Amphion INNOVATIONS

ANNUAL REPORT AND ACCOUNTS

Amphion INNOVATIONS

Amphion 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 a significant shareholding in eight Partner Companies 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.

Amphion has also formed DataTern, Inc., a specialised entity established to exploit IP opportunities within the Company's Partner Companies.

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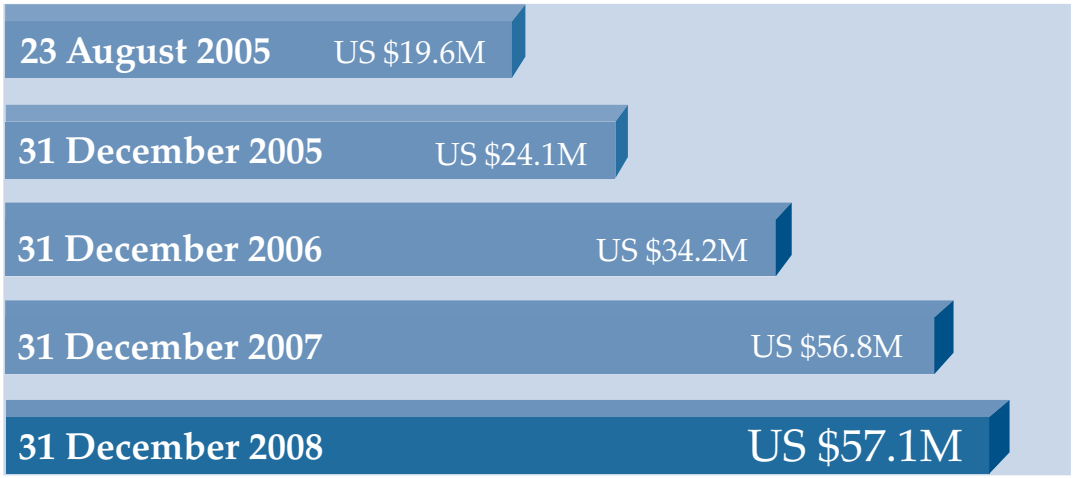
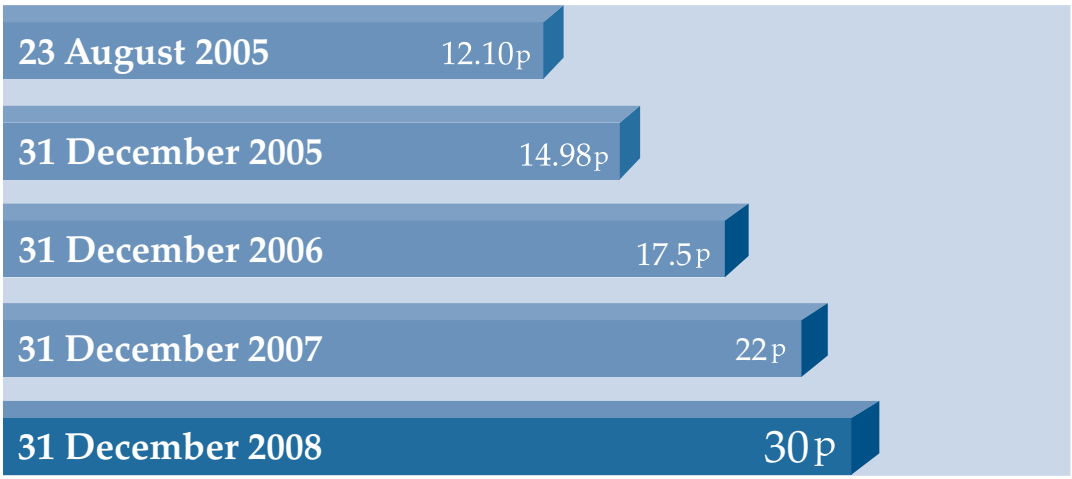
NET ASSETS

AIM FLOTATION



NET ASSET VALUE PER SHARE

AIM FLOTATION



Fair Value Gains on Investments	US $1,967,216
Revenue	US $7,087,944
Earnings Per Share	US ($0.01)

Results

Amphion continued to make progress in 2008, despite the rapid deterioration in the financial environment as the year went on. We are therefore pleased to show an increase in Net Asset Value per Share ('NAV') in sterling to £0.30 being US $0.44 (£0.22 and US $0.44 as at 31 December 2007). The increase in NAV per Share stems from a combination of good progress made by the Partner Companies together with exchange rate movements in the second half improving NAV per Share in sterling terms as the majority of the Partner Companies are valued in dollars.

The Company has also benefited from new licensing revenues from DataTern which led to revenues for the period increasing significantly to US $7.1 million (2007: US $2.9 million). Commencement of revenues from DataTern meant that, for the first time, the Company generated costs relating directly to sales of US $3.7 million. Administrative expenses were higher in 2008 at US $6.8 million. However, the underlying expense level for Amphion, on a cash basis, was estimated to be about US $4.5 million in 2008, in line with the previous year, on a comparable basis. The difference between this number and the reported level for 2008 is due to a variety of factors, including start up costs for DataTern, and a non cash expense of US $0.7 million relating to option charges. Before interest charges on the Convertible Promissory Note, the underlying cost base of Amphion is expected to be lower in 2009 as a result of various streamlining measures. Due primarily to a reduction in the fair value gains on investments compared to the previous year, the Company recorded a loss before tax of US $1.2 million (2007: profit of US $10.6 million).

Funding

For our model to work, we need access to capital, and traditional routes to raise capital for early stage emerging technology companies all but disappeared in the second half of 2008. In response, each one of our Partner Companies has been reviewing and changing its operating plan, in an effort to reduce costs and conserve capital. We continue to work closely with each one of our companies to help them weather the storm. Each has made substantial progress in this regard but without any respite in the capital markets it is hard to know if the measures we have taken to date will be adequate. As a result of the current environment for capital raising, a greater burden of financial support has fallen on Amphion directly and in response to that need for additional capital we launched the Convertible Promissory Note financing in the fourth quarter of 2008.

We anticipate generating at least as much revenue from our intellectual property licensing programmes in 2009 as we did in 2008 and this would cover the majority of Amphion's operating costs. Progress during the early stages of 2009 has been promising and we look forward to updating shareholders in due course. We are reviewing and reducing costs wherever possible, without compromising the operating structure. Any additional capital that we raise through the Convertible Promissory Note, or in any other way, we will endeavor to support our Partner Companies and to maintain our ownership interest in each at the highest possible level.

Partner Companies

Early last year, we concluded that the IPO market was unlikely to support any exits in 2008 nor, probably, in 2009. At this time it is hard to see how that exit route will be viable for a realisation of any of our Partner Companies via the public markets until at least 2010. Therefore, in the summer of 2008, we started to look systematically at each one of our companies to see if merger or acquisition opportunities would either allow exits through a trade sale of the business or provide opportunities to strengthen the operating profile through acquisitions of business units or entire companies. We have also stepped up our efforts to identify other sources of financial support for each one of the Partner Companies, in the form of grants or support from government entities and/or larger companies that might have an interest in making an investment. Over the course of 2008, the Partner Companies received approximately US $500,000 in grants from various government entities. As market conditions deteriorate, we continue to increase the amount of effort devoted to these alternative financing and exit options.

Despite all the negative factors at work, we draw comfort from the fact that we have never been involved in any of the speculative financial engineering that is creating so much hardship around the world today. Although we are now, for the first time, raising capital through a Convertible Note, we traditionally use little or no debt, in either Amphion or our Partner Company finances. Our companies are building real products based on innovative, usually patented technology, products which address real (usually existing) market needs that are large (usually billions of dollars in size) and growing. We have found in recent months that investors are beginning to think about how to go "back to basics" in their investment activity and we believe we could benefit from this change, as and when market conditions begin to stabilise.

A bad economic environment impacts the prospects for our Partner Companies negatively, but they are carefully selected for markets that exist, markets that are growing, and markets where their technology and products will offer an immediate and important benefit. Indeed, in some instances, bad economic conditions may actually increase the appetite of the customers for new products that promise to do things faster, better, or cheaper.

Kromek is a case in point, where there is an urgent need for products that apply innovative technology to security, industrial, and medical applications and the current technology does an inadequate job. As per our general approach, we have worked closely with the company since its beginnings in late 2004, just prior to our IPO. At that time it was just three people working in the proverbial "garage". Now it is a thriving business with one product on the market and more in development. We are excited by the company's progress and prospects, but Kromek is not unique. We believe we have eight companies that are making progress in this way. For example, PrivateMarkets, the company we spun out of FireStar, has just started to generate revenue and has progressed to this point from a complete startup, in just three short years, partly because a lot of development work was already done, within FireStar, for several years previously. This is a case where the productivity and transparency offered by PrivateMarkets' proprietary energy trading platform is probably more valuable now than in easier financial times.

Over the last several years we have made a considerable investment in developing our capability to manage and develop the intellectual property foundation of each one of our Partner Companies. In addition, we are developing the capability to identify opportunities to license our Partner Companies' basic technology to others who might need it. In 2008, we took the step of formalising this capability in a new company, called DataTern, which at this point is a wholly-owned subsidiary of Amphion. Although DataTern is now beginning to generate income for Amphion, we continue to approach this area very cautiously and are continually improving our approach and systems. Last year we announced our third licensee to the ORM patents we bought in to DataTern from FireStar. Like much of the IP underlying our Partner Companies, we believe these are fundamental patents and that many companies managing complex data in an IT setting should require a license to the technology to continue to "practice the art". We believe that there are many additional potential licensees and that we should be able to generate a significant amount of revenue from this asset over the next few years. In due course, once Amphion has recovered its sunk costs, we will start sharing this revenue stream back with FireStar (where the ORM technology and patents were originally developed), so FireStar should then benefit directly as well. Our longer term goal is to develop DataTern further, to support additional licensing programmes in the future.

Outlook

In summary, while we are adopting a very cautious approach in this highly challenging environment, we continue to believe in the fundamental strength of our model and the quality of our Partner Companies. Through a combination of our licensing programme and raising further new capital, through our Convertible Note offering or in other ways, we believe we will be able to continue to add value to our Partner Companies and, through our significant shareholdings in each one, build value for the Amphion shareholders.

Richard Mansell-Jones
Chairman

Richard C.E. Morgan
Chief Executive Officer

AXCESS™

Management

Allan Griebenow
President and
Chief Executive Officer

Allan L. Frank
Vice President, Secretary, and
Chief Financial Officer

Raj Bridgelall
Vice President, Engineering

Ray Cavanagh
Vice President, Sales

Ben Donohue
Vice President, Business Development

Board of Directors

Richard C.E. Morgan *(Chairman)*
Chief Executive Officer,
Amphion Innovations

Robert J. Bertoldi
President and Chief Financial Officer,
Amphion Innovations

Paul J. Coleman, Jr.
President and Chief Executive Officer,
The Girvan Institute of Technology

Allan Griebenow
President and Chief Executive Officer,
Axcess International, Inc.

Robert F. Hussey
Director, Digital Lightwave, Inc.

In Short

- Axcess provides Micro-Wireless™ system solutions for real-time business activity monitoring and control.
- Since the year end, Axcess won a competitive procurement worth US $3.54 million to provide security infrastructure solutions for the port at Trinidad's capital, Port-of-Spain.

Axcess International, Inc. (OTCBB: AXSI) provides Micro-Wireless™ system solutions for real-time business activity monitoring and control. Its patented Micro-Wireless™ technology combines RFID, RTLS, and wireless sensing, and is characterised by very small, low cost, wireless devices. Micro-Wireless™ tagging turns manual access control badges into wireless personnel credentials for advanced workforce management, safety, and security. It turns manual property labels into wireless asset tags capable of automating enterprise asset management and protection. Vehicle parking passes become wireless for high speed lot access and local location determination. It transforms name tags and passes into wireless automated identification to enable individualised education and entertainment. Micro-Wireless™ turns short range RFID product tagging into reliable, automated local area inventory, tracking, and protection solutions.

The next horizon of wireless evolution is where all things become wireless, communicating for efficiencies, security, convenience, and entertainment. This previously unavailable automated visibility into all things will generate real time operational business intelligence which is expected to provide further productivity improvements. Analysts describe this market as the "Internet of Things" and it is forecast to be worth in excess of US $5 billion by 2010.

Amphion's fully-diluted ownership stake in Axcess was 7.83% as of 31 December 2008, valued at US $1.6 million (2007: US $3.1 million).

2008 Developments

Axcess' Micro-Wireless™ technology operates in the combined technology and economic "sweet spot" where autonomous wireless identification and data transfer are enabled in very small, low cost, battery-powered devices to provide the most feature rich and cost effective wireless solutions for local area automated tracking and sensing.

During 2008, Axcess made progress in new infrastructure technologies such as AxcessPort™, ActivatorPlus™, and Dot™ Personnel and also developed additional features, applications, and branding for its entire tag device product line under the name Dot™. Axcess also filed eight patents with the United States Patent and Trademark Office.

Since the year end, Axcess won a competitive procurement worth US $3.54 million to provide security infrastructure solutions for the port at Trinidad's capital, Port-of-Spain.

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DataTern, Inc. was established in order to commercialise selected intellectual property technology opportunities which originate from Amphion's Partner Companies. DataTern initially acquired intellectual property assets from Amphion's Partner Company, FireStar Software, which included patents, trademarks, software, and customers to commercial technology for object and relational database access and mapping applications under the brand, ObjectSpark®. DataTern has the potential to be an ever increasing source of future revenues for Amphion and its Partner Companies. DataTern is just another example of how Amphion is able to provide shareholder value through the development of good intellectual property and technology over long periods of time at its Partner Companies. Amphion's Partner Companies currently own or control over 200 separately identified pieces of intellectual property, a number which is growing rapidly each year.

Amphion owns 100% of DataTern as of 31 December 2008 (31 December 2007: 100%), it is consolidated into Amphion's financial statements in both 2008 and 2007.

2008 Developments

During 2008, DataTern continued to expand the commercialisation of the acquired ObjectSpark® technology by increasing the number of software and patent licensed customers in several enterprise applications in the US and Europe. DataTern's new customer applications are in healthcare, financial services, oil and gas services, and software services. Signing up new customers in 2008 was an important building block in demonstrating the strength of the underlying ObjectSpark® technology and provides a platform to build on in the coming years.

In addition, DataTern continues to develop its Cloud Computing technologies as a logical extension to the ObjectSpark® products. These platform technologies continue to demonstrate DataTern's mission to build value based on Amphion Partner Companies' intellectual property.

During the reporting period, DataTern signed three non-exclusive licenses, with revenues exceeding US $5 million.

Management

Joseph R. Flicek
President and Chief Executive Officer

Board of Directors

Richard C.E. Morgan *(Chairman)*
Chief Executive Officer,
Amphion Innovations

Robert J. Bertoldi
President and Chief Financial Officer,
Amphion Innovations

Joseph R. Flicek
President and Chief Executive Officer,
DataTern, Inc.,
Managing Director,
Amphion Innovations

In Short

- DataTern was established in order to commercialise selected intellectual property technology opportunities which originate from Amphion's Partner Companies.
- During the reporting period, DataTern signed three non-exclusive licenses, with revenues exceeding US $5 million.

