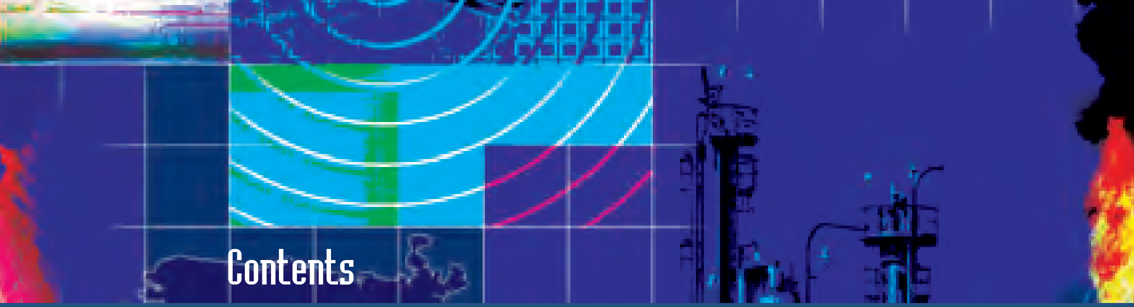
ViaLogy PLC

Report and Financial Statements
Year Ended 31 March 2012



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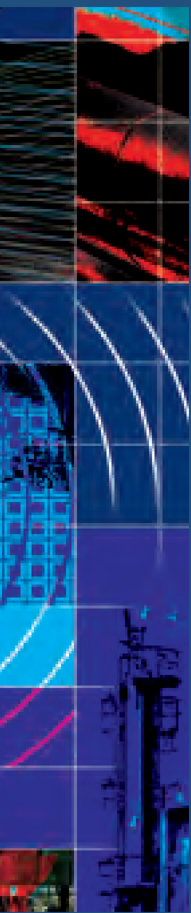


Directors and Advisors

DIRECTORS

Terry Bond	(Chairman)
Dr Robert Dean	(Chief Executive Officer)
Dr Sandeep Gulati	(Chief Technology Officer)
Peter Reynolds	(Non-Executive)

SECRETARY AND REGISTERED OFFICE

Mark Collingbourne, Ashcombe Court, Woolsack Way, Godalming, Surrey GU7 1LQ.

NOMINATED ADVISOR AND BROKER

Seymour Pierce Limited, 20 Old Bailey, London EC4M 7EN.

AUDITORS

BDO LLP, 55 Baker Street, London W1U 7EU.

SOLICITORS

Faegre Baker Daniels LLP, 7 Pilgrim Street, London EC4V 6LB.

BANKERS

Barclays Bank PLC, 27 Soho Square, London W1D 3QR.

REGISTRARS

Capita Registrars, Northern House, Woodsome Park, Fenay Bridge,
Huddersfield HD8 0LA.

COMPANY NUMBER

3971582

COUNTRY OF INCORPORATION OF PARENT COMPANY

England

Chairman's Statement

I am pleased to present the annual report and the financial report for your company for the Fiscal Year ending 31 March 2012. Detailed and comprehensive information on the Fiscal Year activities is contained in the report and we consider it is also relevant to include information about the months since March, a period when ViaLogy has made considerable and significant business progress. So, as well as the audited financial details, you will find comprehensive reviews of the company's achievements during this recent period from our CEO, Robert Dean, and our founder and CTO, Sandeep Gulati.

I am pleased to say we have achieved a number of major milestones, the result of many months of effort. In the CEO's review you will see that we have signed commercially based contracts with the supermajor energy company, Chevron, the Indian national oil company, ONGC, and a second household-name Supermajor which, at their request, will remain anonymous. These are prestigious awards from international businesses that have carried out detailed examination of our technology, QuantumRD. They are sufficiently satisfied to place their trust in us and we are proud to be working with their scientists and other technical suppliers.

These large clients have exacting criteria for using new technologies. Not surprisingly, the path to the first sales has been an extended one. Going forward, contracted project work should increase as should revenues and operating cash flows. Our plan for the business is measured in operating throughput, a process we believe can be made progressively more automated to deliver higher margins.

In addition to the three clients we have secured in recent months, we are engaged in business talks with other Oil Exploration and Production giants. ViaLogy's current phase brings its own challenges. The mission now is to gear our organisation to deliver contracted seismic analysis results on schedule – the deadlines demanded by each of our clients are stringent - and to cope with what we anticipate will be an escalating demand for our services. Our revenue model is based on the increasing and automated throughput of properly conditioned seismic data, and this in turn depends upon further development of our QuantumRD software platform. Both execution and development work will involve additional skilled technical personnel.

Finances

For the year ending 31 March 2012 the ViaLogy consolidated financial statements accounts show a net loss of £4.9 million (2011: loss £5.8 million). The loss after tax and after adding back the non-cash items, depreciation and amortisation charge and share based payment expense was £1.52 million (2011: loss £2.01 million).

ViaLogy is a high-tech research and development company and it is the Board's responsibility to ensure that the business is adequately funded during its formative years. Our strategy has always been to avoid company debt and to raise capital by the issue of new equity, sufficient to cover expenditure for the medium term. To date we have achieved this mainly by private placings which is a most cost effective method and, we believe, is in the best interests of investors. We will continue to examine the most appropriate ways to fund the future development of the company.

During the year to the end of March 2012 the company raised £177,500 before expenses via a private placing of 17,750,000 shares at 1p on 11 October, 2011. The company also raised £1,050,000 via a private placing of 100,000,000 shares on 18 January 2012.

Since the company's year end we have arranged two further fundings. The company raised £1,045,000 via a private placing of 38,000,000 shares at 2.75p on 23 May, 2012. On 15 June 2012 £1,000,000 was raised via a private placing of 36,363,637 shares at 2.75p.

The Future

It is obvious that ViaLogy has reached a tipping point in its development. A number of the upstream Exploration and Production industry's biggest players are utilising our QuantumRD technology and we are confident that more will follow. We have a conservative business plan in place and will continue to discuss and consider all the opportunities our technology presents.

Thank you for your continued support.

Terry Bond

Chairman

28 June 2012

Chief Executive Officer's Report

In the last Annual Report I said we were close to doing business with a number of large, important clients. We have delivered, and this blue-chip market penetration puts us closer to our goals of becoming a key piece of the industry-wide seismic analysis toolkit, making QuantumRD a mainstay of our customers' success, and achieving substantial revenue growth through expanded follow-on business. In each case we are attempting to solve core reservoir development problems for our clients. Keep in mind ViaLogy's powerful value proposition – that our technology can over time create efficiencies and lower costs in the upstream E&P industry by drilling fewer development wells and avoiding dry wells, mapping deviated wells optimally, and by increasing reserves because of additional reserves discovered. The technology is also versatile in that it can be utilized in virtually any geography as long as the data is of sufficient quality. Our current contracts take QuantumRD technology to South Asia and to major US development areas.

In the twelve months prior to ViaLogy's July 2012 AGM we count a number of pivotal achievements that mark major strategic progress toward establishing QuantumRD as a unique tool in the upstream energy industry and building substantial revenues.

- In March 2012 we successfully completed our initial contract with Chevron and now we have begun work under a second contract. In the first commission ViaLogy's analysis located a major oil/gas subsurface carbonate porosity trend that Chevron had been unable to discern using other techniques; the ground truth of our work was validated by wells previously drilled on this extensive field but unknown to ViaLogy. If the ViaLogy analysis had been available originally to assist in the development of the field numerous wells would probably not have been drilled – amounting to substantial cost savings. ViaLogy's findings were presented at a worldwide Chevron technical meeting in May and will be featured in a presentation at September's international meeting of the American Association of Petroleum Geologists in Singapore. The goal of ViaLogy's second Chevron contract is to deliver accurate quantitative estimates across a large prospect, not only of porosity, but of fluid presence and lithologies as well.

- In April 2012, we executed a sole-source contract with India's largest energy company, the Oil and Natural Gas Corporation. Focused on the country's largest known offshore field, and confronting some of India's toughest offshore development problems, ViaLogy's work is being watched closely at senior levels and has the potential to have a large impact on many future ONGC projects.

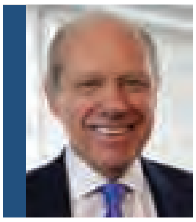
- In April 2012, we were awarded a contract by a second Supermajor to apply QuantumRD analysis to 3D data associated with one of their most important fields. An internal Supermajor project team has been established to monitor results and to assess the technology's suitability for incorporation into the client's global best practices workflow.

- We completed work for client Samson that successfully mapped porosity in five different carbonate formations in a Permian field.

- We have made progress in developing our proprietary QuantumRD software by completing additional code that will further automate the analysis process.

ViaLogy's revenue model foresees the throughput of increasing levels of automated QuantumRD processed seismic data. The company's value proposition – lower exploration and production costs through better predictive outcomes in the data's analysis – should enable growth of our customer base, as well as larger projects. Offshore fields are expansive, often extending to thousands of square kilometres; processing needs to be implemented on very large areas to ensure that trends are identified, even though actual drilling zones may be limited in size. Fundamentally, the marginal cost of expanding the business to accommodate ever larger units of sale (ie, larger geographic areas) is low, that is revenues can increase at a much higher ratio than cost of sales, and deliver very positive margins. Business execution has its own challenges; for example, we are often obliged to work with seismic data that is not of sufficient quality to produce the results of which QuantumRD is capable. But in general the key requisites for expanding the business are skilled personnel and further development of the software.

