

Evolve Capital Plc

FINANCIAL STATEMENTS

For the period from 27 September 2007 to 28 December 2008

Report and Financial Statements
For the period ended 28 December 2008

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Company Information

Directors	Oliver Vaughan - Chairman Edward Vandyk - Executive Director David Snow - Non Executive Director James Noble - Non Executive Director Michael Jackson - Non Executive Director
Secretary	Oliver Cooke ACA FCCA
Registered Office	223a Kensington High Street London, W8 6SG
Website	www.evolvecapital.co.uk
Nominated advisor & broker	Fairfax I.S. Plc 46 Berkeley Square London, W1J 5AT
Auditors	BDO Stoy Hayward LLP Emerald House, East Street, Epsom, Surrey. KT17 1HS
Bankers	Lloyds TSB Bank plc 9 West Street Bridport Dorset
Solicitors	Fasken Martineau LLP 17 Hanover Square London, W1S 1HU Memery Crystal LLP 44 Southampton Buildings London, WC2A 1AP
Registrars	Share Registrars Limited 9 Lion & Lamb Yard Farnham Surrey, GU9 7LL
Company Number	06383902

Chairman's Statement

I am pleased to present Evolve Capital Plc's ("Evolve") first full set of trading results. In preparing these accounts the Directors, for the reasons that are explained below, have elected to take advantage of Section 223 of the Companies Act 1985, which permits a company to draw accounts up to a date that is within seven days of its accounting reference date, and have prepared accounts for the period from 27 September 2007, the date of incorporation, to 28 December 2008.

The Company was established principally to invest in pre IPO businesses intending to join the PLUS-quoted market or in companies already trading on the PLUS-quoted market. In December 2007 the Company completed the raising of some £4 million of new equity capital and on 28 December 2007 the Company's shares were admitted to trading on AIM. Evolve was believed to be the only AIM company offering investors a pure opportunity to invest in the PLUS-quoted market on a pre-selected portfolio basis.

Financial Review

During the period under review the Company reported a loss before and after tax of £115,591. The Directors do not propose the payment of a dividend. As at 28 December 2008 the Company's net assets were £3,824,977. Within fixed assets are certain investments that have been made by the Company, which are recorded at cost less any provision for impairment.

During the period under review Evolve completed three investments, began the process of making a fourth and announced an offer to acquire another AIM listed company, Blue Oar plc. Brief details of these investments and of the Offer are as follows.

Aconite Technology Limited ("Aconite")

Aconite is a private company that has developed and is marketing a suite of open platform software products that enable the issuers of credit cards and other plastic payment cards to migrate to the new EMV industry standard (chip and pin) cards without the need to replace their existing infrastructure that was designed and installed to process and manage magnetic stripe cards. Aconite's software also enables card issuers to issue and manage pre-paid debit cards on an efficient and highly cost effective basis. Evolve invested £500,000 in the ordinary share capital of Aconite in March 2008. On the basis of the valuation at which a subsequent investment in Aconite was made in July 2008 by Datacard Group, the world's largest provider of payment card solutions, Evolve's investment would be valued at some £662,000, representing a notional uplift of £162,000.

However, due to the turmoil affecting the banking sector on a worldwide basis Aconite has experienced delays in the signing of a number of commercial contracts. Such delays have placed a strain on the company's cash resources and have led the company's directors to conclude that additional equity funding is required for the business, and progress is being made on this front.

Woodspeen Training plc ("Woodspeen")

Woodspeen is a training company addressing the government funded vocational training sector, with a specific focus on the Learn Direct, Train to Gain and NVQ programmes. Woodspeen's management comprise the previous Chief Executive and co-founder as well as the previous Finance Director of BPP, a fully listed company and one of the UK's leading professional training companies. Evolve invested £300,000 in the ordinary share capital of Woodspeen in January 2008. Woodspeen was subsequently admitted to the PLUS-quoted market in March 2008 as an investment company and was readmitted in June 2008, as required under the PLUS-quoted rules, upon completion of the reverse takeover of Future Training Centres Limited, Woodspeen's first acquisition. Since then the management have raised additional capital through an open offer to shareholders, in which Evolve took up its full entitlement, and a further placing of shares with new investors and completed a second acquisition. Based on Woodspeen's mid market price at 28 December 2008, Evolve's shareholding was valued at £787,500, representing a notional gain of £487,500 at the period end date.

