet market needs and strong, proven technology that will bring innovative solutions to fill a substantial and well-defined need. However, without capital to grow, our model cannot be successful and it is particularly significant that we are now able to generate a proportion of this through DataTern's growing IP licensing programme. In the first half of the year, we concluded an additional seven license agreements to the ORM technology, bringing the total number of licensees at mid-year to eleven. We continue to make progress in this area, with one more license concluded in July and with several others in active negotiation. In August, the United States Patent and Trademark Office found DataTern's '502 patent valid for all 18 original claims and 26 new claims after re-examination. DataTern's gross licensing income in the first half of 2009 was US \$3.4 million, and we are confident the outcome for the second half of 2009 should be at least equal to that of the first six months.

As we have said previously, we believe it should be possible to reduce administrative expenses and increase revenue to the point where we are able to cover most, if not all, of our operating costs at the Amphion level. The revenue level was down slightly compared with the first six months of last year, but the gross profit on this revenue was higher. Administrative expenses were lower and as a result operating results improved sharply from an operating loss of over US \$1.73 million in the first half of 2008, to a very near operating breakeven.

Despite the progress we have made with our licensing programme, we have not yet reached the point where our financial resources are sufficient to finance the growth of our Partner Companies. Since Amphion's IPO in 2005 we have advised that we would only reach that point when we are able to generate liquidity from the sale or flotation of at least one of our companies (beyond Beijing MedPharm). This has been put on hold following the events of last year and our plans to list two of our companies were postponed. However, given the improvement in the broader capital markets in recent months, we are now once again working on possible IPO's for two or three of the Partner Companies. At this point, the IPO markets remain subdued but our aim is to be prepared for when conditions are more favorable which means that our Partner Companies remain well placed for either a trade sale or an IPO.

We have, therefore, decided to raise additional capital through the further issuance of Convertible Promissory Notes in order to support our Partner Companies and maintain our ownership position in each one. We raised £2.8 million through these notes by the mid-year point and an additional £716,900 since then, bringing the current total to £3.5 million. Our goal is to cap the issuance of convertible notes at £7 million, which would represent a modest level of debt to total assets of about 18%. We will use proceeds from this convertible note issuance primarily for investment in our Partner Companies. Although raising capital in this way imposes additional dilution on our shareholders, the effect is largely offset by our being able to manage and maintain the level of ownership of each individual company. As a result, we continue to believe the net effect of this programme will be positive for our shareholders.

In previous economic downturns, the recovery in the private capital markets has lagged the recovery in the broader stock market by six to twelve months and we do not believe recovery in this cycle will be quicker. As a result, we remain cautious in the management of our business. However, we have eight promising Partner Companies and each has made progress in the last six months, despite the difficult environment. Seven of the eight companies are now generating revenue, albeit still at rather modest levels, but for a startup company to ship products and make the transition to a revenue generating business is a significant achievement. The next challenge is to increase sales to the point where we show first an accounting profit and then positive cash flow. We remain committed to helping our Partner Companies meet these challenges and make the transition to profitable businesses. We try to minimise the amount of time and effort spent on trying to "engineer" outcomes or "exits", in the belief that if we build good, well-run companies, the opportunity to complete an IPO will present itself in due course.

We are excited by the value that is being created in our Partner Companies and believe that our shareholders should benefit when this value creation is released in due course. Despite the events of the last year, I am pleased to report that we have weathered the storm well so far and remain confident in our approach. We believe that we should be able to get back on a growth track by the end of the year and do well once capital markets recover.

## Partner Companies

Company	Company Description
<b>Axcess</b>	RFID Systems
<b>DataTern</b>	Intellectual Property Development
<b>FireStar</b>	Software platform for inter-enterprise integration
<b>Kromek</b>	Digital x-ray systems for medical and security applications
<b>m2m</b>	MRI coils & tools for clinical and research use
<b>Motif</b>	Population genetics for pharmaceuticals & diagnostics
<b>Myconostica</b>	Molecular diagnostics for fungal diseases
<b>PrivateMarkets</b>	Online energy trading marketplace
<b>WellGen</b>	Nutrigenomics for health and wellness

Amphion's Partner Companies continue to make progress.

**Axcess** (OTCBB: AXSI), announced in February that it won a competitive procurement worth US \$3.54 million to provide security infrastructure solutions for the port at Trinidad's capital, Port-of-Spain. With the security successfully implemented, in April Trinidad hosted the Fifth Summit of the Americas Conference attended by over 30 heads of state of countries from North, Central and South America, and the Caribbean. Axcess has also recently reported record revenues for the first half of 2009. Amphion's fully-diluted ownership stake in Axcess was 8.50% as of 30 June 2009, valued at US \$2.0 million (June 2008: US \$3.2 million).

**DataTern** signed seven additional license agreements in the six months to June, with one more license concluded in July and with several others in active negotiation. To date, DataTern has signed 11 license agreements for total revenues of US \$9.4 million since June 2008. The gross licensing income in the first half of 2009 was US \$3.4 million, slightly ahead of plan, and we are confident the outcome for the second half of 2009 should be at least equal to that of the first six months. In August, the United States Patent and Trademark Office found DataTern's '502 patent valid for all 18 original claims and 26 new claims after re-examination. Amphion's fully-diluted ownership stake in DataTern was 100% as of 30 June 2009. As DataTern is 100% owned by Amphion, it is consolidated into Amphion's financial statements.

