

TR-1: NOTIFICATION OF MAJOR INTEREST IN SHARES

NetServices plc
('NetServices', the 'Company' or the 'Group')

Restatement of financial information under International Financial Reporting Standards

NetServices will be reporting its financial results in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union with effect from 1 September 2007.

The financial information in the interim Group financial statements for the six month period ended 29 February 2008 has been prepared in accordance with IFRS for the first time, and the first annual report to be prepared in accordance with IFRS will be for the year ending 31 August 2008.

The last set of Group financial statements presented by the Group under United Kingdom Generally Accepted Accounting Practice ('UK GAAP') were for the year ended 31 August 2007. The date of the transition to IFRS was therefore 1 September 2006.

The Company will be releasing its interim results for the 6 months ended 29 February 2008 on Tuesday, 13 May 2008.

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PRINCIPAL EFFECTS ON ADOPTION OF IFRS

BASIS OF CONSOLIDATION

The consolidated accounts incorporate the accounts of the company and all Group undertakings. These are adjusted, where appropriate, to conform to Group accounting policies. Acquisitions are accounted for under the purchase method and goodwill on consolidation is capitalised and written off over its useful economic life from the year of acquisition. The results of companies acquired or disposed of are included in the income statement after or up to the date that control passes, respectively.

The Group share of the profits of Datascape Online Ltd, an associate company, has not been included in the consolidation on the grounds that the Group has no significant influence over the company.

All intra-Group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

PROPERTY, PLANT AND EQUIPMENT

Plant and equipment are stated at historic cost less accumulated depreciation and any recognised impairment losses. At the date of transition to IFRS, the Group elected to revalue its property to fair value and to consider this value as the deemed cost at the date of transition. The valuation was based on market value provided by an independent surveyor.

Depreciation is charged so as to write off the cost of assets, other than land, to their estimated residual values over their estimated useful lives using the straight-line method on the following bases:

Freehold property	2%
Long leasehold property	2%
Fixture and Fittings	20%
Plant and machinery	20%
Motor vehicles	20%
Computer equipment	20%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

GOODWILL

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Upon the acquisition of subsidiaries, goodwill is separately disclosed. Goodwill on acquisition of associates and jointly controlled entities is included in investment in associates and jointly controlled entities.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the amount previously calculated under UK GAAP subject to being tested for impairment at that date. In prior periods, goodwill amortisation will have been charged leading to lower net income, the amortisation charged post 1 September 2006 has been reversed.

INTANGIBLE ASSETS

Amortisation is calculated to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Research and Development - over the life of the associated product
Software - over five years

Research and Development is capitalised as an intangible asset at the point a commercial value is quantifiable as the result of developing a new product or service.

Software is capitalised upon purchase.

Internally generated goodwill is not capitalised as an intangible asset.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). An intangible asset with an indefinite useful life is tested for impairment annually and also whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, deposits repayable on demand less overdrafts repayable on demand, short-term deposits and restricted deposits.

FINANCIAL INSTRUMENTS

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

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Financial liability and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Interest associated with financial assets and liabilities is recognised in the income statement on an accruals basis.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Equity instruments

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

PROVISIONS

Provisions are recognised when the Group has a present obligation as a result of

a past event which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Provision is held against an onerous contract entered into by a subsidiary company. The provision was based upon the expected expenditure under the contract against the contractual commitment across the remaining life of the onerous contract. The provision held is reviewed on a regular basis and adjusted to reflect current expected expenditure.

LEASING

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Group, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, Value Added Tax and other sales related taxes. Sales of goods are recognised when goods are delivered to the customer, and installation revenue is recognised when the customer is connected to the network.

Other contracted income, including customer rental, is recognised over the contract period in proportion to the value of the service provided.

Deferred income represents that portion of rental fees paid by customers relating to a future period.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

SHARE-BASED PAYMENTS

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

The Group issues equity-settled share-based payments to its employees.

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured by use of the Black-Scholes model. The expected life used in the model is based upon exercise restrictions and expected volatility is based upon historical volatility over the expected life of the scheme.

TAXATION

The tax expense represents the sum of the current tax and the deferred tax elements.