Management

Kenneth Lord
Chief Executive Officer

Mark Eisner
Chief Technical Officer

Gabriel Oancea
Chief Architect

Charley O'Neill
Vice President, Engineering

Board of Directors

Richard C.E. Morgan *(Chairman)*
Chief Executive Officer,
Amphion Innovations

Robert Anthonyson
Partner, Layne & Barton LLC

Joseph R. Flicek
Managing Director,
Amphion Innovations

Kenneth Lord
Chief Executive Officer,
FireStar Software, Inc.

Raymond McKenzie
Partner, Geninvest

FireStar Software, Inc. is a software company providing solutions for creating and maintaining multi-enterprise, automated business transaction networks. FireStar has developed EdgeNode™, a patent-pending technology which provides secure, private, and efficient mechanisms for any set of different companies to exchange electronic business transactions.

FireStar's market opportunity extends across multiple markets, from trading networks to opportunities in bank payments and healthcare networks.

Amphion's fully-diluted ownership stake in FireStar was 15.3% as of 31 December 2008, valued at US $4.7 million (2007: US $4.8 million).

2008 Developments

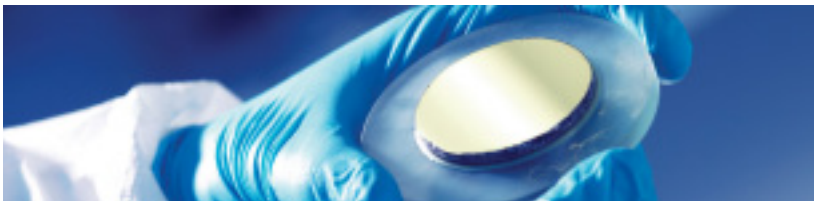
2008 produced the highest revenue in FireStar's history, US $2.3 million, which represented an 11% growth over the 2007 revenue of US $2.1 million. FireStar, for the first time, also had a positive operating income of US $196,000 (2007: $684,000).

Through FireStar's leadership position at the Object Management Group ("OMG") of using electronic messages to provide automated business transaction exchange, the company was able to develop a standard that has been adopted by the OMG, called the Model Driven Message Interoperability ("MDMI") Standard. To speed the adoption of this standard, FireStar and the OMG formed the OMG MDMI Consortium. In 2009, FireStar expects to have the first product in the market that can be used to implement the agreed OMG standard.

During 2008, FireStar made significant progress in researching and developing plans for providing a Health Information Exchange service that is scalable to the national level within the United States.

In Short

- FireStar is a software company providing solutions for creating and maintaining multi-enterprise, automated business transaction networks.
- During the reporting period, FireStar developed a standard which has been adopted by the Object Management Group, called the Model Driven Message Interoperability Standard.



kromek

Kromek is pioneering digital colour imaging for x-rays and has brought groundbreaking innovation to materials technology and advanced 3D imaging that will literally change the way in which we see the world.

Kromek specialises in making semiconductor materials within the Cadmium Telluride family. These materials have significant applications as detectors of x-rays and gamma-rays, notably in medical imaging, security screening, industrial inspection, and space exploration, allowing for very precise identification of materials. Cadmium Zinc Telluride is also the material of choice as a substrate for the fabrication of infrared detectors in both civilian and military markets. In addition to its range of semiconductor materials, detector packages, and non imaging detection systems Kromek also supplies x-ray imaging packages with multi-view capabilities. These x-ray display platforms provide real 3D x-ray imaging for the first time without specialist viewing equipment. When photogrammetric algorithms are applied to these images, three dimensional co-ordinate data is produced.

The market place opportunities for Kromek's imaging and non-imaging technology are in the security, industrial inspection, medical, and defence sectors. These are high growth rate markets and provide exciting prospects for Kromek capability.

Amphion's fully-diluted ownership stake in Kromek was 20.78% as of 31 December 2008, valued at US $14.4 million (2007: US $9.7 million).

2008 Developments

2008 proved to be a very successful year for Kromek. The company launched its first product, the Kromek Bottle Scanner, in both Dubai and Washington DC. The Bottle Scanner is a new liquid explosive detection system, which can help safeguard against terrorism and smuggling. In November 2008, Kromek won two Institution of Engineering and Technology Awards for security and transport innovation for the use of its energy selective x-ray detectors which accurately identify threat materials in security applications.

Also during the reporting period, Kromek was awarded a £250,000 GRD grant for the development of industrial imaging applications based on the company's x-ray detection, imaging, and materials identification capabilities. Kromek also filed ten new patent applications as well as increased its employee headcount from 18 (at 31 December 2007) to 32 (at 31 December 2008). During 2008, Kromek manufactured the first 100mm diameter single crystal Cadmium Telluride wafers.

Other corporate developments during 2008 include the securing of £2.3 million in financing.

Management

Dr. Arnab Basu
Chief Executive Officer

Mike Creedon
Chief Financial Officer

Nigel Day
Commercial Director

Ian Radley
Technical Operations Director

Board of Directors

Richard C.E. Morgan *(Chairman)*
Chief Executive Officer,
Amphion Innovations

Dr. Arnab Basu
Chief Executive Officer, Kromek

Dr. Andy Brinkman
Reader of Physics, Durham University

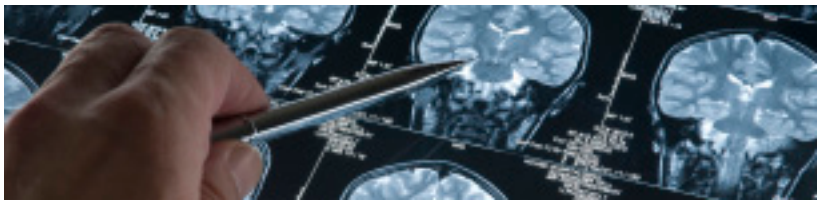
Professor Max Robinson
X-ray expert and entrepreneur

Professor Brian Tanner
Professor of Physics, Durham University, Director of Technology Transfer Office, Durham University

Jerel Whittingham
Managing Director,
Amphion Innovations

In Short

- Kromek specialises in making semiconductor materials within the Cadmium Telluride family with applications as detectors of x-rays and gamma-rays, notably in medical imaging, security screening, industrial inspection, and space exploration, allowing for very precise identification of materials.
- In 2008, Kromek launched its first product, the Bottle Scanner, a new liquid explosive detection system.



Management

C. Richard Hullihen
Chief Executive Officer

Cameron Barnard
Director, Sales, Marketing
and Business Development Manager

William Patrick
Controller

Board of Directors

Robert J. Bertoldi *(Chairman)*
President and Chief Financial Officer,
Amphion Innovations

Thomas Blum
Managing Director,
GC Andersen Partners LLC

C. Richard Hullihen
Chief Executive Officer,
m2m Imaging Corp.

Raymond McKenzie
Partner, Geninvest

Daniel Rice
President and Chief Executive Officer,
Mayport Venture Partners

Zev Rosenzweig
Retired Vice President,
Military Aviation Training,
Bombardier, Inc.

m2m Imaging Corp. specialises in developing high performance magnetic resonance imaging ("MRI") coils and accessories that allow for enhanced imaging for clinical and preclinical markets. Ultimately, enhanced images are necessary for better disease detection and faster drug discovery. This need has created a strong demand for solutions, such as the cryogenic coil.

Magnetic resonance ("MR") based applications are growing rapidly, fueled by the market's growth and insatiable demand for new therapeutic applications and solutions. The continuing growth of the globally installed base of clinical and preclinical MR systems continues to provide m2m enormous opportunities for growth and it is estimated that the market is valued at approximately US $12 billion.

Amphion's fully-diluted ownership stake in m2m was 24.36% at 31 December 2008, valued at US $6.6 million (2007: US $4.0 million).

2008 Developments

During 2008, m2m entered into a strategic partnership with Celsense Inc., a leading developer of next generation cellular imaging technology that enables real-time detection of inflammation and transplanted cells for therapeutic and diagnostic purposes using MRI or high resolution nuclear magnetic resonance imaging. m2m's high performance conventional and cryogenic MRI coils enable acquisition of dramatically improved image quality of fluorocarbon (19F) nanoparticles, allowing customers to achieve better results when used in conjunction with cellular solutions from Celsense.

Also during the reporting period, m2m attended an expanded trade show programme outside of North America, successfully creating new relationships in Europe and Asia. This expansion lead to a large array of new A Tier customers both end user and commercial including Varian, Mediso Medical Imaging Systems, Imperial College London, University College London, and Oxford University.

Also during 2008, m2m took initial orders for preclinical cryogenic coils as well as preclinical phased array products from both original equipment manufacturers and direct users for delivery in 2009. In March 2008, m2m moved its headquarters to Cleveland, Ohio.

In Short

- m2m specialises in developing high performance magnetic resonance imaging coils and accessories that allow for enhanced imaging for clinical and preclinical markets.
- During 2008, m2m entered into a strategic partnership with Celsense Inc., a leading developer of next generation cellular imaging technology.

motif

Motif BioSciences, Inc. works with a variety of Founder Populations to accelerate discovery of genetic variation involved in common diseases. Motif's approach stacks the odds for making discoveries – using the right populations, right cases and controls, and the right technology.

With low pharmaceutical productivity and substantial drug patent expiration, Motif's business aims are to aid pharmaceutical and diagnostic companies by:

- developing new pathways for target discovery for drug development;
- partnering to develop Motif's genetic information into disease risk assessment tests and treatment profiling tests; and
- collaborating with pharmaceutical companies to launch re-profiling programmes on late-stage drug failures to gain regulatory approval on genetically-defined patient sub-groups.

By applying its expertise and proprietary technology to specific populations, Motif expects to make commercially-valuable discoveries on the genetic basis of diseases such as diabetes, asthma, and cancer and to develop the commercial value of these discoveries by partnering with pharmaceutical companies.

Amphion's fully-diluted ownership stake in Motif was 39.11% as of 31 December 2008, valued at US $15.4 million (2007: US $12.8 million).

2008 Developments

In 2008, Motif signed a major partnership agreement with Imperial College London and Professor Philippe Froguel, a world expert in the genetics of diabetes, to study the genetics of numerous metabolic diseases, including diabetes. Motif also began analysing the phenotypic and genotypic data from the genetic samples and clinical data.

During 2008, Motif finalised an agreement to partner with the Government of Barbados to study genetic causes of multiple diseases in Afro-Caribbean populations; completed the first phase of its Kuwait Post Traumatic Stress Disorder project commissioned by the Harvard School of Public Health; obtained final approvals and completed investigator training for its asthma research in the Persian Gulf; and entered into early stage discussions to partner with and initiate research projects with a variety of companies and international academic medical centres in the areas of: target gene discovery, biomarker discovery, biomarker development, and drug re-profiling.

Management

Zaki Hosny
Chief Executive Officer

Dr. J. Claiborne Stephens
Chief Scientific Officer

Dr. Kevin Arnold
Executive Director,
Industrial Genetics

Board of Directors

Richard C.E. Morgan *(Chairman)*
Chief Executive Officer,
Amphion Innovations

Jon Gold
Senior Financial Analyst,
Federated Investments

Gerard Moufflet
President and Chief Executive Officer,
Acceleration International

Dr. Mary Lake Polan
Board of Directors, Wyeth Corporation, formally Professor and Chair emeritus, Department of Obstetrics and Gynecology, Stanford University School of Medicine

Dr. John Stakes
Director of Specialty Care Development, Harvard Medical School and Massachusetts General Hospital

Bruce Williams
Biotechnology Industry Consultant, formally held senior marketing positions at Celgene Corp., and Ortho Biotech, a Johnson & Johnson company

In Short

- Motif works with a variety of Founder Populations to accelerate discovery of genetic variation involved in common diseases.
- During the reporting period, Motif signed a major partnership with Imperial College London and Professor Philippe Froguel to study the genetics of numerous metabolic diseases, including diabetes.

myconostica

Management

John Garland
Chief Executive Officer

Dr. John Thornback
Chief Operating Officer

Spencer Kerry
Chief Financial Officer

Professor David Denning
Chief Medical Officer

Board of Directors

David Holbrook *(Chairman)*
MTI/UMIP Premier Fund

Professor David Denning
Chief Medical Officer,
Myconostica Ltd.

John Garland
Chief Executive Officer,
Myconostica Ltd.

John Jeans
Chief Operating Officer,
Medical Research Council

Richard C.E. Morgan
Chief Executive Officer,
Amphion Innovations

Ed Snape
Nexus Medical Partners

John Thornback
Chief Operating Officer,
Myconostica Ltd.

Jerel Whittingham
Managing Director,
Amphion Innovations

Myconostica Ltd. is a medical diagnostics company based in Manchester UK, with operations in South Carolina, US. Myconostica develops and supplies molecular diagnostic products to aid rapid and accurate diagnosis of life threatening invasive fungal infections. Myconostica aims to establish itself as a world leader in fungal diagnostics by providing a series of high quality, effective, and fast diagnostic tests, using the latest molecular technology. This allows for fast, accurate, and specific diagnosis, which in turn can reduce mortality rates and allow more cost effective treatment by reducing intensive care stays and allowing more effective and targeted use of medicines. The worldwide market for fungal tests is estimated to be in excess of US $250 million per annum with over 10 million people at risk of life threatening fungal infections each year in Europe and North America alone.

Amphion's fully-diluted ownership stake in Myconostica was approximately 22.89% as of 31 December 2008, valued at US $4.2 million (2007: US $5.8 million).

2008 Developments

In late 2008, with CE marking, which enables sales in Europe and several other territories, on two platforms, Myconostica commenced sale in Europe of its first molecular assay product, FXG®: RESP (Asp+), for the diagnosis of respiratory fungal infections. In addition, at 31 December 2008, trials of FXG®: RESP (Asp+) were ongoing, successful completion of which will enable the company to apply for FDA clearance to market the product in the USA.

Other developments during the reporting period include the securing of £5.4 million in a Series C financing. This enabled Myconostica to make good progress during the year and in October 2008, the company appointed John Garland, a diagnostics industry specialist, as Chief Executive Officer; Spencer Kerry as Chief Financial Officer; and John Jeans, as the company's first independent Non-executive Director.

In Short

- Myconostica develops and supplies molecular diagnostic products to aid rapid and accurate diagnosis of life threatening invasive fungal infections.
- During the reporting period, Myconostica commenced sale in Europe of its first molecular assay product, FXG®: RESP (Asp+), for the diagnosis of respiratory fungal infections.

privatemarkets

PrivateMarkets, Inc. operates the first and only electronic negotiation and execution marketplace designed specifically for the unique requirements of direct, party-to-party bilateral trading of shaped physical commodities. We benefit our customers by bringing effectiveness, efficiency, capture, and control benefits of an electronic solution to a trading process that today is conducted manually via phone, IM, fax, or email.

PrivateMarkets replaces the inefficiencies and risks associated with individual, undocumented, one-on-one communications between trading counterparties, with an automated, easy-to-use Internet-based service, accessible from any trader's desktop that improves efficiency, reduces risk, and results in achieving a better transaction value. It creates a specialised pool of liquidity ready to conduct structured or uniform physical transactions, utilising our unique, patent-pending Virtual Private Market™ trading method.

PrivateMarkets launched the product in the US $230 billion United States wholesale electricity market, where it is estimated more than 70% of trades are still done via manual, voice based trading. The product is equally applicable to other physical commodity markets in the United States and worldwide. The significant opportunity for PrivateMarkets is enhanced by world-wide trends toward greater price volatility, greater transparency and control of commodities trading, and the impact on markets of emerging focus on "green energy" sources.