**FireStar** is making progress working with several leading organisations on establishing the new payments standard for messaging in the financial sector. EdgeNode™ (the proprietary engine supporting the PrivateMarkets platform) offers unique functionality for messaging in both the financial payments sector and in healthcare. FireStar developed new revenue streams for services and EdgeNode™ technologies in the Financial Services market during the first half of 2009. The company anticipates growing this revenue stream in the second half of 2009 as well as beginning a new revenue stream based on EdgeNode™ in the secure electronic distribution of medical records. Amphion's fully-diluted ownership stake in FireStar was 15.32% as of 30 June 2009, valued at US \$4.5 million (June 2008: US \$4.7 million).

**Kromek's** first product, the Bottle Scanner, was shipped to Newcastle Airport and began trials in June, when they also launched their second product, the 3-1-1 Scanner, at the

Transec World Expo in Amsterdam. Also in June, Dr. Arnab Basu, Kromek's CEO, was awarded Ernst & Young Entrepreneur of the Year 2009 for the North and Midlands region. Kromek recently announced the award of a US \$4 million contract from the US Defense Threat Reduction Agency (DTRA) for the development of Detectors from Vapour Grown Cadmium Zinc Telluride material. Amphion's fully-diluted ownership stake in Kromek was 19.99% as of 30 June 2009, valued at US \$16.2 million (June 2008: US \$19.6 million).

**m2m** has continued to see good demand for its current product range of preclinical coils. m2m is a key supplier to Bruker Biospin, Siemens, Varian, GE, and other major imaging system manufacturers, and also provides solutions to GSK, Merck, BMS, Astra Zeneca, Roche, and most university research organisations in the US and Europe. The company continues development work on its first cryogenic coil, for the preclinical market. Amphion's fully-diluted ownership stake in m2m was 24.40% as of 30 June 2009, valued at US \$6.9 million (June 2008: US \$6.0 million).

**Motif** has made good progress mining the very rich dataset in a Moroccan cohort in partnership with Imperial College London and Professor Philippe Froguel. The company believes it has already made several important discoveries in diabetes and hypertension and believes that these, along with additional discoveries from our ongoing research, will result in important Intellectual Property. Amphion's fully-diluted ownership stake in Motif was 38.55% as of 30 June 2009, valued at US \$15.7 million (June 2008: US \$14 million).

**Myconostica** currently has two products on the market; the MycXtra™ fungal DNA extraction system and MycAssay™ Pneumocystis, a real-time PCR test for Pneumocystis jirovecii, one of the most common causes of fungal pneumonia. Myconostica has a pipeline of products in development including a test for the detection of Aspergillus and a microarray-based assay for the identification of yeast species. Amphion's fully-diluted ownership stake in Myconostica was 22.14% as of 30 June 2009, valued at US \$2.3 million (June 2008: US \$5.8 million).

**PrivateMarkets** began commercial operations in the ERCOT/Texas region of the U.S. wholesale electricity market, achieving first revenues and early growth of trading volumes that, while still small, is ahead of plan. The company anticipates continuing to expand its presence in the Texas market and plans to launch an expansion into other parts of the U.S. market in the second half of 2009. Amphion's fully-diluted ownership stake in PrivateMarkets was 25.34% as of 30 June 2009, valued at US \$4.6 million (June 2008: US \$3.2 million).

**WellGen** announced the appointment of Dr. Roddy Carter as President and CEO in April 2009. In May, the company launched its first four consumer products into the nutritional supplement market under the brand name Te Amé. Preclinical testing of WellGen's first candidate product for the medical foods market continues with encouraging results thus far. Development work on the next two proprietary products is also making good progress. Amphion's fully-diluted ownership stake in WellGen was 14.56% as of 30 June 2009, valued at US \$6.6 million (June 2008: US \$6.7 million).

**Amphion Innovations plc**  
**Condensed consolidated income statement**  
**For the six months ended 30 June 2009**

**Unaudited**

	Notes	Six months ended <u>30 June 2009</u> US\$	Six months ended <u>30 June 2008</u> US\$	Year ended <u>31 December 2008</u> US\$
<b>Continuing operations</b>				
Revenue	3	4,010,503	5,385,966	7,087,944
Cost of sales	3	<u>(1,398,420)</u>	<u>(3,237,562)</u>	<u>(3,676,250)</u>
Gross profit		2,612,083	2,148,404	3,411,694
Other operating income		-	-	7,000
Administrative expenses		<u>(2,634,387)</u>	<u>(3,882,771)</u>	<u>(6,799,792)</u>
Operating loss		(22,304)	(1,734,367)	(3,381,098)
Fair value gains (losses) on investments	7	(146,832)	11,800,211	1,967,216
Interest income		188,959	135,457	274,788
Other gains and losses		21,043	(10,958)	(22,433)
Finance costs		<u>(148,198)</u>	<u>(1,787)</u>	<u>(29,878)</u>
Profit (loss) before tax		(107,332)	10,188,556	(1,191,405)
Tax on profit	5	<u>(87,000)</u>	<u>(165,792)</u>	<u>(13,130)</u>
Profit (loss) for the period		<u><u>(194,332)</u></u>	<u><u>10,022,764</u></u>	<u><u>(1,204,535)</u></u>
<b>Earnings per share</b>				
	6			
Basic		US \$ <u>(0.00)</u>	US \$ <u>0.08</u>	US \$ <u>(0.01)</u>
Diluted		US \$ <u>(0.00)</u>	US \$ <u>0.08</u>	US \$ <u>(0.01)</u>

**Amphion Innovations plc**  
**Condensed consolidated statement of comprehensive income**  
**For the six months ended 30 June 2009**

	<b>Six months ended <u>30 June 2009</u> US\$</b>	<b>Six months ended <u>30 June 2008</u> US\$</b>	<b>Year ended <u>31 December 2008</u> US\$</b>
Profit (loss) for the period	<u>(194,332)</u>	<u>10,022,764</u>	<u>(1,204,535)</u>
<b>Other comprehensive income</b>			
Exchange differences arising on translation of foreign operations	<u>39,955</u>	<u>(953)</u>	<u>(41,248)</u>
Other comprehensive income for the period	<u>39,955</u>	<u>(953)</u>	<u>(41,248)</u>
<b>Total comprehensive income for the period</b>	<u><u>(154,377)</u></u>	<u><u>10,021,811</u></u>	<u><u>(1,245,783)</u></u>