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

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

Deferred tax is calculated at the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting judgements will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- Goodwill has been tested for impairment by comparing the amount of goodwill against expected forecast results including cash flows expected to be generated in the future by the appropriate business unit.
- The fair value of share-based payments is measured using the Black-Scholes model which inherently makes use of significant estimates and assumptions concerning the future applied by the directors.
- Deferred tax assets and liabilities are assessed on the basis of assumptions regarding the future, the likelihood that assets will be realised and liabilities will be settled, and estimates as to the timing of those future events and as to the future tax rates that will be applicable.
- Provisions are held to the extent that directors feel contractual commitments against onerous contracts will not be met.

Restated Consolidated Balance Sheet (Unaudited) as at 31 August 2007, 28 February 2007 and 1 September 2006.

	31-Aug-07 £	1-Sept-06 £	28-Feb-07 £
ASSETS			
Non Current Assets			
Property, plant & equipment	1,700,958	2,242,646	2,046,791
Goodwill	333,983	333,983	333,983
Intangibles	129,918	186,490	159,865
Other Investments	58,667	59,357	59,357
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	2,223,526	2,822,476	2,599,996
Current Assets			
Trade and other receivables	843,066	3,604,183	2,196,336
Cash and cash equivalents	1,883,120	1,350,649	980,228
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	2,726,186	4,954,832	3,176,564
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TOTAL ASSETS	4,949,712	7,777,308	5,776,560
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EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent			
Share Capital	73,962	72,573	72,692
Share Premium reserve	4,293,126	4,287,725	4,288,203
Share Based Payment Reserve	8,284	-	-
Revaluation Reserve	216,643	216,643	216,643
Retained Earnings	(3,768,914)	(3,238,799)	(3,983,529)
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	823,101	1,338,142	594,009
Non Current Liabilities			
Trade and other payables	1,343	43,456	43,456
Financial liabilities	485,275	523,220	470,732
Provisions	1,599,844	2,148,219	2,148,219
Deferred Tax	66,827	64,993	64,993
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	2,153,289	2,779,888	2,727,400
Current Liabilities			
Financial liabilities	99,381	198,030	182,793
Trade and other payables	1,873,941	3,461,248	2,272,358
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	1,973,322	3,659,278	2,455,151
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TOTAL EQUITY AND LIABILITIES	4,949,712	7,777,308	5,776,560
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Restated Consolidated Income Statement (Unaudited) for the year ended 31 August 2007 and the period ended 28 February 2007

	Aug-07 £	Feb-07 £
REVENUE	12,592,606	7,774,661
Cost of Sales	9,186,568	5,919,291
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GROSS PROFIT	3,406,038	1,855,370
Other Operating expenses	3,202,158	2,273,731
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PROFIT/(LOSS) FROM OPERATIONS BEFORE DEPRECIATION, AMORTISATION AND SHARE BASED PAYMENT COSTS	203,880	(418,361)
Amortisation of intangibles	56,571	26,624
Depreciation	649,602	270,408
Share based payment costs	8,284	-
OPERATING (LOSS)	(510,577)	(715,393)
Finance income	(18,319)	(5,805)
Finance costs	79,969	35,142
LOSS BEFORE TAX	(572,227)	(744,730)
Income tax expense	(42,112)	-
LOSS FOR THE PERIOD	(530,115)	(744,730)
Loss per share basic and diluted (pence)	-1.82	-2.56

Consolidated Statement of Changes in equity (unaudited)

	Share Capital	Share Premium	Share Based Payment Reserve	Re- valuation Reserve	Retained Earnings	Total
	£	£	£	£	£	£
Balance at 1 September 2006	72,573	4,287,725	-	-	(3,173,806)	1,186,492
Adjustments to reserves on transition to IFRS	-	-	-	216,643	(64,993)	151,650
Total Recognised income and expense for the period	-	-	-	-	(530,115)	(530,115)
Exercise of options	1,389	5,401	-	-	-	6,790
IFRS 2 charge	-	-	8,284	-	-	8,284
Balance at 31 August 2007	73,962	4,293,126	8,284	216,643	(3,768,914)	823,101
Balance at 1 September 2006	72,573	4,287,725	-	-	(3,173,806)	1,186,492
Adjustments to reserves on transition to IFRS	-	-	-	216,643	(64,993)	151,650
Total Recognised income and expense for the period	-	-	-	-	(744,730)	(744,730)
Exercise of options	119	478	-	-	-	597
Balance at 28 February 2007	72,692	4,288,203	-	216,643	(3,983,529)	594,009

