

**Company number: 3148295**

**CINPART PLC**

**INTERIM REPORT**

**For the six months ended 30 June 2008**

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## **CINPART PLC**

### **CHAIRMAN'S COMMENTARY For the six months ended 30 June 2008**

I present the interim results for Cinpart plc for the six month period ended 30 June 2008.

Trading conditions have been difficult throughout this period and consequently the revenue for the Group was £1,090,907 compared with £1,492,836 reported in the same period in 2007.

The Group reports a loss for the six month period ended 30 June 2008 of £194,416. The loss in the same period in 2007 was £11,486

A number of factors have contributed to the decline in sales: a number of customers increased inventories during the latter part of 2007 and having greater confidence following the successful reorganisation of the Group have reduced these inventories during the first six months of 2008. The majority of customers have reduced levels of business due to adverse economic conditions.

During the first six months of 2008 there have been wide fluctuations in the exchange rate between Baht, the currency of Thailand where the companies manufacturing operation is located and £ sterling which is the reporting currency used by the Group. While the exchange rate at 30 June 2008 was similar to that at 31 December 2007, average rates during each month used to evaluate expenses were as much as 7% lower thus the reported expenses in £ are higher.

In April 2008, an application was filed to liquidate two Thai companies that have not traded for some time. While all expenses had been provided for in previous years, there remained a cost relating to exchange differences that applied when these company's balance sheets were removed from the group accounts in April 2008. Exchange adjustments charged to expenses were £60,277 and of this £39,256 are attributable to the two Thai subsidiaries liquidated.

The Group has been successful in improving gross margins to 39.2% during the first six months of 2008 compared with 29.8% in the first six months of 2007. This has been largely achieved through a program of cost reduction and by the addition of plant and equipment including stamping presses and a circuit board manufacturing facility.

The Group has invested heavily to develop an appropriate infrastructure to support the future organic growth of the current operation. This includes hiring and training technical and sales support staff and further initiatives in marketing. These are expected to come to fruition during the remainder of this year and during 2009. The Group also expects to receive ISO certification before the end of 2008 and this will enable the Group to sell to new customers particularly in Europe.

Additionally Cinpart has established a new trading company in the United Kingdom to source components from Asia and or China for sale to small and medium enterprises in the United Kingdom.

The Directors expect that trading during the second half of 2008 will be profitable and for the initiatives in sales and other activities to improve trading in the near future.

Philip E. Palmer

Chairman

**CINPART PLC**
**UNAUDITED CONSOLIDATED INCOME STATEMENT**  
**For the six months ended 30 June 2008**

	<i>Notes</i>	<i>Six Months Ended 30 June 2008 Unaudited £</i>	<i>Six Months Ended 30 June 2007 Unaudited £</i>	<i>Year Ended 31 December 2007 £</i>
<b>Revenue</b>		1,090,907	1,492,836	2,816,496
Cost of Sales		<u>(662,884)</u>	<u>(1,047,350)</u>	<u>(1,872,232)</u>
<b>Gross profit</b>		428,023	445,486	944,264
Other operating income		4,541		93,678
Administrative expense		<u>(619,104)</u>	<u>(430,950)</u>	<u>(854,663)</u>
<b>Operating (loss)/profit</b>		(186,540)	14,536	183,279
Finance expense		(8,885)	(26,050)	(72,059)
Finance income		<u>1,009</u>	<u>28</u>	<u>2,676</u>
<b>(Loss)/profit before tax</b>		(194,416)	(11,486)	113,896
Tax		<u>-</u>	<u>-</u>	<u>-</u>
<b>(Loss)/profit for the period</b>		<u>(194,416)</u>	<u>(11,486)</u>	<u>113,896</u>
Earnings per share for profit attributable to the equity holders during the period				
Basic (pence)	3	-0.61	-0.13	0.57
Diluted (pence)	3	<u>-0.52</u>	<u>-0.08</u>	<u>0.47</u>