Amphion's fully-diluted ownership stake in PrivateMarkets was 27.75% as of 31 December 2008, valued at US $3.9 million (2007: US $1.7 million).

2008 Developments

During 2008, PrivateMarkets began live trading operations of its Virtual Private Market™ platform and generated its first revenues. As of the end of 2008, it had 16 customers trading in the ERCOT (Texas) electricity market, representing major energy corporations, municipal utilities, and retail electric providers located in Austin, Boston, Dallas, Houston, Kansas City, Pittsburgh, and Philadelphia.

In 2008, PrivateMarkets developed a new service for the trading of Ancillary Services, a market segment for which there is no automated marketplace. This service is expected to generate incremental revenue in 2009. The company has also developed and demonstrated an additional revenue generating service for the trading of congestion rights, which is due to be launched for select North American markets in 2009. Also during 2008, PrivateMarkets continued its efforts to expand its patent portfolio, with filings in the US, European Union, and Canada.

Other developments during 2008, include the securing of US $4.2 million in a Series A financing.

Management

Christopher Sanders
President and Chief Executive Officer

Thomas Lord
Vice President,
Strategy and Planning

Bob Wittmeyer
Vice President, Operations

Board of Directors

Richard C.E. Morgan *(Chairman)*
Chief Executive Officer,
Amphion Innovations

Kenneth Lord
Chief Executive Officer,
FireStar Software, Inc.

Raymond McKenzie
Partner, Geninvest

Christopher Sanders
President and Chief Executive Officer,
PrivateMarkets, Inc.

In Short

- PrivateMarkets is the leading provider of negotiation and execution platforms for bilateral, structured trading of commodities.
- During 2008, PrivateMarkets began live trading of its Virtual Private Market™ platform and generated its first revenues.

Management

Dr. Roddy Carter
President and Chief Executive Officer

Robert M. Hellauer
Chief Financial Officer

Dr. Nancy E. Rawson,
Chief Scientific Officer

Patricia Lucas-Schnarre
Vice President, Product Development and Marketing

Catherine Segal, R.Ph.
Vice President, Business Development

Board of Directors

Richard C.E. Morgan *(Chairman)*
Chief Executive Officer,
Amphion Innovations

Richard Laster *(Vice Chairman)*
Management Consultant,
former Chief Executive Officer,
DNA Plant Technology Corp.,
EVP, General Foods,
President, Maxwell House Coffee

Robert J. Bertoldi
President and Chief Financial Officer,
Amphion Innovations

Irwin Engelman
Former Chief Financial Officer,
General Foods Corp.

Scott Korman
President, Nashone Inc.

Dr. Laura Philips
Former Chief Operating Officer,
NexGenix Pharmaceuticals; former Executive, Corning, Inc.

Dr. William R. Sharp
Partner, GNP LLC

In Short

- WellGen uses nutrigenomics to develop clinically-validated Medical Foods.
- In 2008, WellGen's proprietary black tea extract was determined GRAS, a critical requirement for Medical Food status.

WellGen, Inc. is using nutrigenomics to develop clinically-validated Medical Foods. As a spin-out of Rutgers University, WellGen has exclusive worldwide licenses to a platform technology and several patents for compositions of natural substances and their uses in a range of health states. Through its expertise in nutrigenomics and natural products chemistry, WellGen has developed proprietary, cutting edge science to create nutritional therapies based on the influence of natural products on human gene expression.

WellGen has created and implemented a completely new approach to the discovery and development of Medical Foods. This process, termed Alignomx™, reduces risk as a far more effective, less costly, and more biologically sound approach than the traditional biotech strategy for pharmaceutical development. Alignomx™ is a proprietary discovery, screening, and development process used to determine the therapeutic area most appropriate for WellGen's proprietary, natural, GRAS (FDA designation Generally Recognised As Safe) materials. Following clinical studies, these materials are used as the primary active ingredients in Medical Foods, functional foods, and dietary supplements. The dietary supplement and functional foods opportunities fall along the continuum of the Medical Food research and development track thereby increasing value earlier in the development chain. The value of the US market alone for these three business opportunities is estimated at close to US $60 billion.

Amphion's fully-diluted ownership stake in WellGen was 15.05% as of 31 December 2008, valued at US $6.7 million (2007: US $6.8 million).

2008 Developments

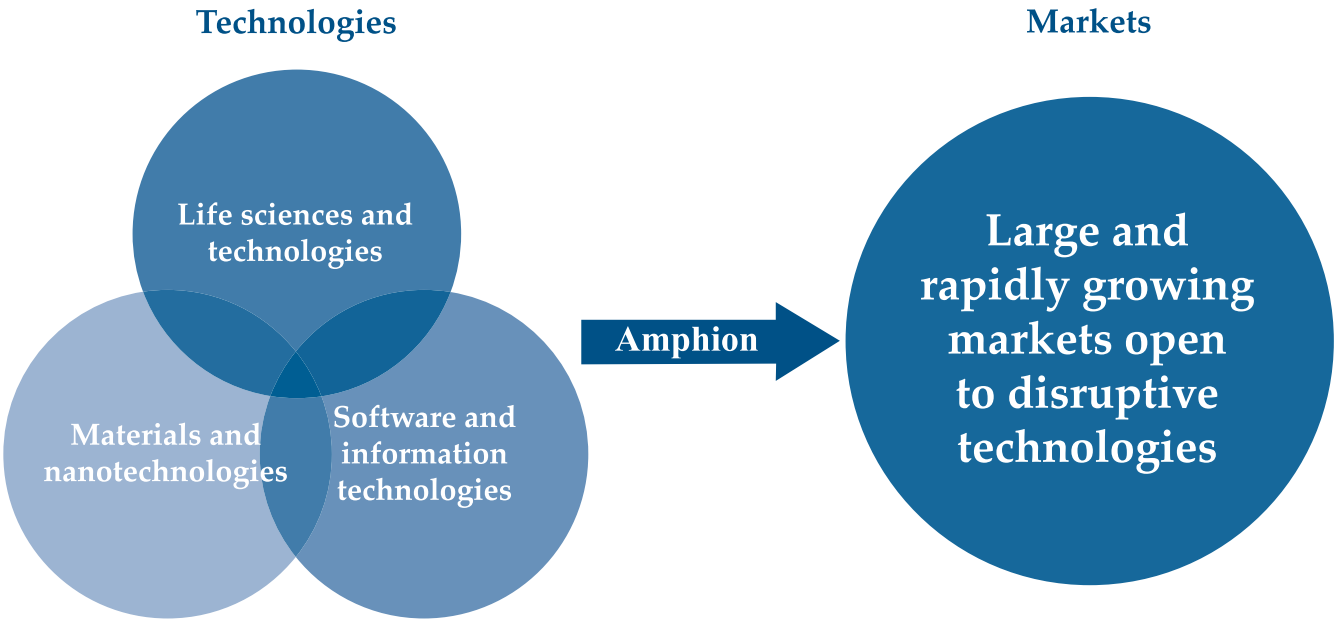
In 2008, WG0401, WellGen's proprietary extract from black tea, was determined GRAS by a panel of independent experts. This designation is specifically related to the food regulatory pathway and is a critical requirement for Medical Food status.

Also during the reporting period WellGen filed two new patents on WG0401, bringing the total number related to the enriched black tea extract to one issued and four pending. Additionally, US Patent Number 7,351,739 was issued for rabdosia compounds and uses, and an additional composition of matter patent was filed on a pipeline extract derived from cranberry.

During 2008, the WellGen laboratory became fully operational with state of the art equipment and staffed by highly qualified scientists. In February, Robert Hellauer joined WellGen as Chief Financial Officer.

After the reporting period, Dr. Roddy Carter was appointed President and Chief Executive Officer.

Technology convergence is driving
continued opportunities in medicine and IT.
These future opportunities are boundless.



1 **Richard M. Mansell-Jones - Chairman**, *Non-executive Director*

Mr. Mansell-Jones is a Chartered Accountant and a Member of the Securities Institute. He was Non-executive Chairman of Brown, Shipley & Co. Limited from 1992 until 2003. From 1988 until 2000 he was Executive Chairman of J. Bibby & Sons PLC (now Barloworld PLC). From 1992 until 2005 Mr. Mansell-Jones was a Non-executive Director of Standard Bank London Limited (now Standard Bank PLC), where latterly he served as Chairman of the Audit Committee. He served as Treasurer of the Royal Hospital for Neuro-disability and of its Research Institute from 2005 to March 2008. Mr. Mansell-Jones read Literae Humaniores at Worcester College, Oxford.

2 **Robert J. Bertoldi**, *Executive Director*

Prior to his involvement with the Company, Mr. Bertoldi was a founder, President, and Chief Financial Officer of Amphion Capital Partners LLC (the predecessor company) and VennWorks LLC. Mr. Bertoldi is also a General Partner of Amphion Partners LLC (formerly known as Wolfensohn Partners, LP). Prior to that, he served as Chief Financial Officer for James D. Wolfensohn, Inc. and Hambro America Inc. He began his career at KPMG and left as a manager in the investment services department. Mr. Bertoldi received a B.A. in Accounting and Economics from Queens College, New York in 1976 and became a Certified Public Accountant in 1978. He is a member of the AICPA and NYSCPA.

3 **Anthony W. Henfrey**, *Non-executive Director*

Dr. Henfrey currently serves as Chairman of Texon International Group and of the Pemco Group of companies and has served in a similar capacity on the Boards of numerous other private equity funded investments in a wide variety of industry sectors over the past 15 years. Dr. Henfrey is a Fellow of the UK Society of Turnaround Professionals and a member of the CFA Institute. He received a doctorate in Chemistry from Oxford University in 1970, is a Chartered Chemist, a member of the Royal Society of Chemistry, and a Chartered Scientist. He is a Fellow of St. Catherine's College, Oxford and is a Trustee and Director of The Northern Rock Foundation.

4 **R. James Macaleer**, *Non-executive Director*

Mr. Macaleer is a co-founder of Shared Medical Systems ("SMS") and was its Chairman and Chief Executive Officer from its founding in 1969 to mid 1995. He was Non-executive Chairman from mid 1995 through mid 2000. SMS was the leading provider of financial, administrative, and patient care automated information processing systems and services to more than 5,000 healthcare institutions in the US and 16 foreign countries. Mr. Macaleer is a former Director of Hamilton Bank, Corestates Financial Corporation, Vortech Data Inc., Premier Systems Corporation, the Brandywine Valley Association, and the Natural Lands Trust. He has served as Chairman of Arrow International and as a founding member of the Advisory Council of the Princeton University School of Engineering. He currently serves as a Director of the Chester County Council BSA, and as Chairman of the Philadelphia Academy of Natural Sciences. Mr. Macaleer graduated cum laude from Princeton University School of Chemical Engineering in 1955 and subsequently spent four years on active duty with the US Navy as well as seven years in the active reserves, flying carrier-based jet aircraft.

5 **Richard C.E. Morgan**, *Executive Director*

Over the course of his career, Mr. Morgan has been directly involved in the start-up and development of more than 35 companies in the information technology, healthcare, and biotechnology industries. Mr. Morgan was a founder and Chief Executive Officer of Amphion Capital Partners LLC (the predecessor company). He was also the Managing General Partner of Amphion Partners LLC (formerly known as Wolfensohn Partners, LP) a position which he retains, although the partnership is no longer active. Before joining Wolfensohn, Mr. Morgan spent 15 years with Schroders plc, a British merchant bank, where he was a member of the Board of the merchant bank and head of the Schroder Strategy Group, which he founded. Mr. Morgan, a British citizen, was raised in Kenya and educated in England. He graduated with a B. Engineering First Class Honors from the University of Auckland, New Zealand. In 1982 he completed the Advanced Management Program at the Harvard Business School.

6 **Gerard M. Moufflet**, *Non-executive Director*

Mr. Moufflet is Chief Executive Officer and Founder of Acceleration International, a private equity firm based in Boston, which invests in the healthcare sector in both Europe and the US. From 1989 to 2001, Mr. Moufflet was a Managing Director at Advent International, one of the world's leading private equity investment firms. From 1972 to 1989 Mr. Moufflet worked for Baxter International where he was in charge of various European and African operations and Head of Worldwide Strategic Planning for the dialysis product line. When he became Corporate Vice President and Vice President of Baxter World Trade, Baxter had grown to US $7 billion in sales. Mr. Moufflet currently serves on the Board of a US publicly held company, American Dental Partners. He is also on the Board of several privately held companies in Europe and the US.

7 **Ronald E. Thomas**, *Non-executive Director*

Mr. Thomas has a technology background having worked in the telecommunications/IT industry for over 40 years. He is an engineer with design, project management, and overseas consultancy experience. He retired from the position of Managing Director of Manx Telecom in 1999. He is a past President of the Isle of Man Chamber of Commerce and is involved in the Isle of Man government on initiatives to promote the Isle of Man.

The Board of Directors

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1 **Richard C. E. Morgan**, *Chief Executive Officer*

Over the course of his career, Mr. Morgan has been directly involved in the start-up and development of more than 35 companies in the information technology, healthcare, and biotechnology industries. Mr. Morgan was a founder and Chief Executive Officer of Amphion Capital Partners LLC (the predecessor company). He was also the Managing General Partner of Amphion Partners LLC (formerly known as Wolfensohn Partners, LP) a position which he retains, although the partnership is no longer active. Before joining Wolfensohn, Mr. Morgan spent 15 years with Schroders plc, a British merchant bank, where he was a member of the Board of the merchant bank and head of the Schroder Strategy Group, which he founded. Mr. Morgan, a British citizen, was raised in Kenya and educated in England. He graduated with a B. Engineering First Class Honors from the University of Auckland, New Zealand. In 1982 he completed the Advanced Management Program at the Harvard Business School.

2 **Robert J. Bertoldi**, *President and Chief Financial Officer*

Prior to his involvement with the Company, Mr. Bertoldi was a founder, President, and Chief Financial Officer of Amphion Capital Partners LLC (the predecessor company) and VennWorks LLC. Mr. Bertoldi is also a General Partner of Amphion Partners LLC (formerly known as Wolfensohn Partners, LP). Prior to that, he served as Chief Financial Officer for James D. Wolfensohn, Inc. and Hambro America Inc. He began his career at KPMG and left as a manager in the investment services department. Mr. Bertoldi received a B.A. in Accounting and Economics from Queens College, New York in 1976 and became a Certified Public Accountant in 1978. He is a member of the AICPA and NYSCPA.

3 **Dr. Faisal H.S. Al-Refaei**, *Regional Director (Middle East)*

Dr. Al-Refaei is Regional Director of Amphion Innovations plc for the Middle East. Dr. Al-Refaei works on extending Amphion's business ties to the Middle East and managing the day-to-day activities of Amphion and its Partner Companies in the region. Dr. Al-Refaei has over seven years of healthcare sector experience and operational experience in building and managing companies in the Middle East. Dr. Al-Refaei is the co-founder and Chief Executive Officer of Saydanah, an Amphion Partner Company under establishment. Dr. Al-Refaei completed his Masters Degree in Healthcare Management (Distinction) from the University of Wales, Swansea. He received his Bachelor's Degree in Medicine and Surgery (MBChB) from Aberdeen University, Scotland, for which he received The Amiri Honorary Medal for Scientific Achievement from the Kuwaiti Government.