Restated Consolidated Cash Flow Statement(Unaudited) for the year ended 31 August 2007 and the period ended 28 February 2007

	Aug-07 £	Feb-07 £
OPERATING ACTIVITIES		
Cash generated from/(used in) operations	305,644	(199,407)
Interest paid	(79,969)	(35,142)

NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	225,675	(234,549)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(147,889)	(74,550)
Proceeds from sale of equipment	34,500	-
Sale of Business Unit	531,671	-
Interest received	18,319	5,805

NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	436,601	(68,745)
FINANCING ACTIVITIES		
Proceeds from the exercise of share options	6,790	598
Repayment of borrowings	(37,041)	(19,270)
Payment of finance lease liabilities	(99,554)	(48,455)

NET CASH (USED IN) FINANCING ACTIVITIES	(129,805)	(67,127)

NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	532,471	(370,421)

CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,350,649	1,350,649
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1,883,120	980,228
Cash Generated from/(Used in) Operations		
Operating Profit/(Loss) before depreciation, amortisation and share based payment costs	203,880	(418,361)
Adjustments for:		
Loss on disposal of equipment	5,474	-
Profit on disposal of business unit	(409,175)	-
Decrease in provisions	(548,375)	-
Decrease in receivables	2,638,623	1,407,846
(Decrease) in payables	(1,584,783)	(1,188,892)

Cash generated from/(Used in) operations	305,644	(199,407)

EXPLANATION OF TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The primary reporting statements adopted by the Group under IFRS have resulted in reclassifications of certain assets and liabilities which have therefore given rise to representation of information. In addition, for the reasons set out below, some of the figures have been restated upon adoption of the Group's new set of IFRS compliant accounting policies.

Exemptions applied by the Group in the year of transition

The main changes in the basis of preparation between IFRS and UK GAAP are summarised below;

In accordance with the requirements of IFRS 3, goodwill has been frozen at its brought forward net book value at the date of transition, and amortisation charged under UK GAAP for the periods ended 31 August 2007 and 28 February 2007 has been reversed.

At the date of adoption the freehold properties of the Group have been revalued, based on market value provided by an independent surveyor. A deferred tax liability has been recognised on the revaluation, and in the periods after 1 September 2006 there has been an increase in the depreciation charged against freehold properties based on the revalued amount.

Adoption of IFRS has also resulted in the reclassification of certain non current assets between property, plant & equipment and Intangibles.

The adoption of IFRS has not however had an impact on the amount of cash previously disclosed under UK GAAP in any of the periods of account in the financial statements.

Consolidated balance sheet reconciliation at 1 September 2006 (Transition date)

	UK GAAP in IFRS format £	Property Note 1 £	Goodwill Note 2 £	Intangibles Note 3 £	Reported under IFRS £
ASSETS					
Non Current Assets					
Property, plant & equipment	2,092,853	216,643	-	(66,850)	2,242,646
Goodwill	333,983	-	-	-	333,983
Intangibles	119,640	-	-	66,850	186,490
Other Investments	59,357	-	-	-	59,357
	2,605,833	216,643	-	-	2,822,476
Current Assets					
Trade and other receivables	3,604,183	-	-	-	3,604,183
Cash and cash equivalents	1,350,649	-	-	-	1,350,649
	4,954,832	-	-	-	4,954,832
TOTAL ASSETS	7,560,665	216,643	-	-	7,777,308
EQUITY AND LIABILITIES					
Equity attributable to the equity holders of the parent					
Share Capital	72,573	-	-	-	72,573
Share Premium reserve	4,287,725	-	-	-	4,287,725
Share Based Payment Reserve	-	-	-	-	-
Revaluation Reserve	-	216,643	-	-	216,643
Retained Earnings	(3,173,806)	(64,993)	-	-	(3,238,799)
	1,186,492	151,650	-	-	1,338,142
Non Current Liabilities					
Trade and other payables	43,456	-	-	-	43,456

