

Company Registration No. 3882653 (England and Wales)

MICROCAP EQUITIES PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

MICROCAP EQUITIES PLC

COMPANY INFORMATION

Directors Mr. N. Greenstone (Chairman)
Mr. R. Patel
Mr. J. Holmes

Secretary Mr. N. Greenstone

Company Number 3882653

Registered office Thames House
Portsmouth Road
Esher
Surrey
KT10 9AD

Auditors HW Fisher & Company
Acre House
11-15 William Road
London
NW1 3ER

Bankers Royal Bank of Scotland Plc
28 Cavendish Square
London
W1M 0DB

Nominated advisor and broker John East & Partners Limited
10 Finsbury Square
London
EC2A 1AD

Registrar Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

MICROCAP EQUITIES PLC

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MICROCAP EQUITIES PLC

**CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007**

I am pleased to report on the results of the company for the year ended 31 December 2007.

The Company's operating loss decreased to £90,363 (2006: £92,399). The loss before tax decreased to £86,432 compared to a loss last year of £91,880 excluding the interest paid on redemption of convertible unsecured loan notes.

This year £10,000 of convertible unsecured loan notes were redeemed.

Your directors continue to investigate ways of increasing shareholder value.

N. Greenstone
Chairman

25 June 2008

MICROCAP EQUITIES PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

The directors present their report and financial statements for the year ended 31 December 2007.

Principal activities and review of the business

The principal activity of the Company continued to be that of investment.

Principal risks and uncertainties

The Company trades in shares listed on the AIM market and also in private unquoted businesses. Consequently it may be difficult for the Company to realise its holdings.

Key performance indicators

The key performance indicators are the loss on ordinary activities after taxation as stated in the Income Statement and the valuation of the investments as stated in the Balance Sheet.

Results

The loss for the year after taxation amounted to £86,432.

Directors

The following directors have held office since 1 January 2007:

Mr. N. Greenstone
Mr. R. Patel
Mr. J. Holmes

Taxation Status

The Company was not a close company within the provisions of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year.

Creditor amount policy

The Company's current policy concerning the payment of trade creditors is to:

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

Trade creditors at the year end all relate to sundry administrative overheads and disclosure of the number of days' purchases represented by year end creditors is not meaningful.

Auditors

In accordance with section 485 of the Companies Act 2006, a resolution proposing that HW Fisher & Company be reappointed as auditors of the Company will be put to the Annual General Meeting.

MICROCAP EQUITIES PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards. 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 those financial statements, the directors are required to:

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

The directors 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.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the board

Mr. N. Greenstone
Director

25 June 2008

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF MICROCAP EQUITIES PLC
FOR THE YEAR ENDED 31 DECEMBER 2007**

We have audited the financial statements of Microcap Equities Plc for the year ended 31 December 2007 set out on pages 8 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body. In accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purposes. 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 the directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union 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 are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the directors' report is consistent with the financial statements.

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

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Audit (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 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.

**MICROCAP EQUITIES PLC
INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF MICROCAP EQUITIES PLC
FOR THE YEAR ENDED 31 DECEMBER 2007**

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adapted by the European Union, of the state of the Company's affairs as at 31 December 2007 and of its loss for the year 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.

HW Fisher & Company
Chartered Accountants
Registered Auditor

25 June 2008

Acre House
11-15 William Road
London
NW1 3ER

MICROCAP EQUITIES PLC

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	Year ended 31 December 2007	Restated Year ended 31 December 2006
		£	£
Administrative expenses		(90,363)	(92,399)
Operating loss	3	<u>(90,363)</u>	<u>(92,399)</u>
Interest receivable and similar income	4	3,931	718
Interest payable and similar charges	5	-	(306,786)
Loss on ordinary activities before taxation		<u>(86,432)</u>	<u>(398,467)</u>
Tax on loss on ordinary activities	6	-	-
Loss for the year		<u><u>(86,432)</u></u>	<u><u>(398,467)</u></u>
Loss per share (pence)			
- Basic	7	<u>(0.08p)</u>	<u>(0.73p)</u>
- Diluted		<u>(0.08p)</u>	<u>(0.73p)</u>

The Income Statement has been prepared on the basis that all operations are continuing operations.