Your Board, management team, and staff take pride in what has been accomplished in difficult economic times and in a risk-averse, stay-with-what-you-know industry and, it deserves to be mentioned, with limited company resources. Our attention in the coming months will be given to contract performance, building client relationships, expanded business and revenues, and keeping the technology moving forward. We face challenges on all fronts and we must increase our staff capabilities. Our strong preference would be to release to shareholders more fulsome news reports, but the confidentiality that is typically imposed by clients is something we must respect. In conclusion I want to thank you, our shareholders, for your continuing confidence and support.



Dr. Robert W Dean

Chief Executive Officer

28 June 2012

Chief Technology Officer's Review

The past year has been very busy for ViaLogy. Building on our onshore and offshore pilot project successes over three years of development the software team implemented techniques to scale our workflows for hydrocarbon reservoir discovery, development, and resource estimation. We are now delivering complex geophysical analysis based on our patented quantum algorithms and weak signal processing technology to support our customers' exploration and development drilling programs at various locations around the world.

QuantumRD,ViaLogy's software-based signal processing platform, is capable of extracting reservoir properties from ultra-weak seismic amplitudes that have traditionally been discarded and filtered away as 'noise'. Some of this discarded data, previously considered 'random and meaningless' in conventional seismic processing, is actually useful signal. Our work, amplifying complex subsurface channels and porous zones in tight carbonates and sandstones, has demonstrated that subsurface strata reflect signals of complexity and subtlety that can be effectively characterized by transforming the seismic data into the quantum domain. To accomplish this QuantumRD utilizes a synthetic noise source (that is, a representation suitable for exploitation by quantum resonance algorithms) derived from known rock-physics and well log data. This synthetic noise is then used to probe the transformed seismic data sets in order to detect, amplify and characterize changes in weak amplitudes in low and high frequencies that are indicative of the presence of pre-specified levels of porosity, shale and fluid presence. Subtle changes in rock and fluid properties are detected as emergent computational resonances in the quantum domain. As part of the analysis process, QuantumRD deconstructs conventionally processed seismic datasets into smaller volume cells (or voxels). These voxels are focused on individual formations of interest. Each voxel is analyzed individually in the quantum domain, to detect porosity, shale, and fluid presence, and then reassembled to build reservoir models from the bottom-up. In the last twelve months we have made significant progress in extending our software capability to automate this process.

Customers are starting to recognize QuantumRD as a relatively low-cost, high-payoff augmentation to their seismic processing toolkit. Increasing worldwide demand for oil has intensified the search for new plays, production from deeper, difficult targets, and for the extension/redevelopment of mature producing fields. Exploration and Production companies are also paying increasing attention to reducing operating costs and improving efficiencies in recovery by relying on better located horizontal wells and multi-zone vertical and deviated wells. In addition, many new reservoirs are likely to be smaller and deeper, which means an increase in capital risk. E&P firms want to do everything possible to reduce risk prior to drilling or committing to full-scale field development. As we explain below, each ongoing commercial project moves QuantumRD to another level of complexity and performance, extending the overall reach of the technology and our prospects for business growth based on technical successes.

Here are some highlights from key commercial projects we have recently undertaken:

- **Positioning horizontal drilling trajectories in West Texas.** This project follows a recent success for the same Supermajor that demonstrated QuantumRD's unique capabilities in finding high porosity trends in tight Permian dolomites. In this project numerous offset wells that had been drilled using standard grid patterns – attempting to increase recovery by maximizing statistical coverage of the acreage – could have been avoided. This customer has now contracted with ViaLogy to map out the best subsurface corridors for placing horizontal wells in excess of ten thousand feet. Mapping porosity, interference from shale, and fluid presence could potentially save drilling several tens of vertical wells. The initial phase of this project has been prioritized from a survey covering over 2,000sq km, with the potential for expanding to several prospects the entire area.

- **Mapping offshore carbonates and reservoir compartmentalization** for a national oil company in a geologically complex Miocene setting that holds promise for large oil finds, but to date has shown a chequered production profile. As focus shifts to increasing production from satellite and marginal fields to extend the life of aging brown fields, this client's need for accurately mapping the subsurface becomes even more important as a prerequisite to committing large development resources. With frequent changes in subsea geology, complex overburden, high faulting and unexpectedly high levels of produced water seen in test wells, this project acreage has challenged conventional seismic and electromagnetic processing to date, resulting in a high number of test wells and commensurate costs. The total basin, with over 100,000sq km seismic data, represents several structural provinces that could significantly benefit from QuantumRD's lithology, fracture and fluid presence discrimination.

- **Discovery and mapping of near-arctic sandstone reservoirs.** QuantumRD is being utilized to determine the locations of thin pay hydrocarbon assets, to discover new and bypassed oil pools in highly compartmentalized reservoirs which are extremely difficult to image and below several thousand feet of permafrost. Even with high quality seismic acquisition and, best practice AVO and inversion processing, these unconsolidated sandstone reservoirs below the seismic resolution have been difficult to characterize. While the end objective of the project for the Supermajor client is to increase the success rate of drilling and hydrocarbon recovery, results will have major implications in filling performance gaps in AVO, as most seismic exploitation today relies heavily on it.

- **Multi-zone Permian mapping.** QuantumRD analysis provided porosity prediction on a 50sq. km Permian field in Texas. This is a complex hybrid reservoir with separate resource plays in Clear Fork, Leonard Limestone, Devonian, Wolfcamp and Strawn formations. Each formation was analyzed individually, mapping porosity and generating drilling targets. ViaLogy's development team extended the QuantumRD workflow capabilities to automatically deconstruct conventionally processed seismic datasets into smaller volume cells (voxels) over individual sandstone and carbonate zones for each subsurface formation of interest. The individual voxels were then analyzed, within their rock physics contexts, for porosity, fluids and other rock properties, and then reassembled to build net pay reservoir models from the bottom up. This is an important advance in automated analysis and interpretation. Comparison of ViaLogy's results with double blind legacy wells and also with new recently drilled wells showed success, and validated QuantumRD as a cost-effective de-risking technology that can be applied to high-grade marginal prospects where additional areal and vertical resolution of hydrocarbon bearing geobodies is important and where higher confidence on lithology and porosity predictions can maximize recovery via multi-zone wells.

What makes QuantumRD so valuable as a seismic processing technology is its predictive accuracy and its ability to process massive volumes of seismic data rapidly. The software deconstructs digital seismic data sets into hundreds of millions of small 3D cubes or voxels, uniquely transforms the seismic data spectrum into the quantum domain to render it searchable for weak signal, and precisely analyses each voxel for high and low frequency amplitudes indicative of reservoir attributes – porosity, Vshale, and fluid presence. An overall picture of the reservoir formation can then be assembled. The QuantumRD process is a major improvement over conventional techniques based on full-waveform processing and ray tracing which are both limited in resolution. Further development of the QuantumRD software "engine" is important to increase data throughput. The engine is now optimized to process one seismic voxel per second on an Intel CPU. The company's business model is based on an in-house service calculated in terms of data throughput. The computational technology – and future improvements in it – should enable increasing automation of the process and business scaling to accommodate very large geographical areas.

Chief Technology Officer's Review

In summary, it should be said that seismic data analysis for reservoir characterization is not a one-size-fits-all discipline, and QuantumRD must be developed and adapted to, and shown to work in, a variety of subsurface formations. The company's success to date, in demonstrating QuantumRD's effectiveness to sophisticated customers in a number of formation types, both onshore and offshore, holds great promise for the future. Bear in mind also that seismic data analysis is not about certainty, and neither professionals in the field nor clients expect certainty. What they do expect is value over time, measured at the end of the day in reducing the aggregate costs of exploration and development.

Dr. Sandeep Gulati

Vice President and Chief Technology Officer

ViaLogy PLC

28 June 2012

Report of the Directors

The directors present their report together with the audited financial statements for the year ended 31 March 2012.

Results and dividends

The statement of comprehensive loss is set out on page 17 and shows the loss for the year.

The directors do not recommend a final ordinary dividend for the year (2011 – £Nil).

Principal activities, trading review and future developments

A detailed review of the business, post reporting date events and likely future developments is given in the Chairman's Statement and the executive reports on pages 2 to 8.

Key performance indicators

The Directors consider the Group's key performance indicators during the fiscal year were the completion of successful demonstrations of ViaLogy's QuantumRD technology to major oil and gas companies. This belief has been validated by the fact that since the end of the year these demonstrations have resulted in commercial contracts with at least three global organisations.

During the year, the loss after tax and after adding back the depreciation and amortisation charge and share based payment expense was £1.52 million (2011: loss £2.01 million).

Financial instruments

Details and required disclosure of the financial instruments used by the Group are contained in note 15 of the financial statements.

Payments to suppliers

The Group agrees terms and conditions under which business transactions with suppliers are conducted. It is Group policy that, provided a supplier is complying with the relevant terms and conditions, including the prompt and complete submission of all specified documentation, payment will be made within a reasonable period of the invoice being received and in any case within the agreed payment period. The number of days purchases remained outstanding at 31 March 2012 for the Group was 6 days (2011: 5 days).

Events after reporting date

Significant events that have occurred since the reporting date are detailed in the Chairman's Statement on page 2.

Risks and uncertainties

The main business risk facing the Group is that its technology cannot be viably developed both economically and technically and that competitors emerge which erode the Group's competitive advantage. The Directors continue to monitor developments within the ViaLogy product markets to ensure ViaLogy retains the competitive advantage.