Financial liabilities	523,220	-	-	-	523,220
Provisions	2,148,219	-	-	-	2,148,219
Deferred Tax	-	64,993	-	-	64,993

	2,714,895	64,993	-	-	2,779,888
Current Liabilities					
Financial liabilities	198,030	-	-	-	198,030
Trade and other payables	3,461,248	-	-	-	3,461,248

	3,659,278	-	-	-	3,659,278

TOTAL EQUITY AND LIABILITIES	7,560,665	216,643	-	-	7,777,308
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Consolidated balance sheet reconciliation at 28 February 2007

	UK GAAP in IFRS format £	Property Note 1 £	Goodwill Note 2 £	Intangibles Note 3 £	Reported under IFRS £
ASSETS					
Non Current Assets					
Property, plant & equipment	1,892,105	214,851	-	(60,165)	2,046,791
Goodwill	314,714	-	19,269	-	333,983
Intangibles	99,700	-	-	60,165	159,865
Other Investments	59,357	-	-	-	59,357

	2,365,876	214,851	19,269	-	2,599,996
Current Assets					
Trade and other receivables	2,196,336	-	-	-	2,196,336
Cash and cash equivalents	980,228	-	-	-	980,228

	3,176,564	-	-	-	3,176,564

TOTAL ASSETS	5,542,440	214,851	19,269	-	5,776,560
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EQUITY AND LIABILITIES					
Equity attributable to the equity holders of the parent					
Share Capital	72,692	-	-	-	72,692
Share Premium reserve	4,288,203	-	-	-	4,288,203
Share Based Payment Reserve	-	-	-	-	-
Revaluation Reserve	-	216,643	-	-	216,643
Retained Earnings	(3,936,013)	(66,785)	19,269	-	(3,983,529)

	424,882	149,858	19,269	-	594,009
Non Current Liabilities					
Trade and other payables	43,456	-	-	-	43,456
Financial liabilities	470,732	-	-	-	470,732
Provisions	2,148,219	-	-	-	2,148,219
Deferred Tax	-	64,993	-	-	64,993

	2,662,407	64,993	-	-	2,727,400

Current Liabilities					
Financial liabilities	182,793	-	-	-	182,793
Trade and other payables	2,272,358	-	-	-	2,272,358
	2,455,151	-	-	-	2,455,151
TOTAL EQUITY AND LIABILITIES	5,542,440	214,851	19,269	-	5,776,560

Consolidated balance sheet reconciliation at 31 August 2007

	UK GAAP in IFRS format £	Property Note 1 £	Goodwill Note 2 £	Intangibles Note 3 £	Reported under IFRS £
ASSETS					
Non Current Assets					
Property, plant & equipment	1,541,379	213,059	-	(53,480)	1,700,958
Goodwill	295,447	-	38,536	-	333,983
Intangibles	76,438	-	-	53,480	129,918
Other Investments	58,667	-	-	-	58,667
	1,971,931	213,059	38,536	-	2,223,526
Current Assets					
Trade and other receivables	843,066	-	-	-	843,066
Cash and cash equivalents	1,883,120	-	-	-	1,883,120
	2,726,186	-	-	-	2,726,186
TOTAL ASSETS	4,698,117	213,059	38,536	-	4,949,712
EQUITY AND LIABILITIES					
Equity attributable to the equity holders of the parent					
Share Capital	73,962	-	-	-	73,962
Share Premium reserve	4,293,126	-	-	-	4,293,126
Share Based Payment Reserve	8,284	-	-	-	8,284
Revaluation Reserve	-	216,643	-	-	216,643
Retained Earnings	(3,738,873)	(68,577)	38,536	-	(3,768,914)
	636,499	148,066	38,536	-	823,101
Non Current Liabilities					
Trade and other payables	1,343	-	-	-	1,343
Financial liabilities	485,275	-	-	-	485,275
Provisions	1,599,844	-	-	-	1,599,844
Deferred Tax	1,834	64,993	-	-	66,827
	2,088,296	64,993	-	-	2,153,289
Current Liabilities					
Financial liabilities	99,381	-	-	-	99,381
Trade and other payables	1,873,941	-	-	-	1,873,941

