

**Bright Things Plc**

Report and Financial Statements

For the Year Ended

31 March 2008

## **Bright Things Plc**

### **Annual report and financial statements for the year ended 31 March 2008**

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Officers and advisers

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**Bright Things Plc**

**Officers and advisers**

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**Secretary and Registered Office**

Edward Levey FCCA  
7 Pilgrim Street  
London EC4V 6LB

**Company number**

Registered in England No. 05066489

**Registrars**

Share Registrars Limited  
Suite E – First Floor  
9 Lion and Lamb Yard  
Farnham  
Surrey GU9 7LL

**Brokers**

HB Corporate  
40 Marsh Wall  
London E14 9TP

**Solicitors**

Faegre & Benson LLP  
7 Pilgrim Street  
London EC4V 6LB

**Bankers**

The Royal Bank of Scotland  
13 Market Place  
Reading  
Berks RG1 2EP

**PR Consultants**

Brunswick Group LLP  
16 Lincoln's Inn Fields  
London WC2A 3ED

**Independent Auditors**

BDO Stoy Hayward LLP  
55 Baker Street  
London W1U 7EU

## **Bright Things Plc**

### **Chairman's statement**

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#### **Introduction**

As I announced in the results for the period ending 31 March 2007 and subsequently in the interims, the Board has been reviewing a number of new initiatives and opportunities with a view to growing the business and, in doing so, create value for Shareholders.

Work has continued on the Company's current business, the Tiger Woods PGA Tour 07 game was launched on schedule and the Company continues to explore new opportunities for the ASIC chip.

Notwithstanding the Board's belief in the potential of the historic business, it recognised that in order to grow the Company needed a new product initiative.

Such a product was identified during the year and in December 2007 the company acquired CommonWorld Ltd. Under the terms of the Acquisition Agreement, the Company agreed to acquire the entire issued share capital of CommonWorld for the issue of 7,500,000 Ordinary Shares in the Company and £189,000 of pre-acquisition development loans, which were capitalised as part of the agreement. Following completion of the first version of the product on 31 July 2008, a further 3,091,250 new Ordinary Shares were issued to the vendors of CommonWorld Ltd. In addition, if the net proceeds of sales of the Social Network Maker product in the period of two years following the commercial launch exceed £2,000,000, the Company will issue to the vendors of CommonWorld a further 3,091,250 new Ordinary Shares. The maximum aggregate number of new Ordinary Shares that may be issued pursuant to the Acquisition Agreement is 13,682,500 new Ordinary Shares.

The first product, now named "SocialGO", has been designed to provide a secure, dedicated social network for Groups and Organisations. Whilst "SocialGO" has similar features and functions to social network sites on the Internet such as Facebook, MySpace or Bebo it is distinct by virtue of it enabling Groups and Organisations to create and maintain their own social networks.

"SocialGO" is designed to be highly customisable in both design and layout to suit the specific requirements of the user. The Directors consider there are numerous types of Groups and Organisations for whom "SocialGO" could become an indispensable tool, be it for schools, companies, local sports leagues or simply extended family networks.

At the date of the acquisition, the product was still under development and CommonWorld's only asset on completion was the Intellectual Property ("IP") behind the social network platform.

Immediately following the acquisition, Get On With It Limited ('GOWIT'), a company controlled by the vendors of CommonWorld, was contracted to complete the development of the product. GOWIT has been granted a licence of the IP by CommonWorld under which GOWIT is granted rights that will permit it to support and host seven websites developed for third parties using the IP. The licence also permits GOWIT to use and licence the IP to develop, support and host further bespoke websites for clients, with the prior written consent of CommonWorld, in respect of which CommonWorld will be entitled to a 15% royalty.

Under the services agreement pursuant to which GOWIT agreed to develop "Social Network Maker", CommonWorld agreed to pay GOWIT a royalty of 7.5% on all sales of "Social Network Maker" in excess of £2,000,000, in addition to the fees and expenses payable to GOWIT for the provision of services.

## **Bright Things Plc**

### **Chairman's statement (*Continued*)**

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In order to facilitate the transaction the Company completed at the same time a Capital Reorganisation and Placing. Under the Capital Reorganisation, each issued Ordinary Share of 10p was subdivided into one new Ordinary Share of 1p and one Deferred Share of 9p. It was resolved that the rights attaching to the Deferred Shares would be minimal so that the equity value of the Company would effectively be attributed entirely to the new Ordinary Shares. It was also resolved to sub-divide each of the unissued Ordinary Shares into 10 new Ordinary Shares of 1p. In due course it is intended that the Deferred Shares will be cancelled as part of a capital reconstruction. At the same time the Company raised £955,000 (before expenses) by the issue of 23,875,000 new Ordinary Shares at 4p. The Placing Shares rank pari-passu in all respects with the new Ordinary Shares in issue following the Capital Reorganisation.

### **Progress**

The group has made progress in a number of areas

- Reduced the overhead and cost base and relocated our Head Office to a more cost effective location
- Completed development and launched Tiger Woods PGA Tour 07 game
- Completed a capital reorganisation where each issued Ordinary Share of 10p was subdivided into one new Ordinary Share of 1p and one Deferred Share of 9p.
- Completed an additional fundraising of £955,000 (before expenses) in December 2007, in which 23,875,000 new ordinary shares were allotted at a placing price of 4p.
- Identified a new business opportunity and completed the acquisition of CommonWorld Ltd, a company which develops social networking platform to allow the creation of web based communities
- Completed development of the first Social networking product, "SocialGO", which is currently being Beta tested.

### **Results**

Revenue at £257,000 (2007 - £205,000) primarily consists of ASIC income along with sales and royalties from 41,000 iDVD games (2007 - 37,000 units). Segmental analysis of revenue can be found in note 3 to the accounts.

The operating loss was reduced to £1,011,000 (2007 loss £3,344,000), with cost of sales at £94,000 (2007 - £104,000) research & development costs at £350,000 (2007 - £847,000), other administrative expenses, at £824,000 (2007 - £2,598,000). Other administrative expenses include a one off charge for impairment of IP of £19,000 (2007 - nil), no impairment of goodwill (2007 - £832,000) and a charge for share based payments of £92,000 (2007 - £107,000).

Continuing the trend from last year, cost reductions have reflected on the above overheads and cost of sales. All expenditure continues to be closely monitored.

The Group had cash deposits of £601,000 (2007 - £864,000) at the Balance Sheet date.

### **Prospects**

Opportunities for new applications for the Application Specific Integrated Circuit "ASIC" chip continue to be explored. However, at this time, no further orders have been received from Radica. We continue to have discussions with other parties interested in utilising the ASIC in their products.

New iDVD products will be considered with the Company intending to remain selective in identifying premium licenses, but at present there are no projects in place.

## **Bright Things Plc**

### **Chairman's statement (*Continued*)**

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The Board are excited about the prospects offered by SocialGO. The sales growth of similar types of products is impressive and the Board considers the product to be well positioned to take a stake in this market.

#### **Summary**

We continue to explore all opportunities to utilise the Company's expertise and intellectual property.

Overheads have been significantly reduced and your Board will continue to carefully monitor the working capital requirements of the company.

Finally, I would like to thank all employees for their hard work and dedication during the year.

Ian Livingstone

**Chairman**

25 September 2008

## **Bright Things Plc**

### **Operational and financial review**

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#### **2008 financial year and future product portfolio**

Bright Things launched the following product in the year:

Tiger Woods PGA Tour 07 i-DVD game (released 12 November 2007)

The following product is scheduled for release in 2008:

SocialGO – Social Network Maker

#### **Development model**

We continue to retain the core management and technical skills in house and subcontract development to an external partner. Having acquired CommonWorld Ltd in December 2007 the Company acquired the core IP for SocialGO. At that date, the company also entered into a contract with Get On With It Limited who have the appropriate expertise in website design and development to complete development of SocialGO and provide ongoing development thereafter.

#### **Manufacturing capabilities**

The i-DVDs are manufactured by Sony DADC located in the UK.

#### **Commercialisation of underlying patented technology**

The completion of the engineering of its core bubble technology into an Application Specific Integrated Circuit ‘ASIC’ chip set which received US Patent approval during 2006 enables the core ‘Bubble’ functionality, to be made available as a one chip solution for other peripheral devices interacting with a DVD player or set top box. Opportunities for new applications for the ASIC chip continue to be explored. We continue to have discussions with other parties interested in utilising the ASIC in their products.

#### **Further revenue streams**

The Group’s Patent and Intellectual Property portfolio presents opportunities to generate revenue from the use of our technology in products outside of our initial target market .

#### **Strategy for the future**

The company at present is focusing its resources on the launch of SocialGO. The product, which is presently undergoing Beta testing has progressed well. Enhanced features will include video chat and member billing as well as the ability to buy additional bandwidth and storage modules.

In addition to this development work the Company will continue to explore opportunities for new applications for the ASIC chip.

New iDVD products will be considered with the Company intending to remain selective in identifying premium licenses.

## Bright Things Plc

### Operational and financial review (*Continued*)

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#### Results for operations

The Group made an operating loss of £1,011,000 (2007 - £3,344,000).

Research and development and other administrative expenses were the main components of the loss on ordinary activities during the year ended 31 March 2008.

#### Key figures:

	<b>Year Ended 31 March 2008 £'000</b>	<b>Year Ended 31 March 2007 £'000</b>
Revenue	<b>257</b>	205
Gross Profit	<b>163</b>	101
Research and Development	<b>350</b>	847
Other administrative expenses	<b>805</b>	1,766
Impairment of intangible assets	<b>19</b>	832
Net assets	<b>780</b>	627
Decrease in cash and cash equivalents	<b>263</b>	911
Basic and diluted loss per share	<b>(2.5)p</b>	(13.5)p

## **Bright Things Plc**

### **Operational and financial review (*Continued*)**

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#### **Revenue, £257,000 (2007 – £205,000)**

Revenue for the year primarily consists of the ASIC advance received in the prior year now realised and royalties receivable on goods sold into the channel. Revenue is split between: ASIC revenue £139,000 i-DVD software £87,000; chip sales £14,000; sales development kit £17,000.

#### **Cost of sales, £94,000 (2007 – £104,000)**

Cost of sales includes £76,000 accrued ASIC manufacturing cost; other direct costs of manufacturing products were £20,000. There were no royalties payable to rights holders in the year and a credit of £2,000 was raised against the 2007 charge.

#### **Gross profit, £163,000 (2007 – £101,000)**

The overall gross profit for the year is £163,000. This is split between: Gross Profit on i-DVD of £67,000 achieving a gross margin of 77.0%; Gross Profit on ASIC of £63,000 achieving a gross margin of 45.3%; Gross Profit on chip sales of £14,000 achieving a gross margin of 100%; a gross margin of £17,000 on sales development kit revenue; and a gross margin of £2,000 on Bubble hardware.

#### **Administrative expenses**

Administrative expenses for the year ended 31 March 2008 are the main component of the loss on ordinary activities during the year. Administrative expenses are in line with expectation and are analysed into two categories:

#### **Research and Development, £350,000 (2007 - £847,000)**

All CommonWorld post acquisition research and development expenditure has been charged to the income statement account as incurred per the accounting policy in note 1 to the financial statements on page 36. This includes all hardware development expenditure, software development expenditure on individual titles and advance royalties paid under licensing arrangements.

##### **Hardware, £17,000 (2007 - £238,000)**

Hardware development spend includes the following: £15,000 relates to the ASIC chip development. £2,000 relates to work on speculative development for new business activities.

##### **Software, £283,000 (2007 - £411,000)**

Software development spend includes the following: £209,000 relates to the development of SocialGO – Social Network Maker due to be launched Autumn 2008. £101,000 relates to the development of the Tiger Woods title launched in the year. £3,000 relates to work on speculative development for new business activities. A credit of £30,000 relates to the original Bubble titles.

All products are developed through outsource contracts with third party developers and managed via our internal production team.

Management have taken the decision to write off all of these costs in these accounts due to the uncertainty of the level of future sales at this time.

## Bright Things Plc

### Operational and financial review (*Continued*)

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#### **Licensing expenditure, £50,000 (2007 - £198,000)**

Licensing expenditure relates wholly to Tiger Woods advances, which are recoupable against future royalties payable.

Licence fees payable to organisations for use of their Intellectual Property over a number of years are charged to the income statement account based on actual product sales. Management relies on forecasts of sales to determine the relevant amortisation rate of the licence fee. Management regularly reviews the carrying value of such licences.

Due to the uncertainty of the level of future sales, management have taken the decision to amortise all licence fee expenditure and write off all advances paid.

#### **Other administrative expenses, £824,000 (2007 - £2,598,000)**

Other administrative costs comprise all the costs of running Bright Things' operating and corporate functions. This includes the staff, contractors and agencies together with associated costs employed in sales, marketing, PR, design, project management, production, IT, quality assurance, finance and legal. There was an impairment of IP of £19,000 (2007 – nil) and no impairment of goodwill in the year (2007 - £832,000) as it was fully impaired in the prior year.

The main component of administrative expenditure relates to human resource costs, totalling £313,000 (2007 - £725,000). Staff reductions occurred in both the UK and US offices during the period as the Group focus was redirected.

The share based payment charge (IFRS 2) for the year totalled £92,000 (2007 - £107,000). Of this £52,000 (2007 - £107,000) related to employee share options and £40,000 (2007 - nil) relates to shares issued following the completion of the first version of SocialGO.

External agencies and contractors have been used to assist in sales, marketing and PR roles.

Office and administration costs totalled £83,000 (2007 - £184,000), of which office costs were £46,000 (2007 - £120,000).

Travel and subsistence costs decreased in the year to £51,000 (2007 - £160,000). This reduction is principally due to the decrease in travel between the UK & US for new business development activities.

Marketing costs totalled £40,000 (2007 - £235,000). These costs primarily relate to retained agencies and consultants. £23,000 relate to the Tiger Woods i-DVD.

Professional expenses decreased in the year to £76,000 (2007 - £135,000). Included in this, the amount relating to the portfolio of patent applications reduced to £1,000 (2007 - £26,000) for the period. The decrease is as expected as the cost is maintaining patents acquired in previous years.

Also included in other administrative expenses is depreciation and amortisation of £102,000 (2007 - £162,000).

## **Bright Things Plc**

### **Operational and financial review (*Continued*)**

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#### **Taxation**

No tax charge arises on the loss for the financial year. At 31 March 2008 the Group has approximately £12.1 million of losses available to carry forward to set against future taxable profits, subject to agreement with the UK and USA tax authorities.

#### **Loss per share**

Basic and diluted loss per share of 2.5p (2007 loss of 13.5p) has decreased due to the scaling down of the Group's research and development activities and reduction in administration costs.