**Amphion Innovations plc**  
**Condensed consolidated statement of financial position**  
**At 30 June 2009**

	Notes	<b>Unaudited</b> <b>30 June 2009</b> <b>US\$</b>	<b>Audited</b> <b>31 December 2008</b> <b>US\$</b>
<b>Non-current assets</b>			
Intangible assets		2,020,501	2,150,415
Property, plant and equipment		19,952	19,726
Security deposit		121,694	121,694
Investments	7	60,202,949	59,029,932
		<u>62,365,096</u>	<u>61,321,767</u>
<b>Current assets</b>			
Prepaid expenses and other receivables		2,349,968	1,566,911
Cash and cash equivalents		365,134	630,404
		<u>2,715,102</u>	<u>2,197,315</u>
<b>Total assets</b>		<u><u>65,080,198</u></u>	<u><u>63,519,082</u></u>
<b>Current liabilities</b>			
Trade and other payables		2,297,755	1,952,779
<b>Non-current liabilities</b>			
Convertible promissory notes	8	4,182,274	3,279,950
Trade and other payables		1,077,546	1,140,739
		<u>5,259,820</u>	<u>4,420,689</u>
<b>Total liabilities</b>		<u><u>7,557,575</u></u>	<u><u>6,373,468</u></u>
<b>Net assets</b>		<u><u>57,522,623</u></u>	<u><u>57,145,614</u></u>
<b>Equity</b>			
Share capital	9	2,448,303	2,429,342
Share premium account		36,803,687	36,291,262
Translation reserve		1,567	(38,388)
Retained earnings		18,269,066	18,463,398
<b>Total equity</b>		<u><u>57,522,623</u></u>	<u><u>57,145,614</u></u>

**Amphion Innovations plc**  
**Condensed consolidated statement of changes in equity**  
**For the six months ended 30 June 2009**

**Unaudited**

	Notes	Share capital US\$	Share premium account US\$	Foreign currency translation reserve US\$	Retained earnings US\$	Total US\$
Balance at 31 December 2007		2,388,071	34,772,046	2,860	19,667,933	56,830,910
Profit for the period		-	-	-	10,022,764	10,022,764
Exchange differences arising on translation of foreign operations		-	-	(953)	-	(953)
Total comprehensive income for the period		-	-	(953)	10,022,764	10,021,811
Issue of share capital		37,871	792,844	-	-	830,715
Incremental costs directly attributable to issue of shares		-	(34,458)	-	-	(34,458)
Recognition of share-based payments		-	354,869	-	-	354,869
Balance at 30 June 2008		2,425,942	35,885,301	1,907	29,690,697	68,003,847
Loss for the period		-	-	-	(11,227,299)	(11,227,299)
Exchange differences arising on translation of foreign operations		-	-	(40,295)	-	(40,295)
Total comprehensive income for the period		-	-	(40,295)	(11,227,299)	(11,267,594)
Issue of share capital		3,400	66,600	-	-	70,000
Incremental costs directly attributable to issue of shares		-	(6,965)	-	-	(6,965)
Recognition of share-based payments		-	346,326	-	-	346,326
Balance at 31 December 2008		2,429,342	36,291,262	(38,388)	18,463,398	57,145,614
Loss for the period		-	-	-	(194,332)	(194,332)
Exchange differences arising on translation of foreign operations		-	-	39,955	-	39,955
Total comprehensive income for the period		-	-	39,955	(194,332)	(154,377)
Issue of share capital	9	18,961	185,361	-	-	204,322
Recognition of share-based payments	11	-	327,064	-	-	327,064
Balance at 30 June 2009		2,448,303	36,803,687	1,567	18,269,066	57,522,623

**Amphion Innovations plc**  
**Condensed consolidated statement of cash flows**  
**For the six months ended 30 June 2009**

**Unaudited**

	<b>Six months ended 30 June 2009</b>	<b>Six months ended 30 June 2008</b>	<b>Year ended 31 December 2008</b>
	<b>US\$</b>	<b>US \$</b>	<b>US \$</b>
<b>Operating activities</b>			
Operating loss	(22,304)	(1,734,367)	(3,381,098)
Adjustments for:			
Depreciation of property, plant and equipment	5,288	6,408	11,836
Amortisation of intangible assets	129,914	123,428	253,935
Recognition of share based payments	531,386	354,869	1,103,235
Decrease (increase) in prepaid & other receivables	(783,057)	21,753	(927,482)
Increase in trade & other payables	281,783	395,625	623,776
Interest expense	(148,198)	(1,787)	(29,878)
Income tax	(87,000)	(165,792)	(13,130)
Net cash used in operating activities	<u>(92,188)</u>	<u>(999,863)</u>	<u>(2,358,806)</u>
<b>Investing activities</b>			
Interest received	188,959	135,457	274,788
Proceeds from repayment of notes receivable	160,000	495,890	495,890
Purchases of investments	(1,479,849)	(3,014,877)	(5,915,881)
Purchases of intangible assets	-	(118,000)	(129,714)
Purchases of equipment	(4,967)	(5,072)	(4,173)
Net cash used in investing activities	<u>(1,135,857)</u>	<u>(2,506,602)</u>	<u>(5,279,090)</u>
<b>Financing activities</b>			
Proceeds on issue of shares, net of share issuance costs	-	796,257	457,252
Proceeds on issue of promissory notes	902,324	-	3,279,950
Net cash from financing activities	<u>902,324</u>	<u>796,257</u>	<u>3,737,202</u>
Net decrease in cash and cash equivalents	(325,721)	(2,710,208)	(3,900,694)
Cash and cash equivalents at the beginning of the period	630,404	4,594,007	4,594,007
Effect of foreign exchange rate changes	60,451	(11,911)	(62,909)
Cash and cash equivalents at the end of the period	<u><u>365,134</u></u>	<u><u>1,871,888</u></u>	<u><u>630,404</u></u>