**UNAUDITED STATEMENT OF RECOGNISED INCOME AND EXPENSE**  
**For the six months ended 30 June 2008**

	<i>Six Months Ended 30 June 2008 Unaudited £</i>	<i>Six Months Ended 30 June 2007 Unaudited £</i>	<i>Year Ended 31 December 2007 £</i>
Exchange gain on retranslation of foreign operations	<u>14,011</u>	<u>12,233</u>	<u>8625</u>
Net expense recognised directly in equity	14,011	12,233	8,625
(Loss)/profit for the period	<u>(194,416)</u>	<u>(11,486)</u>	<u>113,896</u>
<b>Total recognised income and expense for the period</b>	<u>(180,405)</u>	<u>747</u>	<u>122,521</u>

**CINPART PLC**

**UNAUDITED CONSOLIDATED BALANCE SHEET**  
**At 30 June 2008**

	<i>Notes</i>	<i>30 June 2008 Unaudited £</i>	<i>30 June 2007 Unaudited £</i>	<i>31 December 2007 £</i>
<b>Assets</b>				
<b>Non-current assets</b>				
Goodwill		105,028	105,028	105,028
Property, plant and equipment		<u>177,948</u>	<u>113,606</u>	<u>178,280</u>
		<u>282,976</u>	<u>218,634</u>	<u>283,308</u>
<b>Current assets</b>				
Inventories		307,626	198,778	281,961
Trade and other receivable		564,894	806,662	787,796
Cash and cash equivalents		<u>20,260</u>	<u>482,450</u>	<u>98,717</u>
		<u>892,780</u>	<u>1,487,890</u>	<u>1,168,474</u>
<b>Total assets</b>		<u>1,175,756</u>	<u>1,706,524</u>	<u>1,451,782</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		357,051	768,487	475,124
Financial liabilities - borrowings				
Bank overdrafts		-	-	-
Interest bearing loans and borrowings		<u>100,393</u>	<u>170,331</u>	<u>118,483</u>
		<u>457,444</u>	<u>938,818</u>	<u>593,607</u>
<b>Net current assets/(liabilities)</b>		<u>435,336</u>	<u>549,072</u>	<u>574,867</u>
<b>Non current liabilities</b>				
Financial liabilities - borrowings				
Interest bearing loans and borrowings		<u>-</u>	<u>13,000</u>	<u>13,498</u>
<b>Total liabilities</b>		<u>457,444</u>	<u>951,818</u>	<u>607,105</u>
<b>Net assets/(liabilities)</b>		<u>718,312</u>	<u>754,706</u>	<u>844,677</u>
<b>Equity</b>				
Called up share capital	5	3,766,748	3,756,907	3,759,763
Share premium		2,233,163	2,353,419	2,186,108
Merger reserve		128,571	-	128,571
Retained earnings		(5,485,186)	(5,416,152)	(5,290,770)
Share option reserve		88,081	84,000	88,081
Foreign exchange reserve		<u>(13,065)</u>	<u>(23,468)</u>	<u>(27,076)</u>
<b>Total equity</b>	6	<u>718,312</u>	<u>754,706</u>	<u>844,677</u>

**UNAUDITED CASH FLOW STATEMENT**  
**For the six months ended 30 June 2008**

		<i>Six Months Ended 30 June 2008 Unaudited £</i>	<i>Six Months Ended 30 June 2007 Unaudited £</i>	<i>Year Ended 31 December 2007 £</i>
<b>Net cash used in operating activities</b>	4	(69,919)	(58,187)	(135,040)
<b>Investing activities</b>				
Acquisition of subsidiary, cash acquired			(205,840)	10,886
Purchase of property plant and equipment		(23,115)	(22,798)	(87,591)
Sale of property plant and equipment				25,385
Interest received		1,009	28	2,676
<b>Net cash used in investing activities</b>		<u>(22,106)</u>	<u>(228,610)</u>	<u>(48,644)</u>
<b>Financial activities</b>				
(Repayment)/issue of loans			-	(13,000)
Receipt of/(repayment) finance leases		24,256	-	(11,774)
(Repayment)/increase in bank loans and other borrowing		(55,844)	(704,250)	(424,065)
Proceeds on issue of shares		54,040	1,492,302	815,513
Interest paid		(8,885)	(26,050)	(62,167)
<b>Net cash from financing activities</b>		<u>13,567</u>	<u>762,002</u>	<u>304,507</u>
Cash and cash equivalents at beginning of period		98,717	7,245	(22,106)
Cash and cash equivalents at end of period		<u>20,260</u>	<u>482,450</u>	<u>98,717</u>

**NOTES TO THE INTERIM STATEMENT  
For the six months ended 30 June 2008**

**1. Accounting policies**

**Basis of preparation**

The interim financial report for the six months ended 30 June 2008 have been prepared and approved by the directors in accordance with International Financial Reporting Standards, International Accounting Standards and IFRIC interpretations (collectively IFRS) as adopted by the European Union, and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The financial information has been prepared on the basis of IFRS that the Directors expect to be applicable as at 31 December 2008.