#### **Acquired intangible assets and amortisation**

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives. The amortisation expense is included within the administrative expenses line in the consolidated income statement. The significant intangibles recognised by the group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are in note 1 on page 36.

On 27 December 2007 the group acquired 100% of the voting equity instruments of CommonWorld Limited, a company whose principal activity was the development of a social networking platform. Details of the intangible asset acquired and purchase consideration are in note 11 on pages 49 and 50.

#### **Goodwill**

Goodwill results from the acquisition of subsidiaries, associates and joint entities and corresponds to the difference between the fair value of consideration and the fair value of the assets, liabilities and contingent liabilities identified at the date of acquisition.

Under IFRS 3 *Business Combinations* and IAS 38 *Intangible Assets* goodwill is not amortised, but it is subject to an annual impairment review. On 31 March 2007, following such a review, goodwill (£832,000) was fully impaired.

#### **Credit risk**

Details of the Group's credit risk are in note 15.

#### **Foreign currency risk**

Details of the Group's foreign currency risk are in note 15.

#### **Liquidity risk**

Details of the Group's liquidity risk are in note 15.

#### **Financial instruments**

Details of the Group's financial instruments are given within Financial Risk Management note 15.

## Bright Things Plc

### Operational and financial review (*Continued*)

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#### Risks and uncertainties

The principal risks to the business are:

- The Group's ability to market and sell SocialGO.
- Ensuring that products keep abreast of technological developments.
- Ensuring the Group has adequate cash resources to enable it to build the SocialGO brand.

These risks are addressed by:

- The Group has retained sales marketing and PR consultants to maximise opportunities for SocialGO.
- The Group and its development partner monitor comparable products and attend conferences and workshops applicable to the sector to keep abreast of technological developments.
- The Group intends to raise additional cash by way of a placing, which will be underwritten.

Details of the Group's exposure to financial risk and its risk management policies is contained in note 15 to the financial statements and in this operational and financial review.

#### Key performance indicators

The key current issues and performance indicators for the continuing success of the development of the business revolve around three major factors.

These are:

- The timely and cost effective progression of all the Group's products/projects through the R&D process to bring them to the point of commercialisation.
- The adequacy and availability of cash resources to fund the R&D and commercialisation of the product pipeline.
- That all the intellectual property owned by the group is properly and thoroughly protected.

#### Working Capital

The Group's operational cash position has been reduced by the continued investment in research and development during the year together with operational overheads and lower than anticipated sell through at retail of our products. At 31 March 2008, the Group had cash of £601,000 (2007 - £864,000). At the end of the financial year the group had net current assets of £357,000 (2007 net current assets of £500,000).

During the year, the Company undertook a fundraising exercise where 23,875,000 shares at 4p raised £955,000 before expenses.

Net assets have increased to £780,000 (2007 - £627,000), this is primarily due to the funds raised and acquisition for share based consideration of CommonWorld Ltd and the IP it owns in December 2007.

The Group has made further progress in reducing the monthly cash burn through a reduction in head count and down sizing of the serviced office space in all locations.

The board continues to monitor the organisation's general overheads and to make savings where appropriate. The board constantly seeks cost efficiencies as appropriate given the current level of cash resources.

Edward Levey

**Finance Director**

25 September 2008

## Bright Things Plc

### Directors and board committees

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#### **Ian Livingstone**

**non-executive chairman, chairman of remuneration committee, chairman of audit committee, aged 58**

Ian has been in the interactive games industry for over 25 years. In 1975, with Steve Jackson, he co-founded Games Workshop and launched Dungeons & Dragons in Europe. In 1982 he co-authored the first of the multi-million selling Fighting Fantasy Game books. His former positions include Executive Chairman of Eidos plc. He has helped Eidos secure many of its major franchises, including Tomb Raider. He is presently Product Acquisition Director at Eidos.

#### **Dominic Wheatley**

**chief executive officer, audit committee member, aged 49**

Dominic co-founded Bright Things in September 2002. Before co-founding Bright Things, Dominic had considerable executive management experience in the video games industry. He co-founded Domark in 1984, a video games company that he later reversed into Eidos. In 1992 Dominic established Domark's US subsidiary in California. The company changed its name and Dominic served as CEO of Eidos Interactive until 1997. He then became an investor in various companies, some of which he joined as a Director and helped float on the London Stock Exchange (Statpro plc, Kuju plc, and Telecom Plus plc). He also has commercial interests in France. As co-founder, Dominic owned 50 per cent of Bright Things until its floatation in April 2004. Dominic remains the largest shareholder.

#### **Matthew Tims**

**publishing director, audit committee member, aged 47**

Matthew has over 20 years of experience in computer software publishing through previous positions at Palace Software and Domark. Prior to joining the company, Matthew was CEO at Two Way TV, a company specialising in interactive television.

#### **Edward Levey FCCA**

**finance director, remuneration committee member, audit committee member, aged 57**

Edward has held a number of directorships during the last 20 years in companies operating in the manufacturing, engineering and service industries. He began his career with SG Brown Limited (a part of the Hawker Siddeley group) and became a Fellow of the Association of Certified Accountants (FCCA) in 1988. Edward is currently a non-executive director and company secretary of Highway Capital plc.

## **Bright Things Plc**

### **Corporate governance statement**

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The board is committed to establishing and maintaining high standards of corporate governance, the process by which the Group is directed and managed, risks are identified and controlled and effective accountability assured. The Board voluntarily applies the principles of good corporate governance so far as is practicable for a group of this size.

#### **The Board of Directors**

The Board comprises one non-executive director and three executive directors. The non-executive director is appointed as the Chairman of the group. Non-executive directors are considered independent. All directors are required to stand for re-election at least every three years.

All members of the board are equally responsible for the management and proper stewardship of the Group. The non-executive directors are independent of management and, other than described in note 19 to the accounts, free from any business or other relationship with the Company or Group. The non-executive directors are able to bring independent judgement to issues brought before the Board.

The Board meets throughout the year. The meeting follows a formal agenda, which includes matters specifically reserved for decisions by the Board. Prior to each board meeting directors are sent an agenda together with additional information, including financial reports, required for the meeting.

The Board also meets where necessary to approve specific decisions. The Board has delegated responsibility to two sub-committees. The audit committee and the remuneration committee. The audit committee and remuneration committee are chaired by the non-executive Chairman.

Directors have access to the advice and services of the Company Secretary and may take, at the Company's expense, independent professional advice.

#### **The audit committee**

The audit committee is made up of the full Board, and meets at least twice a year to review the financial results, the findings of the external independent auditors, internal control systems and the Group's financial accounting procedures and policies and the cost effectiveness, independence and objectivity of the external auditors.

#### **The remuneration committee**

This committee has two members, Ian Livingstone and Edward Levey, and is responsible for the remuneration of the executive directors. It advises the Board on the broad framework for executive remuneration and determines, on behalf of the Board, the individual remuneration packages. The policies they adopt along with details of directors remuneration and service contracts are included in the Remuneration report on pages 14-17. The committee meets on an ad hoc basis and has met on two occasions during the year.

#### **The nomination committee**

The directors do not consider it is appropriate for a company of this size to have a nomination committee.

## **Bright Things Plc**

### **Corporate governance statement (*Continued*)**

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#### **Communication with shareholders**

The executive directors meet regularly with institutional shareholders and are available to answer questions from private shareholders. Each shareholder receives the annual report, which contains the Chairman's statement, and the interim report. The reports, together with other corporate press releases are available from the company.

The Annual General Meeting provides a forum for all shareholders to raise issues with the directors. The Notice convening the meeting is issued with notice of not less than 20 working days. Separate resolutions are proposed on each substantially separate issue.

#### **Risk management and internal controls**

The directors are responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, in compliance with the guidance Internal Control: Guidance for Directors on the Combined Code. This process, which is closely tied to operations, is regularly reviewed by the Board.

The key procedures that the directors have established to ensure risk management and internal controls are effective are as follows:

##### ***Risk Identification***

The Group has identified its major risks and put policies in place to avoid and mitigate those risks. All senior members of staff have participated in this process and the results have been reported to the Board.

##### ***Operational risk***

The internal control process is supported by (a) a comprehensive financial control and rolling forecast system; (b) a flat management structure which facilitates open and timely communication; (c) a project management system that is available to all members of staff; and (d) a programme of commercial insurance covering the key risks the Group is exposed to.

The Board considers that the size of the Group is not sufficient to warrant a dedicated internal audit function.

#### **Going concern**

As explained in note 1 to the financial statements, the directors confirm that they have a reasonable expectation that the company has adequate resources to continue operations for the foreseeable future. For this reason, they adopt the going concern basis in preparing the financial statements.

## **Bright Things Plc**

### **Corporate governance statement (*Continued*)**

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#### **External audit matters**

##### *Independence*

The audit committee has sole responsibility for assessing the independence of the external auditors, BDO Stoy Hayward LLP. The committee has had due regard to the document published in May 2003 by the Institute of Chartered Accountants in England and Wales (ICAEW) 'Reviewing Auditor Independence: guidance for audit committees'. Each year the committee undertakes to:

- Seek reassurance that the external auditors and their staff have no family, financial, employment, investment or business relationship with the company. To this end the committee requires the external auditor and their associates to confirm this in writing, and detail the procedures which the auditor has carried out in order to make this confirmation.
- Check that all partners engaged in the audit process are rotated at least every 5 years.
- Assess the likely impact on the auditors' independence and objectivity before awarding them any contract for additional services. It is company policy to require the auditors to tender for all non-audit services where the fee is in excess of £25,000.
- Having as a standing agenda item auditor independence issues at each audit committee meeting.

##### *Analysis of fees*

Statutory disclosures required by the Companies Act 1985 of audit and non-audit fees are given in note 5.

## **Bright Things Plc**

### **Remuneration report**

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#### **Compliance**

The company has applied the principles relating to directors' remuneration as described below.

Details of each individual director's remuneration and share options are included on pages 16 and 17 within the remuneration report and those of directors' shareholdings are set out in the report of the directors.

#### **Remuneration committee**

The Committee is comprised of the finance director and the non-executive chairman. Ian Livingstone is chairman of the remuneration committee. The committee has access to professional advice as and when it considers it necessary.

The Remuneration Committee's principal functions are to advise the Board on the broad framework for executive remuneration and to determine the remuneration package of executive directors. It reviews the performance of the executive directors and sets the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of the shareholders. No executive director may participate in decisions regarding their own remuneration.

The Committee is also responsible for overseeing the operation of the share option schemes operated by the company.

#### **Remuneration policy**

In determining remuneration packages the remuneration committee has regard to the importance of retaining and motivating executive directors as well as linking reward to the Group's performance. Within this context, the Committee's policy on executive director remuneration is to:

- Pay a competitive base salary designed to attract and retain executive directors relevant to each director's role, experience and the external market;
- Provide incentive arrangements which are subject to performance targets (based on share price performance), reflect the Group's objectives and recognise the importance of providing sustained motivation of management to focus on annual, as well as longer-term performance, and;
- Align the interest of the executive directors with those of shareholders.

In order to achieve these objectives the committee's approach is that a significant proportion of the overall remuneration package should be linked to the performance of the Group, through participation in share options.

#### **Remuneration policy for non-executives**

The Company's policy on non-executive director remuneration is to pay fees based upon the experience and expertise of the directors. The level of non-executive fees reflects the amount of time that the non-executives are required to spend on Company duties during the period. The non-executive director received no other benefits, with exception to the share options referred to on page 17.

## Bright Things Plc

### Remuneration report (*Continued*)

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#### Remuneration packages

##### Basic salary

Basic salary and benefits are reviewed as required. Reviews take place at the discretion of senior management or the Remuneration Committee. Each review shall consider the individual's performance and responsibilities, Company performance and market trends.

##### Share options

Share option awards may be made to directors under the various schemes in place.

Share options are the main incentive scheme for the executive directors of the company. The Board believe that this is the best way to align the interest of the directors with the shareholders in this early stage of the company.

##### Service contracts

The service contracts of the individual directors are as follows:

	<b>Commencement date</b>	<b>Expiry date</b>
Executive directors:		
Dominic Wheatley	1 December 2003	terminable on three month's rolling notice
Matthew Tims	26 April 2004	terminable on three month's rolling notice
Edward Levey	19 January 2007	terminable on three month's rolling notice
Non-executive directors:		
Ian Livingstone	15 April 2004	terminable on one month's rolling notice
Greg Ingham	18 January 2007	resigned 12 September 2007

## Bright Things Plc

### Remuneration report (*Continued*)

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#### Directors' remuneration

The emoluments of the individual directors were as follows:

Basic salary and fees:

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
<b>Executive directors:</b>		
Dominic Wheatley	96	104
John Kavanagh	-	50
Adrian Moores	-	63
Matthew Tims	30	75
Edward Levey	30	5
<b>Non-executive directors:</b>		
Ian Livingstone	12	12
Charles Fairbairn	-	11
Greg Ingham	4	2
	<hr/>	<hr/>
	172	322
	<hr/> <hr/>	<hr/> <hr/>

The directors listed above represent the Group and Company's key management personnel.

£8,000 (2007 - £19,000) of the share based payment charge relates to directors.

## Bright Things Plc

### Remuneration report (Continued)

#### Directors remuneration (Continued)

The share options granted to the directors under individual share option agreements are set out below:

	Number at start of year	Number Awarded In year	Number Lapsed In year	Number at 31 March 2008	Exercise price per share	Date from which exercisable*	Expiry date
Executive directors:							
Matthew Tims	150,000	-	-	150,000	14 pence	26/04/2004	26/04/2014
Matthew Tims	100,000	-	-	100,000	90 pence	31/08/2005	01/10/2014
Matthew Tims	25,000	-	-	25,000	149.5 pence	20/07/2006	20/07/2015
Matthew Tims	250,000	-	-	250,000	13.5 pence	20/09/2007	20/09/2016
Non-executive directors:							
Ian Livingstone	50,000	-	-	50,000	14 pence	26/04/2004	26/04/2014
Ian Livingstone	50,000	-	-	50,000	90 pence	01/10/2005	01/10/2014
Ian Livingstone	250,000	-	-	250,000	13.5 pence	20/09/2007	20/09/2016

\* The only vesting condition is that the individual remains a director of the group, with the exception of the 14p share options issued in April 2004. These do not lapse on resignation.

The market price of the shares at 31 March 2008 was 2.9 pence (31 March 2007 - 6.5 pence) and the range during the financial year was 2.9 pence to 9.7 pence.

The Combined Code recommends that non-executive directors should not be eligible for the award of share options. The Board believes that given the size and nature of the Group it is appropriate for non-executive directors to be incentivised in the same manner as other directors.