**Amphion Innovations plc**  
**Notes to the condensed consolidated financial statements (Unaudited)**

**For the six months ended 30 June 2009**

**1. General information**

The condensed consolidated interim financial statements for the six months ended 30 June 2009 are unaudited and do not constitute statutory accounts within the meaning of the Isle of Man Companies Acts 1931 to 2004. The statutory accounts of Amphion Innovations plc for the year ended 31 December 2008 have been filed with the Registrar of Companies and contain an unqualified audit report which includes an emphasis of matter reference for going concern and valuation of investments. Copies are available on the company's website at [www.amphionplc.com/reports.php](http://www.amphionplc.com/reports.php).

**2. Accounting policies**

These condensed consolidated interim financial statements have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards (IFRS).

The accounting policies applied by the Group are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008 except for the impact of the adoption of the Standards and Interpretations described below.

**IFRS 8 Operating Segments** (effective for annual periods beginning on or after 1 January 2009)

IFRS 8 is a disclosure Standard that has had no impact on the Group's reportable segments or on the reported results or financial position of the Group.

**IAS 1 (revised 2007) Presentation of Financial Statements** (effective for annual periods beginning on or after 1 January 2009)

The revised Standard has introduced a number of terminology changes (including revised titles for the condensed financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised Standard has had no impact on the reported results or financial position of the Group.

**3. Revenue**

An analysis of the Group's revenue is as follows:

	<b>Six months ended</b> <b>30 June 2009</b> <b>US \$</b>	<b>Six months ended</b> <b>30 June 2008</b> <b>US\$</b>	<b>Year ended</b> <b>31 December 2008</b> <b>US\$</b>
<b>Continuing operations</b>			
Advisory fees	553,453	1,135,966	1,637,694
License fees	<u>3,457,050</u>	<u>4,250,000</u>	<u>5,450,250</u>
	<u>4,010,503</u>	<u>5,385,966</u>	<u>7,087,944</u>

DataTern Inc., a wholly owned subsidiary of the Company, has entered into an agreement with IP Navigation Group, LLC which provides strategic advisory services including licensing and enforcement of various patents held by DataTern, Inc. Under this agreement, IP Navigation Group, LLC will advance up to US \$2,000,000 to DataTern, Inc. under a promissory note to pay the expenses related to the licensing and enforcement of the patents. The promissory note has an 8% interest rate with repayment coming exclusively from the proceeds of the licensing and enforcement program. The note is due 18 February 2013 and is secured by the assets of DataTern, Inc. The promissory note had a balance of US \$86,109 outstanding at 30 June 2009.

During 2009, IP Navigation Group, LLC assisted in obtaining non-exclusive licenses of DataTern's key database patents to various companies totaling US \$3,450,000. As part of the agreement, IP Navigation Group, LLC received advisory fees of fifty percent of the gross proceeds less the repayment of expenses funded by IP

**Amphion Innovations plc**  
**Notes to the condensed consolidated financial statements (Unaudited)**

**For the six months ended 30 June 2009**

**3. Revenue, (continued)**

Navigation Group, LLC and related interest which amounted to US \$617,159, and expenses of third parties. The advisory fees payable to IP Navigation Group, LLC totaled US \$1,398,420.

As part of the agreement for DataTern, Inc. to purchase certain of the intangible assets in December 2007, a portion of future revenues from these patents will be retained by FireStar Software, Inc. No amounts have become payable to FireStar Software, Inc. to date.

**4. Segment information**

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. There has been no change to the identification of the Group's reportable segments as a result of the adoption of IFRS 8.

For management purposes, the Group is currently organised into three business segments – advisory services, investing, and intellectual property. These business segments are the basis on which the Group reports its primary segment information.

Information regarding these segments is presented below.

	<b>Advisory services</b>	<b>Investing activities</b>	<b>Intellectual property</b>	<b>Eliminations</b>	<b>Consolidated</b>
	<b>Six months ended</b>	<b>Six months ended</b>	<b>Six months ended</b>	<b>Six months ended</b>	<b>Six months ended</b>
	<b>30 June 2009</b>	<b>30 June 2009</b>	<b>30 June 2009</b>	<b>30 June 2009</b>	<b>30 June 2009</b>
	<b>US \$</b>	<b>US \$</b>	<b>US \$</b>	<b>US \$</b>	<b>US \$</b>
REVENUE					
External advisory fees	553,453	-	-	-	553,453
External license fees	-	-	3,457,050	-	3,457,050
Inter-segment fees	120,000	-	-	(120,000)	-
Total revenue	673,453	-	3,457,050	(120,000)	4,010,503
Cost of sales	-	-	(1,398,420)	-	(1,398,420)
Gross profit	673,453	-	2,058,630	(120,000)	2,612,083
Administrative expenses	(505,542)	(1,433,756)	(815,089)	120,000	(2,634,387)
Segment result	167,911	(1,433,756)	1,243,541	-	(22,304)
Fair value losses on investments	-	(146,832)	-	-	(146,832)
Interest income	1	192,700	27	(3,769)	188,959
Other gains and losses	-	21,043	-	-	21,043
Finance costs	-	(137,769)	(14,198)	3,769	(148,198)
Profit (loss) before tax	167,912	(1,504,614)	1,229,370	-	(107,332)
Income taxes	-	-	(87,000)	-	(87,000)
Profit (loss) after tax	167,912	(1,504,614)	1,142,370	-	(194,332)