Pulse Group plc ("Pulse")

Pulse is a leading provider of RPO (research process outsourcing) in Asia Pacific and services market research companies based throughout the world. Evolve initially invested £500,000 in the ordinary share capital of Pulse in June 2008 and Pulse joined the PLUS-quoted market later that month. Since then, Evolve has reduced the level of its investment to £328,595 at 28 December 2008 through a series of share disposals. Based on Pulse's mid market price at 28 December 2008, Evolve's shareholding at that date was valued at £577,589, a notional gain of £248,994.

Chairman's Statement

(continued)

3D Diagnostic Imaging plc ("3D")

3D's wholly owned subsidiary, CarieScan Limited, has completed the development of and is marketing a hand held, simple to use, highly accurate device for the early detection of dental caries (tooth decay). During the period under review Evolve made a small investment in the ordinary share capital of 3D and also made loans to the company to finance the purchase of certain assets together with the underlying business of an AIM company which had failed earlier in the year and to cover its working capital requirements. In February 2009 Evolve invested a further £503,000 in 3D as part of a more comprehensive financing of the company and the working capital loans referred to above were repaid in full. On 21 April 2009 3D's shares were admitted to trading on the PLUS-quoted market.

Offer for Blue Oar plc ("Blue Oar")

Blue Oar is a company that was well known to Evolve's Directors, and it is their belief that substantial value could be accrued to Evolve shareholders through the acquisition of Blue Oar and the restructuring of the group with a view to stemming the current high level of cash outflow. As a part of the restructuring process it was envisaged that one or more of the divisions within Blue Oar could be sold or closed and that other parts of the business could be separately floated on the PLUS-quoted market.

On 8 December 2008 Evolve announced that it was making an offer to acquire the whole of the issued and to be issued share capital of Blue Oar plc. The consideration offered was 1,025 new Evolve shares for every 1,000 Blue Oar shares. On 29 December 2008, following receipt of acceptances from the holders of more than 50 per cent. of Blue Oar's issued share capital and a general meeting of Evolve's shareholders at which various resolutions enabling the transaction to take place were passed unanimously, the Offer was declared unconditional in all respects. Evolve's shares were re-admitted to trading on AIM on 31 December 2008. By 13 February 2009 Evolve had acquired a total of 109,149,111 Blue Oar shares, equivalent to 65 per cent. of the company's issued share capital.

Once the Offer had been declared unconditional in all respects, Blue Oar became a part of an enlarged group with Evolve as its parent company. As a consequence of having a subsidiary company Evolve would then be required to adopt IFRS in the preparation of its accounts and to prepare group accounts on a consolidated basis reflecting the interests of minority shareholders as appropriate. As the Offer was declared unconditional only two days before the Company's year end, the Directors considered it to be both impractical and potentially misleading to change the basis on which the Company's accounts were to be prepared. For this reason the Directors have taken advantage of the provisions of Section 223 of the Companies Act 1985 and have drawn Evolve's accounts for the period up to 28 December 2008, being the latest date on which Blue Oar was not a subsidiary of the Company.

WH Ireland Group plc

After the year end, on 1 May 2009, Evolve made an investment in WH Ireland Group plc and issued 10,075,950 new ordinary shares in consideration for the purchase of 1,119,550 ordinary shares in WH Ireland Group plc, equivalent to approximately 5.31 per cent. of that company's issued share capital. On 20 May 2009 the Company announced it had disposed of its holding in WH Ireland Group plc for 85 pence per share, realising a profit of £416,000.