#### On behalf of the Board

Ian Livingstone  
**Chairman, Remuneration Committee**  
25 September 2008

## **Bright Things Plc**

### **Report of the directors for the year ended 31 March 2008**

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The directors present their annual report on the affairs of the Group, together with the accounts and the independent auditor's report for the year ended 31 March 2008.

#### **Principal activities, review of business and future developments**

The Group's principal activities are the development and commercial exploitation of a hardware device known as Bubble and associated Bubble software, the development of interactive DVD's and the development of a social networking platform.

A review of the Group's performance during the 12 months to 31 March 2008, including financial performance, likely future developments, discussion of key performance indicators, key risks and uncertainties facing the Company, the prospects and position of the Company at the year-end and information that fulfils the requirements of the Business Review, is set out in the Chairman's statement, and the operating and financial review on pages 1 to 9. Principal subsidiaries are listed in note V to the Company accounts on page 72.

A key part of the future strategy on the Bubble technology was the creation of the patented ASIC chip – essentially the reduction of the many electronic components that make Bubble onto a single, inexpensive chip. This would allow the company to manufacture Bubble at a far lower price which would further help reduce the retail price and improve margins. As we have previously reported we do not expect further orders from the distributor and will consider any future Bubble activity at the end of the current distribution agreement.

However, the chip also had the potential to be used by other consumer electronic or toy companies for a variety of purposes. During the year ended 31 March 2007, following extensive discussions the Company signed a contract with Radica Games Limited for the software development kit and an initial quantity of ASIC ("Application Specific Integrated Circuit") chips. Opportunities for new applications for the ASIC chip continue to be explored. We continue to have discussions with other parties interested in utilising the ASIC chips in their products.

In 2006 the Company licensed from Eidos the well known brand of Lara Croft – Tomb Raider to create the first action-style iDVD "Tomb Raider - The Action Adventure" which was launched into the UK and other territories excluding the US. During 2007 the Company developed and launched Tiger Woods PGA Tour 07 (licensed from EA Games). New iDVD products will be considered with the Company intending to remain selective in identifying premium licenses.

The Board recognised that in order to grow, the Company needed a new product initiative.

Such a product was identified during the year and in December 2007 the company acquired the entire share capital of CommonWorld Ltd by the issuing of 7,500,000 Ordinary shares in the Company and the writing off of £189,000 of operational funding loans. CommonWorld was established in November 2006 in order to develop a social networking platform to allow the creation of web based communities.

The first product, now named "SocialGO", has been designed to provide a secure, dedicated social network for Groups and Organisations. Whilst "SocialGO" has features and functions similar to social network sites on the Internet such as Facebook, MySpace or Bebo it is distinct by virtue of it enabling Groups and Organisations to create and maintain their own social network sites.

"SocialGO" is designed to be highly customisable in both design and layout to suit the specific requirements of the user groups. The Directors consider there are numerous types of groups for whom "SocialGO" could become an indispensable tool, be it for schools, companies, local sports leagues or simply extended family networks.

## **Bright Things Plc**

### **Report of the directors for the year ended 31 March 2008 (Continued)**

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#### **Principal activities, review of business and future developments (Continued)**

At the date of the acquisition the product was still under development and CommonWorld's only asset on completion was the Intellectual Property behind the social network platform.

Immediately following the Acquisition, Get on With It Limited ('GOWIT'), a company controlled by the vendors of CommonWorld, was contracted to complete the development of the Social Network Maker product.

Development of SocialGO is now complete and it is presently being Beta tested.

We will continue to explore all opportunities to utilise the Company's expertise and intellectual property.

Bright Things continues to operate in a new and developing market. The Board are excited about the prospects offered by SocialGO. The sales growth of similar types of products is impressive and the Board considers the product to be well positioned to take a stake in this market

#### **Current and future product portfolio**

Bright Things launched the following product in the year:

Tiger Woods PGA Tour 07 i-DVD game (release 12 November 2007)

The following product is scheduled for release in 2008:

SocialGO – Social Network Maker

#### **Financial performance and year end position**

The overall gross profit for the year is £163,000 (2007 - £101,000). This is split between: Gross Profit on i-DVD of £67,000 achieving a gross margin of 77.0%; Gross Profit on ASIC of £63,000 achieving a gross margin of 45.3%; Gross Profit on chip sales of £14,000 achieving a gross margin of 100%; a gross margin of £17,000 on sales development kit revenue; and a gross margin of £2,000 on Bubble hardware.

Revenue for the year is £257,000 (2007 - £205,000) and primarily consists of the ASIC advance received in the prior year now realised and royalties receivable on goods sold into the channel. Revenue is split between: ASIC revenue £139,000; i-DVD software £87,000; chip sales £14,000; sales development kit £17,000.

At 31 March 2008, the Group had cash of £601,000 (2007 - £864,000). At the end of the financial year the group had net current assets of £357,000 (2007 net current assets of £500,000).

#### **Results and dividends**

The income statement is set out on page 26. The group loss before and after tax is £984,000 (2007 - £3,292,000). Basic loss per share is 2.5 pence (2007 - 13.5 pence). The directors do not recommend the payment of a dividend for the year (2007 - £Nil).

#### **Post balance sheet events**

These are detailed in note 22 to the accounts.

## **Bright Things Plc**

### **Report of the directors for the year ended 31 March 2008 (Continued)**

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#### **Research & development**

The Group is committed to research and development activities as a key strategy to drive organic growth and to improve the Group's competitive position. The Group spent £350,000 during the year on development of SocialGO, the ASIC chip and i-DVDs. For further details refer to operational and financial review on pages 6 and 7.

#### **Financial instruments**

The Group's policy on the use of financial instruments is set out in notes 1 and 15.

#### **Share listing**

The primary listing for the Company's Ordinary shares is on the Alternative Investment Market on the London Stock Exchange.

#### **Share capital**

Changes to share capital during the period are given in note 16 to the accounts on page 54, onwards.

#### **Employee and environmental matters**

The Group operates equal opportunities in recruitment, training and promotion regardless of gender, ethnic origin, religion, nationality or disability.

#### **Supplier payment policy**

The Group and Company's policy is to settle terms of payment with suppliers when agreeing the business transaction; ensure that those suppliers are made aware of the terms of payment by including them in the terms and condition of the contract; and pay in accordance with contractual and legal obligations.

Trade creditors of the Group at year end represented 50 days purchases (2007 - 45 days). Trade creditors of the Company at the year end represented Nil days purchases.

#### **Charitable and political donations**

During the year the company made no charitable or political donations (2007 - nil).

## Bright Things Plc

### Report of the directors for the year ended 31 March 2008 (Continued)

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#### Directors

The following directors served during the year ended 31 March 2008:

Executive directors:

Dominic Wheatley  
Matthew Tims  
Edward Levey

Non-executive directors:

Ian Livingstone  
Greg Ingham                      resigned 12 September 2007

Dominic Wheatley and Edward Levey also served as directors to 100% owned subsidiary Bright Entertainment Limited throughout the year. Dominic Wheatley also served as a director to 100% owned subsidiary Bright Things Inc. throughout the year.

The directors of the company during the year and their beneficial interests in the ordinary share capital and options to purchase such shares were as follows:

	Ordinary shares of 1p each			
	31 March 2008		1 April 2007	
	Share Options	Shares	Share Options	Shares
Executive directors:				
Dominic Wheatley	-	8,205,102	-	5,705,102
Matthew Tims	525,000	-	525,000	-
Edward Levey	-	-	-	-
Non-executive directors:				
Ian Livingstone	350,000	1,305,556	350,000	55,556
Greg Ingham	-	-	-	-

No director has any interest in the shares of the subsidiary companies at 31 March 2008. Further details of the directors' share options are shown in the remuneration report on page 17, which also shows the movements during the year. Details of any directors' interest in transactions of the group are given in note 19.

On 2 May 2008 it was announced that the Company had granted further options to directors, staff and contractors. The effect of this is shown below:

	Ordinary shares of 1p each			
	2 May 2008		31 March 2008	
	Share Options	Shares	Share Options	Shares
Executive directors:				
Dominic Wheatley	-	8,205,102	-	8,205,102
Matthew Tims	625,000	-	525,000	-
Edward Levey	300,000	-	-	-
Non-executive directors:				
Ian Livingstone	600,000	1,305,556	350,000	1,305,556
Greg Ingham	-	-	-	-

## **Bright Things Plc**

### **Report of the directors for the year ended 31 March 2008 (Continued)**

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#### **Directors (Continued)**

The director who retires by rotation is Dominic Wheatley who, being eligible, offers himself for re-election.

#### **Directors' responsibilities**

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 1985. The directors are responsible for preparing the Annual Report and the financial statements in accordance with the Companies Act 1985. The directors are also required to prepare financial statements for the Group in accordance with IFRS as adopted by the European Union and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. The directors have chosen to prepare financial statements for the Company in accordance with UK GAAP.

#### **Group financial statements**

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of 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 Standards Board'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 IFRS. A fair presentation also requires the directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable, understandable information; and
- provide additional disclosures when compliance with the specific requirements in 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.

#### **Parent Company financial statements**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the year end and of the profit and 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

## **Bright Things Plc**

### **Report of the directors for the year ended 31 March 2008 (Continued)**

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#### **Parent Company financial statements (Continued)**

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

#### **Going concern**

The Directors continually monitor the financial position of the Group, taking into account the latest cash flow forecasts and the ability of the Group to generate cash. The Company intends to raise additional cash by way of a placing, which will be underwritten. The Directors have prepared the financial statements on a going concern basis having given consideration to forecast sales and the marketability of SocialGO together with the proposed fundraising for the period to 31 August 2009.

While there will always remain some inherent uncertainty within the aforementioned cash flow forecasts, the Directors remain confident that they will be able to manage the Group's finances and operations so as to achieve the forecasted cash flows and, as a result, that it is appropriate to draw up the financial statements on a going concern basis. The financial statements do not include any adjustments that would result if the going concern basis of preparation were to become no longer appropriate.

#### **Auditors**

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

#### **Directors' statement as to disclosure of information to auditors**

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any audit information of which the auditors are unaware.

#### **By order of the Board**

Edward Levey  
**Company Secretary & Finance Director**  
25 September 2008

## **Bright Things Plc**

### **Report of the independent auditors**

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#### **Independent Auditor's Report To The Shareholders of Bright Things Plc**

We have audited the group and parent company financial statements (the "financial statements") of Bright Things Plc for the year ended 31 March 2008 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Shareholders Equity 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 group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the parent company 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. The other information comprises only the Directors' Report, the Chairman's Statement, the Operating and Financial Review, the Corporate Governance Statement and the Directors' Remuneration Report. 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 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.

**Basis of audit opinion (*Continued*)**

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 group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2008 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 March 2008;
- 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.

**Emphasis of Matter – Going Concern**

In forming our opinion which is not qualified, we have considered the adequacy of disclosures made in note 1 to the financial statements concerning the company's ability to continue as a going concern. Note 1 to the financial statements indicates the existence of a material uncertainty in relation to the adequacy of working capital and the securing of future finance which may cast doubt about the company's ability to continue as a going concern. Nevertheless, as stated in note 1, the Directors consider it appropriate to adopt the going concern basis. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

**BDO STOY HAYWARD LLP**

*Chartered Accountants*

*and Registered Auditors*

55 Baker Street, London, W1U 7EU

25 September 2008

**Bright Things Plc****Consolidated income statement for the year ended 31 March 2008**

	Note	31 March 2008 £'000	31 March 2007 £'000
<b>Revenue</b>	4	257	205
Cost of sales		(94)	(104)
<b>Gross profit</b>		163	101
Research and development costs	6	(350)	(847)
Administrative expenses - other		(805)	(1,766)
Administrative expenses - impairment of intangible assets	11	(19)	(832)
Total administrative expenses		(1,174)	(3,445)
<b>Loss from operations</b>	5	(1,011)	(3,344)
Finance income		27	52
<b>Loss before and after tax for the year</b>	8	(984)	(3,292)
<b>Attributable to:</b>			
Equity shareholders		(984)	(3,292)
<b>Loss per share</b>			
Basic and diluted	9	(2.5)p	(13.5)p

All amounts relate to continuing activities.

The notes on pages 31 to 65 form part of the group financial statements.

Bright Things Plc

Consolidated statement of changes in equity for the year ended 31 March 2008

	Called up 10p share capital £'000	Called up 1p share capital £'000	Deferred 9p share capital £'000	Share premium £'000	Merger reserve £'000	Warrant reserve £'000	Share based payment reserve £'000	Retained deficit £'000	Total £'000
<b>At 1 April 2006</b>	2,045	-	-	9,559	(286)	267	113	(8,918)	2,780
Unrealised FX gain on translation of foreign subsidiaries	-	-	-	-	-	-	-	2	2
Loss for the period	-	-	-	-	-	-	-	(3,292)	(3,292)
<b>Total recognised income and expense for the period</b>	-	-	-	-	-	-	-	(3,290)	(3,290)
Share based payment charge	-	-	-	-	-	-	107	-	107
Issue of shares	1,000	-	-	100	-	-	-	-	1,100
Share issue costs	-	-	-	(70)	-	-	-	-	(70)
<b>At 31 March 2007</b>	<b>3,045</b>	<b>-</b>	<b>-</b>	<b>9,589</b>	<b>(286)</b>	<b>267</b>	<b>220</b>	<b>(12,208)</b>	<b>627</b>

The notes on pages 31 to 65 form part of the group financial statements.

Bright Things Plc

Consolidated statement of changes in equity for the year ended 31 March 2008

	Called up 10p share capital £'000	Called up 1p share capital £'000	Deferred 9p share capital £'000	Share premium £'000	Merger reserve £'000	Warrant reserve £'000	Share based payment reserve £'000	Retained deficit £'000	Total £'000
<b>At 1 April 2007</b>	3,045	-	-	9,589	(286)	267	220	(12,208)	627
Loss for the period	-	-	-	-	-	-	-	(984)	(984)
<b>Total recognised income and expense for the period</b>	-	-	-	-	-	-	-	(984)	(984)
Share based payment charge	-	-	-	-	-	-	92	-	92
1 April 2007 10p Ordinary shares subdivided in to 1p Ordinary shares and 9p Deferred shares	(3,045)	304	2,741	-	-	-	-	-	-
Issue of shares – private placing	-	239	-	716	-	-	-	-	955
Share issue costs	-	-	-	(135)	-	-	-	-	(135)
Issue of shares – acquisition of CommonWorld Ltd	-	75	-	-	(150)	-	-	-	225
<b>At 31 March 2008</b>	-	618	2,741	10,170	(136)	267	312	(13,192)	780

The notes on pages 31 to 65 form part of the group financial statements.