The directors of the company are fully aware that, as a small research and development company, unforeseen circumstances affecting one or more key employees could cause a hiatus in the progress of the business. To mitigate this risk the Group has arranged a life insurance policy on the founder of the company and is ensuring that senior personnel are trained to utilise and further develop ViaLogy's products.

Donations and political contributions

The Group made no donations or political contributions in the current or prior year.

Going concern

Following the signing of three significant contracts with international companies since the year end the directors are confident that the Group's pipeline of sales from current clients and potential new customers will help to fund the Group's development and working capital requirements. However additional funding will be required in order to support the Group until we begin to see the benefits from this pipeline of contracts. There can be no certainty that additional funding will be available given the current economic climate and the risks associated with the oil and gas industry. While the directors are confident that additional funding can be raised in order to meet its development and working capital requirements, and ViaLogy's capital development history demonstrates that this confidence is well founded, a significant uncertainty exists given the absence of any committed funding at the date of approval of these financial statements. This condition indicates the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern.

Accordingly the financial statements set out on pages 16 to 46 have been prepared on a going concern basis.

Biographies of the Directors

EXECUTIVE DIRECTORS

Terry Bond, (74), **Executive Chairman**

During the 1960s Terry Bond was Managing Director of a public relations consultancy. Throughout the 1970s he was Sir Chay Blyth's business partner and Managing Director of Chay Blyth Supersail. In 1980 Terry was appointed Managing Director of International Property Marketing Limited ('IPM') and in 1987 he was appointed Sales and Marketing Director for Wimpey Leisure. During the 1990s he was a director of ProShare (UK) Ltd, responsible for building up the British investment club movement to 12,000 clubs. Terry is also a director of Sector Investment Managers, which is investment adviser to Junior Oils Unit Trust and Junior Gold.

Dr. Robert Dean, (69), **Chief Executive Officer**

Until September 2007 Robert Dean was Senior Vice President, Corporate Market Development, with Science Applications International Corporation (SAIC). Previously he has held senior executive positions in the aerospace industry at Boeing, Lockheed Martin, and Ball Aerospace Corporation. Bob also served in senior executive positions in the US Government at the Central Intelligence Agency, the State Department, and at the White House as Special Assistant to the President during Ronald Reagan's presidency. He is a graduate of Brandeis University, Harvard University, and received his Ph.D. from the University of Denver.

Dr. Sandeep Gulati, (49), **Chief Technology Officer**

Dr. Sandeep Gulati is a co-founder, Chief Technology Officer and Vice President, Product Development for ViaLogy LLC. Previously, he headed the Ultracomputing Technologies Group at NASA's Jet Propulsion Lab (JPL) in Pasadena, California. During his 12 year tenure at JPL, he led computational advances in spacecraft autonomy, autonomous diagnostics and prognostics of complex systems, sensor fusion, neural networks, signal processing, command decision modelling and intelligence analysis. At JPL he was a Principal Scientist on a number of programs of national relevance such as the Department of Defence's Joint Strike Fighter, NASA's Reusable Launch Vehicle, the oil industry's DEEPLOOK Consortium, predictive intelligence capability for Army's All-Source Analysis System, and subsurface imaging for cleanup of formerly used contaminated defence sites. He collaborated on strategic programs with Lockheed Martin, Boeing, Northrop Grumman, McDonnell Douglas, Rockwell, Pratt & Whitney, and NASA Center.

NON-EXECUTIVE DIRECTOR

Peter Reynolds, (74), **Non-Executive Director**

Peter Reynolds is an international businessman and investor based in London. He has been involved in directing the growth of several private and publicly-quoted businesses and specialises in assisting research and development companies to maximise their commercial potential.

Statement of Directors' responsibilities

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and elected to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the AIM market.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company'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 company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Auditors

All of the current directors have taken all the steps necessary to make themselves aware of any information needed by the Group'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 relevant audit information of which the auditors are unaware.

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

On behalf of the Board
Terry Bond

Chairman
28 June 2012

Independent Auditors Report to the Members of ViaLogy Plc

We have audited the financial statements of ViaLogy Plc for the year ended 31 March 2012 which comprise the consolidated income statement, consolidated statement of comprehensive loss, the consolidated statement of changes in equity, the consolidated statement of financial position, the consolidated statement of cash flows, the company balance sheet and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2012 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – going concern

In forming our opinion on the financial statements which is not modified we have considered the adequacy of the disclosures made in Note 1 of the financial statements concerning the Group's ability to continue as a going concern.

The Group's current pipeline of sales from existing clients and potential customers will generate cash inflows but in order to continue to develop the Group's assets and fully fund its working capital requirements additional funding will be needed. While the directors are confident that additional funding can be raised there is no committed funding at the date of approval of the financial statements. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Anne Sayers (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
55 Baker Street
London

Date: 28 June 2012

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated income statement
for the year ended 31 March 2012

	Notes	2012 £	2011 £
Revenue		**51,256**	58,365
Cost of sales		**437,298**	535,645
Gross loss		**(386,042)**	(477,280)
Share based payments	18	**195,285**	575,306
Depreciation and amortisation	9, 10	**3,184,910**	3,239,218
Other administrative expenses		**1,627,134**	2,066,625
Total administrative expenses		**5,007,329**	5,881,149
Loss from operations		**(5,393,371)**	(6,358,429)
Finance income		**342**	969
Loss for the year before taxation	3	**(5,393,029)**	(6,357,460)
Taxation	7	**489,634**	532,116
Loss for the year attributable to equity holders of the parent company		**(4,903,395)**	(5,825,344)
Loss per share			
Basic and diluted (pence)	8	**(0.643)**	(0.834)

The notes on pages 21 to 41 form part of these financial statements.

VIALOGY

Consolidated statement of comprehensive loss for the year ended 31 March 2012

	2012 £	2011 £
Loss after taxation	(4,903,395)	(5,825,344)
Other comprehensive income/(loss)		
Exchange differences on translating foreign operations	8,512	(394,365)
Total other comprehensive income/(loss) for the year	8,512	(394,365)
Total comprehensive loss for the year attributable to the equity holders of the parent company	(4,894,883)	(6,219,709)

The notes on pages 21 to 41 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 March 2012

	Share capital £	Share premium account £	Foreign exchange translation reserve £	Retained deficit £	Total £
At 1 April 2011	7,341,027	21,438,079	1,606,422	(23,510,012)	6,875,516
Total comprehensive loss recognised for the year	–	–	8,512	(4,903,395)	(4,894,883)
Issue of shares	1,178,524	52,021	–	–	1,230,545
Share issue expenses	–	(14,595)	–	–	(14,595)
Share options expense	–	–	–	195,285	195,285
Balance at 31 March 2012	**8,519,551**	**21,475,505**	**1,614,934**	**(28,218,122)**	**3,391,868**

	Share capital £	Share premium account £	Foreign exchange translation reserve £	Retained deficit £	Total £
At 1 April 2010	6,904,753	20,665,231	2,000,787	(18,259,974)	11,310,797
Total comprehensive loss recognised for the year	–	–	(394,365)	(5,825,344)	(6,219,709)
Issue of shares	436,274	872,848	–	–	1,309,122
Share issue expenses	–	(100,000)	–	–	(100,000)
Share options expense	–	–	–	575,306	575,306
Balance at 31 March 2011	7,341,027	21,438,079	1,606,422	(23,510,012)	6,875,516

The notes on pages 21 to 41 form part of these financial statements.

Consolidated statement of financial position as at 31 March 2012

Company number 3971582	Notes	2012 £	2011 £
Assets			
Non current assets			
Intangible assets	10	**2,775,501**	5,473,599
Property, plant and equipment	9	**393,619**	461,805
		3,169,120	5,935,404
Current assets			
Trade and other receivables	12	**157,131**	268,102
Cash and cash equivalents		**555,367**	1,624,130
		712,498	1,892,232
Total assets		**3,881,618**	7,827,636
Liabilities			
Current liabilities			
Trade and other payables	13	**204,508**	180,043
		204,508	180,043
Non–current liabilities			
Deferred tax liability	14	**285,242**	772,077
Total liabilities		**489,750**	952,120
Capital and reserves attributable to equity holders of the parent company			
Share capital	16	**8,519,551**	7,341,027
Share premium	17	**21,475,505**	21,438,079
Foreign exchange translation reserve	17	**1,614,934**	1,606,422
Retained deficit	17	**(28,218,122)**	(23,510,012)
Total equity		**3,391,868**	6,875,516
Total equity and liabilities		**3,881,618**	7,827,636

The financial statements on pages 16 to 41 were approved by the Board of Directors and authorised for issue on 28 June 2012 and were signed on its behalf by:

Terry Bond
Chairman

The notes on pages 21 to 41 form part of these financial statements.

Consolidated statement of cash flows
for the year ended 31 March 2012

	Notes	2012 £	2011 £
Cash flow from operating activities			
Loss before tax		(5,393,029)	(6,357,460)
Adjustments for:			
Finance income		(342)	(969)
Depreciation	3	96,025	133,072
Amortisation	3	3,088,885	3,106,146
Share option expense	3	195,285	575,306
Foreign exchange movements	3	23,975	(242,297)
Director's fees prepaid		110,624	125,997
Cash flow from operating activities before changes in working capital		(1,878,577)	(2,660,205)
Decrease/(increase) in trade and other receivables		347	27,780
Increase in trade and other payables		24,465	18,113
Cash generated from operations		(1,853,765)	(2,614,312)
Tax recovered		–	23,388
Net cash flows from operating activities		(1,853,765)	(2,590,924)
Investing activities			
Internally generated intangible asset	10	(371,456)	(451,115)
Purchase of property, plant and equipment	9	(25,586)	(136,321)
Payment for non compete services		–	(331,873)
Interest received		342	969
Net cash used in investing activities		(396,700)	(918,340)
Financing Activities			
Cash inflow from issue of new shares	16	1,230,545	1,309,122
Share issue costs		(14,595)	(100,000)
Net cash from financing activities		1,215,950	1,209,122
Decrease in cash and cash equivalents		(1,034,515)	(2,300,142)
Foreign exchange differences on translation of cash and cash equivalents		(34,248)	226,406
Cash and cash equivalents at beginning of year		1,624,130	3,697,866
Cash and cash equivalents at end of year		555,367	1,624,130

The notes on pages 21 to 41 form part of these financial statements.