4 **Joseph R. Flicek**, *Managing Director*

Mr. Flicek is a Managing Director of Amphion Innovations US Inc. and leads intellectual property efforts for Amphion, bringing over 20 years of experience in start-up activities. Mr. Flicek serves as Chief Executive Officer of DataTern, Inc. a wholly-owned technology and licensing subsidiary of Amphion Innovations plc. Mr. Flicek created and established the New Ventures Group of the Science & Technology Ventures Office at Columbia University in 1996. Under his leadership, Columbia participated in the formation of over twenty start-up companies based on University intellectual property in healthcare and information technologies. Mr. Flicek has served as Chief Executive Officer and Board member in numerous start-up companies and he currently serves on the Boards of FireStar Software, Inc. and DataTern, Inc. Mr. Flicek is a graduate of the University of South Dakota with a BSc. in Chemistry and Math, and MSc. in Chemistry, and an MBA. He also serves as adjunct faculty member of Columbia University's Graduate Business School in Entrepreneurship.

5 **Janet Lohse**, *Controller*

Ms. Lohse is the controller for Amphion Innovations US Inc. Ms. Lohse has over 20 years of accounting and financial reporting experience. Prior to her involvement in the Company, Ms. Lohse served in a smaller capacity at Amphion Partners LLC, VennWorks LLC, and Amphion Capital Management LLC. Prior to these roles, Ms. Lohse was a senior accountant at James D. Wolfensohn, Inc. Ms. Lohse received her BBA in Accounting from Baruch College - CUNY and an MBA in Finance and Accounting from Fordham University.

6 **Raymond P. McKenzie**, *Consultant*

Mr. McKenzie is a consultant for Amphion Innovations. He is a private investor who specialises in co-investing with proven private equity and venture capital value creators. Mr. McKenzie is a Board member of the following Amphion companies: FireStar Software, PrivateMarkets, m2m Imaging Corp., and Suvani. Prior to this, Mr. McKenzie spent 16 years working in investment banking in New York City with Lazard Frères & Co. in Fixed Income and Capital Markets from 1985-1998 where he was a Vice President and previously with Morgan Stanley and Co., Inc. from 1983-1985. He received an A.B. degree from Dartmouth College, where he majored in Physics. Mr. McKenzie is a dual national of Barbados and Great Britain. He is also fluent in French, Italian, and Spanish.

7 **Charlotte R.A. Morgan**, *Director of Communications*

Ms. Morgan, Amphion's Director of Communications, is principally focused on investor and public relations. Widely traveled, Ms. Morgan joined Amphion Capital Partners LLC (the predecessor company) in 2004. A UK citizen, born in London and raised in the US, she received her BA in Art History and English from Lafayette College in 2002.

8 **Jamey Stout**, *Consultant*

Mr. Stout is a consultant for Amphion Innovations US Inc. Mr. Stout is the Managing Member of Pavilion Capital Partners LLC, a middle market private equity firm based in New York. Previously he worked for Ravelin Capital Group, LLC, the Pacific Group's Asian Hedge Fund in Hong Kong, and Banco Privado de Inversiones (BPI) in Buenos Aires, Argentina. Mr. Stout has co-founded and sold two companies- Dgolpe, a Spanish and Portuguese language online music database company backed by Hicks, Tate & Furst and Liberty Media International, and Octopus Networking, a managed IT services provider which was sold to All Covered in 2007. Mr. Stout began his career as an investment banking analyst at Credit Suisse First Boston and Kidder, Peabody & Co. Mr. Stout is a graduate of the McIntire School of Commerce at the University of Virginia (B.S., Finance and Foreign Affairs).

9 **Jerel Whittingham**, *Managing Director*

Mr. Whittingham is Managing Director of Amphion Innovations UK Ltd. and leads their activities in the UK. He has extensive technology commercialisation experience in investor, start-up, and opportunity development roles with companies including Amphion, VennWorks, Generics Group PLC, Durlacher PLC, and a materials science start-up. He has worked on commercialisation projects at a number of universities and leading European companies in diverse areas including media technologies, biosensors, diagnostics, materials science, and medical imaging. Mr. Whittingham has spoken at a number of conferences and chaired sessions of both Nanomed and the World Nano-Economic Forum. His commitment to company building in the tech sector builds on earlier career experience in R&D and then strategy development roles. He is a graduate of London, Cranfield, and Brussels Universities and is also on the Boards of Amphion Innovations UK Ltd., Kromek, where he chairs the Compensation Committee, and Myconostica Ltd.

As an AIM listed company, Amphion Innovations plc ("Amphion") is not required to comply with the Combined Code. However, the Company has chosen to disclose the following information on Directors' remuneration which the Company deemed necessary and valuable to readers for a company of its size.

The Company's remuneration policy is designed to attract, motivate, and retain Directors and staff in a manner consistent with the goals of good corporate governance. All remuneration is subject to the strict oversight of Non-executive Directors. This oversight is provided by the Compensation Committee of the Board.

Compensation Committee

The Company has established a Compensation Committee which is constituted in accordance with the recommendations of the Combined Code. The members of the committee during 2008 were Mr. R. James Macaleer (Chairman) and Dr. Anthony Henfrey, who were both independent Non-executive Directors. Pursuant to its Terms of Reference, the Compensation Committee is scheduled to meet at least twice annually, and during 2008 it met two times. The Chairman and Chief Executive Officer may be invited to attend meetings. The Company entered into the agreements between the Directors and the Company before the formation of the Compensation Committee.

None of the Committee has any personal financial interest (other than as shareholders), conflicts of interests arising from cross-directorships, or day-to-day involvement in running the business. The Committee makes recommendations to the Board. No Director plays a part in any discussion about his or her own remuneration.

Remuneration policy for the Executive Directors

The Company has tied its remuneration policies to management's successful achievement of quantifiable milestones, which includes the increase in net asset value and market capitalisation multiples, addition of a new Partner Company, capital raised for the business and the Partner Companies, and the operational success of the business and the Partner Companies. Executive remuneration is based on a combination of base salary, bonus, and equity incentives consisting of options in Amphion. The Compensation Committee is responsible for reviewing the performance of the executives, setting their remuneration, determining the payment of bonuses, considering the grant of options under any share option scheme, including the price per share and the application of performance standards which may apply to any such grant.

The service agreements the Company entered into with the two Executive Directors on 16 August 2005 are each rolling contracts terminable on 12 months' notice by either party.

Non-executive Directors

All Non-executive Directors have specific terms of engagement and their remuneration is determined by the Board within the limits set by the Articles of Association. The four Non-executive Directors were appointed on 16 August 2005 for an initial period of twelve months, which is terminable thereafter on one month's notice from either party.

Share options

During 2006 the Company established the 2006 Unapproved Share Option 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, terms, performance targets, and exercise period will be determined by the Compensation Committee.

Aggregate Directors' remuneration

The total amounts for Directors' remuneration were as follows:

	Year ended 31 December 2008 US$	Year ended 31 December 2007 US$
Emoluments	1,093,775	988,163

Directors' emoluments and compensation

Name of Director	Group Fees/Basic salary US$	Group Benefits in kind US$	Group Annual bonuses US$	Year ended 31 December 2008 total US$	Year ended 31 December 2007 total US$
Executive - salary					
Richard C.E. Morgan	350,000	14,343	164,900	529,243	474,034
Robert J. Bertoldi	300,000	19,322	85,210	404,532	354,129
Non-executive - fees					
Richard M. Mansell-Jones	70,000	-	-	70,000	70,000
R. James Macaleer	35,000	-	-	35,000	35,000
Anthony W. Henfrey	35,000	-	-	35,000	35,000
Ronald E. Thomas	20,000	-	-	20,000	20,000
Aggregate emoluments	810,000	33,665	250,110	1,093,775	988,163

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the company granted to or held by the Directors. Details of options for Directors who served during the year are as follows:

Name of Director	Scheme	1 January 2008	Granted	31 December 2008	Exercise Price	Date from which exercisable	Expiry date
Richard Morgan	2006 Unapproved Share Option Plan	2,000,000	-	2,000,000	£0.23	1 July 2011	30 June 2021
Robert Bertoldi	2006 Unapproved Share Option Plan	1,250,000	-	1,250,000	£0.23	1 July 2011	30 June 2021
		3,250,000	-	3,250,000			

The performance criterion that must be met requires the Company's NAV per share as measured in US dollars to increase by 10% compounded annually for the four years starting 1 July 2007 and ending 30 June 2011 and continued employment. If those conditions are met, the full number of options granted will be eligible to be exercised on 1 July 2011.

Approval

This report was approved by the Board of Directors on 13 March 2009 and signed on its behalf by:

Name: Robert J. Bertoldi

Date: 13 March 2009

Compliance with the Combined Code

The rules of the Alternative Investment Market ("AIM") do not compel the Company to comply with the Combined Code (the "Code"). Nevertheless the Directors intend that the Company will comply with some of the provisions of the Code providing a limited number of disclosures deemed necessary and valuable to readers, insofar as it is practicable for a company of its size.

Board of Directors

The Company has appointed four Non-executive Directors (Richard M. Mansell-Jones, Chairman, R. James Macaleer, Anthony W. Henfrey, and Ronald E. Thomas) with relevant sector experience to complement the Executive Directors and to provide an independent view to the Board.

The Company has an Audit Committee of three Non-executive Directors. The Audit Committee meets a minimum of three times a year to consider i) the audit plan for each financial year, ii) the publication of the final results, and iii) the publication of interim results. The Audit Committee met three times in 2008 with all members present.

The Company has a Compensation Committee of two Non-executive Directors. The Compensation Committee is responsible for reviewing the performance of the executives, setting remuneration, determining the payment of bonuses based on an established management incentive plan, and considering the grant of options. The Compensation Committee met two times in 2008.

The Board meets regularly, generally every two months, to review key business risks including the financial risks facing the Company in the operation of its business.

The Board approves the annual budget and operating plan and monitors the performance of the Company and the Executive Management Team against the approved budget, as well as considering employee issues and any key appointments. The Board approves all additional and new portfolio investments and additional investments to existing partner investments. The Board meets prior to the publication of the final results to approve the value of the Company's partner investments.

The Directors will retire by rotation and offer themselves for re-election in accordance with the Company's Articles and the Code.

The Company has adopted a model code for Directors' dealings which is appropriate for an AIM listed company. The Directors complied with Rules 21 and 31 of the AIM Rules relating to Directors' dealings and took reasonable steps to ensure compliance by the Company's applicable employees as well.

A Directors' Remuneration Report is included on page 19.

A summary of the performance and financial position of the Group for the year ended 31 December 2008 is set out in the Chairman and CEO's Statement. The Board considers this information to provide a balanced assessment of the Group's financial position and future prospects.

Chairman's duties

The Company has separate individuals as Chairman (Richard M. Mansell-Jones) and Chief Executive Officer (Richard C.E. Morgan).

The Chairman is responsible for:

- leadership of the Board;
- ensuring the Board's effectiveness on all aspects of its role and setting its agenda;
- ensuring that the Directors receive accurate, timely, and clear information;
- ensuring the effectiveness of communication with shareholders;
- facilitating the effective contribution of Non-executive Directors in particular; and
- ensuring constructive relations between Executive and Non-executive Directors.

Chief Executive Officer's duties

The Company's Chief Executive Officer ("CEO") is responsible for:

- running the Company's business;
- managing the senior executive staff;
- reporting to the Board on all aspects of the Company's operations;
- being the primary spokesperson for the Company; and
- carrying out the annual operating plan approved by the Board.

Internal control and risk management

The Board attaches considerable importance to the Company's system of internal control and risk management.

The Company operates a comprehensive accounting and budgeting system, which is analysed on a monthly basis. Variances between forecast and actual results are analysed thoroughly to ensure that, should there be any material differences, they would be investigated immediately. Variances between forecast and actual results are reported to the Board as part of regularly scheduled Board meetings.

The Company intends to maintain a small and close-knit team and to stay in close touch with its Partner Companies. As a result, the Company intends to limit the number of Partner Companies to no more than 10 at any one time. In addition to limiting the number of Partner Companies, the Company employs a rigorous selection process prior to initial investment into a Partner Company and once invested, the Company provides a wide range of services including direct management, strategic planning, intellectual property planning and strategy, capital raising, recruiting, business development, and other advisory services in areas such as marketing, administration, and capital markets. These services allow the Company to have direct knowledge of the operations of the Partners Companies and allow the Company to identify and seek remedies for potential financial and operational issues occurring at the Partner Companies.

The internal controls and risk management are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and the Board recognises that any system can only provide reasonable, and not absolute, assurance against material misstatement or loss.

Going concern

The Board has undertaken a recent and thorough review of the Group's forecasts and associated risks and sensitivities. The extent of this review reflects the uncertain economic outlook for the US and UK economies taken as a whole, as well as the specific financial circumstances of the Group at this time. The review has identified that the Group's cash flow forecasts are particularly sensitive to the Company's ability to continue to raise new funds for itself and its Partner Companies and the continued success of its licensing activity.

Following this review, the Board has concluded that it has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and for this reason, the going concern basis continues to be adopted in preparing the financial statements. The monthly performance of the business and its forecasts are being regularly reviewed in detail. Should there be an unforeseen and material adverse change in any of the key sensitivities impacting on the Group's forecasts, the Board would seek to mitigate the impact by adopting different operating and funding strategies. For further details of management's assessment of going concern, refer to note 1 of the financial statements.

Communication with shareholders

The Company is strongly committed to the maintenance of good investor relations and seeks, wherever possible, to build a relationship of mutual understanding with both its institutional and private clients. Additionally, the Board seeks to use the Annual General Meeting and the Company's website (www.amphionplc.com) to communicate with all shareholders. Further queries are welcome and should be directed to Richard C.E. Morgan, CEO (rmorgan@amphionplc.com), or Charlie Morgan, Director of Communications (cmorgan@amphionplc.com).

The Directors present their annual report on the affairs of the Company and of the Group, together with the financial statements and auditors' report, for the year ended 31 December 2008.

Principal activities

Amphion Innovations plc ("Amphion" or the "Group") creates, builds, operates, and finances market leading life science and technology companies (the "Partner Companies") in partnership with corporations, governments, universities, and entrepreneurs seeking to commercialise their intellectual property.

Business review

The Group's loss for the year ended 31 December 2008 was US $1,204,535 (2007 profit: US $10,439,135). The Company incurred a loss for the year ended 31 December 2008 of US $532,661 (2007 profit: US $10,484,552). The loss for the year was transferred to reserves. The Directors do not recommend the payment of a dividend for the year ended 31 December 2008 (2007: US $nil). The Company placed 1,136,364 ordinary shares in 2008 for total proceeds of US $498,675. A more detailed review of the Group's business results and future developments is given in the Chairman and CEO's Statement.

Directors

The Directors who served throughout the year and to date were as follows:

		Date of appointment
Richard M. Mansell-Jones	Non-executive Chairman	8 June 2005
Richard C.E. Morgan	Chief Executive Officer	8 June 2005
Robert J. Bertoldi	President and Chief Financial Officer	8 June 2005
R. James Macaleer	Non-executive Director	8 June 2005
Anthony W. Henfrey	Non-executive Director	8 June 2005
Ronald E. Thomas	Non-executive Director	29 June 2005

Richard C.E. Morgan and Ronald E. Thomas will retire by rotation at the Annual General Meeting and, being eligible, will each offer himself for re-election.