## Bright Things Plc

### Consolidated balance sheet at 31 March 2008

	Note	31 March 2008 £'000	31 March 2008 £'000	31 March 2007 £'000	31 March 2007 £'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	10		9		38
Intangible assets	11		414		89
<b>Total non-current assets</b>			<b>423</b>		<b>127</b>
<b>Current assets</b>					
Inventories	12	-		7	
Trade and other receivables	13	27		161	
Tax asset	13	37		20	
Cash and cash equivalents	15	601		864	
<b>Total current assets</b>			<b>665</b>		<b>1,052</b>
<b>Total assets</b>			<b>1,088</b>		<b>1,179</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Trade and other payables	14	(118)		(194)	
Tax liabilities	14	(8)		(11)	
Accruals and deferred income	14	(182)		(347)	
<b>Total liabilities</b>			<b>(308)</b>		<b>(552)</b>
<b>Total net assets</b>			<b>780</b>		<b>627</b>
<b>Capital and reserves attributable to equity shareholders</b>					
Called up share capital – 1p ordinary	16		618		-
Called up share capital – 9p deferred	16		2,741		-
Called up share capital – 10p ordinary	16		-		3,045
Share premium account			10,170		9,589
Warrant reserve			267		267
Merger reserve			(136)		(286)
Share based payment reserve	17		312		220
Retained deficit			(13,192)		(12,208)
<b>Total equity</b>			<b>780</b>		<b>627</b>

The financial statements were approved by the Board and authorised for issue on 25 September 2008.

Edward Levey, Director

The notes on pages 31 to 65 form part of the group financial statements.

**Bright Things Plc****Consolidated cash flow statement for the year ended 31 March 2008**

	<b>31 March 2008 £'000</b>	<b>31 March 2008 £'000</b>	<b>31 March 2007 £'000</b>	<b>31 March 2007 £'000</b>
<b>Cash flows from operating activities</b>				
Loss before tax		(984)		(3,292)
Share based payments		92		107
Depreciation on property plant and equipment		33		38
Amortisation of intangible assets		70		113
(Loss)/Profit on sale of property, plant and equipment		-		5
Goodwill and IP impairment		19		832
Finance income		(27)		(52)
		<hr/>		<hr/>
<b>Cash used in operating activities before changes in working capital and provisions</b>		<b>(797)</b>		<b>(2,249)</b>
Decrease in trade and other receivables		120		250
Decrease in inventory		7		7
(Decrease)/increase in trade and other payables and accruals and deferred income		(248)		5
		<hr/>		<hr/>
<b>Cash used in operations</b>		<b>(918)</b>		<b>(1,987)</b>
<b>Investing activities</b>				
Purchase of property, plant and equipment	(3)		(6)	
Purchase of intangible fixed assets	(189)		-	
Finance income	27		52	
	<hr/>		<hr/>	
<b>Net cash (used in)/from investing activities</b>		<b>(165)</b>		<b>46</b>
<b>Financing activities</b>				
Proceeds from issue of new share capital	955		1,100	
Costs of issue of new share capital	(135)		(70)	
	<hr/>		<hr/>	
<b>Net cash from financing activities</b>		<b>820</b>		<b>1,030</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(263)</b>		<b>(911)</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>864</b>		<b>1,775</b>
		<hr/>		<hr/>
<b>Cash and cash equivalents at end of the year</b>		<b>601</b>		<b>864</b>
		<hr/> <hr/>		<hr/> <hr/>

The notes on pages 31 to 65 form part of the group financial statements.

## **1 Accounting policies**

### *Principal accounting policies*

The Company is a limited liability company incorporated and domiciled in the United Kingdom. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### *Adoption of IFRS in the financial year ending 31 March 2008*

In the current year the Group has adopted standards and interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee that are relevant to its operations and effective for the Group's financial year end on 31 March 2008, see note 23. The adoption of these standards and interpretations has resulted in changes to the Group's accounting policies.

The basis of preparation and accounting policies used in preparing the accounts for the year ended 31 March 2008 are set out below. The basis of preparation describes how IFRS has been applied under IFRS 1.

### *Basis of preparation*

The financial statements have been prepared in accordance with EU Endorsed International Financial Reporting Standards ('IFRS') and the Companies Act 1985 applicable to companies reporting under IFRS. The Group has adopted all of the standards and interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee that are relevant to its operations.

### *Going concern*

The Directors continually monitor the financial position of the Group, taking into account the latest cash flow forecasts and the ability of the Group to generate cash. The Company intends to raise additional cash by way of a placing, which will be underwritten. The Directors have prepared the financial statements on a going concern basis having given consideration to forecast sales and the marketability of SocialGO together with the proposed fundraising for the period to 31 August 2009.

While there will always remain some inherent uncertainty within the aforementioned cash flow forecasts, the Directors remain confident that they will be able to manage the Group's finances and operations so as to achieve the forecasted cash flows and, as a result, that it is appropriate to draw up the financial statements on a going concern basis.

The financial statements do not include any adjustments that would result if the going concern basis of preparation were to become no longer appropriate.

## Bright Things Plc

### Notes forming part of the financial statements for the year ended 31 March 2008 (*Continued*)

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#### 1 Accounting policies (*Continued*)

##### *Basis of Consolidation*

The consolidated Group financial statements incorporate the results of Bright Things Plc and its subsidiary undertaking, Bright Entertainment Limited, using the merger accounting method.

The results also include the results of its other subsidiaries, Bright Things International Limited (date of incorporation 16 February 2005) and Bright Things Inc (date of incorporation 6 April 2005), PushPlay Interactive LLC (purchase date 28 June 2005) using the purchase accounting method.

On 27 December 2007 the Group acquired 100% of the voting equity instruments of CommonWorld Limited, a company whose sole activity was the development of intellectual property supporting a social networking platform ("SocialGO"). This transaction has been deemed to be a purchase of an asset rather than a business combination. On this basis, the acquisition of the SocialGO IP has been recorded at cost (see note 11).

The Company has taken advantage of the exemption provided under section 230 of the Companies Act 1985 not to publish its individual income statement and related notes.

##### *Merger accounting*

In the Group financial statements, applying the exemption available under IFRS1, merged subsidiary undertakings are treated as if they had always been a member of the Group. The results of such a subsidiary are included for the whole period in the year it joins the group. The corresponding figures for the previous year include its results for that period, the assets and liabilities at the previous balance sheet date and the shares issued by the company as consideration as if they had always been in issue. Any difference between the nominal value of the shares acquired by the company and those issued by the company to acquire them is taken to reserves.

##### *Purchase accounting*

In the Group financial statements, the results of acquired subsidiary undertakings are taken from the date on which control is obtained. For acquisitions qualifying as 'business combinations' any difference between the fair value of separately identifiable assets, liabilities and contingent liabilities acquired and the consideration paid is treated as goodwill in the consolidated balance sheet.

##### *Revenue recognition*

Revenue comprises:

- (a) sales of games and technology chips to retailers and external distributors at invoiced and accrued amounts less value added tax and provision against any subsequent returns. Where advance payments against sales are received, in so far as the Group's obligations have been fulfilled, such advances are recognised at the point at which they become non-refundable and non-recoupable. The Group makes provision against any subsequent returns or price protection, and
- (b) royalty payments received or accrued from external distributors under licence of the right to distribute games in certain territories. Where advance payments against royalties are received under licence, in so far as the Group's obligations have been fulfilled, such advances are recognised at the point at which they become non-returnable.

Revenue from sales of games and technology chips is recognised at the point at which the product is delivered.

**1 Accounting policies (Continued)**

*Goodwill and business combinations*

Goodwill results from the acquisition of subsidiaries, associates and joint entities and corresponds to the difference between the fair value of the acquisition consideration and the fair value of the assets, liabilities and contingent liabilities identified at the date of acquisition.

The Group has elected to take the exemption not to apply IFRS 3 retrospectively to business combinations occurring prior to the date of transition to IFRS.

Under IFRS 3 *Business Combinations* and IAS 38 *Intangible Assets* goodwill is not amortised, but it is subject to an annual impairment review. As the Group has elected not to apply IFRS 3 retrospectively to business combinations prior to 1 April 2006 the original UK GAAP goodwill balance at 1 April 2006 (£832,000) is no longer amortised, but continues to be subject to impairment reviews. The goodwill amortisation charge previously calculated under UK GAAP has been credited to the income statement account.

The recoverable value of goodwill is then estimated on the basis of the higher of market value or value in use. Value in use is defined as the present value relating to the cash flow generating units with which the goodwill is associated. When the market value or value in use is less than the accounting value, impairment is recorded and is irreversible.

IFRS 1 *First-time Adoption of International Financial Reporting Standards* requires that an annual impairment review of goodwill is conducted in accordance with IAS 36 *Impairment of Assets* at the date of transition, irrespective of whether there is an indication of impairment. The directors conduct impairment reviews annually and on 31 March 2007, following such a review, goodwill (£832,000) was fully impaired.

*Foreign currency*

Transactions entered into by group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the consolidated income statement.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity (the "foreign exchange reserve").

Exchange differences recognised in the income statement of group entities' separate financial statements on the translation of long-term monetary items forming part of the group's net investment in the overseas operation concerned are reclassified to the foreign exchange reserve on consolidation. On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated income statement as part of the profit or loss on disposal.

**1 Accounting policies (Continued)**

*Foreign currency (Continued)*

At the date of transition to 1 April 2006, the Group used an exemption available under IFRS 1, 'First time adoption of International Financial Reporting Standards', which resulted in the cumulative translation differences for all foreign operations being deemed to be zero at the date on transition to IFRS. Any gain or loss on the subsequent disposal of those foreign operations would exclude translation differences that arose before the date of transition to IFRS and include only subsequent translation differences.

*Financial assets*

The Group classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

**Loans and receivables:** These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), but also incorporate other types of contractual monetary asset. They are carried at amortised cost using effective rate method.

**Cash and cash equivalents:** Cash and cash equivalents includes cash in hand and deposits held at call with banks.

*Financial liabilities*

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

**Other financial liabilities:** Other financial liabilities include the following items: Trade payables and other short-term monetary liabilities, which are recognised at fair value on initial recognition and subsequently carried at amortised cost using the effective interest method.

**1 Accounting policies (Continued)**

*Share capital*

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Groups ordinary shares are classified as equity instruments.

*Share based payments IFRS 2*

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement on a straight line basis over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received. If it is not possible to identify the fair value of these goods or services provided, the income statement is charged with the fair value of the options granted.

Fair value is calculated using the Black-Scholes model, details of which are given in note 17.

**1 Accounting policies (Continued)**

*Externally acquired intangible assets*

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives. The amortisation expense is included within the administrative expenses line in the consolidated income statement.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see note 2 related to critical estimates and judgements). In accordance with IAS 38 “Intangible assets”, only elements whose cost can be determined reliably and for which it is probable that future benefits exist are recorded as non current assets.

Where assets are acquired in transactions that do not meet the IFRS 3 definition of a ‘business combination’, the assets are treated as acquired at cost, being the fair value of consideration.

The significant intangibles recognised by the group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

<b>Intangible asset</b>	<b>Useful economic life</b>	<b>Valuation method</b>
ASIC Intellectual property rights	3 years	Cost
SocialGO Intellectual property rights	5 years	Cost
Goodwill	Annual impairment reviews	Balance of acquisition cost

*Internally generated intangible assets (research and development costs)*

**Research and development**

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the period that prudently simulates the flow of revenues from a typical product. At the close of each fiscal year products are reviewed for any loss of value. Where contribution made by a product does not exceed the expected total cost of development then an impairment provision is made. The amortisation expense is included within administrative expenses in the consolidated income statement.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated income statement as incurred. All post acquisition research and development expenditure in these Group financial statements has been charged to the income statement as incurred.

**1 Accounting policies (Continued)**

*Deferred taxation*

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

*Property, plant and equipment*

Property, plant and equipment are stated at cost net of accumulated depreciation and provision for impairment. Depreciation is provided on all property plant and equipment, at rates calculated to write off the cost less estimated residual value, of each asset on a straight-line basis over its expected useful life. The residual value is the estimated amount that would currently be obtained from disposal of the asset if the asset were already of the age and in the condition expected at the end of its useful economic life.

The method of depreciation for each class of depreciable asset is:

Computer equipment	- 3 years straight line
Office fixtures, fittings & equipment	- 3 years straight line

The carrying value of tangible fixed assets is assessed annually and any impairment is charged to the income statement.

**1 Accounting policies (Continued)**

*Inventories*

Inventories comprise finished goods for resale, and are stated at the lower of cost and net realisable value. Cost is calculated as cost of materials. Net realisable value is based on estimated selling price, less further disposal costs.

The Company reviews the net realisable value of and demand for its inventory on an annual basis to ensure recorded inventory is stated at the lower of cost or net realisable value, after making due allowance for obsolete and slow-moving items.

Factors that could impact estimated demand and selling prices are the timing and success of future technological innovations, competitor actions, supplier prices and economic trends.

*Taxation*

Corporation tax payable is provided on taxable profits at prevailing rates.

*Licence fees*

Licence fees payable to organisations for use of their Intellectual Property are charged to the income statement over their useful economic lives, which, to the Group, equates to the forecast period of product sales. Management regularly reviews the carrying value of such licences. All licence fees in these Group financial statements have been charged to the income statement as incurred.

*Royalties payable*

Royalties are accounted for as payable when units of hardware or software are sold into the sales channel by our distributor and calculated in accordance with the commercial terms entered into with licensors

## **2 Critical accounting estimates and judgements**

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. These judgements and estimates are based on managements' best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimations is contained below, as well as in the accounting policies and accompanying notes to the financial statements.

### *Impairment of goodwill*

The group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary. More information including carrying values is included in the note 11.

### *Intangible assets arising on acquisition*

To the extent that intangible assets arise on acquisition, the Group estimates the economic life of these assets and amortises them over the relevant period.

### *Useful lives of intangible assets and property, plant and equipment*

Intangible assets and property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated income statement in specific periods. More details including carrying values are included in notes 10 and 11.

### *Share based payment*

The group has two types of equity-settled share-based remuneration schemes for employees. Employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non-market vesting conditions. The fair value of share options is estimated by using the Black-Scholes valuation model on the date of grant based on certain assumptions. Those assumptions are described in note 17.

## **3 Segmental information**

The Group operates in the following main business segments: Bubble hardware and software; ASIC chips; Interactive DVD software; Sales of component parts from stock; ASIC sales development kit and SocialGO.

The Group's primary reporting format is business segments. All amounts relate to continuing activities.