The principal accounting policies adopted in preparation of the financial statements are set out below. The policies have been consistently applied to all the periods presented unless otherwise stated.

At 30 June 2008, certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 July 2008. These are:

IFRIC 13 Customer Loyalty programs (effective for accounting periods beginning on or after 1 July 2008). IFRIC 13 is not relevant to the Group's operations due to the absence of such arrangements.

At 30 June 2008, certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, and which the Group has opted not to adopt early. These are:

IFRS 8 Operating Segments (endorsed and effective for accounting periods beginning on or after 1 January 2009). As this is a disclosure standard, it will not have any impact on the results or net assets of the Group.

IFRS 2 Share based payment (amendment) (effective for accounting periods beginning on or after 1 January 2009). Management is currently assessing the impact of the amendment on the financial statements.

IFRS 3 Business combinations (revised) (effective for accounting periods beginning on or after 1 July 2009). Management is currently assessing the impact of the revised standard on the accounts.

IAS 23 Borrowing costs (revised) (effective for accounting periods beginning on or after 1 January 2009). Management is currently assessing the impact of the revised standard on the accounts.

IAS 27 Consolidated and separate financial statements (amendment) (effective for accounting periods beginning on or after 1 July 2009). Management is currently assessing the impact of the amendment to the standard on the accounts.

IAS 32 Financial Instruments: Presentation (amendment) (effective for accounting periods beginning on or after 1 January 2009). Management is currently assessing the impact of the amendment to the standard on the presentation of the accounts.

IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (amendment) (effective for accounting periods beginning on or after 1 January 2009). Management is currently assessing the impact of the amendment to the standard on the presentation of the accounts.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS - continued**

**For the six months ended 30 June 2008**

**1. Accounting policies - continued**

**Non-statutory accounts**

The financial information for the year ended 31 December 2007 set out in this interim report does not comprise the Group's statutory accounts as defined in section 240 of the Companies Act 1985.

The statutory accounts for the year ended 31 December 2007, which were prepared under International Financial Reporting Standards, International Accounting Standards and IFRIC interpretations (collectively IFRS), have been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under either Section 237 (2) or Section 237 (3) of the Companies Act 1985.

The financial information for the 6 month periods ended 30 June 2008 and 30 June 2007 is unaudited.

**Basis of consolidation**

The financial information incorporates the results of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The consolidated financial statements present the financial results of the Company and its subsidiaries (the Group) as if they formed a single entity.

The results of subsidiaries acquired or disposed during the period are included in the consolidated income statements from the effective date of acquisition or up to the effective date of disposal, as appropriate, using the purchase method.

Where necessary, adjustments are made to the results of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

**Goodwill**

On acquisition, the assets and liabilities and contingent liabilities of subsidiaries are measured at their fair values at the date of acquisition. Any excess of cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition. Goodwill arising on consolidation is recognised as an intangible asset and reviewed for impairment at least annually by comparing the carrying value of the asset to the recoverable amount. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

**1. Accounting policies - continued**

**Property, plant and equipment**

Property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and any recognised impairment loss. Cost includes the purchase price and all directly attributable costs. The corresponding liability is recognised within provisions

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Leasehold improvements	5 years
Plant and equipment	between 3 and 5 years
Fixtures fittings and equipment	between 3 and 10 years

**Financial instruments**

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

Investments are classified as either held-for trading or available for sale at initial recognition. At the balance sheet date all such investments are classified as available-for-sale. Investments are initially measured at cost. Transaction costs are included in the cost of assets available for sale but excluded from the cost of assets held for trading. At subsequent reporting dates available-for-sale investments are measured at fair value or at a cost where fair value is not readily ascertainable. Gains and losses arising from changes in fair value are recognised directly in equity until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss recognised previously in equity is included in the net profit or loss for the period.