Market conditions for small cap companies are extremely difficult at present and are set to remain challenging for some time to come. However, we are still seeing a number of excellent investment opportunities in the small cap space and remain of the view that the PLUS-quoted market is the most appropriate market place for such companies. We remain confident that the PLUS-quoted market will continue to develop and are determined to ensure that Evolve will be well placed to take advantage of that growth.

Oliver Vaughan

Chairman

28 May 2009

Directors' Report for the period ended 28 December 2008

The Directors present their report and the financial statements for the period from incorporation to 28 December 2008.

Principal activities

The Company's principal activity is to invest in companies on the PLUS-quoted market or intending to join the PLUS-quoted market.

Principal developments and business review

The Company was incorporated on 27 September 2007, and admitted to trading on AIM on 28 December 2007 having completed the raising of £4 million of new equity capital. The Company shares were additionally admitted to trading on PLUS Markets on 7 February 2008.

During the period under review the Company completed three investments and began the process of making a fourth. These transactions and the risks and uncertainties facing the Company are dealt with in more detail in the Chairman's Statement. The Company's key performance indicator is considered to be earnings per share details of which are disclosed in note 8 to the financial statements.

Dividends

No dividend was paid during the financial period.

Future developments

The Directors regard the Company's position at the period end to be satisfactory. The Company intends to increase the funds available to it to invest when market conditions permit and to continue to focus principally on the small and micro cap market sectors.

Principal risks and uncertainties

In addition to the risks attached to financial instruments discussed in note 18 to the financial statements, the Company is by the nature of its business exposed to market risk in respect of fixed asset investments.

Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Supplier payment policy

The Company pays its suppliers in accordance with terms agreed with the suppliers. The number of creditor days outstanding at the year-end was 35.

Post balance sheet events

Details of post balance sheet events are provided in note 17 to the financial statements.

Directors' Report for the period ended 28 December 2008

(continued)

Going concern

As part of its regular assessment of the prospects for the Company, the Board reviews a detailed one year plan and further projections. Cash balances have decreased since the period end following the acquisition of Blue Oar Plc, but the Company has significant cash resources and no borrowings.

As a result of such considerations, the Directors have a reasonable expectation at the time of approving the financial statements that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Accounts drawn to 28 December 2008

As referred to in more detail in the Chairman's Statement, the Directors have taken advantage of the provisions of Section 223 of the Companies Act 1985 and have drawn Evolve's accounts for the period up to 28 December 2008, being a date that is within seven days of the Company's accounting reference date and the latest date on which Blue Oar was not a subsidiary of the Company.

Directors

The Directors who served during the period since incorporation and their interests in the issued share capital of the Company at the end of the period were as follows:

	28 December 2008
O Vaughan (appointed 27 September 2007)	5,250,001
E Vandyk (appointed 27 September 2007)	5,250,001
D Snow (appointed 5 December 2007)	1,090,000
J Noble (appointed 5 December 2007)	1,250,000
M Jackson (appointed 5 December 2007)	2,000,000

Financial instruments

Details regarding the Company's use of financial instruments and their associated risks are given in note 18 to the financial statements.

Auditors

In the case of each of the persons who are Directors of the Company at the date when this report is approved:

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

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

BDO Stoy Hayward LLP have been appointed as auditors and have expressed their willingness to continue in office.

On behalf of the Board

Oliver Cooke
Company Secretary
28 May 2009

Independent Auditors' Report to the Members of Evolve Capital Plc

We have audited the financial statements of Evolve Capital Plc for the period from 27 September 2007 to 28 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the annual report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 have been properly prepared in accordance with the Companies Act 1985, and whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

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

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 28 December 2008 and of its loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

BDO Stoy Hayward LLP

Chartered Accountants and Registered Auditors

Epsom

28 May 2009

Profit and Loss Account

For the period ended 28 December 2008

	Note	Period ended 28 December 2008 £
Administrative expenses		<u>(331,454)</u>
Operating loss	2	(331,454)
Profit on disposal of fixed asset investments		<u>75,683</u>
Loss on ordinary activities before interest		(255,771)
Interest receivable and similar income	5	140,226
Interest payable and similar charges	6	<u>(46)</u>
Loss on ordinary activities before taxation		(115,591)
Taxation on loss on ordinary activities	7	<u>-</u>
Loss for the financial year	14, 15	<u><u>(115,591)</u></u>
Loss per share (pence)		
Basic and diluted	8	<u><u>(0.36)</u></u>

All amounts relate to continuing operations.