## 3 Segmental information (Continued)

## Year ended 31 March 2008

	Bubble hardware and software £'000	Business Segments					Not allocated £'000	Total £'000
		ASIC chips £'000	i-DVD software £'000	Sale of component stock £'000	ASIC development kit £'000	SocialGO £'000		
<b>Total segment revenue</b>	-	139	87	14	17	-	257	
Cost of sales	2	(76)	(20)	-	-	-	(94)	
<b>Gross profit</b>	<b>2</b>	<b>63</b>	<b>67</b>	<b>14</b>	<b>17</b>	<b>-</b>	<b>163</b>	
Research and development costs	30	(15)	(154)	-	-	(209)	(350)	
Administrative expenses - other	(70)	(33)	(90)	-	-	(123)	(805)	
Administrative expenses - impairment of intangible assets	(19)	-	-	-	-	-	(19)	
<b>Administrative expenses</b>	<b>(59)</b>	<b>(48)</b>	<b>(244)</b>	<b>-</b>	<b>-</b>	<b>(332)</b>	<b>(1,174)</b>	
<b>Profit / (Loss) from operations</b>	<b>(57)</b>	<b>15</b>	<b>(177)</b>	<b>14</b>	<b>17</b>	<b>(332)</b>	<b>(1,011)</b>	
Finance income	-	-	-	-	-	-	27	
<b>Profit / (Loss) before and after tax for the year</b>	<b>(57)</b>	<b>15</b>	<b>(177)</b>	<b>14</b>	<b>17</b>	<b>(332)</b>	<b>(984)</b>	

## 3 Segmental information (Continued)

## Year ended 31 March 2007

	Bubble hardware and software £'000	ASIC chips £'000	Business Segments				SocialGO £'000	Not allocated £'000	Total £'000
			i-DVD software £'000	Sale of component stock £'000	ASIC development kit £'000	ASIC sales			
<b>Total segment revenue</b>	<b>21</b>	<b>-</b>	<b>118</b>	<b>31</b>	<b>35</b>	<b>-</b>	<b>-</b>	<b>205</b>	
Cost of sales	(71)	-	(31)	(2)	-	-	-	(104)	
<b>Gross profit</b>	<b>(50)</b>	<b>-</b>	<b>87</b>	<b>29</b>	<b>35</b>	<b>-</b>	<b>-</b>	<b>101</b>	
Research and development costs	2	(331)	(485)	-	-	-	(33)	(847)	
Administrative expenses - other	(114)	(196)	(431)	-	-	-	(1,025)	(1,766)	
Administrative expenses - impairment of intangible assets	(832)	-	-	-	-	-	-	(832)	
<b>Administrative expenses</b>	<b>(944)</b>	<b>(527)</b>	<b>(916)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,058)</b>	<b>(3,445)</b>	
<b>Profit / (Loss) from operations</b>	<b>(994)</b>	<b>(527)</b>	<b>(829)</b>	<b>29</b>	<b>35</b>	<b>-</b>	<b>(1,058)</b>	<b>(3,344)</b>	
Finance income	-	-	-	-	-	-	52	52	
<b>Profit / (Loss) before and after tax for the year</b>	<b>(994)</b>	<b>(527)</b>	<b>(829)</b>	<b>29</b>	<b>35</b>	<b>-</b>	<b>(1,006)</b>	<b>(3,292)</b>	

## 3 Segmental information (Continued)

## Year ended 31 March 2008

	Bubble hardware and software £'000	ASIC chips £'000	Business Segments				SocialGO £'000	Not allocated £'000	Total £'000
			i-DVD software £'000	Sale of component stock £'000	ASIC sales development kit £'000				
Year ended 31 March 2008	-	5	19	-	-	1,064	-	1,088	
Total assets									
Total liabilities	(34)	(95)	(48)	-	-	(131)	-	(308)	
Capital expenditure	-	-	-	-	-	414	4	418	

## Year ended 31 March 2007

Total assets	89	29	1,061	-	-	-	-	1,179
Total liabilities	(102)	(262)	(188)	-	-	-	-	(552)
Capital expenditure	-	-	-	-	-	-	6	6

## Bright Things Plc

### Notes forming part of the financial statements for the year ended 31 March 2008 (Continued)

#### 3 Segmental information (Continued)

Segment assets and liabilities are reconciled to the Group's assets and liabilities as follows:

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Segment assets	1,088	1,179
<b>Total assets</b>	<b>1,088</b>	<b>1,179</b>
	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Segment liabilities	(308)	(552)
<b>Total liabilities</b>	<b>(308)</b>	<b>(552)</b>

The Group's secondary reporting format for reporting segment information is geographic segments by location of customer.

#### Revenue

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Russia	16	-
United Kingdom	33	79
United States of America	219	66
Other	(11)	60
	<b>257</b>	<b>205</b>

All the Group's assets are UK based.

## Bright Things Plc

### Notes forming part of the financial statements for the year ended 31 March 2008 (Continued)

#### 4 Revenue

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Revenue arises from:		
Sale of goods	173	144
Royalties	67	26
Provision of services	17	35
	<hr/>	<hr/>
	257	205
	<hr/> <hr/>	<hr/> <hr/>

#### 5 Loss from operations

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
This is arrived at after charging/(crediting):		
Staff costs (see note 7)	281	662
License fees for intellectual properties - advances	50	198
Depreciation	33	50
Amortisation of intellectual property	70	112
Impairment of intellectual property	19	-
Goodwill impairment charge	-	832
Exchange differences	4	(2)
Development expenses and advances	300	649
Loss on disposal of property, plant and equipment	-	5
Auditors' remuneration in respect of Company	25	25
Audit of subsidiary undertakings pursuant to legislation	26	26
Auditors' remuneration - non-audit services - other services	9	5
Auditors' remuneration - non-audit services - taxation	11	6
Share based payments	92	107
	<hr/>	<hr/>

#### 6 Research and development costs

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Consist of:		
Development expenses and advances	300	649
Licence fees for intellectual properties - advances	50	198
	<hr/>	<hr/>
	350	847
	<hr/> <hr/>	<hr/> <hr/>

## Bright Things Plc

### Notes forming part of the financial statements for the year ended 31 March 2008 (Continued)

#### 7 Staff costs

	<b>Group 31 March 2008 £'000</b>	<b>Group 31 March 2007 £'000</b>
Staff costs for all employees, including directors, consist of:		
Wages and salaries	254	600
Social security costs	27	62
	<hr/>	<hr/>
	281	662
Share based payment charge	52	107
	<hr/>	<hr/>
	333	769
	<hr/> <hr/>	<hr/> <hr/>

	<b>Group 31 March 2008 £'000</b>	<b>Group 31 March 2007 £'000</b>
The average number of employees of the group during the year, including directors, was as follows:		
Management and administration	5	9
Development	4	6
	<hr/>	<hr/>
	9	15
	<hr/> <hr/>	<hr/> <hr/>

	<b>Year ended 31 March 2008 £'000</b>	<b>Year ended 31 March 2007 £'000</b>
Directors' remuneration consists of:		
Payroll costs	151	259
Fees for management services	21	63
Share based payment charge	8	19
	<hr/>	<hr/>
	180	341
	<hr/> <hr/>	<hr/> <hr/>

## Bright Things Plc

### Notes forming part of the financial statements for the year ended 31 March 2008 (Continued)

#### 7 Staff costs (Continued)

The highest paid director during the year was Dominic Wheatley, being paid £96,000 (2007 – Dominic Wheatley £104,000).

None (2007 - £1,000) of the share based payment charge relates to employees, £44,000 (2007 - £87,000) relates to contractors and £8,000 (2007 - £19,000) relates to directors. There were no other benefits in kind.

The directors emoluments are disclosed in the report of the remuneration committee on page 16.

#### 8 Taxation on profit from ordinary activities

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Loss on ordinary activities before tax	(984)	(3,292)

The tax assessed for the period differs from the standard rate of corporation tax in the UK applied to profit before tax.

The differences are explained below:

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2007: 30%)	(295)	(988)
Effects of:		
Unutilised losses carried forward	283	684
Capital allowances for the year in deficit of depreciation	9	15
Expenses not deductible for tax purposes	3	289
Current tax charge for year	-	-

#### Deferred Tax

At 31 March 2008 the Group had £12.1 million (2007 - £10.6 million) carried forward as losses, subject to the agreement of the Inland Revenue and US tax authorities. After assessing the prospects for the 2009 financial year the board has decided to not recognise any deferred tax asset as it is prudent to estimate that no losses will be utilised in that period. The value of the unprovided deferred tax asset (at 28%, 2007: 30%) is calculated at £3.48 million (2007 - £3.18 million).

At 31 March 2008 the Group had £179,000 (2007 - £149,000) of unclaimed capital allowances. These have not been recognised as management cannot prudently estimate that these will be utilised in the forthcoming period. The value of the unprovided deferred tax asset is calculated at £50,000 (2007 - £45,000)

## Bright Things Plc

### Notes forming part of the financial statements for the year ended 31 March 2008 (Continued)

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#### 9 Loss per share

Loss per share has been calculated using the following:

	Year ended 31 March 2008	Year ended 31 March 2007
Loss (£'000)	(984)	(3,292)
Weighted average number of shares ('000s)	38,680	24,311
	<hr/>	<hr/>
Basic and diluted loss per ordinary share	(2.5)p	(13.5)p
	<hr/> <hr/>	<hr/> <hr/>

Loss per ordinary share has been calculated using the weighted average number of shares in issue during the relevant financial periods. The weighted average number of equity shares in issue, is 38,679,586 (2007 – 24,310,780) and the earnings, being loss after tax is £984,000 (2007 – £3,292,000 loss). There are no potentially dilutive shares in issue. Share options totalling 2,393,105 (2007 – 2,198,105) have not been included in the calculation of diluted loss per share because they are anti-dilutive for the periods presented.

Following completion of the first version of the SocialGO product on 31 July 2008, 3,091,250 new Ordinary Shares were issued to the vendors of CommonWorld Ltd. In addition, if the net proceeds of sales of the Social Network Maker product in the period of two years following the commercial launch exceed £2,000,000, the Company will issue to the vendors of CommonWorld a further 3,091,250 new Ordinary Shares.

Other than the shares issued relating to the acquisition of CommonWorld, there have been no share issues since the balance sheet date that would significantly alter the basic and diluted EPS calculations if those transactions had occurred before the year end.

The company has outstanding issued warrants to subscribe for 540,541 10p ordinary shares at £1.50 per share and 250,000 10p ordinary shares at £2.50 per share. These outstanding warrants are considered to be anti-dilutive.

**Bright Things Plc**

**Notes forming part of the financial statements for the year ended 31 March 2008 (Continued)**

**10 Property, plant and equipment**

	<b>Computer equipment £'000</b>	<b>Office fixtures fittings and equipment £'000</b>	<b>Total £'000</b>
<i>Cost</i>			
Balance at 1 April 2006	119	34	153
Additions	6	-	6
Disposals	(15)	(2)	(17)
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 March 2007</b>	<b>110</b>	<b>32</b>	<b>142</b>
	<hr/>	<hr/>	<hr/>
Balance at 1 April 2007	110	32	142
Additions	4	-	4
Disposals	(1)	-	(1)
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 March 2008</b>	<b>113</b>	<b>32</b>	<b>145</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Accumulated depreciation</i>			
At 1 April 2006	53	13	66
Provision for year	39	11	50
Disposals	(10)	(2)	(12)
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 March 2007</b>	<b>82</b>	<b>22</b>	<b>104</b>
	<hr/>	<hr/>	<hr/>
At 1 April 2007	82	22	104
Provision for year	24	9	33
Disposals	(1)	-	(1)
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 March 2008</b>	<b>105</b>	<b>31</b>	<b>136</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Net book value</i>			
At 1 April 2006	66	21	87
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2007	28	10	38
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>At 31 March 2008</b>	<b>8</b>	<b>1</b>	<b>9</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## Bright Things Plc

### Notes forming part of the financial statements for the year ended 31 March 2008 (*Continued*)

#### 11 Intangible assets

	Goodwill on consolidation £'000	Intellectual property £'000	Licenses £'000	Total £'000
<i>Cost</i>				
Balance at 1 April 2006	832	221	728	1,781
Additions	-	-	-	-
<b>Balance at 31 March 2007</b>	<b>832</b>	<b>221</b>	<b>728</b>	<b>1,781</b>
Balance at 1 April 2007	832	221	728	1,781
Additions	-	414	-	414
Expired licences	-	-	(728)	(728)
<b>Balance at 31 March 2008</b>	<b>832</b>	<b>635</b>	<b>-</b>	<b>1,467</b>
<i>Amortisation and impairment</i>				
Balance at 1st April 2006	-	19	728	747
Provision for period	-	113	-	113
Impairment in period	832	-	-	832
<b>Balance at 31 March 2007</b>	<b>832</b>	<b>132</b>	<b>728</b>	<b>1,692</b>
Balance at 1st April 2007	832	132	728	1,692
Provision for period	-	70	-	70
Amortisation on expired licences	-	-	(728)	(728)
Impairment in period	-	19	-	19
<b>Balance at 31 March 2008</b>	<b>832</b>	<b>221</b>	<b>-</b>	<b>1,053</b>
<i>Net book value</i>				
At 1 April 2006	832	202	-	1,034
At 31 March 2007	-	89	-	89
<b>At 31 March 2008</b>	<b>-</b>	<b>414</b>	<b>-</b>	<b>414</b>

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows.

At 31 March 2007, due to the uncertain nature of future cash flow, the Group decided to fully impair the goodwill relating to the acquisition of PushPlay Interactive LLC.

At 31 March 2008, due to the uncertain nature of future cash flow, the Group decided to fully impair the intellectual property acquired with the acquisition of PushPlay Interactive LLC and Bright Entertainment Limited.

## Bright Things Plc

### Notes forming part of the financial statements for the year ended 31 March 2008 (Continued)

#### 11 Intangible assets (Continued)

On 27 December 2007 the Group acquired 100% of the voting equity instruments of CommonWorld Limited, a company whose sole activity was the development of intellectual property supporting a social networking platform ("SocialGO").

On the grounds that the SocialGO IP was the only asset within CommonWorld on acquisition, this transaction has been deemed to be a purchase of an asset rather than a business combination. On this basis, the acquisition of the SocialGO IP has been recorded at cost.

Details of the fair value of purchase consideration is as follows:

	Fair value £'000
<b>Consideration paid</b>	
Cash paid to developers between July and December 2007	189
7,500,000 ordinary shares issued 27 December 2007 at market value of 3p per share	225
	<hr/>
Intellectual property	414
	<hr/> <hr/>

The fair value of the shares issued was determined by reference to the market price of 3p on the date of issue, 27 December 2007.

#### 12 Inventories

Inventories at the year end of £300 (2007 - £7,000) consist entirely of finished goods.