1. Principal accounting policies

ViaLogy PLC ('the Company') is a public limited company incorporated and domiciled in the United Kingdom. The address of its registered office is Ashcome Court, Woolsack Way Godalming, Surrey GU7 1LQ. The consolidated financial statements of the Company as at and for the year ended 31 March 2012 comprise the Company and its subsidiaries (together referred to as 'the Group'). 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.

Basis of preparation

The consolidated financial statements for the year ended 31 March 2012 have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the European Union.

The consolidated financial statements have been drawn up on the basis of accounting policies consistent with those applied in the financial statements for the year to 31 March 2011.

Standards adopted for the first time in 2012

The International Accounting Standards Board (IASB) issued various amendments and revisions to International Financial Reporting Standards and IFRIC interpretations. The amendments and revisions were applicable for the year ended 31 March 2012 but did not result in any material changes to the financial statements of the Group.

The presentation of these financial statements incorporates changes arising from adoption of these standards, interpretations and amendments.

The IASB have issued the following standards and interpretations which are effective for reporting periods beginning after the date of these financial statements, and which the Group is not early adopting:

International Accounting Standards (IAS/IFRS)		Effective date
IAS 1*	Amendment – Presentation of items of other comprehensive income	1 July 2012
IFRS 10*	Consolidated financial statements	1 January 2013
IFRS 12*	Disclosure of interest in other entities	1 January 2013
IFRS 13*	Fair value measurement	1 January 2013
IAS 27*	Amendment – Separate financial statements	1 January 2013
IFRS 7 *	Amendment – Disclosures – offsetting financial assets and financial liabilities	1 January 2013
IAS 32*	Amendment – Offsetting financial assets and financial liabilities	1 January 2014
IFRS 9 *	Financial instruments	1 January 2015

Items marked * had not yet been endorsed by the European Union at the date of these financial statements.

1. Principal accounting policies continued

Going concern

Following the signing of three significant contracts with international companies since the year end the directors are confident that the Group's pipeline of sales from current clients and potential new customers will help to fund the Group's development and working capital requirements. However additional funding will be required in order to support the Group until the Group begins to see the benefits from this pipeline of contracts. There can be no certainty that additional funding will be available given the current economic climate and the risks associated with the oil and gas industry. The directors are confident that additional funding can be raised in order to meet its development and working capital and ViaLogy's capital development history demonstrates that this confidence is well founded. For this reason they continue to adopt the going concern basis in preparing the financial statements. However, a significant uncertainty exists given the absence of any committed funding at the date of approval of these financial statements. This condition indicates the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Revenue

Service fees arising from analytical surveys using ViaLogy's patented computational software products are recognised once the report is delivered to the customer.

Service fees arising from government contracts are billed at the end of each month based on man hours worked on the project.

Revenue arising from sales of ViaLogy's direct entitlement of oil and gas production is recognised by reference to the quantity and price of oil sold by the customer into the market at the date of transfer of the risk and reward.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as Dr Robert Dean, Chief Executive Officer.

Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries ('the Group') as if they form a single entity. Inter-company transactions and balances between Group companies are therefore eliminated in full.

Critical accounting estimates and judgments

The preparation of consolidated financial statements under IFRS requires the Group to make estimates and judgments that effect the application of policies and reported amounts. In applying these policies the directors are required to make estimates and subjective judgements that may affect the reported amounts of assets and liabilities at the reporting date and reported profit or loss for the year. Although the directors base these on combination of past experience and any other evidence that is relevant to the particular circumstance, the actual results could ultimately differ from those estimates.

Included in the note are accounting policies which cover areas that the directors consider require estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year. These policies together with references to the related notes to the financial statements can be found below:

Intangible assets and amortisation Note 10

The group capitalises development costs based on the recognition criteria identified in IAS 38. Internally generated intangible assets are amortised over a period of six years on a straight line basis. The key judgement relates to the demonstrability of the capitalisation criteria for these costs which are dependent upon the belief of management in the feasibility of the product.

Share based payments Note 18

The fair value is measured by use of a Black-Scholes model which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Management are also required to apply their judgement in assessing a reasonable volatility figure to be applied in the model.

Impairment of property, plant and equipment and intangible assets

Property, plant and equipment and identifiable intangibles are reviewed for impairment at the reporting date in addition to whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the expected discounted future cash flow from the use of the assets and their eventual disposition is less than the carrying amount of the assets, an impairment loss is recognised and measured using the asset's fair value or discounted cash flows.

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 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 are arrived at by using appropriate valuation techniques.

In-process research and development programmes acquired in such combinations are recognised as an asset even if subsequent expenditure is written off because the criteria specified in the policy for research and development costs above are not met.

The significant intangible asset recognised by the Group and its useful economic life is shown in the table below:

Intangible assets	Useful economic life
Intellectual Property	6 years

Internally generated intangible assets (research and development costs)

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

- it is technically feasible to develop the product 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.

1. Principal accounting policies continued

Capitalised development costs are amortised on a straight line basis over the periods the Group expects to benefit from selling the products developed. The amortisation expense is included within administrative expenses in the income statement.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the income statement as incurred.

Intangible assets	Useful economic life
Development	6 years

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost.

Depreciation is provided on all items of property, plant and equipment to write off the carrying value of items over their expected useful lives. Depreciation is applied at the following rates:

Office equipment	20% per annum reducing balance
Computer equipment	33.3% per annum reducing balance
Motor vehicles	33.3% per annum reducing balance
Furniture	20% per annum reducing balance

Oil and gas assets

ViaLogy follows a successful efforts based accounting policy for oil and gas assets.

Interests acquired in successful production wells are initially recognised at cost within property, plant and equipment. Where interests in such wells are acquired as the success fee element of the revenue from an analytical contract, no cost is initially recognised.

Subsequent expenditure is capitalised only where it enhances the economic benefits of the producing asset.

Depletion

ViaLogy depletes oil and gas assets on a unit of production basis, based on proved and probable reserves on a field by field basis.

Impairment

Impairment reviews on Oil and Gas assets are carried out on each cash-generating unit. ViaLogy's cash generating units are those assets which generate largely independent cash flows and are normally, but not always, single development areas.

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting 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.

Tax

The major components of income tax on the profit or loss from ordinary activities include current and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowed and is calculated using tax rates that have been enacted or substantively enacted by the year end date.

Income tax is charged or credited to the income statement, except when the tax relates to items credited or charged directly to equity, in which case the tax is also dealt with in equity.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs to its tax base, except for differences arising on:

- the initial recognition of goodwill;
- goodwill for which amortisation is not tax deductible;
- the initial recognition of an asset or liability 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 the taxable profit will be available against which the differences can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

Foreign currency

The functional currency of the parent entity is pounds sterling. The functional currency of the subsidiary is US dollars. Transactions entered into by Group entities in a currency other than the reporting currency are recorded at the rates ruling when the transaction occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the statement of financial position date. Exchange differences arising on the re-translation of the unsettled monetary assets and liabilities are similarly recognised in the 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 are translated at the rate ruling at the reporting date.

1. Principal accounting policies continued

Presentation currency

These accounts have been presented in Sterling as the directors consider this to be most useful form of presentation to the shareholders.

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 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 receivables), but also incorporate other types of contractual monetary asset. They are carried at cost less any provision for impairment.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. A financial liability is a contractual obligation to either deliver cash or another financial asset to another entity or to exchange a financial asset or financial liability with another entity, including obligations which may be settled by the Group using its equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities

At initial recognition, financial liabilities (trade and other payables), are measured at their fair value plus, if appropriate, any transaction costs that are directly attributable to the issue of the financial liability. These financial liabilities are subsequently carried at amortised cost.

Equity instruments

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

2. Segmental analysis

The Group has two reportable segments:

- Head office – this segment is the head office of the Group.
- Operations – this segment is involved in sales technology development in the USA.

The operating results of these segments are regularly reviewed by the Group's chief operating decision maker in order to make decisions about the allocation of resources and assess their performance.

2012 Reportable segment analysis

	Operations £	Head office £	Consolidated £
Revenue from external customers	51,256	–	51,256
Gross loss	(386,042)	–	(386,042)
Finance income	–	342	342
Tax credit	489,634	–	489,634
Loss for the year after taxation	(4,253,514)	(649,881)	(4,903,395)
Segment assets	3,344,675	536,943	3,881,618
Segment liabilities	416,801	72,949	489,750
Costs to acquire plant, property and equipment	20,620	4,966	25,586
Costs to acquire intangible assets	371,456	–	371,456
Depreciation and amortisation	3,180,407	4,503	3,184,910
Share based payments charged	116,489	78,796	195,285

2011 Reportable segment analysis

	Operations £	Head office £	Consolidated £
Revenue from external customers	58,365	–	58,365
Gross loss	(477,280)	–	(477,280)
Finance income	–	969	969
Tax credit	502,440	29,676	532,116
Loss for the year after taxation	(4,373,079)	(1,452,265)	(5,825,344)
Segment assets	6,331,689	1,495,947	7,827,636
Segment liabilities	867,340	84,780	952,120
Costs to acquire plant, property and equipment	130,313	6,008	136,321
Costs to acquire intangible assets	451,115	–	451,115
Depreciation and amortisation	3,234,992	4,226	3,239,218
Share based payments charged	511,781	63,525	575,306

All material non-current assets are owned by the USA subsidiary and are located in the USA.