There were no recognised gains and losses other than those included in the profit and loss account, and accordingly no separate statement of total recognised gains and losses is presented.

The notes on pages 12 to 19 form part of these financial statements.

Balance Sheet

As at 28 December 2008

	Note	28 December 2008	
		£	£
Fixed Assets			
Tangible fixed assets	9		7,531
Fixed asset investments	10		<u>1,153,595</u>
			1,161,126
Current Assets			
Debtors	11	313,871	
Cash at bank and in hand		<u>2,422,729</u>	
		2,736,600	
Creditors: amounts falling due within one year	12	<u>(72,749)</u>	
Net Current Assets			<u>2,663,851</u>
Total Assets Less Current Liabilities			<u><u>3,824,977</u></u>
Capital and Reserves			
Called up share capital	13		462,500
Share premium account	14		3,478,068
Profit and loss account	14		<u>(115,591)</u>
Shareholders' Funds	15		<u><u>3,824,977</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 28 May 2009.

Edward Vandyk
Director

The notes on pages 12 to 19 form part of these financial statements.

Cash Flow Statement

For the period ended 28 December 2008

	Note	28 December 2008	
		£	£
Net cash outflow from operating activities	16		(371,066)
Returns on investment and servicing of finance			
Interest received		140,226	
Interest paid		(46)	
		<hr/>	140,180
Capital expenditure and financial investments			
Purchase of tangible fixed assets		(10,041)	
Purchase of fixed asset investments		(1,325,000)	
Sale of fixed asset investments		247,088	
Grant of loans		(199,000)	
		<hr/>	(1,286,953)
Cash outflow before management of liquid resources and financing			(1,517,839)
Financing			
Proceeds from issue of ordinary share capital		4,062,500	
Expenses of share issues	14	(121,932)	
		<hr/>	3,940,568
Increase in cash in the period and closing net funds			<hr/> <hr/> 2,422,729

The notes on pages 12 to 19 form part of these financial statements.

Notes to the Financial Statements

For the period ended 28 December 2008

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable law and accounting standards in the United Kingdom.

(i) Balance Sheet Date

The Directors have taken advantage of the provisions of Section 223 of the Companies Act 1985 and have drawn Evolve Capital Plc's accounts for the period up to 28 December 2008, being a date that is within seven days of the Company's accounting reference date and the latest date on which Blue Oar was not a subsidiary of the Company.

(ii) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and include the results of the Company's operations which are described in the Directors' Report and all of which are continuing.

(iii) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following basis:

Office equipment	25% of cost per annum
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(iv) Investments

Investments held as fixed assets are stated at cost less any provision for impairment.

(v) Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all material timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred as at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessment in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

(vi) Financial instruments

Financial instruments are measured initially and subsequently at cost less provisions for impairment where necessary.

Notes to the Financial Statements
For the period ended 28 December 2008

2. OPERATING LOSS

The operating loss is stated after charging:

	Period ended 28 December 2008
	£
Depreciation of tangible fixed assets	2,510
Auditors' remuneration – audit fees	13,500
Auditors' remuneration – services relating to corporate finance transactions	17,500
Auditors' remuneration – other services	<u>5,000</u>

3. STAFF COSTS

Staff costs, including Directors' remuneration, were as follows:

	Period ended 28 December 2008
	£
Wages and salaries	91,260
Social security costs	<u>2,713</u>
	<u>93,973</u>

The average monthly number of employees during the year was as follows:

	Period ended 28 December 2008
Office and management	<u>2</u>

4. DIRECTORS' REMUNERATION

	Period ended 28 December 2008
	£
Directors' emoluments	<u>71,760</u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Period ended 28 December 2008
	£
Interest received on bank deposits	<u>140,226</u>

Notes to the Financial Statements
For the period ended 28 December 2008

6. INTEREST PAYABLE

	Period ended 28 December 2008 £
Bank interest paid	<u>46</u>

7. TAXATION

	Period ended 28 December 2008 £
Current year taxation:	
UK Corporation tax at 28.5%	<u>-</u>
	-
Deferred taxation:	
Current year charge	<u>-</u>
	<u>-</u>

The actual tax charge for the current period is greater than the standard rate of tax for the reasons set out in the following reconciliation:

	Period ended 28 December 2008 £
Loss on ordinary activities before tax	<u>(115,591)</u>
Tax on loss on ordinary activities at the standard rate of UK tax of 28.5%	(32,943)
Effects of:	
Expenses not deductible for tax purposes	11,308
Depreciation in excess of capital allowances	472
Creation of tax losses not utilised	<u>21,163</u>
Current tax charge for the year	<u>-</u>

8. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss on ordinary activities after tax and on the weighted average number of ordinary shares in issue during the period. There were no dilutive financial instruments in existence during the period. Details of the loss and weighted average number of shares used in the calculation are set out in the table below:

	Period ended 28 December 2008		
	Loss £	Weighted average number of shares	Loss per share pence
Basic and diluted loss per ordinary share	<u>(115,591)</u>	<u>31,895,425</u>	<u>(0.36)</u>

Notes to the Financial Statements
For the period ended 28 December 2008

9. TANGIBLE FIXED ASSETS

	Office equipment £
Cost	
On incorporation	-
Additions	10,041
At 28 December 2008	<u>10,041</u>
Depreciation	
On incorporation	-
Charge for year	2,510
At 28 December 2008	<u>2,510</u>
Net Book Value	
At 28 December 2008	<u>7,531</u>

10. FIXED ASSET INVESTMENTS

	Other investments £
Cost	
On incorporation	-
Additions	1,325,000
Disposals	<u>(171,405)</u>
At 28 December 2008	<u>1,153,595</u>
Listed investments	628,595
Unlisted investments	<u>525,000</u>
	<u>1,153,595</u>
Market value of listed investments	<u>1,365,089</u>

11. DEBTORS

Amounts falling due within one year:	28 December 2008 £
Other debtors	199,000
Prepayments	114,871
	<u>313,871</u>

Other debtors represent the unsecured loans made during the period to 3D Diagnostic Imaging Plc to provide working capital ahead of a larger refinancing of the company that was completed on 13 February 2009. These loans were repaid in full in February 2009.

Notes to the Financial Statements
For the period ended 28 December 2008

12. CREDITORS

Amounts falling due within one year:

	28 December 2008
	£
Trade creditors	31,665
Other taxation and social security	9,834
Accruals	31,250
	<u>72,749</u>

13. SHARE CAPITAL

	28 December 2008	
	Number	
Authorised		
Ordinary shares of 1 pence each		<u>100,000,000</u>
	Number	£
Allotted, called up and fully paid		
Ordinary shares of 1 pence each issued on incorporation at 27 September 2007	2	-
Ordinary shares of 1 pence each issued during the period	<u>46,250,000</u>	<u>462,500</u>
Balance at 28 December 2008	<u>46,250,002</u>	<u>462,500</u>

The Company was incorporated on 27 September 2007 with 2 issued but unpaid Ordinary shares of 0.1 pence each.

On 8 October 2007 the Company allotted and issued 50,000,000 Ordinary shares of 0.1 pence each at par.

On 9 November 2007, the Company allotted and issued 18 Ordinary shares of 0.1 pence each at par. Cash was received in respect of the 20 issued but previously unpaid shares.

By a special resolution passed at a General Meeting of the Company held on 9 November 2007 every 10 issued or unissued Ordinary shares of 0.1 pence each were consolidated into an Ordinary share of 1 pence each.