MICROCAP EQUITIES PLC

STATEMENT OF RECOGNISED INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER 2007

	Year ended 31 December 2007	Restated Year ended 31 December 2006
	£	£
Net loss on available for sale investments	(1,482)	(85,000)
Net loss recognised directly in equity	(1,482)	(85,000)
Loss for the period	(86,432)	(398,467)
Total recognised income and expense for the financial period	(87,914)	(483,467)

STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Retained earnings	Total
	£	£	£	£
At 1 January 2006	1,116,371	3,313,417	(4,334,521)	95,267
Issue of ordinary shares	593,174	-	-	593,174
Loss for the year	-	-	(398,467)	(398,467)
Net loss on available for sale assets	-	-	(85,000)	(85,000)
Transfer from share premium account	-	(306,587)	306,587	-
As at 31 December 2006	1,709,545	3,006,830	(4,511,401)	204,974
Issue of ordinary shares	20,000	-	-	20,000
Loss for the year	-	-	(86,432)	(86,432)
Net loss on available for sale investments	-	-	(1,482)	(1,482)
As at 31 December 2007	1,729,545	3,006,830	(4,599,315)	137,060

MICROCAP EQUITIES PLC

BALANCE SHEET AS AT 31 DECEMBER 2007

		As at 31 December 2007 £	Restated as at 31 December 2006 £
ASSETS	Note		
Non-current assets			
Investments – available for sale	8	69,800	71,282
		<hr/>	<hr/>
Current assets			
Trade and other receivables	9	10,497	2,559
Cash and cash equivalents	13	85,338	176,041
		<hr/>	<hr/>
		95,835	178,600
LIABILITIES			
Current liabilities			
Trade and other payables	10	(28,575)	(44,908)
		<hr/>	<hr/>
Net Current Assets		67,260	133,692
		<hr/>	<hr/>
NET ASSETS		137,060	204,974
		<hr/>	<hr/>
SHAREHOLDERS' EQUITY			
Called up share capital	11	1,729,545	1,709,545
Share premium account		3,006,830	3,006,830
Retained earnings		(4,599,315)	(4,511,401)
		<hr/>	<hr/>
TOTAL EQUITY		137,060	204,974
		<hr/>	<hr/>

The financial statements were approved by the board of directors on 25 June 2008 and signed on its behalf by:

Nicolas Greenstone
Director

25 June 2008

MICROCAP EQUITIES PLC

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Cash flows from operating activities			
Cash expended from operations	12	(94,634)	(145,965)
Net cash from operating activities		<u>(94,634)</u>	<u>(145,965)</u>
Cash flows from investing activities			
Interest received		3,931	718
Interest paid		-	(199)
Net cash from investing activities		<u>3,931</u>	<u>519</u>
Cash flows from financing activities			
New debenture loan		-	306,587
Net cash from financing activities		<u>-</u>	<u>306,587</u>
(Decrease)/Increase in cash and cash equivalents		<u>(90,703)</u>	<u>161,141</u>
Reconciliation of net cash flow to movement in net funds	13		
(Decrease)/Increase in cash and cash equivalents		(90,703)	161,141
Change in net funds		<u>(90,703)</u>	<u>161,141</u>
Net funds at start of period		176,041	14,900
Net funds at end of period	13	<u>85,338</u>	<u>176,041</u>

MICROCAP EQUITIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

1. ACCOUNTING POLICIES

1.1 Basis of preparation

Microcap Equities Plc is a company incorporated in the United Kingdom under the Companies Act 1985.

The financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS'), and the provisions of the Companies Act 1985 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention or fair value where appropriate. The significant accounting policies adopted are described below.

1.2 First time adoption of IFRS

See note 16 for reconciliation of transition from UK GAAP to IFRS.

1.3 Sources of estimation uncertainty

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amounts, events or actions, actual results ultimately may differ from these estimates.

The Company believes that the most significant critical judgement area in the application of its accounting policies is the carrying value of the financial assets.

1.4 Financial instruments

The Company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are recognised on the balance sheet at fair value when the Company becomes a party to the contractual provisions of the instrument.

1.5 Investments

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 cost, including transaction costs.

For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period.

MICROCAP EQUITIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

1.6 Financial liabilities

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 entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as interest bearing loans and borrowings in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the Income Statement. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited directly to equity.

1.7 New standards and interpretations

During the period the International Accounting Standards Board ('IASB') issued IFRS 8 'Operating segments' which is effective for accounting periods commencing 1 January 2009. This standard has not been adopted early by the Company as it is not expected to have a material impact on the Company's financial statements.

The International Financial Reporting Interpretations Committee have also issued interpretations which the Company does not consider will have a significant impact on the financial statements.

1.8 Taxation

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

Deferred tax is recognised, using the liability method, in respect of temporary differences between the carrying amount of the group's assets and liabilities and their tax base.

Deferred tax liabilities are offset against deferred tax assets within the same taxable entity or qualifying local tax group. Any remaining deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits, within the same jurisdiction, in the foreseeable future against which the deductible temporary difference can be utilised.