**Amphion Innovations plc**  
**Notes to the condensed consolidated financial statements (Unaudited)**

**For the six months ended 30 June 2009**

**4. Segment information, (continued)**

	Advisory services Six months ended 30 June 2009 US \$	Investing activities Six months ended 30 June 2009 US \$	Intellectual property Six months ended 30 June 2009 US \$	Eliminations Six months ended 30 June 2009 US \$	Consolidated Six months ended 30 June 2009 US \$
OTHER INFORMATION					
Segment assets	1,490,762	61,953,337	2,884,973	(1,248,874)	65,080,198
Segment liabilities	931,814	889,635	2,397,470	(843,618)	3,375,301
Capital additions	3,081	-	1,886	-	4,967
Depreciation	2,928	2,003	357	-	5,288
Amortisation	-	-	129,914	-	129,914
Recognition of share based payments	-	531,386	-	-	531,386

**Amphion Innovations plc**  
**Notes to the condensed consolidated financial statements (Unaudited)**

**For the six months ended 30 June 2009**

**4. Segment information, (continued)**

For management purposes for 30 June 2008, the Group was organised into three business segments – advisory services, investing activities, and intellectual property.

	<b>Advisory services Six months ended 30 June 2008 US \$</b>	<b>Investing activities Six months ended 30 June 2008 US \$</b>	<b>Intellectual property Six months ended 30 June 2008 US \$</b>	<b>Eliminations Six months ended 30 June 2008 US \$</b>	<b>Consolidated Six months ended 30 June 2008 US \$</b>
<b>REVENUE</b>					
External advisory fees	1,255,966	-	-	(120,000)	1,135,966
External license fees	-	-	4,250,000	-	4,250,000
Inter-segment fees	-	393,432	-	(393,432)	-
Total revenue	1,255,966	393,432	4,250,000	(513,432)	5,385,966
Cost of sales	-	-	(3,237,562)	-	(3,237,562)
Gross profit	1,255,966	393,432	1,012,438	(513,432)	2,148,404
Administrative expenses	(896,386)	(2,147,241)	(1,352,576)	513,432	(3,882,771)
Segment result	359,580	(1,753,809)	(340,138)	-	(1,734,367)
Fair value and gains on investments	-	11,800,211	-	-	11,800,211
Interest income	80	158,421	321	(23,365)	135,457
Other gains and losses	-	(10,958)	-	-	(10,958)
Finance costs	-	-	(25,152)	23,365	(1,787)
Profit before tax	359,660	10,193,865	(364,969)	-	10,188,556
Income taxes	(146,000)	(19,792)	-	-	(165,792)
Profit after tax	213,660	10,174,073	(364,969)	-	10,022,764
<b>OTHER INFORMATION</b>					
Segment assets	1,443,505	68,425,848	3,157,841	(2,157,980)	70,869,214
Segment liabilities	522,653	640,413	3,431,306	(1,729,005)	2,865,367
Capital additions	-	3,386	119,686	-	123,072
Depreciation	2,928	3,480	-	-	6,408
Amortisation	-	-	123,428	-	123,428
Recognition of share based payments	-	354,869	-	-	354,869

**Amphion Innovations plc**  
**Notes to the condensed consolidated financial statements (Unaudited)**

For the six months ended 30 June 2009

**4. Segment information, (continued)**

**Geographical segments**

The Group's operations are located in the United States and the United Kingdom.

The following table provides an analysis of the Group's advisory fees by geographical location of the investment.

	<b>Advisory fees by geographical location</b>	
	<b>Six months ended 30 June 2009</b>	<b>Six months ended 30 June 2008</b>
	<b>US \$</b>	<b>US \$</b>
United States	390,000	714,450
United Kingdom	163,453	421,516
	<u>553,453</u>	<u>1,135,966</u>

The following table provides an analysis of the Group's license fees by geographical location.

	<b>License fees by geographical location</b>	
	<b>Six months ended 30 June 2008</b>	<b>Six months ended 30 June 2008</b>
	<b>US\$</b>	<b>US\$</b>
United States	3,457,050	4,250,000
United Kingdom	-	-
	<u>3,457,050</u>	<u>4,250,000</u>

The following is an analysis of the carrying amount of segment assets, and additions to fixtures, fittings and equipment, analysed by the geographical area in which the assets are located:

	<b>Carrying amount of segment assets</b>		<b>Additions to fixtures, fittings and equipment and intangible assets</b>	
	<b>Six months ended 30 June 2009</b>	<b>Six months ended 30 June 2008</b>	<b>Six months ended 30 June 2009</b>	<b>Six months ended 30 June 2008</b>
	<b>US \$</b>	<b>US \$</b>	<b>US \$</b>	<b>US \$</b>
United States	46,624,077	45,464,104	4,967	119,686
United Kingdom	18,456,121	25,405,110	-	3,386
	<u>65,080,198</u>	<u>70,869,214</u>	<u>4,967</u>	<u>123,072</u>

**Amphion Innovations plc**  
**Notes to the condensed consolidated financial statements (Unaudited)**

**For the six months ended 30 June 2009**

**5. Income tax expense**

	<u>Six months ended</u> <u>30 June 2009</u>	<u>Six months ended</u> <u>30 June 2008</u>	<u>Year ended</u> <u>31 December 2008</u>
	<u>US \$</u>	<u>US \$</u>	<u>US \$</u>
Isle of Man income tax	-	-	-
Tax on US subsidiary	87,000	146,000	3,696
Tax on UK subsidiary	-	19,792	9,434
	<u>87,000</u>	<u>165,792</u>	<u>13,130</u>

From 6 April 2006, a standard rate of corporate income tax of 0% applies to Isle of Man companies, with exceptions taxable at the 10% rate, namely licensed banks in respect of deposit-taking business, companies that profit from land and property in the Isle of Man and companies that elect to pay tax at the 10% rate. No provision for Isle of Man taxation is therefore required. The Company is treated as a Partnership for U.S. federal and state income tax purposes and, accordingly, its income or loss is taxable directly to its partners.