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of any provision is recognised in the income statement.

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Interest bearing bank loan, overdrafts and other loans are recorded at the proceeds received, net of direct issue costs. Finance costs are accounted for on an accruals basis in the income statement using the effective interest method.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS - continued**

**For the six months ended 30 June 2008**

**1. Accounting policies - continued**

**Inventories**

Inventories are initially recorded at cost, and subsequently stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

**Taxation**

Current taxes are based on the estimated taxable profit for the period and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit and loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current assets and liabilities on a net basis.

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

**For the six months ended 30 June 2008**

**1. Accounting policies - continued**

**Research and development**

Research expenditure is recognised as an expense as incurred.

Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets if it can be demonstrated that:

- It is technically feasible to develop the product for to be sold;
- Adequate resourced are viable to complete development;
- There is an intention to complete and sell the product;
- Sale of the product will generate future economic benefits; and
- Expenditure on the project can be measured reliably.

Other development expenditure are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have a finite useful life and that have been capitalised are amortised from the commencement of the commercial production of the product on a straightline basis over the period of its expected benefit, not exceeding five years.

**Foreign currencies**

Transactions in foreign currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange gains and losses on short-term foreign currency borrowings and deposits are included with net interest payable. Exchange differences on all other transactions, except relevant foreign currency loans, are taken to operating profit.

On consolidation, the results of overseas operations are translated at the average rates of exchange during the period and their balance sheets translated into sterling at the rates of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings and from translating the income statement at an average rate are taken to reserves.

All other differences are taken to the income statement.

**Hire purchase and leasing commitments**

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments over the lease term. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term. Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. The land and buildings elements of property leases are considered separately for the purposes of lease classification.

**For the six months ended 30 June 2008**

**1. Accounting policies - continued**

**Share based payments**

Where employees receive remuneration in the form of shares or share options, the fair value of the share-based employee compensation arrangement at the date of the grant is recognised as an employee benefit expense in the consolidated income statement.

The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value (excluding the effect of non market-based vesting conditions) at the date of the grant. The assumptions underlying the number of awards expected to vest are subsequently adjusted for the effects of non market-based vesting to reflect the conditions prevailing at the balance sheet date. Fair value is measured by the use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of the non-transferability, exercise restrictions and behavioural considerations.

The exemption permitted under IFRS 1 First-time Adoption of International Financial Reporting Standards to apply IFRS 2 Share-based Payments retrospectively to those options that were issued after 7 November 2002 and had not vested by 1st January 2006 has been taken.

**Invoice discounting**

The Group discounts a proportion of its trade receivables. The accounting policy is to include trade debt within trade receivables due within one year and record cash advances within trade payables due within one year. Discounting fees and interest are charged to the income statement when incurred. Bad debts are borne by the Group and are charged to the income statement when incurred.

**Employee benefit costs**

The Company previously operated a defined contribution pension scheme. The Company has no further payment obligations once the contributions have been paid. The contributions were recognised in the consolidated income statement when they fell due. Prepaid contributions were recognised as an asset to the extent that a cash refund or a reduction in the future payments was available

**2. Critical accounting judgements and key sources of estimation uncertainty**

The preparation of financial information in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

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 significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were:

**Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. No provision for impairment was made in the period and the carrying value of goodwill at the balance sheet date was £105,028. The value in use calculations are based on cash flow projections from formally approved budgets covering a two year period to 31 December 2009 and a discount rate of 15%

## NOTES TO THE INTERIM FINANCIAL STATEMENTS - continued

For the six months ended 30 June 2008

## 2. Critical accounting judgements and key sources of estimation uncertainty - continued

## Share based payments

In determining the fair value of equity settled share based payments and the related charge to the income statement, the Group makes assumptions about future events and market conditions. In particular, judgement must be made as to the likely number of shares that will vest, and the fair value of each award granted. The fair value is determined using a valuation model which is dependent on further estimates, including the Group's future dividend policy, employee turnover, the timing with which options will be exercised and the future volatility in the price of the Group's shares. Such assumptions are based on publicly available information and reflect market expectations and advice taken from qualified personnel. Different assumptions about these factors to those made by the Group could materially affect the reported value of share based payments.