Deferred tax is determined using tax rates that are expected to apply in the periods in which the asset is realised or liability settled, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Current and deferred tax are recognised in the income statement, except when the tax relates to items charged or credited directly in equity, in which case the tax is also recognised in equity.

2. SEGMENTAL REPORTING

The Company's primary and only segment relates to investing in quoted and unquoted shares. The Company's operating loss and net assets wholly relate to this segment. All trading activity takes place in the United Kingdom and all assets and liabilities are located there.

MICROCAP EQUITIES PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

3. OPERATING LOSS

The operating loss is stated after charging

	2007	2006
	£	£
Auditors remuneration – audit services	7,000	10,000
	<u> </u>	<u> </u>

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2007	2006
	£	£
Bank Interest	3,931	718
	<u> </u>	<u> </u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2007	2006
	£	£
On bank loans and overdrafts	-	199
Premium on redemption of loan notes	-	306,587
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

MICROCAP EQUITIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

6. TAXATION

	2007 £'000	2006 £'000
Current tax charge	-	-
Factors affecting the tax charge for the period		
Loss on ordinary activities before taxation	(86,432)	(398,467)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax of 30.0% (2006 – 30.0%)	(25,930)	(119,540)
Effects of:		
Non deductible expenses	-	33,466
Other tax adjustments	25,930	86,074
Current tax charge	-	-

As at 31 December 2007 a deferred tax asset of £414,686 (2006: £401,626) existed due to unrelieved management expenses and interest of £1,481,020 (2006: £1,388,755) at a rate of 28 per cent (2006: 30 per cent). No provision has been made for this deferred tax asset due to the uncertainty over the availability of future trading profits to offset against these losses.

7. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss on ordinary activities after taxation of £86,432 (2006: £398,467) and on the weighted average number of shares of 108,820,452 (2006: 54,400,540) ordinary shares in issue during the year.

There was no dilutive effect from the share options outstanding during the year.

MICROCAP EQUITIES PLC**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007****8. INVESTMENTS – AVAILABLE FOR SALE**

	Listed investment £	Unlisted investment £	2007 £	2006 £
Fair value				
At 1 January	31,282	40,000	71,282	156,282
Net loss transferred to equity	(1,482)	-	(1,482)	(85,000)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	29,800	40,000	69,800	71,282
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

9. TRADE AND OTHER RECEIVABLES

	2007 £	2006 £
Other receivables	6,863	1,309
Prepayments and accrued income	3,634	1,250
	<hr/>	<hr/>
	10,497	2,559
	<hr/> <hr/>	<hr/> <hr/>

10. TRADE AND OTHER PAYABLES

	2007 £	2006 £
Trade payables	17,486	8,155
Taxation and social security	-	187
Directors current account	5,089	-
Accruals and deferred income	6,000	15,941
Convertible unsecured loan stock	-	20,000
Other creditors	-	625
	<hr/>	<hr/>
	28,575	44,908
	<hr/> <hr/>	<hr/> <hr/>

MICROCAP EQUITIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

11. SHARE CAPITAL

	2007 £	2006 £
Authorised		
995,986,500 ordinary shares of 1p each	9,959,865	9,959,865
2,667,229 deferred shares of 24p each	640,135	640,135
	<u>10,600,000</u>	<u>10,600,000</u>
Allotted, called up and fully paid		
108,941,002 ordinary shares of 1p each	1,089,410	1,069,410
2,667,229 deferred shares of 24p each	640,135	640,135
	<u>1,729,545</u>	<u>1,709,545</u>

On 22 January 2007, £10,000 of convertible unsecured loan stock was converted into 2,000,000 ordinary shares of 1p each.

The holders of deferred shares are not entitled to receive notice of or attend general meetings and will not be entitled to vote at general meetings. In addition, they are not entitled to receive any dividend payments from the profits of the group which it may distribute and declare.

The deferred shares confer a right:

- (1) to repayment to their holders of amounts paid up or credited as paid up on them on a winding up or return of capital or otherwise in proportion to the number of shares held after paying to the holders of the ordinary shares £10,000 in respect of each such share; and
- (2) to participate in any surplus assets of the Company in proportion to the number of such shares held after payment to the holders of ordinary shares.