Directors' interests

The Directors who held office at 31 December 2008 had the following interests in the Company's ordinary share capital:

	Number of shares at 31 December 2008
Richard M. Mansell-Jones	2,693,774
Richard C.E. Morgan	21,698,211
Robert J. Bertoldi	5,674,844
R. James Macaleer	19,917,054
Anthony W. Henfrey	904,352

Directors' share options

Details of Directors' share options are provided in the Directors' remuneration report on page 19.

Auditors

Deloitte & Touche have expressed their willingness to continue in office as auditors in accordance with Section 12(2) of the Companies Act 1982 and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board,

Richard M. Mansell-Jones
Chairman

Date: 13 March 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report comprising the Chairman and CEO's Statement, the Partner Companies' summaries, the Directors' Remuneration Report, the Corporate Governance Report, the Directors' Report, and financial statements prepared in accordance with applicable laws and regulations. The Directors have elected to prepare financial statements of the Company and the Group in accordance with International Financial Reporting Standards ("IFRS"). Isle of Man company law requires the Directors to prepare such financial statements in accordance with relevant accounting standards and the Companies Acts 1931 to 2004.

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

- properly select and apply accounting standards;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable, and understandable information;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- provide additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events, and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group, for the system of internal control, for safeguarding assets, for taking reasonable steps for the prevention and detection of fraud, and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Acts 1931 to 2004.

The Directors are responsible for the maintenance and integrity of the company website. Legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We have audited the group and parent company financial statements (the "financial statements") of Amphion Innovations plc for the year ended 31 December 2008 which comprise the Group and Parent Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Cash Flow Statements, and the related notes 1 to 24. 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 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1931 to 2004. We also report to you if, in our opinion, the information given in the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman and CEO's Statement, the Partner Companies' Summary, the Directors' Remuneration Report, the Corporate Governance Statement, and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within the financial statements.

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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs, of the state of the company and group's affairs as at 31 December 2008 and of its loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Acts 1931 to 2004.

Emphasis of matter – Going concern and valuation of investments

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

Without qualifying our opinion we draw attention to the disclosures in note 3 concerning the valuation of investments. The Directors of the group have estimated the total fair value of the investments at US $59,029,932 as of 31 December 2008 in accordance with the group's accounting policy, as disclosed in note 2, which involves the use of International Private Equity and Venture Capital valuation guidelines. This value has been estimated by the Directors in the absence of readily ascertainable market value. However, because of the inherent uncertainty of the valuation, the estimated value may differ materially from the value that would have been realised had a disposal of the investments been made between a willing buyer and seller. It is not possible to quantify such uncertainty.

Deloitte & Touche
Chartered Accountants
Douglas
Isle of Man

Date: 13 March 2009

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2008

	Notes	Year ended 31 December 2008 US$	Year ended 31 December 2007 US$
Continuing operations			
Revenue	4	7,087,944	2,871,222
Cost of sales		(3,676,250)	-
Gross profit		3,411,694	2,871,222
Other operating income		7,000	-
Administrative expenses		(6,799,792)	(5,877,946)
Operating loss		(3,381,098)	(3,006,724)
Fair value gains on investments		1,967,216	13,549,980
Interest income	8	274,788	136,467
Other gains and losses		(22,433)	(113,419)
Finance costs		(29,878)	(1,192)
(Loss) profit before tax	6	(1,191,405)	10,565,112
Tax on (loss) profit	9	(13,130)	(125,977)
(Loss) profit for the year		(1,204,535)	10,439,135
Earnings per share	10		
Basic		US$ (0.01)	US$ 0.10
Diluted		US$ (0.01)	US$ 0.10

COMPANY INCOME STATEMENT
For the year ended 31 December 2008

	Notes	Year ended 31 December 2008	Year ended 31 December 2007
Continuing operations		US$	US$
Administrative expenses		(2,464,160)	(2,998,360)
Operating loss		(2,464,160)	(2,998,360)
Fair value gains on investments		1,665,716	13,459,980
Interest income	8	314,445	137,543
Other gains and losses		(22,433)	(113,419)
Finance costs		(26,229)	(1,192)
(Loss) profit before tax	6	(532,661)	10,484,552
Tax on (loss) profit	9	-	-
(Loss) profit for the year		(532,661)	10,484,552

CONSOLIDATED BALANCE SHEET
At 31 December 2008

	Notes	31 December 2008	31 December 2007
		US$	US$
Non-current assets			
Intangible assets	11	2,150,415	2,274,636
Property, plant, and equipment	12	19,726	28,161
Security deposit		121,694	121,694
Investments	14	59,029,932	51,642,725
		61,321,767	54,067,216
Current assets			
Prepaid expenses and other receivables	15	1,566,911	639,429
Cash and cash equivalents		630,404	4,594,007
		2,197,315	5,233,436
Total assets		63,519,082	59,300,652
Current liabilities			
Trade and other payables	16	1,952,779	2,469,742
Non-current liabilities			
Convertible promissory notes	17	3,279,950	-
Trade and other payables	16	1,140,739	-
		4,420,689	-
Total liabilities		6,373,468	2,469,742
Net assets		57,145,614	56,830,910
Equity			
Share capital	18	2,429,342	2,388,071
Share premium account		36,291,262	34,772,046
Translation reserve		(38,388)	2,860
Retained earnings		18,463,398	19,667,933
Total equity		57,145,614	56,830,910

The financial statements were approved by the Board of Directors and authorised for issue on 13 March 2009. They were signed on its behalf by:

Director
Richard M. Mansell-Jones

Director
Robert J. Bertoldi

COMPANY BALANCE SHEET
At 31 December 2008

	Notes	31 December 2008	31 December 2007
		US$	US$
Non-current assets			
Property, plant, and equipment	12	2,397	6,886
Security deposit		121,694	121,694
Investments	14	58,397,156	51,311,449
Investments in subsidiaries	13	643,467	766,406
		59,164,714	52,206,435
Current assets			
Prepaid expenses and other receivables	15	1,748,986	379,580
Cash and cash equivalents		538,018	4,480,257
		2,287,004	4,859,837
Total assets		61,451,718	57,066,272
Current liabilities			
Trade and other payables	16	638,087	588,049
Non-current liabilities			
Convertible promissory notes	17	3,279,950	-
Trade and other payables	16	27,632	-
		3,307,582	-
Total liabilities		3,945,669	588,049
Net assets		57,506,049	56,478,223
Equity			
Share capital	18	2,429,342	2,388,071
Share premium account		36,291,262	34,772,046
Retained earnings		18,785,445	19,318,106
Total equity		57,506,049	56,478,223

The financial statements were approved by the Board of Directors and authorised for issue on 13 March 2009. They were signed on its behalf by:

Director
Richard M. Mansell-Jones

Director
Robert J. Bertoldi

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2008

	Notes	Share capital	Share premium account	Translation reserve	Retained earnings	Total
		US$	US$	US$	US$	US$
Balance at 31 December 2006		1,808,983	23,114,093	11,993	9,228,798	34,163,867
Issue of share capital	18	579,088	12,179,676	-	-	12,758,764
Incremental costs directly attributable to issue of shares	19	-	(778,379)	-	-	(778,379)
Recognition of share-based payments	21	-	256,656	-	-	256,656
Exchange differences arising on translation of foreign operations		-	-	(9,133)	-	(9,133)
Profit for the year		-	-	-	10,439,135	10,439,135
Balance at 31 December 2007		2,388,071	34,772,046	2,860	19,667,933	56,830,910
Issue of share capital	18	41,271	859,444	-	-	900,715
Incremental costs directly attributable to issue of shares	19	-	(41,423)	-	-	(41,423)
Recognition of share-based payments	21	-	701,195	-	-	701,195
Exchange differences arising on translation of foreign operations		-	-	(41,248)	-	(41,248)
Loss for the year		-	-	-	(1,204,535)	(1,204,535)
Balance at 31 December 2008		2,429,342	36,291,262	(38,388)	18,463,398	57,145,614

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2008

	Notes	Share capital	Share premium account	Retained earnings	Total
		US$	US$	US$	US$
Balance at 31 December 2006		1,808,983	23,114,093	8,833,554	33,756,630
Issue of share capital	18	579,088	12,179,676	-	12,758,764
Incremental costs directly attributable to issue of shares	19	-	(778,379)	-	(778,379)
Recognition of share-based payments	21	-	256,656	-	256,656
Profit for the year		-	-	10,484,552	10,484,552
Balance at 31 December 2007		2,388,071	34,772,046	19,318,106	56,478,223
Issue of share capital	18	41,271	859,444	-	900,715
Incremental costs directly attributable to issue of shares	19	-	(41,423)	-	(41,423)
Recognition of share-based payments	21	-	701,195	-	701,195
Loss for the year		-	-	(532,661)	(532,661)
Balance at 31 December 2008		2,429,342	36,291,262	18,785,445	57,506,049

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2008

	Notes	Year ended 31 December 2008	Year ended 31 December 2007
		US$	US$
Operating activities			
Operating loss		(3,381,098)	(3,006,724)
Adjustments for:			
Depreciation of property, plant, and equipment	12	11,836	12,052
Amortisation of intangible assets		253,935	-
Recognition of share-based payments		1,103,235	256,656
(Increase) decrease in prepaid & other receivables		(927,482)	619,512
Increase in trade & other payables		623,776	1,119,756
Interest expense		(29,878)	(1,192)
Income tax		(13,130)	(125,977)
Net cash used in operating activities		(2,358,806)	(1,125,917)
Investing activities			
Interest received		274,788	136,467
Proceeds on disposal of investments		-	581,353
Proceeds from repayment of notes		495,890	-
Purchases of investments		(5,915,881)	(6,419,535)
Purchases of intangible assets	11	(129,714)	(2,274,636)
Purchases of equipment	12	(4,173)	(10,059)
Net cash used in investing activities		(5,279,090)	(7,986,410)
Financing activities			
Proceeds on issue of shares, net of share issuance costs		457,252	11,980,385
Proceeds on issue of convertible promissory notes		3,279,950	-
Net cash from financing activities		3,737,202	11,980,385
Net increase/(decrease) in cash and cash equivalents		(3,900,694)	2,868,058
Cash and cash equivalents at the beginning of the year		4,594,007	1,848,539
Effect of foreign exchange rate changes		(62,909)	(122,590)
Cash and cash equivalents at the end of the year		630,404	4,594,007

COMPANY CASH FLOW STATEMENT
For the year ended 31 December 2008

	Notes	Year ended 31 December 2008	Year ended 31 December 2007
		US$	US$
Operating activities			
Operating loss		(2,464,160)	(2,998,360)
Adjustments for:			
Depreciation of property, plant, and equipment	12	4,488	5,655
Recognition of share-based payments		1,103,235	256,656
(Increase) decrease in prepaid & other receivables		(1,369,406)	608,507
Increase (decrease) in trade & other payables		77,670	(588,018)
Interest expense		(26,229)	(1,192)
Net cash used in operating activities		(2,674,402)	(2,716,752)
Investing activities			
Interest received		314,445	137,543
Proceeds on disposal of investments		-	581,353
Purchases of investments		(6,792,941)	(7,185,938)
Proceeds from repayment of notes		1,495,890	-
Net cash used in investing activities		(4,982,606)	(6,467,042)
Financing activities			
Proceeds on issue of shares, net of share issuance costs		457,252	11,980,385
Proceeds on issue of convertible promissory notes		3,279,950	-
Net cash from financing activities		3,737,202	11,980,385
Net increase/(decrease) in cash and cash equivalents		(3,919,806)	2,796,591
Cash and cash equivalents at the beginning of the year		4,480,257	1,797,085
Effect of foreign exchange rate changes		(22,433)	(113,419)
Cash and cash equivalents at the end of the year		538,018	4,480,257

1. General information

Amphion Innovations plc (the "Company") is a public limited company incorporated in the Isle of Man under the Companies Acts 1931 to 2004 on 7 June 2005 with registered number 113646C. The address of the registered office is 15-19 Athol Street, Douglas, Isle of Man, IM1 1LB. The principal place of business is 330 Madison Avenue, New York, NY, 10017, USA. The principal activity of the Company and its subsidiaries (the "Group") is to build 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.

The consolidated financial statements include the accounts of Amphion Innovations plc and its three wholly owned subsidiaries, Amphion Innovations US Inc. and DataTern, Inc., which are incorporated in the United States, and Amphion Innovations UK Ltd., which is incorporated in the United Kingdom.

These financial statements are presented in US dollars because that is the currency of the primary economic environment in which the Company operates.

Going concern

The Group's business activities, together with factors likely to affect its future development, performance, and financial position and commentary on the Group's financial results, its cash flows and liquidity requirements are set out in the Chairman and CEO's Statement and elsewhere within the financial statements. In addition, note 15 to the financial statements includes the Group's objectives, policies, and processes for managing its capital, its financial risk management objectives, details of its financial instruments, and its exposures to liquidity risk and credit risk.

The Group has been able to meet its obligations through fund raising, providing advisory services to its Partner Companies, and from the revenue from the licensing of intellectual property. The current economic conditions create uncertainty over the Company's ability to raise new funds for itself and its Partner Companies or the continued success of the licensing activity and the Company's ability to achieve timely exits for its investments via IPOs or trade sales.

There is a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Board has considered various alternative operating and funding strategies should these be necessary and has a reasonable expectation that the Group has viable options to allow it to continue as a going concern. These options include the reduction in its fundings to Partner Companies, the reduction in its working capital requirements, and an acceleration of its licensing activities.

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

2. Significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

In the current year, the Group generated revenue from a new source, being the licensing of intellectual property and the related accounting policies are set out below.

Adoption of new and revised Standards

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

IFRS 1 (amended) / IAS27 (amended) Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2 (amended) Share-based Payment – Vesting Conditions and Cancellations
IFRS 3 (revised 2008) Business Combinations
IFRS 8 Operating Segments
IAS 1 (revised 2007) Presentation of Financial Statements
IAS 27 (revised 2008) Consolidated and Separate Financial Statements
IFRIC 15 Agreements for the Construction of Real Estate
IFRIC 16 Hedges of a Net Investment in a Foreign Operation
Improvements to IFRSs (May 2008)

2. *Significant accounting policies, (continued)*

Adoption of new and revised Standards, (continued)

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for additional segment disclosures when IFRS 8 comes into effect for periods commencing on or after 1 January 2009.

The financial statements have been prepared on the historical cost basis, modified by the revaluation of investments. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of any entity so as to obtain benefits from its activities.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the effective date of acquisition.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

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

Cash and cash equivalents

Cash and cash equivalents include balances with banks and demand deposits, which have maturities of less than three months.

Investments

Investments comprise equity investments, warrants, options, and promissory notes. Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as fair value through profit or loss which are initially measured at fair value.

Investments are classified as fair value through profit and loss. Investments are carried at value as determined by management using the International Private Equity and Venture Capital Valuation Guidelines. The following broad guidelines are generally used in security valuations: a) marketable securities which are freely tradable and for which quotations are readily available are valued using their last closing prices, (b) all other securities are valued at fair value as estimated by management in good faith. Factors generally considered in determining fair value are the latest offering price from recently executed financing transactions related to the investee companies and comparison to similar instruments of similar companies.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

Financial instruments

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

Prepaid expenses and other receivables

Prepaid expenses and other receivables are stated at their nominal value which approximates their fair value. Other receivables are reduced by appropriate allowances for estimated irrecoverable amounts and do not carry any interest.