On 5 December 2007 the Company issued 1,250,000 Ordinary shares of 1 pence each at par.

On 28 December 2007 the company issued 40,000,000 Ordinary shares of 1 pence each by way of a placing at 10 pence per share.

Notes to the Financial Statements
For the period ended 28 December 2008

14. RESERVES

28 December 2008

Share Premium Account

On incorporation at 27 September 2007	-
Premium on issue of Ordinary share capital	3,600,000
Share issue costs written off to share premium account	<u>(121,932)</u>
At 28 December 2008	£ <u>3,478,068</u>

Profit and Loss Account

At 27 September 2007	-
Loss for the period	<u>(115,591)</u>
At 28 December 2008	£ <u>(115,591)</u>

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Period ended
28 December 2008
£

Loss for the period	(115,591)
Issue of shares	4,062,500
Share issue costs	<u>(121,932)</u>
Net addition to shareholders' funds	3,824,977
Opening shareholders' funds	<u>-</u>
Closing shareholders' funds	<u>3,824,977</u>

16. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

Period ended
28 December 2008
£

Operating loss	(331,454)
Depreciation of fixed assets	2,510
Increase in debtors	(114,871)
Increase in creditors	<u>72,749</u>
Net cash outflow from operating activities	<u>(371,066)</u>

Notes to the Financial Statements

For the period ended 28 December 2008

17. POST BALANCE SHEET EVENTS

Offer for Blue Oar Plc

On 8 December 2008 Evolve announced that it was making an offer for the whole of the issued and to be issued share capital of another AIM listed company, Blue Oar Plc. The consideration offered was 1,025 new ordinary shares of 1p each in the capital of Evolve for every 1,000 Blue Oar shares. Based upon the closing price of 10.5 pence per Evolve share on 5 December 2008, being the latest practicable date prior to the announcement of the Offer, the Offer valued each Blue Oar share at approximately 10.76 pence, equivalent to an increase of 19.6 per cent. on the closing price of 9 pence per Blue Oar share on 5 December 2008, being the latest practicable date prior to the announcement of the Offer. On this basis the Offer valued the entire issued share capital of Blue Oar at approximately £17.9 million.

On 24 December 2008 Evolve announced that it had received valid acceptances from holders of Blue Oar shares representing more than 50 per cent. of that company's issued share capital, and that subject to the outcome of a general meeting of Evolve's shareholders convened for 29 December 2008, it intended to declare the Offer unconditional.

On 29 December 2008 Evolve announced that all of the resolutions put to the Company's shareholders in general meeting had been passed unanimously and declared the Offer unconditional in all respects. They also announced that the first closing date for the Offer would be 13 January 2009. Evolve then allotted and issued 86,160,884 new ordinary shares of 1 pence each as consideration for the Blue Oar shares held by those who had already accepted the Offer.

On 31 December 2008 Evolve's shares were readmitted to trading on AIM.

On 6 January 2009 Evolve allotted and issued 6,335,738 new ordinary shares of 1 pence each as consideration for the Blue Oar shares held by members of Blue Oar's staff who had been permitted, prior to the Offer being declared unconditional, to accept the offer anonymously.

On 13 January 2009 Evolve allotted and issued a further 18,949,748 new ordinary shares of 1 pence each as consideration for the Blue Oar shares held by other Blue Oar shareholders who had now accepted the Offer. Evolve then announced that the Offer was closed.

On 29 January 2009 Evolve allotted and issued a further 9,085 new ordinary shares of 1 pence each as consideration for the Blue Oar shares held by Blue Oar shareholders who had accepted the Offer before the closing date but whose acceptances had previously been incomplete.

Also on 29 January 2009 Evolve allotted and issued a further 151,187 new ordinary shares of 1 pence each and paid the sum of £6,829 in cash as consideration for certain Blue Oar shares held under Blue Oar's share option scheme.