#### 13 Trade and other receivables

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Trade receivables	32	94
Provision for impairment of trade receivables	(14)	-
	<hr/>	<hr/>
Trade receivables - net	18	94
Other debtors - VAT	37	20
Prepayments and accrued income	9	67
	<hr/>	<hr/>
<b>Total trade and other receivables</b>	<b>64</b>	<b>181</b>
	<hr/> <hr/>	<hr/> <hr/>

## Bright Things Plc

### Notes forming part of the financial statements for the year ended 31 March 2008 (Continued)

#### 14 Trade and other payables - current

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Trade payables	118	194
Tax liabilities	8	11
Accruals and deferred income	182	347
	<hr/>	<hr/>
	308	552
	<hr/> <hr/>	<hr/> <hr/>

#### 15 Financial risk management

The Group is exposed to risks that arise from its use of financial instruments. These financial instruments are shown on the face of the balance sheet and comprise the following:

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
<b>Loans and receivables</b>		
Trade and other receivables	18	94
Cash and cash equivalents	601	864
<b>Financial liabilities at amortised cost</b>		
Trade and other payables	118	194

##### Credit risk

Credit risk arises principally from the Group's trade and other receivables and cash at bank and cash equivalent.

It is the risk that the counterparty fails to discharge their obligations and could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date.

The Group manages this risk by using a reputable bank and requesting references from customers that are previously unknown to the Group.

##### *Trade receivables*

The Group has implemented a monitoring system whereby receivables are reviewed regularly by senior management and the finance director to assess the collectability of amounts due. Where it is unlikely that amounts would be recovered these are provided for immediately.

In addition to requesting references, the Group has previously requested payment on delivery.

**15 Financial risk management (Continued)**

*Cash at bank and cash equivalents*

The Group's policy in respect of cash and cash equivalents is to limit its exposure by reducing cash holding in the operating units and investing amounts that are not immediately required in funds that have low risk and are placed with a reputable bank.

Floating rate financial assets of £601,000 (2007 - £864,000) comprise sterling and US Dollar cash deposits on special interest bearing accounts, money market deposit at call and 7 day rates. There are no fixed rate financial assets.

At 31 March 2008 the Group had the following cash balances:

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Sterling (weighted average rate of interest 5.79%, 2007 - 4.58%)	540	857
US Dollar (weighted average rate of interest 7.79%, 2007 - 4.58%)	61	7
	<u>601</u>	<u>864</u>

All monetary assets and liabilities within the group are denominated in the functional currency of the operating unit in which they are held.

All amounts stated at carrying value equate to fair value.

**Liquidity risk**

Liquidity risk arises from the Group's management of working capital and the finance charges and repayments of its liabilities.

The Group's policy is to ensure that it will have sufficient cash to allow it to meet its liabilities when they become due and so cash holdings may be high during certain periods throughout the year.

The table below illustrates the ageing of trade and other receivables:

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Current	5	-
31 – 60 days	-	6
61 – 90 days	5	-
91 – 120 days	5	3
121 – and over	3	85
	<u>18</u>	<u>94</u>

**15 Financial risk management (Continued)**

The table below illustrates the ageing of trade and other payables:

	<b>Year ended 31 March 2008 £'000</b>	<b>Year ended 31 March 2007 £'000</b>
Current	99	85
31 – 60 days	1	15
61 – 90 days	6	15
91 – 120 days	5	27
121 – and over	7	52
	<hr/>	<hr/>
	<b>118</b>	194
	<hr/> <hr/>	<hr/> <hr/>

*Capital Disclosures*

The Group's management define capital as the Group's cash holding and equity share capital.

The Group's objective when maintaining capital is to safeguard the Group's ability to continue as a going concern, so that it can begin to provide returns for shareholders and benefits for other stakeholders.

The Group manages its capital structure and makes adjustments to it in the light of changes in the business and in economic conditions. In order to maintain or adjust the capital structure, the Group may issue new shares.

Share capital is used to raise cash and as direct payments to third parties for assets or services acquired.

**Market risk***Currency risk*

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Group's operating currency is GBP and the majority of transactions are made in GBP. The Group feels that there is little exposure to currency risk.

The other currency used in operations is USD. All amounts received in USD are deposited in separate USD accounts. Any payments made in USD are paid from these bank accounts to reduce the exposure to currency risk. As in 2007, the group entered into no forward contracts for US dollars during the year.

*Interest rate risk*

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group considers the interest rates available when deciding where to place cash balances. The Group has no material exposure to interest rate risk.

**16 Share capital**

At the EGM dated 24 December 2007 it was resolved that the 10p Ordinary Shares be sub-divided into one new Ordinary Share of 1p and one Deferred Share of 9p. The Deferred Shares hold no rights to voting or dividends and so the equity value of the Company and Group is entirely attributable to the new Ordinary Shares. It was also resolved to sub-divide each of the authorised, but unissued Ordinary Shares into 10 new Ordinary Shares of 1p. In due course, it is intended that the Deferred Shares will be cancelled as part of a capital reconstruction.

The 31 March 2007 comparative figures are restated to show the effects of the subdivision of the 10p Ordinary shares in to 1p Ordinary shares and 9p Deferred shares.

**Ordinary shares of 1p each**

	<b>Authorised</b>			
	<b>31 March 2008</b>	<b>(restated) 31 March 2007</b>	<b>31 March 2008</b>	<b>(restated) 31 March 2007</b>
	<b>Number</b>	<b>Number</b>	<b>£'000</b>	<b>£'000</b>
Ordinary shares of 1p each (2007 – 10p each)	500,000,000	500,000,000	5,000	5,000

	<b>Allotted, called up and fully paid</b>			
	<b>31 March 2008</b>	<b>(restated) 31 March 2007</b>	<b>31 March 2008</b>	<b>(restated) 31 March 2007</b>
	<b>Number</b>	<b>Number</b>	<b>£'000</b>	<b>£'000</b>
Ordinary shares of 1p each (2007 – 10p each)	61,825,078	30,450,078	618	304

The share price ranged from a low of 2.9 pence to a high of 9.7 pence.

**Bright Things Plc**

**Notes forming part of the financial statements for the year ended 31 March 2008 (Continued)**

**16 Share capital (Continued)**

**Deferred shares of 9p each**

	<b>Authorised</b>		<b>(restated)</b>	
	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Number</b>	<b>Number</b>	<b>£'000</b>	<b>£'000</b>
Deferred shares of 9p each	274,050,702	274,050,702	2,741	2,741
	<u>274,050,702</u>	<u>274,050,702</u>	<u>2,741</u>	<u>2,741</u>

**Allotted, called up and fully paid**

	<b>(restated)</b>		<b>(restated)</b>	
	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Number</b>	<b>Number</b>	<b>£'000</b>	<b>£'000</b>
Deferred shares of 9p each	274,050,702	274,050,702	2,741	2,741
	<u>274,050,702</u>	<u>274,050,702</u>	<u>2,741</u>	<u>2,741</u>

The movement in share capital was as follows:

	<b>Ordinary shares of 1p each</b>	
	<b>Number</b>	<b>£'000</b>
In issue at 31 March 2007 (restated)	30,450,078	304
1p Ordinary Shares issued for 4p each – 24 December 2007	23,875,000	239
1p Ordinary Shares issued for 3p each – 27 December 2007 to acquire CommonWorld (note 11)	7,500,000	75
	<u>61,825,078</u>	<u>618</u>
In issue at 31 March 2008	61,825,078	618
	<u>61,825,078</u>	<u>618</u>

Shares issued on 24 December were for a total consideration of £955,000, less costs of issue of £135,000.

The 7,500,000 shares issued on 27 December 2007 were issued in consideration for the purchase of CommonWorld Limited.

## Bright Things Plc

### Notes forming part of the financial statements for the year ended 31 March 2008 (Continued)

#### 16 Share capital (Continued)

At 31 March 2008, options were outstanding over 2,393,105 shares, (2007 – 2,198,105), including options held by directors.

##### *Unapproved Share Options*

At 31 March 2008 the following share options were outstanding in respect of the ordinary shares under option agreements entered into by the company:

<b>Number of options</b>	<b>Date of Grant</b>	<b>Exercise period</b>	<b>Exercise price pence per share</b>
400,000	26 April 2004	26 April 2004 to 26 April 2014	14.0
155,050	26 April 2004	26 April 2004 to 30 June 2012	10.0
75,000	26 April 2004	26 April 2004 to 30 June 2012	14.0
49,055	26 April 2004	30 April 2004 to 30 April 2011	90.0
100,000	31 August 2004	31 August 2005 to 3 December 2014	90.0
100,000	31 August 2004	31 August 2005 to 1 October 2014	90.0
185,000	1 October 2004	1 October 2005 to 1 October 2014	90.0
24,000	30 November 2004	30 November 2004 to 30 November 2014	90.0
10,000	30 November 2004	30 November 2005 to 30 November 2014	90.0
25,000	1 December 2004	1 December 2005 to 1 December 2014	90.0
75,000	21 December 2004	1 January 2005 to 1 January 2015	90.0
30,000	7 January 2005	7 January 2006 to 7 January 2015	90.0
136,666	20 July 2005	20 July 2006 to 20 July 2015	149.5
91,667	20 July 2005	20 July 2007 to 20 July 2015	149.5
91,667	20 July 2005	20 July 2008 to 20 July 2015	149.5
45,000	20 September 2006	20 September 2007 to 20 September 2016	13.5
166,666	20 September 2006	20 September 2007 to 20 September 2016	13.5
166,667	20 September 2006	20 September 2008 to 20 September 2016	13.5
166,667	20 September 2006	20 September 2009 to 20 September 2016	13.5
100,000	21 September 2006	21 September 2007 to 21 September 2016	11.3
200,000	1 April 2007	1 April 2008 to 1 April 2017	10.0
<hr/>			
2,393,105			
<hr/>			

##### *EMI Plan*

At 31 March 2008 no options were outstanding in respect of the ordinary shares under the EMI plan.

#### 17 Share based payment

Bright Things plc operates two equity settled share based remuneration schemes for employees: a long term incentive scheme and an unapproved scheme for executive directors, certain senior management and contractors. All employees are eligible to participate in the long term incentive scheme, the only vesting condition being that the individual remains an employee of the group over the savings period.

Under the unapproved scheme, Directors options vest as follows; 1/3 in 12 months; 1/3 in 24 months; 1/3 in 36 months from the date of issue. Contractors options vest 12 months from the date of issue.

## Bright Things Plc

### Notes forming part of the financial statements for the year ended 31 March 2008 (Continued)

#### 17 Share based payment (Continued)

	<b>2008</b>	<b>2008</b>	<b>2007</b>	<b>2007</b>
	<b>Weighted average price (pence)</b>	<b>Number</b>	<b>Weighted average price (pence)</b>	<b>Number</b>
Outstanding at the beginning of the year	54.05	2,198,105	133.62	3,373,105
Granted during the year	10.0	200,000	13.2	645,000
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Lapsed during the year	90	(5,000)	186.55	(1,820,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Outstanding at the end of the year	<b>50</b>	<b>2,393,105</b>	<b>54.05</b>	<b>2,198,105</b>

The exercise price of options outstanding at the end of the year ranged between 10.0p and 149.5p (2007 – 10p and 149.5p) and their weighted contractual life was 9.75 years (2007 - 9.72 years).

Of the total number of options outstanding at the end of the year, 1,768,104 (2007 - 1,289,769) had vested and were exercisable at the end of the year.

There were no options exercised in the current year (2007 – nil).

The weighted average fair value of each option granted during the year was 4.4p (2007 - 4.1p).

The following information is relevant in the determination of the fair value of options granted during the year under the equity and cash settled share based remuneration schemes operated by Bright Things plc.

#### Equity settled

	<b>2008</b>	<b>2007</b>
	<b>Black-Scholes</b>	Black-Scholes
Option pricing model used		
Weighted average share price at grant date (pence)	<b>6.5</b>	54.05
Exercise price (pence)	<b>10.0</b>	13.2
Weighted average contractual life (days)	<b>3559</b>	3541
Expected volatility	<b>35%</b>	35%
Expected dividend growth rate	<b>NIL</b>	NIL
Risk-free interest rate	<b>5%</b>	5%

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last three years.

## Bright Things Plc

### Notes forming part of the financial statements for the year ended 31 March 2008 (Continued)

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#### 17 Share based payment (Continued)

	2008 £'000	2007 £'000
The share based remuneration expense (note 1) comprises:		
Equity settled schemes	52	107
Performance related contingent consideration	40	-
	<hr/>	<hr/>
	92	107

The performance related contingent consideration relates to the issue of 3,091,250 new 1p Ordinary Shares to the vendors of CommonWorld for the completion of the first version of the site by 31 July 2008. The full charge is £93,000 to be recognised over the period of the services received (27 December 2007 to 31 July 2008). The expense recognised in the current period is £40,000. At company level, this amount is recharged by Bright Things plc to CommonWorld Ltd.

#### 18 Reserves

Reserve	Description and purpose
Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Merger reserve	Amount of merger relief applied on acquisitions.
Warrant reserve	Black-Scholes fair value of warrants to subscribe, issued on acquisition of PushPlay Interactive LLC.
Share based payment reserve	Amount charged to the income statement in relation to share based consideration.
Retained deficit	Cumulative net gains and losses recognised in the consolidated income statement.

Bright Things Plc

Notes forming part of the financial statements for the year ended 31 March 2008 (Continued)

18 Reserves (Continued)

	Called up 10p share capital £'000	Called up 1p share capital £'000	Deferred 9p share capital £'000	Share premium £'000	Merger reserve £'000	Warrant reserve £'000	Share based payment reserve £'000	Retained deficit £'000	Total £'000
<b>At 1 April 2006</b>	2,045	-	-	9,559	(286)	267	113	(8,918)	2,780
Unrealised FX gain on translation of foreign subsidiaries	-	-	-	-	-	-	-	2	2
Loss for the period	-	-	-	-	-	-	-	(3,292)	(3,292)
<b>Total recognised income and expense for the period</b>	-	-	-	-	-	-	-	(3,290)	(3,290)
Share based payment charge	-	-	-	-	-	-	107	-	107
Issue of shares	1,000	-	-	100	-	-	-	-	1,100
Share issue costs	-	-	-	(70)	-	-	-	-	(70)
<b>At 31 March 2007</b>	<b>3,045</b>	-	-	<b>9,589</b>	<b>(286)</b>	<b>267</b>	<b>220</b>	<b>(12,208)</b>	<b>627</b>

Bright Things Plc

Notes forming part of the financial statements for the year ended 31 March 2008 (Continued)

18 Reserves (Continued)

	Called up 10p share capital £'000	Called up 1p share capital £'000	Deferred 9p share capital £'000	Share premium £'000	Merger reserve £'000	Warrant reserve £'000	Share based payment reserve £'000	Retained deficit £'000	Total £'000
At 1 April 2007	3,045	-	-	9,589	(286)	267	220	(12,208)	627
1 April 2007 10p Ordinary shares subdivided in to 1p Ordinary shares and 9p Deferred shares	(3,045)	304	2,741	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	-	-	(984)	(984)
Total recognised income and expense for the period	-	-	-	-	-	-	-	(984)	(984)
Share based payment charge	-	-	-	-	-	-	92	-	92
Issue of shares – private placing	-	239	-	716	-	-	-	-	955
Share issue costs	-	-	-	(135)	-	-	-	-	(135)
Issue of shares – acquisition of CommonWorld Ltd	-	75	-	-	150	-	-	-	225
At 31 March 2008	-	618	2,741	10,170	(136)	267	312	(13,192)	780

## **19 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 described below.

Matthew Tims is a director. A contract for his consultancy services with Creative Partners has been in place during the period. £18,250 (2007 - £63,250) was due under this agreement in the period. All transactions were conducted on an arm's length basis on normal trading terms. At 31 March 2008, £1,175 (2007 - £4,750) was outstanding.