Revenues by product/service	2012 £	2011 £
Oil and gas revenues	6,983	10,437
Revenues from analytical surveys	44,273	47,928
	51,256	58,365

All sales in the current and previous year were to external customers based in the USA.

£51,256 of total external revenues arose from two customers (2011: two customers attributed £58,365).

3. Loss for the year before taxation

	2012 £	2011 £
Staff costs (see note 5)	**1,123,904**	1,227,072
Share option expense (see note 18)	**195,285**	575,306
Depreciation of property, plant and equipment	**96,025**	133,072
Amortisation of intangible fixed assets	**3,088,885**	3,106,146
Foreign exchange differences	**23,975**	(242,297)
Plant, property and equipment operating lease expense	**85,200**	107,091
Auditors remuneration for :		
Audit of financial statements of the Group	**27,000**	27,000
Audit of the financial statements of the parent company	**3,000**	3,000
Taxation services	**10,000**	10,000

4. Company profit and loss account

ViaLogy PLC has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these accounts. The Company's loss after tax was £649,881 (2011: – loss £1,452,265) which is dealt with in the financial statements of the parent company.

5. Staff costs

The average number of employees during the year, including executive directors were:

	2012 Number	2011 Number
Research and development	**5**	7
Sales and marketing	**1**	1
Administration	**6**	7
	12	15

Staff costs (including directors) comprise:

	2012 £	2011 £
Wages and salaries	**1,403,951**	1,572,533
Share based payment charge	**195,285**	575,306
Pension Contributions	**5,518**	6,372
Employers national insurance contributions and Similar taxes	**91,409**	105,654
	1,696,163	2,259,865

Of the amounts in the disclosure an amount of £371,456 (2011: £451,115) was capitalised as R&D rather than expensed to the income statement

	2012 £	2011 £
Wages, salaries and benefits capitalised	**343,934**	420,056
Employers national insurance contributions and similar taxes capitalised	**27,522**	31,059
	371,456	451,115

6. Directors

	2012 £	2011 £
Directors emoluments	**607,371**	952,516
Share based payment charge	**140,165**	495,037
Total emoluments	**747,536**	1,447,553

The remuneration of the directors during the year was as follows:

	Salaries £	Fees £	Non cash benefit £	Benefits in kind £	Total 2012 £	Total 2011 £
Terry Bond	100,000	–	4,135	–	**104,135**	105,952
Robert Dean	219,184	–	8,492	4,901	**232,577**	239,255
Sandeep Gulati	233,031	–	128	–	**233,159**	572,309
Peter Reynolds	–	37,500	–	–	**37,500**	35,000
	552,215	37,500	12,755	4,901	**607,371**	952,516

The directors listed above are deemed to be the key management personnel of the Group.

7. Taxation on profits from ordinary activities

	2012 £	2011 £
Current tax (credit)		
UK corporation tax and income tax of overseas operations on profits for the year	–	(29,676)
	–	(29,676)
Deferred tax credit		
Release of provision	**(489,634)**	(502,440)
Total tax credit	**(489,634)**	(532,116)

The reason for the difference between the actual tax credit for the year and the standard rate of corporation tax in the UK applied to losses for the year are as follows:

	2012 £	2011 £
Loss before tax	**5,393,029**	(6,357,460)
Expected tax (recovery)/charge based on the standard rate of corporation tax in the UK of 26% (2011: – 28%)	**(1,402,188)**	(1,780,089)
Amortisation of intangibles not deductible for tax purposes	**803,110**	858,600
Expenses not deductible for tax purposes	**112,579**	204,402
Increase in carried-forward losses	**486,499**	717,087
Adjustment relating to prior years	–	(29,676)
Deferred tax release	**(489,634)**	(502,440)
Total tax credit for the year	**(489,634)**	(532,116)

7. Taxation on profits from ordinary activities continued

The Group is required to estimate the income tax in each of the jurisdictions in which it operates. This requires an estimation of the current tax liability together with an assessment of the temporary differences which arise as a consequence of different accounting and tax treatments. These temporary differences result in deferred tax assets or liabilities which are included within the statement of financial position. Deferred tax assets and liabilities are measured using substantially enacted tax rates expected to apply when the temporary differences reverse. Management judgement is required to determine the total provision for income tax. Amounts accrued are based on management's interpretation of country specific tax law and the likelihood of settlement.

Factors that may affect future tax charges

Deferred tax assets relating to UK revenue losses and UK capital losses of £3,849,755 and £1,934,399 respectively (2011: £3,333,211 and £1,934,399) have not been recognised as these losses can only be offset against future taxable profits and at present there is insufficient evidence to justify recognition.

Deferred tax assets relating to US revenue losses of £5,156,537 (2011: £3,906,773) have not been recognised as these losses can only be offset against future taxable profits and at present there is insufficient evidence to justify recognition. In addition ViaLogy LLC may be entitled to further tax losses. The maximum amount of losses available is $6,000,000, however this is subject to an annual limitation which is estimated at $250,000 per year. At the reporting date the accrued potential losses claimable are estimated at $1,500,000 (2011: $1,250,000). The losses disclosed in relation to the US have not been agreed with US taxation authorities and thus are the best estimate of management as at 31 March 2012.

8. Loss per share

Basic

Basic loss per share is calculated by dividing the loss after tax attributable to the equity holders of the parent company for the year of £4,903,395 (2011: loss £5,825,344) by the weighted average number of ordinary shares in issue during the year 762,556,327 (2011: 698,322,391).

Diluted

Diluted earnings per share dilute the basic earnings per share to take into account share options and warrants. The calculation includes the weighted average number of ordinary shares that would have been issued on the conversion of all the dilutive share operations and warrants into ordinary shares. 96,162,368 options (2011: 108,152,274) and 1,193,654 (2011: 1,193,654) warrants have been excluded from this calculation as the effect would be anti-dilutive.

9. Plant, property and equipment

	Office equipment £	Furniture £	Computer equipment £	Motor vehicles £	Oil and gas assets £	Total £
Cost						
At 1 April 2010	13,368	22,291	434,916	6,904	203,568	681,047
Additions	-	10,226	120,387	5,708	-	136,321
Foreign exchange movements	(267)	(1,236)	(20,956)	-	-	(22,459)
At 1 April 2011	13,101	31,281	534,347	12,612	203,568	794,909
Additions	–	631	19,989	4,966	–	25,586
Foreign exchange movements	18	83	1,435	–	–	1,536
At 31 March 2012	**13,119**	**31,995**	**555,771**	**17,578**	**203,568**	**822,031**
Depreciation						
At 1 April 2010	8,406	10,378	188,126	2,279	4,794	213,983
Charge for the year	808	4,860	120,976	3,411	3,017	133,072
Foreign exchange movements	(186)	(734)	(13,031)	-	-	(13,951)
At 1 April 2011	9,028	14,504	296,071	5,690	7,811	333,104
Charge for the year	635	3,916	85,545	3,924	2,005	96,025
Foreign exchange movements	(7)	(39)	(671)	–	–	(717)
At 31 March 2012	**9,656**	**18,381**	**380,945**	**9,614**	**9,816**	**428,412**
Net book value						
At 31 March 2012	**3,463**	**13,614**	**174,826**	**7,964**	**193,752**	**393,619**
At 31 March 2011	4,073	16,777	238,276	6,922	195,757	461,805
At 31 March 2010	4,962	11,913	246,790	4,625	198,774	467,064

10. Intangible assets

	Intellectual property £	Research and development £	Total £
Cost			
At 1 April 2010	13,350,587	3,054,775	16,405,362
Additions			
– Internally developed	–	451,115	451,115
Foreign exchange movements	(104,962)	(26,846)	(131,808)
At 1 April 2011	13,245,625	3,479,044	16,724,669
Additions			
– Internally developed	–	371,456	371,456
Foreign exchange movements	2,254	632	2,886
At 31 March 2012	**13,247,879**	**3,851,132**	**17,099,011**
Amortisation			
At 1 April 2010	6,696,231	1,144,944	7,841,175
Charge for the year	2,473,501	632,645	3,106,146
Foreign exchange movements	241,883	61,866	303,749
At 1 April 2011	9,411,615	1,839,455	11,251,070
Charge for the year	2,406,666	682,219	3,088,885
Foreign exchange movements	(3,600)	(12,845)	(16,445)
At 31 March 2012	**11,814,681**	**2,508,829**	**14,323,510**
Net book value			
At 31 March 2012	**1,433,198**	**1,342,303**	**2,775,501**
At 31 March 2011	3,834,010	1,639,589	5,473,599
At 31 March 2010	6,654,356	1,909,831	8,564,187

In accordance with IAS 36, the Group regularly monitors the carrying value of its intangible assets.