On 13 February 2009 Evolve allotted and issued a further 166,016 new ordinary shares of 1 pence each as consideration for the remaining Blue Oar shares held by Blue Oar shareholders who had accepted the Offer before the closing date but whose acceptances had previously been incomplete.

At the end of this process Evolve had acquired a total of 109,149,111 Blue Oar Shares representing 65 per cent. of that company's issued share capital.

WH Ireland Group plc

On 1 May 2009 Evolve issued 10,075,950 new ordinary shares in consideration for the purchase of 1,119,550 ordinary shares in WH Ireland Group plc, equivalent to approximately 5.31% of that company's issued share capital. On 20 May 2009 the Company announced it had disposed of its holding in WH Ireland Group plc for 85 pence per share, realising a profit of £416,000.

At 28 May 2009 Evolve has a total of 168,098,610 ordinary shares of 1 pence each in issue.

Notes to the Financial Statements

For the period ended 28 December 2008

17. POST BALANCE SHEET EVENTS

(continued)

Investment in 3D Diagnostic Imaging Plc

In July 2008 Evolve had invested £25,000 to acquire 25,000,000 new ordinary shares of 0.1 pence each in the capital of 3D Diagnostic Imaging plc (“3D”).

3D is a company incorporated in the Isle of Man, whose wholly owned subsidiary CarieScan Limited (“CarieScan”), a Scottish registered company based in Dundee, has acquired certain technology rights and is now marketing a fully certified, easy to use, hand-held device for early detection and monitoring of tooth decay. The directors of CarieScan believe the device to be significantly more accurate than any comparable device available on the market today.

On 13 February 2009 Evolve subscribed £3,675 for an additional 3,675,000 ordinary shares of 0.1 pence each. In addition it invested £450,000 in the form of unsecured convertible loan notes, which upon admission of the Company’s shares to trading on the PLUS-quoted market would automatically convert into 11,250,000 new ordinary shares in the company, and undertook that at admission it would subscribe a further £50,000 for 714,286 new ordinary shares at a subscription price of 7 pence per share.

During the latter half of 2008 Evolve had made a number of unsecured short term working capital loans to 3D and CarieScan. At 28 December 2008 these amounted in total to £199,000. Further loans were made to the company in January 2009 taking the total to £287,000, which sum was repaid in full by 3D on 13 February 2009. On 21 April 2009 3D’s shares were admitted to trading on the PLUS-quoted market. At 28 May 2009 Evolve holds a total of 40,639,286 shares which is equivalent to 41.5 per cent. of 3D’s issued share capital.

18. FINANCIAL INSTRUMENTS

The principal financial instrument of the Company is cash. The Company has taken advantage of the exemption permitting it not to treat short-term debtors and creditors as financial instruments. The Company’s policy is that it does not trade in financial instruments.

The main risks arising from the Company’s activities are interest rate risk, liquidity risk and credit risk. These are monitored by the Board of Directors and were not considered to be significant at the balance sheet date.

The Company’s policy in respect of interest rate risk and liquidity risk is to retain in readily accessible bank deposit accounts sufficient funds to enable the company to meet its debts as they fall due, whilst earning interest at a commercial rate. At the balance sheet date, cash funds of £2,389,805 were held in instant access deposit accounts earning interest at a rate of 3 per cent. The balance of the cash was held in a current account in order to fund the day to day working capital requirements of the company.

The company has adopted a policy of only dealing with creditworthy third parties as a means of mitigating the risk of financial loss from defaults. Credit risk on liquid funds is limited because the third parties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company has no undrawn bank borrowing facilities available to it.

19. RELATED PARTY TRANSACTIONS

Edward Vandyk invoiced the Company £21,500 in respect of Directors’ fees during the period via Whim Gully Capital LLP, a partnership in which he is a partner. At the balance sheet date £10,925 was unpaid and included in trade creditors.

Oliver Vaughan invoiced the Company £21,685 in respect of Directors’ fees during the period via Blackbrook Estates Limited, a company of which he is a director. At the balance sheet date £21,685 was unpaid and included in trade creditors.