The Company has three subsidiaries, two in the USA and one in the UK. The US subsidiaries, Amphion Innovations US Inc. and DataTern, Inc., are Corporations and therefore taxed directly. The US subsidiaries suffer US federal tax, state tax and New York City tax on their taxable net income. The UK subsidiary, Amphion Innovations UK Limited, is liable to UK Corporation tax at rates up to 30% on its taxable profits and gains.

The Group charge for the period can be reconciled to the profit per the consolidated income statement as follows:

	<b>US \$</b>
Loss before tax	<u>(107,332)</u>
Tax at the Isle of Man income tax rate of 0%	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	<u>87,000</u>
Current tax	<u>87,000</u>

**Amphion Innovations plc**  
**Notes to the condensed consolidated financial statements (Unaudited)**

**For the six months ended 30 June 2009**

**6. Earnings per share**

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

<u>Earnings</u>	<b>Six months ended 30 June 2009</b>	<b>Six months ended 30 June 2008</b>	<b>Year ended 31 December 2008</b>
	<b>US \$</b>	<b>US \$</b>	<b>US \$</b>
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to equity holders of the parent)	<u>(194,332)</u>	<u>10,022,764</u>	<u>(1,204,535)</u>
<u>Number of shares</u>	<b>Six months ended 30 June 2009</b>	<b>Six months ended 30 June 2008</b>	<b>Year ended 31 December 2008</b>
Weighted average number of ordinary shares for the purposes of basic earnings per share	130,963,672	129,349,031	130,183,495
Effect of dilutive potential ordinary shares:			
Share options	236,895	61,312	-
Convertible promissory notes	<u>15,598,744</u>	<u>-</u>	<u>12,171,667</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>146,799,311</u>	<u>129,410,343</u>	<u>142,355,162</u>

**Amphion Innovations plc**  
**Notes to the condensed consolidated financial statements (Unaudited)**

**For the six months ended 30 June 2009**

**7. Investments**

At fair value through profit or loss

	30 June 2009			31 December 2008		
	Fair Value	Cost	Unrealised	Fair Value	Cost	Unrealised
	US \$	US \$	gain/(loss) US \$	US \$	US \$	gain/(loss) US \$
<i>Public companies:</i>						
Access International, Inc.	2,010,460	3,447,794	(1,437,334)	1,612,931	3,447,794	(1,834,863)
<i>Private companies:</i>						
FireStar Software, Inc.	4,543,533	4,751,783	(208,250)	4,721,447	4,941,783	(220,336)
Kromek Ltd.	16,172,316	3,274,915	12,897,401	14,370,477	3,274,915	11,095,562
Motif BioSciences, Inc.	15,729,930	8,417,625	7,312,305	15,402,879	8,085,625	7,317,254
MSA Holding B.S.C.	1,474,905	1,500,000	(25,095)	1,474,905	1,500,000	(25,095)
m2m Imaging Corp.	6,860,550	2,468,685	4,391,865	6,642,861	2,172,453	4,470,408
Myconostica Ltd.	2,253,930	2,745,331	(491,401)	4,216,206	2,745,331	1,470,875
PrivateMarkets, Inc.	4,556,522	3,311,522	1,245,000	3,918,673	2,673,673	1,245,000
WellGen, Inc.	6,600,803	4,814,936	1,785,867	6,669,553	4,814,936	1,854,617
	<u>60,202,949</u>	<u>34,732,591</u>	<u>25,470,358</u>	<u>59,029,932</u>	<u>33,656,510</u>	<u>25,373,422</u>

	30 June 2009			31 December 2008		
	Fair Value	Cost	Unrealised	Fair Value	Cost	Unrealised
	US \$	US \$	gain/(loss) US \$	US \$	US \$	gain/(loss) US \$
Stocks	44,036,543	22,969,181	21,067,362	43,540,862	22,969,181	20,571,681
Promissory notes	8,100,451	8,100,451	-	6,780,602	6,780,602	-
Warrants & options	8,065,955	3,662,959	4,402,996	8,708,468	3,906,727	4,801,741
	<u>60,202,949</u>	<u>34,732,591</u>	<u>25,470,358</u>	<u>59,029,932</u>	<u>33,656,510</u>	<u>25,373,422</u>

**Amphion Innovations plc**  
**Notes to the condensed consolidated financial statements (Unaudited)**

**For the six months ended 30 June 2009**

**7. Investments, (continued)**

At 30 June 2009 the one publicly traded company, Axxess International, Inc. ("Axxess") is valued based on its last quoted closing price. In regard to the Group's valuation of Axxess, the Directors have assumed an orderly sale of the stock over an extended period of time and have therefore chosen not to apply a discount to the quoted market price. Equity investments in Kromek, FireStar Software, Inc., Motif BioSciences Inc., m2m Imaging Corp, PrivateMarkets, Inc. and WellGen, Inc. are valued using the latest offering price from recently executed financing transactions by those companies. Equity investments in Myconostica Ltd. are valued using the proposed offering price for a financing transaction that is expected to close later in 2009. Convertible promissory notes held in these companies are valued at cost. The value of MSA Holding B.S.C. is based on the value of its net assets at 30 June 2009. Warrants for all companies are valued at the valuation price less the warrant exercise price plus a factor for the time value of the warrant. The time value factor is based on the premise that an in-the-money ten year warrant is worth half the exercise price.