2. *Significant accounting policies, (continued)*

Financial instruments, (continued)

Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Convertible promissory notes
Compound financial instruments are required by IAS 32 Financial Instruments: Presentation to be separated into their liability and equity components upon initial recognition. To meet the definition of equity, the contract must be settled by a fixed amount of cash in exchange for a fixed amount of equity instruments. However, since the Company issued the convertible promissory notes in a currency other than its functional currency, a fixed number of shares will be delivered in exchange for a variable amount of cash therefore the definition of equity is not met. Consequently, the convertible promissory notes are classified wholly as liabilities.

Trade and other payables
Trade and other payables are not interest bearing and are stated at nominal value which approximates their fair value.

Equity instruments
Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

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

The Group issues equity-settled share-based payments to certain employees and consultants. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest. The fair value of equity-settled share-based payments attributable to the issue of equity instruments is charged against equity.

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

Capital risk management
The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves, and retained earnings as disclosed in note 18.

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

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for and services provided in the normal course of business, net of VAT and other sales related taxes.

Revenue from license agreements is recognised in accordance with the substance of the agreement and when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

Where assignment of rights for a fixed fee under a non-cancellable contract permits the licensee to exploit those rights freely and the licensor has no remaining obligations to perform, the revenue is recognised at the time of sale.

2. *Significant accounting policies, (continued)*

Revenue recognition, (continued)

Where a license fee is contingent on the occurrence of a future event, the revenue is only recognised when it is probable that the fee will be received.

Expenses

Cost of sales
Revenue related costs include the fees paid for advisory services for licensing and enforcing various patents.

Interest income
Interest income is recognised on an accruals basis.

Dividend income
Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

Leasing
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Foreign currencies
The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in US dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Transactions in currencies other than US dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Gains and losses arising on retranslation are included in net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

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

Taxation
Income tax expense represents the sum of the tax currently payable and deferred tax.

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

Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realised.

2. Significant accounting policies, (continued)

Property, plant, and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives of 3-5 years, using the straight-line method.

Intangible assets

Intangible assets comprise patents and other intellectual property and are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives of 5-10 years.

Impairment of tangible and intangible assets

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

3. Key sources of estimation uncertainty

The preparation of the Group's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and contingencies at the date of the Group's financial statements, and revenue and expenses during the reporting period. Actual results could differ from those estimated. Significant estimates in the Group's financial statements include the amounts recorded for the fair value of the investments. By their nature, these estimates and assumptions are subject to measurement uncertainty and the effect on the Group's financial statements of changes in estimates in future periods could be significant.

Fair value of financial instruments

As described in note 2, the Directors use their judgment in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The estimation of fair value of unlisted shares includes some assumptions not supported by observable market prices or rates. The carrying amount of the unlisted shares is US $43.5 million (2007: US $39.4 million). Details of the assumptions used and of the results of sensitivity analyses regarding these assumptions are provided in notes 14 and 15.

The valuation at 31 December 2008 assumes that the Partner Companies continue to receive ongoing funding in accordance with their 2009 forecast. If this funding is not received, this would have an adverse impact on the valuation of the investments.

4. *Revenue*

An analysis of the Group's and Company's revenue for the period is as follows:

	Group Year ended 31 December 2008	Company Year ended 31 December 2008	Group Year ended 31 December 2007	Company Year ended 31 December 2007
	US$	US$	US$	US$
Continuing operations				
Advisory fees	1,637,694	-	2,871,222	-
License fees	5,450,250	-	-	-
Fee income	7,087,944	-	2,871,222	-

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 programme. The note is due 18 February 2013 and is secured by the assets of DataTern, Inc. The promissory note had a balance of US $52,563 outstanding at 31 December 2008.

During 2008, IP Navigation Group, LLC assisted in obtaining non-exclusive licenses of DataTern's key database patents to various companies totaling US $5,425,000. As part of the agreement, IP Navigation Group, LLC received advisory fees ranging from fifty to eighty percent of the gross proceeds less the repayment of expenses funded by IP Navigation Group, LLC and related interest which amounted to US $500,672, and expenses of third parties. The advisory fees payable to IP Navigation Group, LLC totaled US $3,676,250.

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.

5. *Business and geographical segments*

Business segments

For management purposes for 2008, the Group is organised into three business segments – advisory services, investing activities, and intellectual property. These business segments are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

	Advisory services Year ended 31 December 2008	Investing activities Year ended 31 December 2008	Intellectual property Year ended 31 December 2008	Eliminations Year ended 31 December 2008	Consolidated Year ended 31 December 2008
	US$	US$	US$	US$	US$
Revenue					
External advisory fees	1,637,694	-	-	-	1,637,694
External license fees	-	-	5,450,250	-	5,450,250
Inter-segment fees	240,000	173,027	-	(413,027)	-
Total revenue	1,877,694	173,027	5,450,250	(413,027)	7,087,944
Cost of sales	-	-	(3,676,250)	-	(3,676,250)
Gross profit	1,877,694	173,027	1,774,000	(413,027)	3,411,694
Other operating income	-	-	7,000	-	7,000
Administrative expenses	(2,114,834)	(2,614,901)	(2,483,084)	413,027	(6,799,792)
Segment result	(237,140)	(2,441,874)	(702,084)	-	(3,381,098)
Fair value gains on investments	-	1,967,216	-	-	1,967,216
Interest income	124	315,302	2,084	(42,722)	274,788
Other gains and losses	-	(22,433)	-	-	(22,433)
Finance costs	-	(26,229)	(46,371)	42,722	(29,878)
Profit before tax	(237,016)	(208,018)	(746,371)	-	(1,191,405)
Income taxes	(3,696)	(9,434)	-	-	(13,130)
Profit after tax	(240,712)	(217,452)	(746,371)	-	(1,204,535)
Other information					
Segment assets	1,437,863	61,587,443	2,209,950	(1,716,174)	63,519,082
Segment liabilities	813,531	697,803	2,864,817	(1,282,633)	3,093,518
Capital additions	-	2,487	131,400	-	133,887
Depreciation	5,856	5,811	169	-	11,836
Amortisation	-	-	253,935	-	253,935
Recognition of share-based payments	-	1,103,235	-	-	1,103,235

5. *Business and geographical segments, (continued)*

For management purposes for 2007, the Group was organised into three business segments – advisory services, investing activities, and intellectual property.

	Advisory services Year ended 31 December 2007	Investing activities Year ended 31 December 2007	Intellectual property Year ended 31 December 2007	Eliminations Year ended 31 December 2007	Consolidated Year ended 31 December 2007
	US$	US$	US$	US$	US$
Revenue					
External advisory fees	2,871,222	-	-	-	2,871,222
Inter-segment fees	-	606,352	-	(606,352)	-
Total revenue	2,871,222	606,352	-	(606,352)	2,871,222
Administrative expenses	(2,552,990)	(3,610,129)	(321,179)	606,352	(5,877,946)
Segment result	318,232	(3,003,777)	(321,179)	-	(3,006,724)
Fair value gains on investments	-	13,549,980	-	-	13,549,980
Interest income	345	138,954	-	(2,832)	136,467
Other gains and losses	-	(113,419)	-	-	(113,419)
Finance costs	-	(1,192)	(2,832)	2,832	(1,192)
Profit before tax	318,577	10,570,546	(324,011)	-	10,565,112
Income taxes	(115,548)	(10,429)	-	-	(125,977)
Profit after tax	203,029	10,560,117	(324,011)	-	10,439,135
Other information					
Segment assets	788,102	57,194,434	2,274,636	(956,520)	59,300,652
Segment liabilities	202,558	611,749	2,183,132	(527,697)	2,469,742
Capital additions	7,656	2,403	2,274,636	-	2,284,695
Depreciation	5,068	6,984	-	-	12,052
Recognition of share-based payments	-	256,656	-	-	256,656

5. *Business and geographical segments, (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.

	Advisory fees by geographical location	
	2008	2007
	US$	US$
United States	1,104,450	2,354,875
United Kingdom	533,244	516,347
	1,637,694	2,871,222

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

	License fees by geographical location	
	2008	2007
	US$	US$
United States	5,425,000	-
Europe	25,250	-
	5,450,250	-

The following is an analysis of the carrying amount of segment assets and capital additions analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to fixtures, fittings and equipment, and intangible assets	
	2008	2007	2008	2007
	US$	US$	US$	US$
United States	44,893,146	43,683,138	131,400	2,282,292
United Kingdom	18,625,936	15,617,514	2,487	2,403
	63,519,082	59,300,652	133,887	2,284,695

6. *Profit before tax*

Profit before tax has been arrived at after crediting/(charging) the following gains and losses:

	Group Year ended 31 December 2008	Company Year ended 31 December 2008	Group Year ended 31 December 2007	Company Year ended 31 December 2007
	US$	US$	US$	US$
Net foreign exchange gains/(losses)	(22,433)	(22,433)	(113,419)	(113,419)
Change in fair value of financial assets designated as at fair value through profit or loss	1,967,216	1,665,716	13,549,980	13,459,980
Depreciation of equipment	11,836	4,488	12,052	5,655
Amortisation of intangible assets	253,935	-	-	-
Auditors' remuneration - audit services	177,903	117,765	135,968	81,356
Auditors' remuneration - non-audit fee	-	26,813	-	26,813

7. *Staff costs*

The average monthly number of employees (including Executive Directors) was:

	2008	2007
	Number	Number
Amphion Innovations plc, Amphion Innovations US Inc., and DataTern, Inc. (some employees and costs are shared)	7	7
Amphion Innovations UK Ltd.	2	2
Total for the Group	9	9

Their aggregate remuneration comprised:	Group 2008	Company 2008	Group 2007	Company 2007
	US$	US$	US$	US$
Wages and salaries	2,457,373	1,084,024	1,893,920	883,683
Social security costs	90,364	10,553	93,705	30,912
Other pension costs (see note 22)	26,715	-	28,826	-
	2,574,452	1,094,577	2,016,451	914,595

8. Interest income

	Group Year ended 31 December 2008	Company Year ended 31 December 2008	Group Year ended 31 December 2007	Company Year ended 31 December 2007
Interest income:	US$	US$	US$	US$
Bank deposits	31,436	28,370	72,908	71,152
Investments	243,352	286,075	63,559	66,391
Other	-	-	-	-
	274,788	314,445	136,467	137,543

9. Income tax expense

	Group Year ended 31 December 2008	Group Year ended 31 December 2007
	US$	US$
Isle of Man income tax	-	-
Tax on US subsidiaries	3,696	115,548
Tax on UK subsidiary	9,434	10,429
Current tax	13,130	125,977

From 6 April 2006, a standard rate of corporate 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 Ltd., 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:

	2008	2007
	US$	US$
Profit (loss) before tax	(1,191,405)	10,565,112
Tax at the Isle of Man income tax rate of 0%	-	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	13,130	125,977
Current tax	13,130	125,977

10. 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:

Earnings

	Year ended 31 December 2008	Year ended 31 December 2007
	US$	US$
Earnings (loss) for the purposes of basic and diluted earnings per share (profit for the year attributable to equity holders of the parent)	(1,204,535)	10,439,135

Number of shares

	Year ended 31 December 2008	Year ended 31 December 2007
	US$	US$
Weighted average number of ordinary shares for the purposes of basic earnings per share	130,183,495	108,073,228
Effect of dilutive potential ordinary shares:		
Share options	-	163,733
Convertible promissory notes	12,171,667	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	142,355,162	108,236,961

11. *Intangible assets*

	Patents, software, trademark, and copyright
	US$
COST	
At 1 January 2007	-
Additions	2,274,636
At 31 January 2008	2,274,636
Additions	129,714
At 31 December 2008	2,404,350
AMORTISATION	
At 1 January 2007	-
Charge for the period	-
At 1 January 2008	-
Charge for the period	253,935
At 31 December 2008	253,935
CARRYING AMOUNT	
At 31 December 2008	2,150,415
At 31 December 2007	2,274,636

The intangible assets include certain intellectual property assets which were acquired on 20 December 2007 in a transaction between Amphion Innovations plc, DataTern, Inc. ("DataTern"), a wholly owned subsidiary of Amphion Innovations plc, and FireStar Software, Inc. ("FireStar"), a company in which Amphion Innovations plc holds an investment. The assets were purchased for the following consideration: discharge of debtor of US $415,000 and assumption by Amphion of certain third party payable totaling approximately US $1.8 million. As part of the purchase, US $1,565,278 of promissory notes of FireStar, held by Amphion, were converted into FireStar stock. Under the terms of the purchase, FireStar retains an interest of 48.29% of any future distributions on the 502 Patent and 24.14% of any future distributions on the 402 and 077 Patents.

12. *Property, plant, and equipment*

	Group Property, plant, and equipment	Company Property, plant, and equipment
COST	US$	US$
At 1 January 2007	41,659	19,986
Additions	10,059	-
At 1 January 2008	51,718	19,986
Additions	4,173	-
At 31 December 2008	55,891	19,986
ACCUMULATED DEPRECIATION		
At 1 January 2007	11,543	7,445
Charge for the period	12,052	5,655
Exchange difference	(38)	-
At 1 January 2008	23,557	13,100
Charge for the period	11,836	4,489
Exchange difference	772	-
At 31 December 2008	36,165	17,589
CARRYING AMOUNT		
At 31 December 2008	19,726	2,397
At 31 December 2007	28,161	6,886

13. *Investments in subsidiaries*

Details of the Company's subsidiaries at 31 December 2008 and 2007 are as follows:

Name of subsidiary	Place of incorporation (or registration) and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
		%	%	
Consolidated				
Amphion Innovations US Inc.	Delaware, USA	100	100	Advisory services
Amphion Innovations UK Ltd.	England & Wales	100	100	Advisory services
DataTern, Inc.	Texas, USA	100	100	Intellectual property

The investments in subsidiaries are all stated at cost.