During the year, Greg Ingham served as a director. A contract for his consultancy services with MediaClash was in place during the period, ending in September 2007. £3,333 (2007 - nil) was due under this agreement in the period. All transactions were conducted on an arm's length basis on normal trading terms. There was no balance outstanding at 31 March 2008 (2007 - nil).

Alex Halliday and Steve Hardman were directors of CommonWorld Ltd prior to its acquisition by Bright Things plc. Steve Hardman and Alex Halliday are currently directors of Get On With It Ltd and as two of the four vendors of CommonWorld Ltd are shareholders in Bright Things plc having received shares as consideration. Get On With It Ltd have the contract to complete the development of SocialGO and provide ongoing development support. £356,463 (2007 - nil) was due under this agreement in the period. All transactions were conducted on an arm's length basis on normal trading terms. At 31 March 2008, £61,254 (2007 - nil) was outstanding.

## **20 Major non-cash transactions**

During the year the group entered into the following non-cash transactions:

### *Shares issued as consideration*

7,500,000 shares were issued in consideration for the purchase of CommonWorld Limited on 27 December 2007.

On 30 July 2008, following the completion of the development and developer testing of SocialGO by 31 July 2008, the Company issued Get On With It Ltd, the vendors of CommonWorld Limited, a further 3,091,250 new 1p Ordinary Shares.

### *Share options*

Further to disclosure on share options in note 16, the Directors believe that the key stakeholders in the business of an early stage company should be rewarded and aligned to the same objectives as the shareholders. Therefore, share options have been used to incentivise contractors.

## **21 Licence Commitments**

At 31 March 2008 the Group was committed to pay £25,620 (2007 - £Nil) under licensing agreements.

**22 Events after the balance sheet date**

On 30 July 2008, following the completion of the development and developer testing of SocialGO by 31 July 2008, the Company issued the vendors of CommonWorld Limited, a further 3,091,250 new 1p Ordinary Shares (see note 17).

On 25 September 2008 the Company intends to announce the plan to raise additional cash by means of a share placing on AIM.

The financial statements were authorised for issue by the board as a whole following their approval on 25 September 2008.

**23 Transition to IFRS**

The consolidated financial information for the year ended 31 March 2008 and the comparatives for the year ended 31 March 2007 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU for the first time.

The Group's transition date to IFRS is 1 April 2006. The rules for first-time adoption of IFRS are set out in IFRS 1 'First time adoption of international reporting standards'. In preparing the IFRS financial information, these transition rules have been applied to the amounts reported previously under generally accepted accounting principles in the United Kingdom ('UK GAAP'). IFRS 1 generally requires full retrospective application of the Standards and Interpretations in force at the first reporting date. However, IFRS 1 allows certain exemptions in the application of particular Standards to prior periods in order to assist companies with the transition process.

As the Group has elected not to apply IFRS 3 retrospectively to business combinations prior to 1 April 2006 the original UK GAAP goodwill balance at 1 April 2006 (£832,000) has been included in the opening IFRS consolidated balance sheet and is no longer amortised, but continues to be subject to impairment reviews.

No amortisation has been charged for the year to 31 March 2007. Previously £90,000 had been charged under UK GAAP.

There is no net impairment impact of IFRS restatement to 31 March 2007. Opening goodwill at 1 April 2006 was fully impaired at 31 March 2007.

**Bright Things Plc**

Notes forming part of the financial statements for the year ended 31 March 2008 *(Continued)*

**23 Transition to IFRS *(Continued)***

**IFRS restatement of income statement for the year ended 31 March 2007**

	UK GAAP Year ended 31 March 2007 £'000	Adjustment Year ended 31 March 2007 £'000	IFRS Year ended 31 March 2007 £'000
Revenue	205		205
Cost of sales	(104)		(104)
<b>Gross profit</b>	<b>101</b>		<b>101</b>
Research and development costs	(847)		(847)
Administrative expenses - other (i)	(1,856)	90	(1,766)
Administrative expenses - impairment of intangible assets (i)	(742)	(90)	(832)
Total administrative expenses	(3,445)		(3,445)
<b>Loss from operations</b>	<b>(3,344)</b>		<b>(3,344)</b>
Finance income	52		52
<b>Loss before and after tax for the year</b>	<b>(3,292)</b>		<b>(3,292)</b>
<b>Attributable to:</b>			
Equity shareholders	(3,292)		(3,292)
<b>Loss per share</b>			
Basic and diluted	(13.5p)		(13.5)p

(i) Reversal of 2007 UK GAAP goodwill amortisation charge

**Bright Things Plc**Notes forming part of the financial statements for the year ended 31 March 2008 *(Continued)***23 Transition to IFRS (Continued)****IFRS restatement of balance sheet as at 31 March 2007**

	<b>UK GAAP</b>	<b>Adjustment</b>	<b>IFRS</b>
	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2007</b>	<b>2007</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	38		38
Intangible assets	89		89
	-----	-----	-----
	127		127
<b>Current assets</b>			
Inventories	7		7
Trade and other receivables	161		161
Tax asset	20		20
Cash and cash equivalents	864		864
	-----	-----	-----
	1,052		1,052
	-----	-----	-----
<b>Total assets</b>	<b>1,179</b>		<b>1,179</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	(194)		(194)
Tax liabilities	(11)		(11)
Accruals and deferred income	(347)		(347)
	-----	-----	-----
<b>Total liabilities</b>	<b>(552)</b>		<b>(552)</b>
	-----	-----	-----
<b>Total net assets</b>	<b>627</b>		<b>627</b>
	=====	=====	=====
<b>Capital and reserves attributable to equity shareholders</b>			
Called-up share capital	3,045		3,045
Share premium account	9,589		9,589
Warrant reserve	267		267
Merger reserve	(286)		(286)
Share based payment reserve	220		220
Retained deficit	(12,208)		(12,208)
	-----	-----	-----
<b>Total equity</b>	<b>627</b>		<b>627</b>
	=====	=====	=====

**Bright Things Plc**

Notes forming part of the financial statements for the year ended 31 March 2008 (*Continued*)

**23 Transition to IFRS (*Continued*)**

**IFRS restatement of balance sheet as at 1 April 2006**

	UK GAAP 1 April 2006 £'000	Adjustment 1 April 2006 £'000	IFRS 1 April 2006 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	87		87
Intangible assets	1,034		1,034
	<hr/>	<hr/>	<hr/>
	1,121		1,121
<b>Current assets</b>			
Inventories	-		-
Trade and other receivables	370		370
Tax asset	61		61
Cash and cash equivalents	1,775		1,775
	<hr/>	<hr/>	<hr/>
	2,206		2,206
	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	3,327		3,327
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	(227)		(227)
Tax liabilities	(32)		(32)
Accruals and deferred income	(288)		(288)
	<hr/>	<hr/>	<hr/>
<b>Total liabilities</b>	(547)		(547)
	<hr/>	<hr/>	<hr/>
<b>Total net assets</b>	2,780		2,780
	<hr/>	<hr/>	<hr/>
<b>Capital and reserves attributable to equity shareholders</b>			
Called-up share capital	2,045		2,045
Share premium account	9,559		9,559
Warrant reserve	267		267
Merger reserve	(286)		(286)
Share based payment reserve	113		113
Retained deficit	(8,918)		(8,918)
	<hr/>	<hr/>	<hr/>
<b>Total equity</b>	2,780		2,780
	<hr/>	<hr/>	<hr/>

**Bright Things Plc****Company balance sheet at 31 March 2008 under UK GAAP**

	Note	31 March 2008 £'000	31 March 2008 £'000	31 March 2007 £'000	31 March 2007 £'000
<b>Fixed Assets</b>					
Intangible assets	IV		-		9
Investments	V		414		194
			<hr/>		<hr/>
			414		203
<b>Current assets</b>					
Debtors	VI	43		3	
Cash at bank and in hand	VIII	538		804	
		<hr/>		<hr/>	
		581		807	
<b>Creditors: amounts falling due within one year</b>					
	VII	(43)		(37)	
		<hr/>		<hr/>	
<b>Net current assets</b>			538		770
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			952		973
			<hr/> <hr/>		<hr/> <hr/>
<b>Capital and reserves</b>					
Called up share capital – 1p ordinary	XI		618		-
Called up share capital – 9p deferred	XI		2,741		-
Called up share capital – 10p ordinary	XI		-		3,045
Share premium account			10,170		9,589
Warrant reserve			267		267
Merger reserve			722		572
Share based compensation			312		220
Retained losses			(13,878)		(12,720)
			<hr/>		<hr/>
<b>Shareholders' funds</b>			952		973
			<hr/> <hr/>		<hr/> <hr/>

The financial statements were approved by the Board and authorised for issue on 25 September 2008.  
Edward Levey, Director

The notes on pages 67 to 81 form part of these financial statements.

**I Accounting policies**

The principal accounting policies applied are summarised below.

*Basis of preparation*

The financial statements have been prepared under the historical cost convention and are in accordance with applicable UK accounting standards.

The principle accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied throughout the current and prior period unless otherwise stated.

The preparation of the financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed within the accounting policies below:

*Merger accounting*

Where merger accounting is used, the investment is recorded in the company's balance sheet at the nominal value of the shares issued together with the fair value of any additional consideration paid.

In the group financial statements, merged subsidiary undertakings are treated as if they had always been a member of the group. The results of such a subsidiary are included for the whole period in the year it joins the group. The corresponding figures for the previous year include its results for that period, the assets and liabilities at the previous balance sheet date and the shares issued by the company as consideration as if they had always been in issue. Any difference between the nominal value of the shares acquired by the company and those issued by the company to acquire them is taken to reserves.

*Acquisition accounting*

Where acquisition accounting is used, the investment is recorded in the company's balance sheet at the fair value of consideration paid.

In the group financial statements, the results of acquired subsidiary undertakings are taken from the date of acquisition. Any difference between the fair value of assets acquired and the consideration paid is treated as goodwill in the consolidated balance sheet.

*Externally acquired intangible assets*

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives. The amortisation expense is included within the administrative expenses line in the profit and loss.

**I Accounting policies (Continued)**

*Amortisation*

Amortisation is provided to write off the costs or valuation of intangible fixed assets evenly over their expected useful lives. It is calculated on the following basis:

Intellectual Property – 3-5 years straight line

*Useful lives of intangible and tangible assets*

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

*Impairment of fixed assets*

The need for any fixed asset impairment write down is assessed by comparison of the carrying value of the asset against the higher of realisable value and value in use.

The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows.

*Valuation of investments*

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

*Share based payments IFRS 2*

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement on a straight line basis over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received. If it is not possible to identify the fair value of these goods or services provided, the income statement is charged with the fair value of the options granted.

Fair value is calculated using the Black-Scholes model.

## Bright Things Plc

### Notes forming part of the company financial statements for the year ended 31 March 2008

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#### I Accounting policies *(Continued)*

##### *Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

#### II Employees

	<b>Year ended 31 March 2008 £'000</b>	<b>Year ended 31 March 2007 £'000</b>
Staff costs for all employees, including directors, consist of:		
Wages and salaries	85	121
Social security costs	9	12
	-----	-----
	94	133
Share based payment charge	52	107
	-----	-----
	<b>146</b>	<b>240</b>
	=====	=====

	<b>Year ended 31 March 2008 £'000</b>	<b>Year ended 31 March 2007 £'000</b>
The average number of employees of the group during the year, including directors, was as follows:		
Management and administration	4	4
	-----	-----
	<b>4</b>	<b>4</b>
	=====	=====

## Bright Things Plc

### Notes forming part of the company financial statements for the year ended 31 March 2008 (*Continued*)

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#### III Loss for the financial year

Bright Things Plc has taken advantage of the exemption allowed under s230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The Company's loss for the year is £1,158,000 (2007 - £3,020,000 loss). This is a result of the company fully providing for £734,000 from intercompany receivable balances. This provision does not affect the consolidated results of the Group

#### IV Intangible assets

	<b>Intellectual property £'000</b>	<b>Licenses £'000</b>	<b>Total £'000</b>
<i>Cost</i>			
Balance at 1 April 2007	19	728	747
Additions	-	-	-
Expired licences	-	(728)	(728)
<b>Balance at 31 March 2008</b>	<b>19</b>	<b>-</b>	<b>19</b>
<i>Amortisation</i>			
Balance at 1st April 2007	10	728	738
Provision for period	6	-	6
Amortisation on expired licences	-	(728)	(728)
Impairment for period	3	-	3
<b>Balance at 31 March 2008</b>	<b>19</b>	<b>-</b>	<b>19</b>
<i>Net book value</i>			
At 31 March 2007	9	-	9
<b>At 31 March 2008</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Bright Things Plc****Notes forming part of the company financial statements for the year ended 31 March 2008 (Continued)****V Fixed asset investments***Subsidiary undertakings*

	<b>Year ended 31 March 2008 £'000</b>	<b>Year ended 31 March 2007 £'000</b>
<b>Cost</b>		
Balance at 1 April	2,112	2,112
Additions	414	-
	<hr/>	<hr/>
Balance at 31 March	<b>2,526</b>	2,112
<b>Provisions</b>		
Balance at 1 April	(1,918)	(980)
Provisions made during the year	(194)	(938)
	<hr/>	<hr/>
Balance at 31 March	<b>(2,112)</b>	(1,918)
	<hr/>	<hr/>
<b>Carrying value of investments</b>	<b>414</b>	194
	<hr/> <hr/>	<hr/> <hr/>

The opening balance relates to Bright Entertainment Limited (£1,000,000) and PushPlay Interactive (£1,112,000).