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

	2007 £	2006 £
Operating loss	(90,363)	(92,399)
(Increase)/Decrease in debtors	(7,938)	48,839
Increase/(Decrease) in creditors within one year	3,667	(102,405)
Net cash (outflow) / inflow from operating activities	<u>(94,634)</u>	<u>(145,965)</u>

MICROCAP EQUITIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

13. ANALYSIS OF NET FUNDS

	1 January 2007 £	Cash flow £	Other non-cash changes £	31 December 2007 £
Cash at bank and in hand	176,041	(90,703)	-	85,338
Net funds	<u>176,041</u>	<u>(90,703)</u>	<u>-</u>	<u>85,338</u>

14. FINANCIAL INSTRUMENTS

The Company currently holds investments in other companies listed on the AIM market of the London Stock Exchange ("AIM") and unquoted companies where the directors consider there is value to be obtained by a prospective float on AIM in the future.

The Company's other financial instruments comprise cash at bank and various items such as trade debtors and creditors that arise directly from its operations. The main purpose of these instruments is to provide finance for operations. The Company has not entered into derivatives transactions and does not trade in financial instruments as a matter of policy. The main future risks arising from the Company's financial instruments are interest rate risk and liquidity risk. There is no currency risk as the Company trades in Sterling.

Operations to date have been financed through a placing of shares and issue of convertible loan notes, which have been converted into shares during the year. It is the Board's policy to keep borrowings to a minimum. The Company has no long term borrowings.

Interest Rate Risk Profile of Financial Assets

The only financial assets (other than short term debtors) are cash at bank held at variable interest rates. Amounts held in Sterling at 31 December 2007 were £85,338.

Interest Rate Risk Profile of Financial Liabilities, excluding Non-debt Current Liabilities

During the year to 31 December 2007, the Company did not incur any interest charges as there were no borrowings.

The difference between the book and fair value of financial assets and liabilities as at 31 December 2007 was £nil.

15. POST BALANCE SHEET EVENTS

On 17 December 2007 the Company created a £1,500,000 convertible unsecured loan stock instrument. The Company received applications for amounts totalling £20,000 on 12 March 2008. This was converted into 6,000,000 ordinary shares of 1p each on 19 March 2008.

MICROCAP EQUITIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

16. EXPLANATION OF TRANSITION TO IFRS

This is the first year that the company has presented its financial statements under IFRS. The following disclosures are required in the year of transition. The last audited financial statements under UK GAAP were for the year ended 31 December 2006 and the date of transition to IFRSs was therefore 1 January 2007.

(a) Reconciliation of balance sheet at 1 January 2006 from UK GAAP to IFRS

	UK GAAP £	Effect of transition to IFRS £	IFRS £
Assets			
Non-current assets			
Investments- available for sale	156,282	-	156,282
Current assets			
Trade and other receivables	51,398	-	51,398
Cash and cash equivalents	14,900	-	14,900
Total current assets	66,298	-	66,298
Total assets	222,580	-	222,580
Liabilities			
Current liabilities			
Trade and other payables	127,313	-	127,313
Total liabilities	127,313	-	127,313
Net assets	95,267	-	95,267
Equity			
Share capital	1,116,371	-	1,116,371
Share premium account	3,313,417	-	3,313,417
Retained losses	(4,334,521)	-	(4,334,521)
Total equity	95,267	-	95,267

MICROCAP EQUITIES PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

(b) **Reconciliation of balance sheet at 31 December 2006 from UK GAAP to IFRS**

	UK GAAP	Effect of transition to	IFRS
	£	IFRS	£
Assets			
Non-current assets			
Investments available for sale	71,282	-	71,282
Current assets			
Trade and other receivables	2,559	-	2,559
Cash and cash equivalents	176,041	-	176,041
Total current assets	178,600	-	178,600
Total assets	249,882	-	249,882
Liabilities			
Current liabilities			
Trade and other payables	34,908	10,000	44,908
Total liabilities	34,908	10,000	44,908
Net assets	214,974	(10,000)	204,974
Equity			
Share capital	1,709,545	-	1,709,545
Share premium account	3,016,830	-	3,016,830
Retained losses	(4,511,401)	(10,000)	(4,521,401)
Total equity	214,974	(10,000)	204,974

MICROCAP EQUITIES PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

(c) **Reconciliation of the UK GAAP statement of profit and loss to the IFRS income statement for the 6 months ended 31 December 2006**

	Audited UK GAAP £	Unaudited effect of transition to IFRS £	Unaudited IFRS £
Administrative expenses	(92,399)	-	(92,399)
Operating loss	(92,399)	-	(92,399)
Interest receivable and similar income	718	-	718
Impairment of available for sale investments	(85,000)	85,000	-
Interest payable and similar charges	(296,786)	(10,000)	(306,786)
Loss on ordinary activities before taxation	(473,467)	75,000	(398,467)
Tax on loss on ordinary activities	-	-	-
Loss for the year	(473,467)	75,000	(398,467)