11. Subsidiaries

ViaLogy PLC has one subsidiary, ViaLogy LLC, which has been included in these consolidated financial statements: ViaLogy LLC is a company whose principal activity is developing applications for its patented Quantum Resonance Interferometry (QRI) technology. QRI is a technology which separates the background 'noise' that envelopes weak signals.

Name	Country of incorporation	Country of operation	Proportion of ownership interest and share capital held
ViaLogy LLC	USA	USA	100%

12. Trade and other receivables

	2012 £	2011 £
Trade receivables	–	1,609
Other receivables	**11,922**	10,075
Prepayments and accrued income	**145,209**	256,418
	157,131	268,102
Aged receivable summary		
Current	–	1,609
Over 30 days old	–	–
	–	1,609

There has been no provision made for doubtful receivables, as the Board consider all receivables to be recoverable.

The book values of trade and other receivables approximate to the fair values.

13. Trade and other payables

	2012 £	2011 £
Trade payables	**55,944**	59,675
Accruals and deferred income	**148,564**	120,368
	204,508	180,043

The book value of trade and other payables approximate to the fair values. See note 15 for maturity analysis.

14. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 35% as the deferred tax is expected to be offset against profits in the US.

The movement on the deferred tax account is as shown below:

	2012 £	2011 £
At 1 April	**772,077**	1,340,108
Exchange rate adjustment	**2,799**	(65,591)
Release for the year	**(489,634)**	(502,440)
At 31 March	**285,242**	772,077

On 26 October 2006 the Group acquired the remaining 56.74% of the share capital in ViaLogy Corp, a company whose principal activity is developing applications for its patented Quantum Resonance Interferometry (QRI) technology.

The accounting policy of the acquired entity was not to recognise internally generated intangibles; however, it is the policy of the Group to recognise such an intangible.

A deferred tax liability was recognised in respect of the increase in the intangible asset on acquisition. The deferred tax liability is released over a period of 6 years in accordance with the amortisation period of the acquired intangible assets.

15. Financial instruments

Principal financial instruments

The principal instruments used by the group, from which the financial instrument risk arises, include cash and cash equivalents, trade receivables and trade payables.

Risk and sensitivity analysis

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Group and Company are exposed through their operations to one or more of the following financial risks: foreign currency risk, liquidity risk, credit risk and investment risk. The policy for managing these risks is set by the Board and all such risks are managed at a Group level within the organisation. There have been no changes in the way the Group and Company manages risks from previous years. The policies for these risks are described further below:

Foreign currency risk

Foreign currency risk arises because the Group has operations located in the USA whose functional currency is not the same as the parent company's functional currency (sterling). The net assets from such overseas operations are exposed to currency risk giving rise to gains or losses on retranslation to sterling for the purposes of the consolidated financial statements. In the future it is planned that the foreign exchange risk will be mitigated by sales in US dollars.

A US$0.25 increase in the value of the US dollar against sterling will result in a fall in pre-tax losses by £555,384 (2011: decrease in loss of £857,540)

The table below shows the split between currency that balances are denominated in.

2012	US$	GBP£	Total GBP£
Trade and other receivables	**11,083**	**839**	**11,922**
Cash and cash equivalents	**101,754**	**453,613**	**555,367**
Trade and other payables	**35,024**	**20,920**	**55,944**

2011	US$	GBP£	Total GBP£
Trade and other receivables	4,812	6,872	11,684
Cash and cash equivalents	539,214	1,084,916	1,624,130
Trade and other payables	34,508	25,167	59,675

Liquidity risk

Liquidity risk is the risk that the company fails to have sufficient funds to meet its debts as they become due. The liquidity risk of the Group is managed centrally. The Group holds funds in short-term bank deposits so that they are available when required.

Maturity analysis of financial liabilities

All financial liabilities (trade and other payables) are due for payment within one year as follows

	2012 £	2011 £
Due:		
Current	**55,944**	59,675
	55,944	59,675

The Board believe the current level of financial liabilities to be in line with expectations. The level of cash balances and trade and other receivables is sufficient to discharge the Group's financial liabilities.

Credit Risk

During the year, the Group's credit risk was primarily attributable to its cash balances, and its trade receivables. Credit risk, is the risk that the counterparty fails to discharge its obligation in respect of the instrument. The credit risk on liquid funds is limited as the funds are held at banks with high credit ratings. The risk to the Group of trade receivables going bad is low due to the low levels of trade receivables. There were no allowances for debt recovery as at 31 March 2012 or 31 March 2011.

The Group's maximum exposure to credit risk by class of financial instruments amounts to their carrying value of £567,289 (2011: £1,635,827). The Group deems that entities from whom credit exposure arises are of adequately strong credit quality and will therefore be able to pay the amounts due when they arise.

15. Financial instruments continued

Investment risk

Investment risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

The Group is exposed to interest rate risk from its interest-earning financial assets. The floating rate assets are held in a money market account earning interest at Bank of England base rate less 0.3%. The interest rate risk is mitigated by the fact cash is held in short-term deposits allowing rapid transfer of funds to alternative commercial banks to obtain improved interest rates. There are no financial assets earning interest at fixed rates.

A summary of the financial instruments held by category is shown below:

Categories of financial assets

	2012 £	2011 £
Current financial assets		
Loans and receivables	**11,922**	11,684
Cash and other equivalents	**555,367**	1,624,130
Total current financial assets	**567,289**	1,635,814

Categories of financial liabilities

	2012 £	2011 £
Current financial liabilities		
Trade and other payables	**55,944**	59,675
Total other financial liabilities	**55,944**	59,675

Capital

As described in note 16 the Group considers its capital to comprise its ordinary share capital, share premium and accumulated retained deficit as its capital reserves. In managing its capital the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through capital growth. In order to achieve this objective, the Group seeks to commercialise the development which has been undertaken to date, through major sales in a number of markets.

There have been no other significant changes to the Group's capital management objectives, policies and processes in the year nor has there been any change in what the Group considers to be its capital.

16. Share capital

	Allotted, called up and fully paid			
	2012 Number	2011 Number	2012 £	2011 £
Ordinary shares of 1p each				
At 1 April	**734,102,725**	690,475,334	**7,341,027**	6,904,753
Shares issued	**117,852,405**	43,627,391	**1,178,524**	436,274
At 31 March	**851,955,130**	734,102,725	**8,519,551**	7,341,027

The Group raised £177,500 before expenses via a private placing of 17,750,000 shares at 1 pence per share on 11 October 2011.

The Group also raised £1.050 million before expenses via a private placing of 100,000,000 shares at 1.05 pence per share on 18 January 2012.

Shares issued after 31 March 2012

The Group also raised £1.045 million before expenses via a private placing of 38,000,000 shares at 2.75 pence per share on 23 May 2012.

The Group also raised £1 million before expenses via a private placing of 36,363,637 shares at 2.75 pence per share on 15 June 2012.

All shares in issue have equal voting rights.

Share Options

At 31 March 2012, the following share options were outstanding in respect of Ordinary shares:

Number	Exercise Period	Exercise Price
14,887,237	August 2005 to January 2021	1.00p
18,480	March 2007 to March 2013	1.75p
764,480	February 2012 to February 2019	1.83p
200,000	February 2015 to February 2022	2.60p
400,000	February 2015 to February 2022	2.73p
850,000	February 2015 to February 2022	2.75p
3,336,111	October 2011 to October 2018	2.80p
1,854,182	November 2011 to November 2018	3.00p
500,000	May 2014 to May 2021	3.55p
18,456,265	June 2010 to June 2020	3.75p
35,766,668	October 2009 to October 2016	4.00p
10,115,238	June 2007 to August 2016	4.50p
2,704,000	October 2010 to October 2017	5.00p
167,767	April 2010 to April 2020	5.25p
500,000	April 2010 to April 2020	5.50p
1,238,440	August 2010 to August 2017	7.38p
4,403,500	October 2010 to October 2017	8.38p
96,162,368	(note 18)	

16. Share capital continued

Share options vest over differing periods from date of issue to three years.

	2012 Weighted average exercise price	2012 Number	2011 Weighted average exercise price	2011 Number
Outstanding at start of year	**£0.035**	**108,152,274**	£0.044	72,726,396
Granted during the year	**£0.029**	**1,950,000**	£0.012	38,626,576
Forfeited during the year	**£0.038**	**(13,837,501)**	£0.043	(1,239,971)
Exercised during the year	**£0.029**	**(102,405)**	£0.030	(1,960,727)
Outstanding at end of year	**£0.024**	**96,162,368**	£0.044	108,152,274

The options held by the Directors at the beginning and end of the year are as detailed below:

	At 1 April 2011	Awarded	Lapsed	At 31 March 2012	Exercise price	Earliest date of exercise	Latest date of exercise
Terry Bond							
– Unapproved scheme	6,000,000	–	–	6,000,000	4p	02/12/09	02/12/16
– Unapproved scheme	4,475,408	–	–	4,475,408	1p	22/06/13	22/06/20
– Unapproved scheme	4,475,408	–	–	4,475,408	3.75p	22/06/13	22/06/20
Robert Dean							
– Unapproved scheme	403,500	–	–	403,500	4p	31/10/09	31/10/16
– Unapproved scheme	77,000	–	–	77,000	4.5p	26/10/09	26/10/16
– Unapproved scheme	21,133,168	–	–	21,133,168	4p	24/10/10	24/10/17
– Unapproved scheme	3,032,422	–	–	3,032,422	1p	22/06/12	22/06/20
– Unapproved scheme	3,032,421	–	–	3,032,421	3.75p	22/06/12	22/06/20
Sandeep Gulati							
– Unapproved scheme	9,004,898	–	–	9,004,898	4.5p	01/03/10	01/03/16
– Unapproved scheme	7,230,000	–	–	7,230,000	4p	31/10/09	31/10/16
– Unapproved scheme	4,000,000	–	–	4,000,000	8.38p	24/10/10	24/10/17
– Unapproved scheme	2,704,000	–	–	2,704,000	5p	24/10/10	24/10/17
–Unapproved scheme	12,343,819	–	–	12,343,819	1p	26/10/10	25/01/21
Peter Reynolds							
– Unapproved scheme	403,500	–	–	403,500	8.38p	24/10/10	24/10/17

No directors have exercised share options during the year.