The addition in 2008 relates to the acquisition of 100% of the voting equity instruments of CommonWorld Ltd on 27 December 2007 (2007 additions – nil).

The cost of investment is calculated as follows:

	<b>£'000</b>
<b>Consideration paid</b>	
Cash paid to developers between July and December 2007	189
7,500,000 ordinary shares issued 27 December 2007 at market value of 3p per share	225
	<hr/>
Intellectual property	414
	<hr/> <hr/>

The fair value of the shares issued was determined by reference to the market price of 3p on the date of issue, 27 December 2007.

The provision in the current year relates to the full impairment of the company's investment in PushPlay Interactive (£174,000) and Bright Entertainment Limited (£20,000). In 2007 PushPlay Interactive was written down to its carrying value by the provision of £938,000. The 2007 opening balance provision of £980,000 is against Bright Entertainment Limited.

## Bright Things Plc

### Notes forming part of the company financial statements for the year ended 31 March 2008 *(Continued)*

#### V Fixed asset investments *(Continued)*

The following were subsidiary undertakings at the end of the year:

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
Bright Entertainment Limited	England & Wales	100%	Trading company
Bright Things International Limited	England & Wales	100%	Holding company
Bright Things Inc	USA	100%	Trading company
PushPlay Interactive LLC	USA	100%	Trading company
CommonWorld Limited	England & Wales	100%	Trading company

For all undertakings listed above, the country of operation is the same as its country of incorporation or registration.

Bright Things Inc. is 100% owned by Bright Things International Limited.

Bright Things Plc took advantage of the merger relief provisions under s131 Companies Act 1985 when it issued equity shares on a share for share basis to acquire a 100% interest in Bright Entertainment Limited.

Bright Things Plc took advantage of the merger relief provisions under s131 Companies Act 1985 when it issued equity shares on a share for share basis to acquire a 100% interest in PushPlay Interactive LLC.

Bright Things Plc took advantage of the merger relief provisions under s131 Companies Act 1985 when it issued equity shares on a share for share basis to acquire a 100% interest in CommonWorld Limited

#### VI Debtors due within one year

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Amounts owed by subsidiary undertakings	40	-
Other debtors - VAT	2	2
Prepayments	1	1
	<hr/>	<hr/>
	43	3
	<hr/>	<hr/>

## Bright Things Plc

Notes forming part of the company financial statements for the year ended 31 March 2008 (*Continued*)

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### VII Creditors: amounts falling due within one year

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Amounts owed to subsidiary undertakings	26	26
Trade creditors	11	9
Accruals	6	2
	<hr/>	<hr/>
	43	37
	<hr/> <hr/>	<hr/> <hr/>

### VIII Financial instruments

The Company is exposed to risks that arise from its use of financial instruments. These financial instruments are shown on the face of the balance sheet and comprise the following:

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
<b>Loans and receivables</b>		
Trade and other receivables	-	-
Cash and cash equivalents	538	804
<b>Financial liabilities at amortised cost</b>		
Trade and other payables	11	9

#### Credit risk

Credit risk arises from the Company's cash at bank and cash equivalent.

It is the risk that the counterparty fails to discharge their obligations and could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date.

The Company manages this risk by using a reputable bank.

#### *Cash at bank and cash equivalents*

The Company's policy in respect of cash and cash equivalents is to limit its exposure by reducing cash holding in the operating unit and investing amounts that are not immediately required in funds that have low risk and are placed with a reputable bank.

Floating rate financial assets of £538,000 (2007 - £804,000) comprise sterling cash deposit on special interest bearing accounts, money market deposit at call and 7 day rates. There are no fixed rate financial assets.

## Bright Things Plc

### Notes forming part of the company financial statements for the year ended 31 March 2008 (Continued)

#### VIII Financial instruments (Continued)

At 31 March 2008 the Company had the following cash balances:

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Sterling (weighted average rate of interest 5.79%, 2007 - 4.58%)	538	804

All monetary assets and liabilities within the Company are denominated in the functional currency of the operating unit in which they are held.

All amounts stated at carrying value equate to fair value.

#### Liquidity risk

Liquidity risk arises from the Company's management of working capital and the finance charges and repayments of its liabilities.

The Company's policy is to ensure that it will have sufficient cash to allow it to meet its liabilities when they become due and so cash holdings may be high during certain periods throughout the year.

The table below illustrates the ageing of trade and other payables:

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Current	11	-
31 – 60 days	-	-
61 – 90 days	-	9
	11	9

#### Market risk

##### Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Company's operating currency is GBP and the majority of transactions are made in GBP. The Company feels that there is little exposure to currency risk.

The other currency used in operations is USD. All amounts received in USD are deposited in separate USD accounts. Any payments made in USD are paid from these bank accounts to reduce the exposure to currency risk. As in 2007, the Company entered into no forward contracts for US dollars during the year.

## Bright Things Plc

### Notes forming part of the company financial statements for the year ended 31 March 2008 (Continued)

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#### VIII Financial instruments (Continued)

##### *Interest rate risk*

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company considers the interest rates available when deciding where to place cash balances.

The Company has no material exposure to interest rate risk.

#### IX Loss from operations

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
This is arrived at after charging / (crediting):		
Staff costs (see note II)	94	133
Amortisation of intellectual property	6	10
Impairment of intellectual property	3	-
Impairment of investments	194	938
Auditors' remuneration - audit services	25	25
- non-audit services - Interim review	4	2
- non-audit services - Taxation	6	3
Share based payments	52	107
	<u>          </u>	<u>          </u>

#### X Taxation on profit from ordinary activities

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Loss on ordinary activities before tax	(1,158)	(3,020)
	<u>          </u>	<u>          </u>

## Bright Things Plc

### Notes forming part of the company financial statements for the year ended 31 March 2008 (Continued)

#### X Taxation on profit from ordinary activities (Continued)

The tax assessed for the period differs from the standard rate of corporation tax in the UK applied to profit before tax.

The differences are explained below:

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2007: 30%)	(347)	(906)
Effects of:		
Unutilised losses carried forward	295	836
Capital allowances for the year in deficit of depreciation	52	70
	-----	-----
Current tax charge for year	-	-
	=====	=====

#### XI Share capital

At the EGM dated 24 December 2007 it was resolved that the 10p Ordinary Shares be sub-divided into one new Ordinary Share of 1p and one Deferred Share of 9p. The Deferred Shares hold no rights to voting or dividends and so the equity value of the Company is entirely attributable to the new Ordinary Shares. It was also resolved to sub-divide each of the authorised, but unissued Ordinary Shares into 10 new Ordinary Shares of 1p. In due course, it is intended that the Deferred Shares will be cancelled as part of a capital reconstruction.

The 31 March 2007 comparative figures are restated to show the effects of the subdivision of the 10p Ordinary shares in to 1p Ordinary shares and 9p Deferred shares.

	31 March 2008 £'000	(restated) 31 March 2007 £'000
<b>Authorised</b>		
500,000,000 (2007 – 50,000,000) Ordinary shares of 1p each (2007 - 10p each)	5,000	5,000
	=====	=====
274,050,702 Deferred shares of 9p each	2,741	2,741
	=====	=====

## Bright Things Plc

### Notes forming part of the company financial statements for the year ended 31 March 2008 (Continued)

#### XI Share capital (Continued)

	<b>31 March 2008 £'000</b>	<b>(restated) 31 March 2007 £'000</b>
<b>Allotted, called up and fully paid</b>		
61,825,078 (2007 - 30,450,078) Ordinary shares of 1p each (2007 - 10p each)	618	304
274,050,702 Deferred shares of 9p each	2,741	2,741
	<u>3,359</u>	<u>3,045</u>

The movement in share capital was as follows:

	<b>Ordinary shares of 1p each Number</b>	<b>£'000</b>
In issue at 31 March 2007 (restated)	30,450,078	304
1p Ordinary Shares issued for 4p each – 24 December 2007	23,875,000	239
1p Ordinary Shares issued for 3p each – 27 December 2007 to acquire CommonWorld	<u>7,500,000</u>	<u>75</u>
In issue at 31 March 2008	<u>61,825,078</u>	<u>618</u>

The share price ranged from a low of 2.9 pence to a high of 9.7 pence.

Shares issued on 24 December were for a total consideration of £955,000, less costs of issue of £135,000.

The 7,500,000 shares issued on 27 December 2007 were issued in consideration for the purchase of CommonWorld Limited.

Bright Things Plc took advantage of the merger relief provisions under s131 Companies Act 1985 when it issued equity shares to acquire a 100% interest in CommonWorld Limited.

## Bright Things Plc

Notes forming part of the company financial statements for the year ended 31 March 2008 (*Continued*)

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### XII Share options

#### *Unapproved Share Options*

At 31 March 2008 the following share options were outstanding in respect of the ordinary shares under option agreements entered into by the Company:

<b>Number of shares</b>	<b>Date of Grant</b>	<b>Period of option</b>	<b>Exercise price pence per share</b>
400,000	26 April 2004	26 April 2004 to 26 April 2014	14.0
155,050	26 April 2004	26 April 2004 to 30 June 2012	10.0
75,000	26 April 2004	26 April 2004 to 30 June 2012	14.0
49,055	26 April 2004	30 April 2004 to 30 April 2011	90.0
100,000	31 August 2004	31 August 2005 to 3 December 2014	90.0
100,000	31 August 2004	31 August 2005 to 1 October 2014	90.0
185,000	1 October 2004	1 October 2005 to 1 October 2014	90.0
24,000	30 November 2004	30 November 2004 to 30 November 2014	90.0
10,000	30 November 2004	30 November 2005 to 30 November 2014	90.0
25,000	1 December 2004	1 December 2005 to 1 December 2014	90.0
75,000	21 December 2004	1 January 2005 to 1 January 2015	90.0
30,000	7 January 2005	7 January 2006 to 7 January 2015	90.0
136,666	20 July 2005	20 July 2006 to 20 July 2015	149.5
91,667	20 July 2005	20 July 2007 to 20 July 2015	149.5
91,667	20 July 2005	20 July 2008 to 20 July 2015	149.5
45,000	20 September 2006	20 September 2007 to 20 September 2016	13.5
166,666	20 September 2006	20 September 2007 to 20 September 2016	13.5
166,667	20 September 2006	20 September 2008 to 20 September 2016	13.5
166,667	20 September 2006	20 September 2009 to 20 September 2016	13.5
100,000	21 September 2006	21 September 2007 to 21 September 2016	11.3
200,000	1 April 2007	1 April 2008 to 1 April 2017	10.0
<hr/>			
2,393,105			
<hr/> <hr/>			

#### *EMI Plan*

At 31 March 2008 no options were outstanding in respect of the ordinary shares under the EMI plan.

Bright Things Plc

Notes forming part of the company financial statements for the year ended 31 March 2008 (Continued)

XIII Reserves

	Called up 10p share capital £'000	Called up 1p share capital £'000	Deferred 9p share capital £'000	Share premium £'000	Merger reserve £'000	Warrant reserve £'000	Share based payment reserve £'000	Retained losses £'000	Total £'000
<b>At 1 April 2006</b>	2,045	-	-	9,559	572	267	113	(9,700)	2,856
Loss for the period	-	-	-	-	-	-	-	(3,020)	(3,020)
Share based payment charge	-	-	-	-	-	-	107	-	107
Issue of shares	1,000	-	-	100	-	-	-	-	1,100
Share issue costs	-	-	-	(70)	-	-	-	-	(70)
<b>At 31 March 2007</b>	<b>3,045</b>	<b>-</b>	<b>-</b>	<b>9,589</b>	<b>572</b>	<b>267</b>	<b>220</b>	<b>(12,720)</b>	<b>973</b>

Bright Things Plc

Notes forming part of the company financial statements for the year ended 31 March 2008 (Continued)

XIII Reserves (Continued)

	Called up 10p share capital £'000	Called up 1p share capital £'000	Deferred 9p share capital £'000	Share premium £'000	Merger reserve £'000	Warrant reserve £'000	Share based payment reserve £'000	Retained losses £'000	Total £'000
At 1 April 2007	3,045	-	-	9,589	572	267	220	(12,720)	973
1 April 2007 10p Ordinary shares subdivided in to 1p Ordinary shares and 9p Deferred shares	(3045)	304	2,741	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	-	-	(1,158)	(1,158)
Share based payment charge	-	-	-	-	-	-	92	-	92
Issue of shares – private placing	-	239	-	716	-	-	-	-	955
Share issue costs	-	-	-	(135)	-	-	-	-	(135)
Issue of shares – acquisition of CommonWorld Ltd	-	75	-	-	150	-	-	-	225
<b>At 31 March 2008</b>	<b>-</b>	<b>618</b>	<b>2,741</b>	<b>10,170</b>	<b>722</b>	<b>267</b>	<b>312</b>	<b>(13,878)</b>	<b>952</b>

## **Bright Things Plc**

### **Notes forming part of the company financial statements for the year ended 31 March 2008 (Continued)**

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#### **XIV Events after the balance sheet date**

On 30 July 2008, following the completion of the development and developer testing of SocialGO by 31 July 2008, the Company issued the vendors of CommonWorld Limited, a further 3,091,250 new 1p Ordinary Shares.

On 25 September 2008 the Company intends to announce the plan to raise additional cash by means of a share placing on AIM.

The financial statements were authorised for issue by the board as a whole following their approval on 25 September 2008.

#### **XV Related party transactions**

Matthew Tims is a director. A contract for his consultancy services with Creative Partners has been in place during the period. £18,250 (2007 - £63,250) was due under this agreement in the period. All transactions were conducted on an arm's length basis on normal trading terms. At 31 March 2008, £1,175 (2007 - £4,750) was outstanding.

During the year, Greg Ingham served as a director. A contract for his consultancy services with MediaClash was in place during the period, ending in September 2007. £3,333 (2007 - nil) was due under this agreement in the period. All transactions were conducted on an arm's length basis on normal trading terms. There was no balance outstanding at 31 March 2008 (2007 - nil).

Alex Halliday and Steve Hardman were directors of CommonWorld Ltd prior to its acquisition by Bright Things plc. Steve Hardman and Alex Halliday are currently directors of Get On With It Ltd and as two of the four vendors of CommonWorld Ltd are shareholders in Bright Things plc having received shares as consideration. Get On With It Ltd have the contract to complete the development of SocialGO and provide ongoing development support. £356,463 (2007 - nil) was due under this agreement in the period. All transactions were conducted on an arm's length basis on normal trading terms. At 31 March 2008, £61,254 (2007 - nil) was outstanding.

The Company has exercised the exemption provided under FRS 8 in respect of subsidiaries which have been consolidated in the consolidated financial statements.