14. *Investments*

At fair value through profit and loss

	Group 31 December 2008			Company 31 December 2008		
	Fair value	Cost	Unrealised gain/(loss)	Fair value	Cost	Unrealised gain/(loss)
Public companies:	US$	US$	US$	US$	US$	US$
Axcess International, Inc.	1,612,931	3,447,794	(1,834,863)	1,612,931	3,447,794	(1,834,863)
Private companies:						
FireStar Software, Inc.	4,721,447	4,941,783	(220,336)	4,721,447	4,941,783	(220,336)
Kromek	14,370,477	3,274,915	11,095,562	14,370,477	3,274,915	11,095,562
Motif BioSciences, Inc.	15,402,879	8,085,625	7,317,254	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.	6,642,861	2,172,453	4,470,408	6,010,085	2,118,685	3,891,400
Myconostica Ltd.	4,216,206	2,745,331	1,470,875	4,216,206	2,745,331	1,470,875
PrivateMarkets, Inc.	3,918,673	2,673,673	1,245,000	3,918,673	2,673,673	1,245,000
WellGen, Inc.	6,669,553	4,814,936	1,854,617	6,669,553	4,814,936	1,854,617
	59,029,932	33,656,510	25,373,422	58,397,156	33,602,742	24,794,414

	Group 31 December 2008			Company 31 December 2008		
	Fair value	Cost	Unrealised gain/(loss)	Fair value	Cost	Unrealised gain/(loss)
	US$	US$	US$	US$	US$	US$
Shares	43,540,862	22,969,181	20,571,681	43,540,862	22,969,181	20,571,681
Promissory notes	6,780,602	6,780,602	-	6,780,602	6,780,602	-
Warrants & options	8,708,468	3,906,727	4,801,741	8,075,692	3,852,959	4,222,733
	59,029,932	33,656,510	25,373,422	58,397,156	33,602,742	24,794,414

14. *Investments, (continued)*

At fair value through profit and loss

	Group 31 December 2007			Company 31 December 2007		
	Fair value	Cost	Unrealised gain/(loss)	Fair value	Cost	Unrealised gain/(loss)
Public companies:	US$	US$	US$	US$	US$	US$
Axcess International, Inc.	3,088,760	2,559,521	529,239	3,088,760	2,559,521	529,239
Private companies:						
Durham Scientific Crystals, Inc.	9,689,225	2,884,056	6,805,169	9,689,225	2,884,056	6,805,169
Energy Trading International, Inc.	1,690,000	1,690,000	-	1,690,000	1,690,000	-
FireStar Software, Inc.	4,783,933	4,941,783	(157,850)	4,783,933	4,941,783	(157,850)
Motif BioSciences, Inc.	12,791,591	5,464,624	7,326,967	12,791,591	5,464,624	7,326,967
MSA Holding B.S.C.	2,929,468	1,500,000	1,429,468	2,929,468	1,500,000	1,429,468
m2m Imaging Corp.	4,015,826	1,636,268	2,379,558	3,684,550	1,582,500	2,102,050
Myconostica Ltd.	5,847,695	2,745,331	3,102,364	5,847,695	2,745,331	3,102,364
WellGen, Inc.	6,806,227	4,814,936	1,991,291	6,806,227	4,814,936	1,991,291
	51,642,725	28,236,519	23,406,206	51,311,449	28,182,751	23,128,698

	Group 31 December 2007			Company 31 December 2007		
	Fair value	Cost	Unrealised gain/(loss)	Fair value	Cost	Unrealised gain/(loss)
	US$	US$	US$	US$	US$	US$
Shares	39,482,486	20,054,147	19,428,339	39,482,486	20,054,147	19,428,339
Promissory notes	4,275,645	4,275,645	-	4,275,645	4,275,645	-
Warrants & options	7,884,594	3,906,727	3,977,867	7,553,318	3,852,959	3,700,359
	51,642,725	28,236,519	23,406,206	51,311,449	28,182,751	23,128,698

Fair value determination

At 31 December 2008 the one publicly traded company, Axcess International, Inc. ("Axcess"), is valued based on its last quoted closing prices. In regard to the Group's valuation of Axcess, 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 (formerly Durham Scientific Crystals, Ltd.), FireStar Software, Inc., Motif BioSciences, Inc., m2m Imaging Corp., Myconostica Ltd., PrivateMarkets, Inc. (formerly Energy Trading International, Inc.) and WellGen, Inc. are valued using the latest offering price from recently executed financing transactions by those companies. The prices used are as follows: for Kromek £8.00 from December 2008; for FireStar Software, Inc. US $7.00 from August 2006; for Motif BioSciences, Inc. US $3.00 from April 2007; m2m Imaging Corp. US $7.00 from May 2008; for Myconostica Ltd. £40.00 from May 2008; for PrivateMarkets, Inc. US $1.00 from March 2008; and for WellGen, Inc. US $2.50 from October 2007. 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 31 December 2008. 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.

At 31 December 2008, MSA Holding B.S.C. owned 2,626,467 of the ordinary shares of Amphion Innovations plc.

14. Investments, (continued)

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

	Country of incorporation	2008 Full-diluted ownership %	2007 Full-diluted ownership %
Axcess International, Inc.	United States of America	7.83	7.47
FireStar Software, Inc.	United States of America	15.32	16.21
Kromek *(formerly Durham Scientific Crystals, Inc.)*	England & Wales	20.78	25.32
Motif BioSciences, Inc.	United States of America	39.11	37.69
MSA Holding B.S.C.	Kingdom of Bahrain	50.00	50.00
m2m Imaging Corporation	United States of America	24.36	23.53
Myconostica Ltd.	England & Wales	22.89	35.70
PrivateMarkets, Inc. *(formerly Energy Trading Intl.)*	United States of America	27.75	13.06
WellGen, Inc.	United States of America	15.05	15.01

15. Other financial assets and liabilities

The carrying amounts of the Group's financial assets and financial liabilities at the balance sheet date are as follows. The accounting policies described in note 2 explain how the various categories of financial instruments are measured.

	Group				Company			
	2008		2007		2008		2007	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	US$	US$	US$	US$	US$	US$	US$	US$
Fair value through profit or loss								
Fixed asset investments - designated as such upon initial recognition	59,029,932	59,029,932	51,642,725	51,642,725	58,397,156	58,397,156	51,311,449	51,311,449
Currents assets								
Loans and receivables								
Security deposit	121,694	121,694	121,694	121,694	121,694	121,694	121,694	121,694
Prepaid expenses and other receivables	1,566,911	1,566,911	639,429	639,429	1,748,986	1,748,986	379,580	379,580
Cash and cash equivalents	630,404	630,404	4,594,007	4,594,007	538,018	538,018	4,480,257	4,480,257
Financial liabilities								
Amortised cost								
Trade and other payables	3,093,518	3,093,518	2,469,742	2,469,742	665,719	665,719	588,049	588,049

The carrying value of cash and cash equivalents, the security deposit, prepaid expenses and other receivables, and trade and other payables approximate their fair value at 31 December 2008 and 2007.

At the balance sheet date other receivables includes subscriptions receivable of US $534,036 (2007: US $234,536). The Directors consider that the carrying value of other receivables approximates to their fair value.

15. Other financial assets and liabilities, (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The maximum exposure to credit risk for the financial asset investments designated at fair value through the profit and loss is represented by their carrying value.

The Group's exposure to counterparty credit risk also arises from balances from Partner Companies' relating to fees charged for services provided by Amphion. Amphion seeks to mitigate the risk noted above through its philosophy of working with a small number of rigorously selected Partner Companies, assisting them to grow by implementing a consistent and proven methodology developed over the management team's 20 years of company building experience. The Group's time tested model of company creation is built on a robust risk management process that relies on proven, defensible intellectual property sourced from some of the world's leading corporations and universities.

Included in the Group's other receivables are debtors which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the Group believes that the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

The following table is an analysis of the age of financial assets:

Group	Not past due or impaired	Not more than 3 months	More than 3 months and not more than 1 year	More than 1 year	Total
	US$	US$	US$	US$	US$
2008					
Fees receivable	-	141,500	315,000	185,000	641,500
Rebillable expenses	-	23,141	20,408	4,135	47,684
Subscription receivable	499,500	-	-	-	499,500
Other receivables	273,304	19,620	10,000	34,536	337,460
Prepaid expenses	40,767	-	-	-	40,767
	813,571	184,261	345,408	223,671	1,566,911
2007					
Fees receivable	-	136,569	69,000	-	205,569
Rebillable expenses	-	8,550	21,008	-	29,558
Other receivables	110,479	-	234,536	-	345,015
Prepaid expenses	59,287	-	-	-	59,287
	169,766	145,119	324,544	-	639,429

15. Other financial assets and liabilities, (continued)

Company	Not past due or impaired	Not more than 3 months	More than 3 months and not more than 1 year	More than 1 year	Total
	US$	US$	US$	US$	US$
2008					
Fees receivable	-	-	-	-	-
Rebillable expenses	-	9,284	-	-	9,284
Due from subsidiaries	883,658	-	-	-	883,658
Other receivables	790,563	-	-	34,536	825,099
Prepaid expenses	30,945	-	-	-	30,945
	1,705,166	9,284	-	34,536	1,748,986
2007					
Fees receivable	-	-	-	-	-
Rebillable expenses	-	4,552	-	-	4,552
Other receivables	89,493	-	234,536	-	324,029
Prepaid expenses	50,999	-	-	-	50,999
	140,492	4,552	234,536	-	379,580

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The principal risk to which the Group is exposed is liquidity risk.

Amphion's investments are in Partner Companies that are often development stage companies and will likely experience significant negative cash flow. The Partner Companies may be unable to obtain financing to fund their negative cash flows due to market conditions or lack of operational progress. In these instances, though Amphion is not obligated to do so, the Group may feel it necessary to provide additional investment to the Partner Company. Amphion may also be required to spend additional management time on these companies.

Adverse market conditions may also delay liquidity events for the Partner Companies, thereby requiring additional rounds of financing in which Amphion may feel it necessary to participate. During these adverse market conditions Amphion may also find it difficult to raise additional capital.

Amphion seeks to mitigate the risk noted above through its philosophy of working with a small number of rigorously selected Partner Companies, assisting them to grow by implementing a consistent and proven methodology developed over the management team's 20 years of company building experience. The Group's time tested model of company creation is built on a robust risk management process that relies on proven, defensible intellectual property sourced from some of the world's leading corporations and universities.

15. Other financial assets and liabilities, (continued)

The following table is a maturity analysis that shows the remaining contractual maturity for the Group's financial liabilities.

	Group				
	Less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Total
2008					
Trade payables & other payables	443,738	219,674	1,289,367	1,140,739	3,093,518
Convertible promissory notes	3,279,950	-	-	-	3,279,950
2007					
Trade payables & other payables	2,181,003	99,796	188,943	-	2,469,742

	Company				
	Less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Total
2008					
Trade payables & other payables	282,196	119,640	236,251	27,632	665,719
Convertible promissory notes	3,279,950	-	-	-	3,279,950
2007					
Trade payables & other payables	193,264	223,391	171,394	-	588,049

The 2008 payables include US $1,104,409 (2007: US $1,734,393) of payables assumed from FireStar Software, Inc. as part of the Asset Purchase Agreement dated 20 December 2007.

Market risk

Market risk is the risk that changes in interest rates, foreign exchange rates, equity prices, and other rates, prices, volatilities, correlations, or other market conditions will have an adverse impact on the Group's financial position or results. Thus market risk comprises three elements – foreign currency risk, interest rate risk, and other price risk. Information to enable an evaluation of the nature and extent of these three elements of market risk are shown below.

Amphion seeks to mitigate the risk noted above through its philosophy of working with a small number of rigorously selected Partner Companies, assisting them to grow by implementing a consistent and proven methodology developed over the management team's 20 years of company building experience. The Group's time tested model of company creation is built on a robust risk management process that relies on proven, defensible intellectual property sourced from some of the world's leading corporations and universities.

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed by minimising the balance of foreign currencies to cover expected cash flows during periods where there is strengthening in the value of the foreign currency. The Group has two UK Partner Companies which are denominated in GBP. The valuations of these two companies fluctuate along with the US dollar/ Sterling exchange rate. No hedging of this risk is undertaken.

15. Other financial assets and liabilities, (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Group				Company			
	Liabilities		Assets		Liabilities		Assets	
	2008	2007	2008	2007	2008	2007	2008	2007
	US$	US$	US$	US$	US$	US$	US$	US$
Sterling - Cash equivalent	32,081	23,700	502,407	1,175,621	-	-	499,264	1,175,621
Sterling - Investment	-	-	18,586,683	15,536,921	-	-	18,586,683	15,536,921

A 10% strengthening of the US dollar against the British pound sterling at the reporting date would have increased profit or loss by approximately US $1,906,000 (2007: US $835,000). A 10% weakening of the US dollar against the British pound sterling would have decreased profit or loss of the Group by approximately US $1,906,000 (2007: US $835,000). A 10% strengthening of the US dollar against the British pound sterling at the reporting date would have increased profit or loss of the Company by approximately US $1,909,000 (2007: US $835,000). A 10% weakening of the US dollar against the British pound sterling would have decreased profit or loss of the Company by approximately US $1,909,000 (2007: US $835,000). The GBP/USD rate used at 31 December 2008 was 1.4619 (2007: 1.9843). In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the sensitivity analysis is based on balances at the end of the year and does not reflect the exposure during the year.

Interest rate risk

The Group's exposure to interest rate risk is restricted to the cash and cash equivalent balance of US $630,404 (2007: US $4,594,007). At 31 December 2008, the Group maintains interest bearing accounts with a corporate bank at variable rates. The average monthly rate for 2008 was approximately 3% (2007: 4%). An increase of 100 basis points in interest rates would have increased profit or loss of the Group by US $10,000 (2007: US $17,000). A decrease of 100 basis points in interest rates would have decreased profit or loss of the Group by US $10,000 (2007: US $17,000). An increase of 100 basis points in interest rates would have increased profit or loss of the Company by US $10,000 (2007: US $17,000). A decrease of 100 basis points in interest rates would have decreased profit or loss of the Company by US $10,000 (2007: US $17,000). The Group manages its exposure to interest rate risk by managing its cash balances and deposits to maximise its return while ensuring the Group has sufficient available cash to meet its needs. The Group does not enter into interest rate derivatives.

Other price risks

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

At the reporting date, the potential effect of using reasonably possible alternative assumptions as inputs to valuation techniques from which the fair values of the investments are determined would be an approximate decrease of US $8.8 million (2007: US $7.6 million) to profit or loss of the Group and the Company using less favorable assumptions. Due to the current economic environment, the Group and Company are not using possible favorable assumptions for 2008. The effect of using more favorable assumptions for 2007 results in an increase of approximately US $12 million. The more favorable assumptions used in 2007 were an increase in price of 33% to 54%. The less favorable assumptions used were a reduction in price of 10% to 15% (2007: 10% to 15%). The determination of reasonably possible alternative assumptions is subject to considerable judgment.

The amounts generated from the sensitivity analysis are estimates of the impact of market risk assuming that specified changes occur. Actual results in the future may differ materially from these results due to developments in the global financial markets which may cause exchange rates to vary from the hypothetical amounts disclosed above, which therefore should not be considered a projection of likely future events and losses.

16. Trade and other payables

Group

Trade and other payables principally comprise amounts outstanding for purchases and ongoing costs. Other payables include US $1,104,409 of debt relating to DataTern, Inc. assumed as part of the Asset Purchase Agreement with FireStar Software, Inc. in 2007.

Company

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs.

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

17. Convertible promissory notes

The convertible promissory notes were issued on 30 December 2008. 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.

Richard C.E. Morgan, Chief Executive Officer, has subscribed for £900,000 of the convertible promissory notes.

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.

18. Share capital

	2008	2007
Authorised:	£	£
150,000,000 ordinary shares of 1p each	1,500,000	1,500,000

	Number	£	US$
Balance as at 31 December 2006	100,100,224	1,001,003	1,808,983
Issued for cash:			
Ordinary shares of 1p each	320,000	3,200	6,278
Ordinary shares of 1p each	9,690,000	96,900	194,411
Ordinary shares of 1p each	18,181,805	181,817	378,399
Balance as at 31 December 2007	128,292,029	1,282,920	2,388,071
Issued for cash:			
Ordinary shares of 1p each	246,603	2,466	4,884
Ordinary shares of 1p each	521,897	5,219	10,320
Ordinary shares of 1p each	1,136,364	11,364	22,667
Ordinary shares of 1p each	81,780	818	1,528
Ordinary shares of 1p each	100,184	1,002	1,872
Balance as at 31 December 2008	130,378,857	1,303,789	2,429,342

Holders of the ordinary shares are entitled to receive dividends and other distributions and to attend and vote at any general meeting.