The options held by the directors at the beginning and end of the previous year are as detailed below:

	At 1 April 2010	Awarded	Lapsed	At 31 March 2011	Exercise price	Earliest date of exercise	Latest date of exercise
Terry Bond							
– Unapproved scheme	6,000,000	–	–	6,000,000	4p	02/12/09	02/12/16
– Unapproved scheme	–	4,475,408	–	4,475,408	1p	22/06/13	22/06/20
– Unapproved scheme	–	4,475,408	–	4,475,408	3.75p	22/06/13	22/06/20
Robert Dean							
– Unapproved scheme	403,500	–	–	403,500	4p	31/10/09	31/10/16
– Unapproved scheme	77,000	–	–	77,000	4.5p	26/10/09	26/10/16
– Unapproved scheme	21,133,168	–	–	21,133,168	4p	24/10/10	24/10/17
– Unapproved scheme	–	3,032,422	–	3,032,422	1p	22/06/12	22/06/20
– Unapproved scheme	–	3,032,421	–	3,032,422	3.75p	22/06/12	22/06/20
Sandeep Gulati							
– Unapproved scheme	9,004,898	–	–	9,004,898	4.5p	01/03/10	01/03/16
– Unapproved scheme	7,230,000	–	–	7,230,000	4p	31/10/09	31/10/16
– Unapproved scheme	4,000,000	–	–	4,000,000	8.38p	24/10/10	24/10/17
– Unapproved scheme	2,704,000	–	–	2,704,000	5p	24/10/10	24/10/17
– Unapproved scheme	–	12,343,819	–	12,343,819	1p	26/10/10	25/01/21
Peter Reynolds							
– Unapproved scheme	403,500	–	–	403,500	8.38p	24/10/10	24/10/17

The terms, conditions and vesting requirements for these share based payments can be found within note 18 to these financial statements.

Warrants

At 31 March 2012 and 31 March 2011, the following warrants were outstanding in respect of Ordinary shares:

Number	Exercise Period	Exercise Price
1,193,654	March 2010 to March 2016	4.50p

There are no conditions attached to the warrants.

17. Reserves

The following describes the nature and purpose of each reserve within shareholders equity:

Reserve	Description and purposes
Share premium account	Amount subscribed for share capital in excess of nominal value.
Retained deficit	Cumulative net gains and losses recognised in the consolidated income statement. The share option/warrant expense is recognised directly through the retained deficit reserve.
Foreign exchange translation reserve	Exchange difference arising on translation of foreign operations.

18. Share-based payment

The Group operates two equity-settled share based remuneration schemes for employees: an inland revenue approved scheme and an unapproved scheme, jointly known as the "option scheme". Under the scheme employees may be granted options to purchase shares, which vest over varying periods up to three years and must be exercised within 10 years from the date of grant.

Under the terms of their employment contracts entered into on June 22nd, 2010 the company's executive directors, Dr. Sandeep Gulati, Dr. Robert W. Dean and Terry Bond are entitled to additional options awards in order to retain their interests in the ordinary share capital of ViaLogy. Any such option awards for Dr Sandeep Gulati would have an exercise price of 1p per share and would be exercisable within 10 years of grant. Half of any such option awards for Dr Robert Dean and Terry Bond, would be would have an exercise price of 1p per share, the remaining options would have an exercise price equivalent to the market price at the date of grant. All options for Dr Robert Dean and Terry Bond would be exercisable within 10 years of grant.

The exercise price of options outstanding at the end of the year ranged between 1p and 8.38p and their weighted average contractual life was 6.4 years (2011: 7.2 years).

Of the total number of options outstanding at the end of the year 88,221,513 (2011: 88,931,169) had vested and were exercisable at the end of the year at a weighted average exercise price of 4.6p.(2011: 4.8p)

The weighted average fair value of each option granted during the year was 2.9p (2011: 2.8p).

The Black-Scholes method was used to calculate the fair value of options at the date of grant. The volatility assumption, measured as the standard deviation of expected share price returns is based on analysis of daily share prices over a three year period. The table below lists the inputs to the model used for options granted during the year.

	2012	2011
Weighted average share price	**2.94p**	3.78p
Volatility	**70%**	70%
Dividend Yield	**0%**	0%
Risk-free interest rate	**0.25%**	0.25%
Weighted average exercise Price	**2.94p**	1.18p
Expected option life	**5 years**	5 years

Share based payment expense for the year	2012 £	2011 £
Issued to employees of parent	**78,796**	63,525
Issued to employees of subsidiary	**116,489**	511,781
	195,285	575,306

19. Leases

Operating leases

ViaLogy LLC leases its premises on three year basis. Non-cancellable operating lease commitments are analysed as:

	2012 £	2011 £
Not later than one year	**38,710**	74,840
More than one year	–	24,947

20. Related party transactions

During the year there were no related party transactions, other than those with key management personnel. Key management personnel are considered to be the directors; their emoluments are disclosed in note 6.

21. Events after the reporting period

The Group raised £1.045 million before expenses via a private placing of 38,000,000 shares at 2.75 pence per share on 23 May 2012.

The Group also raised £1 million before expenses via a private placing of 36,363,637 shares at 2.75 pence per share on 15 June 2012.

After the year end new commercial contracts have been signed with three of the largest global Exploration and Production (E&P) firms, including two supermajors. All are focused on putting the company's technology, QuantumRD, to operational use in some of the world's most important development fields, and aiming to improve significantly on industry-standard techniques now in use. The named contracts include the Oil and Natural Gas Corporation of India (ONGC), and Chevron U.S.A. Inc.

Parent company balance sheet as at 31 March 2012

	Note	2012 £	2012 £	Restated 2011 £	Restated 2011 £
Fixed assets					
Tangible assets	4		**9,530**		9,067
Investments	5		**12,503,793**		12,387,304
			12,513,323		12,396,371
Current assets					
Debtors due within one year	6	**171,683**		162,829	
Debtors due in more than one year	6	**14,883,221**		13,234,274	
Cash at bank and in hand		**453,614**		1,478,873	
		15,508,518		14,875,976	
Creditors: amounts falling due within one year	7	**72,944**		84,804	
Net current assets			**15,435,574**		14,791,172
Total assets less current liabilities			**27,948,897**		27,187,543
Capital and reserves					
Share capital	8, 9		**8,519,551**		7,341,027
Share premium	9		**21,475,505**		21,438,079
Profit and loss account	9		**(2,046,159)**		(1,591,563)
Shareholders' funds			**27,948,897**		27,187,543

The financial statements on pages 42 to 46 were approved by the Board of Directors and authorised for issue on 28 June 2012 and were signed on its behalf by:

Terry Bond
Chairman

1. Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and UK Generally Accepted Accounting Principles (UKGAAP). The following accounting policies have been applied:

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets, evenly over their expected useful lives. It is calculated at the following rates:

Office equipment	–	20% per annum, reducing balance
Motor vehicles	–	33.3% per annum, reducing balance

Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment at the balance sheet date in addition to whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the expected discounted future cash flow from the use of the assets and their eventual disposition is less than the carrying amount of the assets, an impairment loss is recognised and measured using the asset's fair value or discounted cash flows.

Valuation of investments

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

Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss account 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 statement of comprehensive income over the remaining vesting period.

Where share based options are awarded to employees of subsidiaries the charge in respect to the share based payments is treated as a capital contribution and forms part of the investment in that subsidiary.

Foreign currency

The functional currency of the Company is Pounds Sterling. Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates of exchange ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

2. Company profit and loss account and cash flow statement

The Company has taken advantage of the exemption allowed by FRS1 and section 408 of the Companies Act to not include its own cash flow statement and profit and loss account as its results are included in the Group accounts. The group consolidated income statement and the consolidated statement of cash flows are shown on pages 16 and 20 respectively.

3. Staff costs

The average number of employees during the year, including executive directors were:

	2012 Number	2011 Number
Administration	2	2

Staff Costs (including directors) comprise

	2012 £	2011 £
Wages and salaries	**153,399**	158,399
Share based payment expense	**78,796**	63,525
Pension Contributions	**5,518**	6,372
Employers national insurance contributions and similar taxes	**19,216**	19,181
	256,929	247,477

Emoluments of the highest paid director were £233,159 (2011: £572,309).