The 30 June 2009 fair value losses on investments include an unrealized gain of US \$96,936 and a realized loss of US \$243,768.

At 30 June 2009, MSA Holding B.S.C. owned 2,626,467 of the ordinary shares of Amphion Innovations plc.

The Group's ownership percentages of the investments are as follows:

	<b>Country of incorporation</b>	<b>Fully-diluted ownership %</b>
Axxess International, Inc.	United States of America	8.50
FireStar Software, Inc.	United States of America	15.32
Kromek	England & Wales	19.99
Motif BioSciences, Inc.	United States of America	38.55
MSA Holding B.S.C.	Kingdom of Bahrain	50.00
m2m Imaging Corp.	United States of America	24.40
Myconostica Ltd.	England & Wales	22.14
PrivateMarkets, Inc.	United States of America	25.34
WellGen, Inc.	United States of America	14.56

**8. Convertible promissory notes**

During 2009, £616,874 of convertible promissory notes were issued of which £24,624 were subscribed for by three Directors of the Company. The notes are convertible into ordinary shares of the Company at any time prior to 31 December 2013 at a conversion price of eighteen pence per ordinary share. In the event that the closing market price of the ordinary shares is equal to or greater than 25 pence per ordinary share for 25 consecutive trading dates at any time prior to 31 December 2013, the notes will automatically be converted into fully paid ordinary shares.

If the notes have not been converted, they will be repaid on 31 December 2013. Interest of 7% will be paid quarterly until the date of repayment.

For each note issued, the Company also issued 1.11 warrants. Each warrant will entitle the holder to subscribe for one ordinary share at 20 pence per ordinary share.

The net proceeds received from the issue of the convertible promissory notes are classified as a financial liability due to the fact that the notes are denominated in a currency other than the Company's functional currency.

**Amphion Innovations plc**  
**Notes to the condensed consolidated financial statements (Unaudited)**

**For the six months ended 30 June 2009**

**9. Share capital**

	<u>30 June 2009</u>		
	£		
Authorised:			
250,000,000 ordinary shares of 1p each	<u>2,500,000</u>		
	<b>Number</b>	<b>£</b>	<b>US\$</b>
Balance as at 31 December 2008	130,378,857	1,303,789	2,429,342
Issued and fully paid:			
Ordinary shares of 1 p each	874,977	8,750	12,874
Ordinary shares of 1p each	221,037	2,210	3,142
Ordinary shares of 1p each	<u>207,189</u>	<u>2,072</u>	<u>2,945</u>
Balance as at 30 June 2009	<u>131,682,060</u>	<u>1,316,821</u>	<u>2,448,303</u>

During the six months ended 30 June 2009, the following changes occurred to the share capital of the Company:

On 30 March 2009, the Company issued 874,977 ordinary 1p shares at a premium of 9.75p per share (US \$125,526) to employees as part of their incentive compensation.

On 15 April 2009, the Company issued 221,037 ordinary 1p shares at a premium of 10.14p per share (US \$31,858) to Directors in lieu of first quarter Directors' fees.

On 26 May 2009, the Company issued 207,189 ordinary 1p shares at a premium of 9.5p per share (US \$27,977) to certain holders of the Convertible Promissory Notes in respect of accrued interest on the Notes.

**10. Contingent liabilities**

The Compensation Committee has determined the bonuses for the year 2008 and required that 50% of the bonuses be paid in shares. The cash portion totaling US \$153,600 is only to be paid at the discretion of the Compensation Committee therefore no provision has been made in these financial statements for the cash portion.

The Company is subject to two lawsuits brought by former employees. The Company believes the lawsuits are without merit and that any settlements will not exceed US \$200,000 in total plus legal costs. No provision has been made in these financial statements for the settlements.

**Amphion Innovations plc**  
**Notes to the condensed consolidated financial statements (Unaudited)**

**For the six months ended 30 June 2009**

**11. Share based payments**

In 2006 the Group established the 2006 Unapproved Share Option Plan (“the Plan”) and it was adopted pursuant to a resolution passed on 8 June 2006. Under this plan, the Compensation Committee may grant share options to eligible employees, including Directors, to subscribe for ordinary shares of the Company. The number of Shares over which options may be granted under the Unapproved Plan cannot exceed ten percent of the ordinary share capital of the Company in issue on a fully diluted basis. The Plan will be administered by the Compensation Committee. The number of shares, terms, performance targets and exercise period will be determined by the Compensation Committee.

During 2009, 1,925,000 options have been issued under the Plan and 525,000 options were forfeited.

The options issued expire after ten years from the date of grant and have a one year vesting period.

	<u>2009</u>	<b>Weighted average exercise price (in £)</b>
	<b>Number of share options</b>	
Outstanding at beginning of period	10,170,536	0.2300
Granted during the period	1,925,000	0.1075
Forfeited during the period	<u>(525,000)</u>	0.2310
Outstanding at the end of the period	<u>11,570,536</u>	0.2082
Exercisable at the end of the period	5,669,283	0.2190

The options are recorded at fair value on the date of grant using the Black-Scholes model. The inputs into the model are as follows:

	<b>2009 US\$</b>
Weighted average share price	0.16
Weighted average exercise price	0.16
Expected volatility	57.68%
Expected life	10 years
Risk free rate	3.47%
Expected dividends	-

Expected volatility was determined by calculating the historical volatility of the Group’s share price from the date of the listing to the end of the period.

In 2009, options were granted on 24 March. The aggregate of the estimated fair values of the options is US \$212,905. The Group recognized total costs of US \$327,064 relating to equity-settled share based payment transactions in 2009 which were expensed in the income statements during the period.