During the year ended 31 December 2008, the following changes occurred to the share capital of the Company:

On 2 January 2008, the Company issued 246,603 ordinary 1p shares at a premium of 20.5p per share (US $100,116) to Directors in lieu of 2007 Directors' fees.

On 1 April 2008, the Company issued 521,897 ordinary 1p shares at a premium of 21p per share (US $216,720) to employees as part of their incentive compensation and to Directors in lieu of first quarter Directors' fees.

On 4 April 2008, the Company issued 1,136,364 ordinary 1p shares at a premium of 21p per share (US $476,008) for cash.

On 16 September 2008, the Company issued 81,780 ordinary 1p shares at a premium of 20.5p per share (US $33,372) to Directors in lieu of second quarter Directors' fees.

On 16 September 2008, the Company issued 100,184 ordinary 1p shares at a premium of 18.75p per share (US $33,228) to Directors in lieu of third quarter Directors' fees.

19. Issue costs

The Company incurred costs of US $41,423 (2007: US $778,379) relating to the issue of shares. The costs were primarily for fees paid to agents. These equity transaction costs were deducted from equity in accordance with IAS 32, Financial Instruments Disclosure and Presentation.

20. Operating lease arrangements

At the balance sheet date, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2008	2007
	US$	US$
Within one year	327,500	351,654
In the second to fifth years inclusive	478,590	717,885
After five years	-	-
	806,090	1,069,539

Operating lease payments represent rentals payable by the Group for certain of its office properties. The term of the New York lease is seven years of which three years are remaining and the term of the UK lease is eight months ending on August 2009. The New York rental increases in 2009 and is fixed for an additional two years. The UK rental is fixed for 8 months. The Group recognised expenses of US $422,991 in respect of operating lease arrangements in the year ended 31 December 2008.

21. 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.

As of 31 December 2008, a total of 10,170,536 options have been issued (2007: total of 10,136,445) of which 8,500,000 options were issued under the 2006 Unapproved Share Option Plan (2007: 8,500,000) and 625,000 options have been forfeited.

The options issued under the Plan have a four year vesting period in addition to being subject to performance criteria and at 31 December 2008, 2,690,112 of these options were vested (2007: 639,906).

As of 31 December 2008, a balance of 2,295,536 options not in the Plan have been issued (2007: 2,261,445) and at 31 December 2008, 1,612,207 of these options were vested (2007: 1,378,112). These options expire after five years from the date of grant. Of these options, 34,091 options were issued fully vested in 2008 (2007: 553,720 were fully vested when issued).

	2008		2007	
	Number of share options	Weighted average exercise price (in £)	Number of share options	Weighted average exercise price (in £)
Outstanding at beginning of period	10,136,445	0.23	1,357,725	0.25
Granted during the period	34,091	0.22	9,403,720	0.23
Forfeited during the period	-	-	(625,000)	0.25
Outstanding at the end of the period	10,170,536	0.23	10,136,445	0.23
Exercisable at the end of the period	4,302,317	0.23	2,018,018	0.23

21. Share-based payments, (continued)

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:

	2008	2007
	US$	US$
Weighted average share price	0.48	0.46
Weighted average exercise price	0.44	0.46
Expected volatility	39%	37%
Expected life	5 years	5-14 years
Risk free rate	3.49%	3.49% - 5.25%
Expected dividends	-	-

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

In 2008, options were granted on 4 April. The aggregate of the estimated fair value of the options granted on that date was US $6,965. In 2007, options were granted on 12 January, 26 March, 1 May, 29 June, 13 September, and 9 November. The aggregate of the estimated fair values of the options granted on those dates is US $2,797,289.

The Company and Group recognised total costs of US $701,195 and US $256,656 relating to equity-settled share-based payment transactions in 2008 and 2007 respectively. In 2008, US $6,965 of the total costs were charged against equity as the share-based payments were directly attributable to the issue of the equity instruments. The remaining US $694,230 was expensed in the income statement during the period.

22. Retirement benefit plans

The Company established a defined contribution plan under Section 401(k) of the Internal Revenue Code. The plan enables qualified employees to reduce their taxable income by contributing up to 15% of their salary to the plan. The Company may elect to make a matching contribution to the plan. The Company has elected not to make a contribution for the years ended 31 December 2008 or 2007.

The UK subsidiary has a defined contribution pension scheme. The total pension expense recognised in the income statement of US $26,715 (2007: US $28,826) represents contributions paid by the Company to the plan.

23. Events after the balance sheet date

In January and February 2009, the Company made advances of US $199,000 under a promissory note from Motif BioSciences, Inc.

In January and February 2009, the Company made advances of US $220,000 under a promissory note from m2m Imaging Corporation.

In February 2009, the Company made advances of US $80,000 under a promissory note from Axcess International, Inc.

In January and February 2009, the Company made advances of US $351,000 under a promissory note from PrivateMarkets, Inc.

On 30 January 2009, Amphion Innovations plc and DataTern, Inc. filed a lawsuit against one of DataTern, Inc.'s attorneys claiming damages as a result of the mismanagement of a patent enforcement case.

In February 2009, a former employee of Suvani, Inc. filed a lawsuit against Amphion Innovations US Inc. and an Amphion Innovations plc Director for breach of his employment contract.

In February 2009, a former employee of Amphion Innovations US Inc. filed a claim with the Central London Employment Tribunal for unfair dismissal.

24. 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 parties are disclosed below.

During the year, 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 31 December 2008, the net amount owed by the Group to Motif is US $39,158. At 31 December 2007, the amount owed by Motif to the Group was US $19,956.

Amphion Innovations US Inc., a subsidiary of the Company, has entered into an agreement with Axcess International, Inc. ("Axcess") to provide advisory services. Richard Morgan and Robert Bertoldi, Directors of the Company, are also Directors of Axcess. Amphion Innovations US Inc. will receive a monthly fee of US $10,000 pursuant to this agreement. The agreement is effective until 1 March 2009 and will renew on an annual basis until terminated by one of the parties. The monthly fee is suspended for any month in which Axcess' cash balance falls below US $500,000. Amphion Innovations US Inc. received US $20,000 for the year ended 31 December 2008 (2007: US $100,000).

Amphion Innovations US Inc. has entered into an agreement with Kromek (formerly Durham Scientific Crystals, Ltd.) 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. The agreement renews annually unless terminated by one of the parties. The subsidiary's fee for the year ended 31 December 2008 was US $120,000 (2007: US $120,000). Amphion Innovations US Inc. also received US $113,876 as a fund raising fee for the year ended 31 December 2008 (2007: US $225,688).

Amphion Innovations US Inc. 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 1 January 2010 unless renewed by the mutual consent of both parties. The fee for the year ended 31 December 2008 and 2007 was suspended and not recognised.

Amphion Innovations US Inc. 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 2009 and shall automatically renew for successive one year periods. Amphion Innovations US Inc.'s fee for the period ended 31 December 2008 was US $240,000 (2007: US $282,000). At 31 December 2008, US $360,000 of the advisory fee is due from Motif (2007: US $120,000).

Amphion Innovations US Inc. 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 is £4,500 and renews annually unless terminated by one of the parties. An additional £2,250 per month was charged starting 1 November 2007 until November 2008 while Jerel Whittingham was acting Chief Executive Officer of Myconostica. The subsidiary's fee for the year ended 31 December 2008 is £77,063 or US $141,030 (2007: £58,500 or US $114,715) of which US $6,500 (2007: US $44,894) was still due at 31 December 2008. Amphion Innovations US Inc. also received US $158,637 as a fund raising fee for the year ended 31 December 2008 (2007: nil).

Amphion Innovations US Inc. 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 monthly fee under this agreement is US $15,000. This agreement renews on an annual basis until terminated by either party. Amphion Innovations US Inc.'s fee for the period ended 31 December 2008 was US $180,000 (2007: US $180,000) of which US $90,000 is due at 31 December 2008 (2007: nil). Amphion Innovations US Inc. also received US $130,000 as a fund raising fee for the year ended 31 December 2008 (2007: nil).

Amphion Innovations US Inc. 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 renews annually until terminated by either party. The subsidiary's fee for the year ended 31 December 2008 was US $240,000 (2007: US $210,000).

Amphion Innovations US Inc. has entered into an agreement with PrivateMarkets, Inc. ("PrivateMarkets") (formerly Energy Trading International, Inc.) to provide advisory services. Richard Morgan, a Director of the Company, is also a Director of PrivateMarkets. 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 will renew annually unless terminated by either party. The subsidiary's fee for the year ended 31 December 2008 was US $185,000 which is due at 31 December 2008. Amphion Innovations US Inc. also received US $109,450 as a fund raising fee for the year ended 31 December 2008. The fee for 2007 was deferred and not recognised until PrivateMarkets had a successful financing.

24. Related party transactions, (continued)

Amphion Innovations US Inc. has entered into an agreement with DataTern, Inc. ("DataTern") (a wholly owned subsidiary of the Company) to provide advisory and consulting services. Richard Morgan and Robert Bertoldi, Directors of the Company, are also Directors of DataTern. The quarterly fee under this agreement is US $60,000 and renews annually unless terminated by either party. The subsidiary's fee for the year ended 31 December 2008 is US $240,000.

Directors' interests

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

Investment company	Fully diluted % owned by Directors	
	2008	2007
Axcess International, Inc.	7.24%	5.45%
FireStar Software, Inc.	1.62%	1.48%
Kromek	1.66%	1.20%
Motif BioSciences, Inc.	3.81%	3.91%
Myconostica Ltd.	0.34%	0.26%
PrivateMarkets, Inc.	3.01%	-
WellGen, Inc.	4.59%	4.57%

The Directors who held office at 31 December 2008 had the following interests in the Company's ordinary share capital:

	2008 Ordinary shares	2007 Ordinary shares
Richard M. Mansell-Jones	2,693,774	2,398,163
Richard C.E. Morgan	21,698,211	20,734,155
Robert J. Bertoldi	5,674,844	5,643,237
R. James Macaleer	19,917,054	19,769,248
Anthony W. Henfrey	904,352	858,861

Aggregate Directors' remuneration

The total amounts for Directors' remuneration was as follows:

	Year ended 31 December 2008	Year ended 31 December 2007
	US$	US$
Emoluments	1,093,775	988,163

24. Related party transactions, (continued)

Directors' emoluments and compensation

Name of Director	Group Fees/Basic salary US$	Group Benefits in kind US$	Group Annual bonuses US$	Year ended 31 December 2008 total US$	Year ended 31 December 2007 total US$
Executive - salary					
Richard C.E. Morgan	350,000	14,343	164,900	529,243	474,034
Robert J. Bertoldi	300,000	19,322	85,210	404,532	354,129
Non-executive – fees					
Richard M. Mansell-Jones	70,000	-	-	70,000	70,000
R. James Macaleer	35,000	-	-	35,000	35,000
Anthony W. Henfrey	35,000	-	-	35,000	35,000
Ronald E. Thomas	20,000	-	-	20,000	20,000
Aggregate emoluments	810,000	33,665	250,110	1,093,775	988,163

The annual bonuses were issued in cash and shares of the Company.

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the Directors. Details of options for Directors who served during the year are as follows:

Name of Director	Scheme	1 January 2008	Granted	31 December 2008	Exercise price	Date from which exercisable	Expiry date
Richard Morgan	2006 Unapproved Share Option Plan	2,000,000	-	2,000,000	£0.23	1 July 2011	30 June 2021
Robert Bertoldi	2006 Unapproved Share Option Plan	1,250,000	-	1,250,000	£0.23	1 July 2011	30 June 2021
		3,250,000	-	3,250,000			

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting ("AGM") of Amphion Innovations plc (the "Company"), will be held on 4 June 2009 at 10.00 am at Cardew Group, 12 Suffolk Street, London SW1Y 4HG, for the transaction of the following business:

Ordinary Business:

As ordinary business to consider and, if thought fit, to pass the following resolutions, each of which will be proposed as an ordinary resolution:

Resolution No. 1 — To receive and adopt the Company's financial statements for the period ending 31 December 2008, together with the Directors' report and auditors' report on those financial statements.

Resolution No. 2 — To reappoint Mr. Richard C.E. Morgan as a Director, who is retiring under the provisions of article 87 of the Company's articles of association (the "Articles") at the AGM of the Company, and being eligible offers himself for re-election.

Resolution No. 3 — To reappoint Mr. Gerard Moufflet as a Director, who is retiring under the provisions of article 82 of the Articles at the AGM of the Company, and being eligible offers himself for re-election.

Resolution No. 4 — To reappoint as auditors Deloitte & Touche, to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid before the Company, at a remuneration to be determined by the Directors.

Resolution No. 5 — To increase the Company's share capital by the addition of £1,000,000 divided into 100,000,000 ordinary shares of £0.01 each, to rank pari passu with the existing issued and unissued ordinary shares of £0.01 in the share capital of the Company.

Special Business:

As special business to consider and, if thought fit, to pass the following resolutions, each of which will be proposed as a special resolution:

Resolution No. 6 — To authorise the Directors of the Company to allot and issue up to 39,000,000 ordinary shares of £0.01 each in the capital of the Company to holders (the "Noteholders") of Unsecured Convertible Promissory Notes December 2008 – December 2013 (the "Notes"), constituted by means of an instrument dated 30 December 2008 (the "CPN Instrument"), upon conversion of such Notes in accordance with the CPN Instrument aforesaid, as if article 5 of the Articles had no application in respect of such allotment and issue.

Resolution No. 7 — To authorise the Directors of the Company to allot and issue up to 7,800,000 ordinary shares of £0.01 each in the capital of the Company to holders of warrants to subscribe for ordinary shares in the Company (the "Warrants"), issued to Noteholders under the Note offering and constituted by means of an instrument dated 30 December 2008 (the "Warrant Instrument"), upon exercise of such Warrants in accordance with the Warrant Instrument aforesaid, as if article 5 of the Articles had no application in respect of such allotment and issue.

By order of the Board
A.J. Baker
Dated: 27 April 2009
Company Secretary

Registered Office

15-19 Athol Street
Douglas, Isle of Man IM1 1LB

Notes:

1. A member of the Company entitled to attend and vote at the above-mentioned meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote in his stead. A proxy need not be a member of the Company.

2. In the case of joint holders, the signature of only one of the joint holders is required on the form of proxy but the vote of the first named on the register of members will be accepted to the exclusion of other joint holders.

3. To appoint a proxy you may use the form of proxy enclosed with this notice. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of the same must be deposited by 10.00 am on 2 June 2009 at the registered office of the Company, 15-19 Athol Street, Douglas, Isle of Man IM1 1LB. Completion and return of a form of proxy does not preclude a member from attending and voting in person should he wish to do so.

ADVISORS

Directors
Richard Mansell-Jones, Non-executive Chairman
Robert Joseph Bertoldi, President and Chief Financial Officer
Dr. Anthony William Henfrey, Non-executive Director
Robert James Macaleer, Non-executive Director
Richard Cecil Eversfield Morgan, Chief Executive Officer
Gerard M. Moufflet, Non-executive Director
Ronald Edgar Thomas, Non-executive Director

Company Secretary
Andrew J. Baker

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London EC2A 1NT

Broker to the Company
Charles Stanley Securities
131 Finsbury Pavement
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Advisors to the Company as to English Law
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