4. Tangible fixed assets

	Office equipment £	Motor Vehicles £	Total £
Cost			
At 1 April 2011	10,474	12,612	23,086
Additions	–	4,966	4,966
At 31 March 2012	**10,474**	**17,578**	**28,052**
Depreciation			
At 1 April 2011	8,329	5,690	14,019
Charge for the year	579	3,924	4,503
At 31 March 2012	**8,908**	**9,614**	**18,522**
Net book value			
At 31 March 2012	**1,566**	**7,964**	**9,530**
At 31 March 2011	2,145	6,922	9,067

5. Investments

	Investment in subsidiary £
Cost	
At 1 April 2011	12,387,304
Share based payment on behalf of subsidiary (see note 10)	116,489
At 31 March 2012	**12,503,793**
Provision	
At 31 March 2011	–
At 31 March 2012	–
Net book value	
At 31 March 2012	**12,503,793**
At 31 March 2011	12,387,304

6. Debtors

	2012 £	As restated 2011 £
Debtors due within one year		
Other debtors, prepayments and accrued income	**171,683**	162,829
Debtors due in more than one year		
Inter-company debtor	**14,855,565**	13,095,993
Other debtors, prepayments and accrued income	**27,656**	138,281
	14,883,221	13,234,274

7. Creditors: amounts falling due within one year

	2012 £	2011 £
Accounts payable	**20,920**	25,169
Accruals and deferred income	**52,000**	58,650
Other creditors	**24**	985
	72,944	84,804

8. Called up share capital

For detail of share capital see note 16 of the consolidated financial statements.

9. Reserves

	Share capital £	Share premium £	As restated Profit and loss £
At 1 April 2011	7,341,027	21,438,079	(454,528)
Prior year adjustment (see note 13)	–	–	(1,137,035)
Restated balances at 1 April 2011	7,341,027	21,438,079	(1,591,563)
Arising on issue of shares	1,178,524	52,021	–
Share issue expenses	–	(14,595)	–
Loss for the year	–	–	(649,881)
Share based payments (see note 10)	–	–	195,285
At 31 March 2012	**8,519,551**	**21,475,505**	**(2,046,159)**

10. Share-based payments

As detailed in note 18 to the consolidated financial statements the company issues share options to both its own employees and employees of its subsidiary.

11. Related party transactions

The Company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related party disclosures" not to disclose transactions with members of the Group headed by ViaLogy Plc on the grounds that the consolidated accounts are presented with the parents financial statements.

12. Ultimate controlling party

The Company does not have an ultimate controlling party as no shareholder owns more than 15% of the shares of the Company.

13. Prior year adjustment

A prior year adjustment has been recorded to reflect the loss on translation of the inter-company debtor balance. This was omitted in error from the prior year financial statements and has the effect of increasing the debtors due in greater than one year and the P&L reserve balance by £1,137,035.

14. Post balance sheet events

The Company raised £1.045 million before expenses via a private placing of 38,000,000 shares at 2.75 pence per share on 23 May 2012.

The Company also raised £1 million before expenses via a private placing of 36,363,637 shares at 2.75 pence per share on 15 June 2012.

VIALOGY PLC

Notice is hereby given that the Annual General Meeting of ViaLogy PLC (the "Company") will be held at the offices of Seymour Pierce Limited, 20 Old Bailey, London EC4M 7EN at 11.00 a.m. on 23 July 2012 for the following purposes:

1. To receive the Company's Report and Accounts for the year ended 31 March 2012.
2. To re-elect Mr P Reynolds, who retires by rotation, as a Director.
3. To re-appoint BDO Stoy Hayward LLP as auditors of the Company and to authorise the Directors to determine their remuneration.

Special Business

To consider and, if thought fit, to pass the following resolutions as to the resolution numbered 4 as an Ordinary Resolution and as to the resolutions numbered 5 as Special Resolutions:

4. THAT the Directors be and they are hereby authorised generally and unconditionally for the purposes of Section 551 of the Companies Act 2006 (the "Act") to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for, or to convert any security into, shares in the Company (such shares and/or rights being "Relevant Securities") up to an aggregate nominal amount of £3,088,689.70 provided that this authority shall, unless renewed, varied or revoked by the Company, expire five years from the date of the passing of this Resolution save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the Directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this Resolution has expired.

5. THAT the Directors be and they are hereby generally empowered pursuant to Section 570 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority conferred under Resolution 4 above as if sub-section 561(1) of the Act did not apply to such allotment, provided that this power shall be limited to:-

   (a) the allotment of equity securities in connection with a rights issue or any pre-emptive offer in favour of holders of ordinary shares in the Company where the equity securities attributable to the respective interests of such holders are proportionate (as nearly as maybe) to the respective numbers of ordinary shares held by them on the record date for such allotment subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or any legal or practical difficulties under the laws of, or the requirements of, any regulatory body or stock exchange of any overseas territory or otherwise;

(b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £1,853,213.82;

and shall expire on the date being the earlier of the date 15 months after the passing of this Resolution and the conclusion of the Annual General Meeting of the Company to be held in 2013, provided that the Company may before such expiry make an offer or agreement which would require equity securities to be allotted in pursuance of such offer or agreement as if the power conferred hereby had not expired and provided further that this authority shall be in substitution for and supersede and revoke any earlier power given to directors.

By Order of the Board
Mark Collingbourne
Secretary

Registered Office:
Ashcombe Court
Woolsack Way
Godalming
Surrey
GU7 1LQ

28 June 2012

Notes:

1. A member of the Company is entitled to appoint a proxy or proxies to attend, speak and vote at the meeting in his stead. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. A proxy does not need to be a member of the Company.
2. The appointment of a proxy does not preclude you from attending the meeting and voting in person. If you appoint a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
3. To be effective Forms of Proxy must be duly completed and returned so as to reach the Capita Registrars Limited, Freepost RSB4-UXKS-LRBC PXS, 34 Beckenham Road, Beckenham BR3 4TU no later than 11.00 a.m. on 20 July 2012.
4. To be entitled to attend and vote at the meeting (and for the purpose of the determination by Company of the number of votes they may cast), members must be entered in the Register of members at 11.00 a.m. on 20 July 2012 (“the specified time”). If the meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If however the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company’s Register of Members at the time which is not less than 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.

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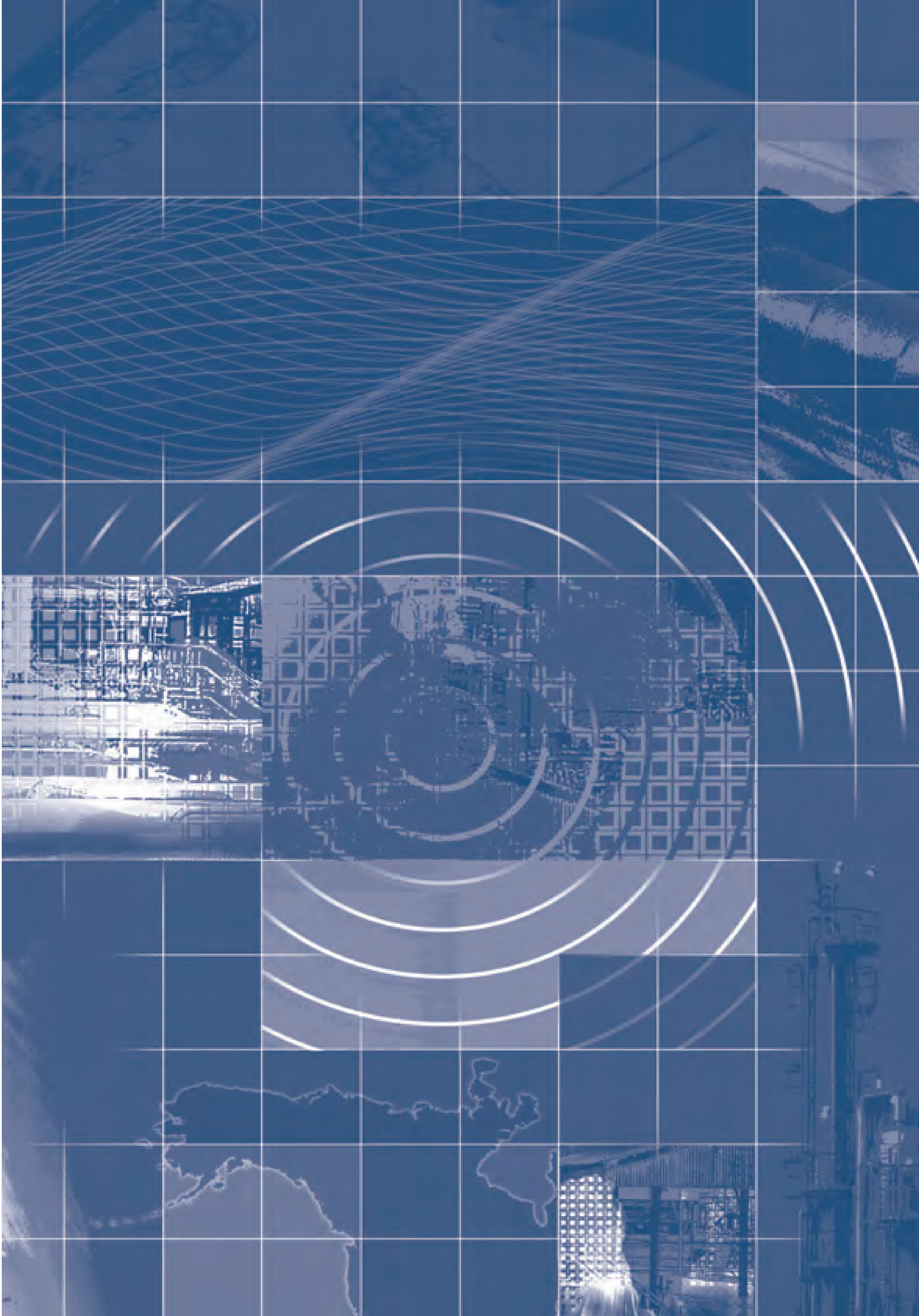

VIALOGY

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