	1,973,322	-	-	-	1,973,322
TOTAL EQUITY AND LIABILITIES	4,698,117	213,059	38,536	-	4,949,712

Reconciliation of Income Statement for period ended 28 February 2007

	UK GAAP in IFRS format £	Property Note 1 £	Goodwill Note 2 £	Intangibles Note 3 £	Reported under IFRS £
REVENUE	7,774,661	-	-	-	7,774,661
Cost of Sales	5,919,291	-	-	-	5,919,291
GROSS PROFIT	1,855,370	-	-	-	1,855,370
Other Operating expenses	2,273,731	-	-	-	2,273,731
(LOSS) FROM OPERATIONS BEFORE DEPRECIATION, AMORTISATION AND SHARE BASED PAYMENT COSTS	(418,361)	-	-	-	(418,361)
Amortisation of intangibles	39,208	-	(19,269)	6,685	26,624
Depreciation	275,300	1,793	-	(6,685)	270,408
Share based payment costs	-	-	-	-	-
OPERATING (LOSS)	(732,869)	(1,793)	19,269	-	(715,393)
Finance income	(5,805)	-	-	-	(5,805)
Finance costs	35,142	-	-	-	35,142
(LOSS) BEFORE TAX	(762,206)	(1,793)	19,269	-	(744,730)
Income tax expense	-	-	-	-	-
(LOSS) FOR THE PERIOD	(762,206)	(1,793)	19,269	-	(744,730)
(Loss) per share basic and diluted (pence)	(2.62)	-	0.06	-	(2.56)

Reconciliation of Income Statement for period ended 31 August 2007

	UK GAAP in IFRS format £	Property Note 1 £	Goodwill Note 2 £	Intangibles Note 3 £	Reported under IFRS £
REVENUE	12,592,606	-	-	-	12,592,606
Cost of Sales	9,186,568	-	-	-	9,186,568
GROSS PROFIT	3,406,038	-	-	-	3,406,038
Other Operating expenses	3,202,158	-	-	-	3,202,158

PROFIT FROM OPERATIONS BEFORE DEPRECIATION, AMORTISATION AND SHARE BASED PAYMENT COSTS	203,880	-	-	-	203,880
Amortisation of intangibles	81,737	-	(38,536)	13,370	56,571
Depreciation	659,388	3,584	-	(13,370)	649,602
Share based payment costs	8,284	-	-	-	8,284
OPERATING (LOSS)	(545,529)	(3,584)	38,536	-	(510,577)
Finance income	(18,319)	-	-	-	(18,319)
Finance costs	79,969	-	-	-	79,969
(LOSS) BEFORE TAX	(607,179)	(3,584)	38,536	-	(572,227)
Income tax expense	(42,112)	-	-	-	(42,112)
(LOSS) FOR THE PERIOD	(565,067)	(3,584)	38,536	-	(530,115)
(Loss) per share basic and diluted (pence)	(1.94)	-	0.12	-	(1.82)

Note 1 Property (IFRS 1)

At the date of transition to IFRS, the Group elected to revalue its property to fair value and to consider this value as the deemed cost at the date of transition. The valuation was based on market value provided by an independent surveyor. This also resulted in the creation of a deferred tax liability which has been recognised, and an increase in the depreciation charge after 1 September 2006.

Note 2 Goodwill (IFRS1, IAS36 & IAS38)

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the amount previously calculated under UK GAAP subject to being tested for impairment at that date. In prior periods, goodwill amortisation will have been charged leading to lower net income, the amortisation charged post 1 September 2006 has been reversed.

Note 3 Intangibles (IAS 38)

Software assets included under 'Tangible Assets', in accordance with UK GAAP, have been reclassified from the date of transition to 'Intangible Assets'. This has also resulted in the reclassification of depreciation on these assets from 'Depreciation' to 'Amortisation of Intangibles'.

Note 4 Cash Flow Statement

The transition adjustments referred to above have no impact on the cash flow statement, and therefore there is no requirement for a reconciliation between UK GAAP and IFRS.

ENDS