**Amphion Innovations plc**  
**Notes to the condensed consolidated financial statements (Unaudited)**

**For the six months ended 30 June 2009**

**12. Events after the balance sheet date**

In July and August 2009, the Company made advances of US \$40,000 under a promissory note from m2m Imaging Corp.

In July and August 2009, the Company made advances of US \$40,000 under a promissory note from Motif BioSciences Inc.

In July 2009 and August, the Company made advances of US \$160,000 under a promissory note from PrivateMarkets Inc.

In July 2009, the Company settled one of the two lawsuits brought by a former employee referred to in Note 10. Under the terms of the settlement agreement, the Company agreed to pay the former employee US \$120,000.

In August 2009, the Company purchased 94,123 D Preference Shares and 60,000 B Preference Shares of Myconostica Limited for £155,000.

In August 2009, the Company issued convertible promissory notes and 240,759 warrants for cash of £216,900.

**13. Related party transactions**

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related partners are disclosed below.

During the period, the Group paid miscellaneous expenses for Motif BioSciences, Inc. ("Motif") such as office expenses. Motif paid miscellaneous expenses relating to the Kuwait activity for the Company. At 30 June 2009, the net amount owed by the Group to Motif is US \$27,795.

A subsidiary of the Company has entered into an agreement with Axcoss International Inc. ("Axcoss") to provide advisory services. Richard Morgan and Robert Bertoldi, Directors of the Company, are also Directors of Axcoss. Amphion Innovations US Inc. will receive a monthly fee of US \$10,000 pursuant to this agreement. The agreement is effective until 1 March 2010 and will renew on an annual basis until terminated by one of the parties. The monthly fee is suspended for any month in which Axcoss' cash balance falls below US \$500,000. Amphion Innovations US Inc. received no fee during the period ended 30 June 2009.

A subsidiary of the Company has entered into an agreement with Kromek to provide advisory and consulting services. Richard Morgan, a Director of the Company, is also a Director of Kromek. The monthly fee under this agreement is the lesser of US \$10,000 and 50% of the gross compensation paid to directors and management of Kromek in that month and can be terminated by one of the parties. The subsidiary's fee for the period ended 30 June 2009 was US \$60,000. Amphion Innovations US Inc. also received US \$69,368 as a fund raising fee for the period ended 30 June 2009.

A subsidiary of the Company has entered into an agreement with FireStar Software Inc. ("FireStar") to provide advisory and consulting services. Richard Morgan, a Director of the Company, is also a Director of FireStar. The annual fee under this agreement is US \$120,000 and expires 31 December 2009. The fee for the period ended 30 June 2009 was suspended and not recognised.

A subsidiary of the Company has entered into an agreement with Motif BioSciences, Inc. ("Motif") to provide advisory and consulting services. Richard Morgan, a Director of the Company, is also a Director of Motif. The annual fee for the services is US \$240,000. The agreement is effective until 1 April 2010 and shall automatically renew for successive one year periods. Amphion Innovations US Inc.'s fee for the period ended 30 June 2009 was US \$120,000 which was due at 30 June 2009.

**Amphion Innovations plc**  
**Notes to the condensed consolidated financial statements (Unaudited)**

**For the six months ended 30 June 2009**

**13. Related party transactions, (continued)**

A subsidiary of the Company has entered into an agreement with Myconostica Ltd. ("Myconostica") to provide advisory and consulting services. Richard Morgan, a Director of the Company, is also a Director of Myconostica. The monthly fee for the services was £4,500 through 20 April and £3,000 thereafter and expires 31 December 2009. The subsidiary's fee for the period ended 30 June 2009 is £23,500 or US \$34,084 of which US \$4,701 was due at 30 June 2009.

A subsidiary of the Company has entered into an agreement with m2m Imaging Corp. ("m2m") to provide advisory and consulting services. Robert Bertoldi, a Director of the Company, is also a Director of m2m. The quarterly fee under this agreement is US \$45,000. This agreement is effective until 1 November 2009 and will renew on an annual basis until terminated by either party. Amphion Innovations US Inc.'s fee for the period ended 30 June 2009 was US \$90,000 which was due at 30 June 2009.

A subsidiary of the Company has entered into an agreement with WellGen, Inc. ("WellGen") to provide advisory and consulting services. Richard Morgan and Robert Bertoldi, Directors of the Company, are also Directors of WellGen. The fee under this agreement is US \$60,000 per quarter. The agreement is effective until 20 June 2010 and will renew annually for subsequent 12-month periods until terminated by either party. The subsidiary's fee for the year ended 30 June 2009 was US \$120,000.

A subsidiary of the Company has entered into an agreement with PrivateMarkets, Inc. ("PMI") to provide advisory services. Richard Morgan, a Director of the Company, is also a Director of PMI. The fee under this agreement is US \$15,000 per quarter beginning 7 February 2007 until 31 October 2007, US \$30,000 per quarter from 1 November 2007 until the successful sale of at least US \$3,000,000 and thereafter, US \$45,000 per quarter. This agreement is effective until 7 February 2010 and will renew annually for subsequent 12-month periods unless terminated by either party. The subsidiary's fee for the year ended 30 June 2009 was US \$60,000. The 2007, 2008 and 2009 fees totaling US \$245,000 are due at 30 June 2009.

The Directors' direct ownership in the Partner Companies is as follows:

<u>Investment company</u>	<u>Fully diluted % owned by directors</u>
Access International, Inc.	7.37
FireStar Software, Inc.	1.62
Kromek Ltd.	1.59
Motif BioSciences, Inc.	3.73
Myconostica Ltd.	.33
PrivateMarkets, Inc.	2.75
WellGen, Inc.	4.63