## 3. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares.

Reconciliations are set out below:

	<i>Six Months Ended 30 June 2008 Unaudited £</i>	<i>2008 Weighted average number of shares</i>	<i>Per-share amount pence</i>
<b>Basic EPS</b>			
Earnings attributable to ordinary shareholders	(194,416)	31,894,082	-0.61
<b>Effect of dilutive securities</b>			
Options	-	5,481,629	-
<b>Diluted EPS</b>			
Adjusted earnings	<u>(194,416)</u>	<u>37,375,711</u>	<u>-0.52</u>
	<i>Year Ended 31 December 2007 Unaudited £</i>	<i>2007 Weighted average number of shares</i>	<i>Per-share amount pence</i>
<b>Basic EPS</b>			
Earnings attributable to ordinary shareholders	113,896	20,147,697	0.57
<b>Effect of dilutive securities</b>			
Options	-	3,849,262	-
<b>Diluted EPS</b>			
Adjusted earnings	<u>113,896</u>	<u>23,996,959</u>	<u>0.47</u>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS - continued

For the six months ended 30 June 2008

## 3. Earnings per share - continued

	<i>Six Months Ended 30 June 2007 Unaudited £</i>	<i>2007 Weighted average number of shares</i>	<i>Per-share amount pence</i>
<b>Basic EPS</b>			
Earnings attributable to ordinary shareholders	(11,486)	8,859,226	-0.13
<b>Effect of dilutive securities</b>			
Options	-	5,163,044	-
<b>Diluted EPS</b>			
Adjusted earnings	(11,486)	14,022,270	-0.08

## 4. Cash used in operating activities

	<i>Six Months Ended 30 June 2008 Unaudited £</i>	<i>Six Months Ended 30 June 2007 Unaudited £</i>	<i>Year Ended 31 December 2007 £</i>
Operating profit (loss) before tax	(194,416)	(11,486)	113,896
Depreciation charge	27,816	26,755	28,581
Impairment of goodwill	-	-	-
Utilisation of provision for restructuring costs	-	-	-
Closure of subsidiaries	-	-	(62,477)
Share based payments	-	84,000	60,746
Loss / (gain) on sale of fixed assets	-	-	3,736
Exchange translation costs	9,642	11,076	4,751
Finance costs	8,885	26,050	72,059
Finance income	(1,009)	(28)	(2,676)
(Increase) / decrease in debtors	222,902	(141,473)	(159,797)
(Decrease) / increase in creditors	(118,073)	(115,399)	(172,994)
(Increase) / decrease in inventories	(25,665)	62,318	(20,865)
<b>Net cash outflow from operating activities</b>	<b>(69,919)</b>	<b>(58,187)</b>	<b>(135,040)</b>

NOTES TO THE INTERIM FINANCIAL STATEMENTS - continued

For the six months ended 30 June 2008

5. Movements in called up share capital

	<i>Six Months Ended 30 June 2008 Unaudited Number</i>	<i>Six Months Ended 30 June 2007 Unaudited Number</i>	<i>Year Ended 31 December 2007 Number</i>
Allotted, issued and fully paid:			
New ordinary shares of 1p each	31,947,520	30,963,297	31,249,011
Deferred shares of 9.5p each	15,409,000	15,409,000	15,409,000
New deferred shares of 0.49p each	404,779,408	404,779,408	404,779,408
	<u>452,135,928</u>	<u>46,372,297</u>	<u>451,437,419</u>
	<i>Six Months Ended 30 June 2008 Unaudited Value £</i>	<i>Six Months Ended 30 June 2007 Unaudited Value £</i>	<i>Year Ended 31 December 2007 Value £</i>
Allotted, issued and fully paid:			
New ordinary shares of 1p each	319,474	309,633	312,490
Deferred shares of 9.5p each	1,463,855	1,463,855	1,463,855
New deferred shares of 0.49p each	1,983,419	1,983,419	1,983,419
	<u>3,766,748</u>	<u>3,756,907</u>	<u>3,759,764</u>

The issue of 165,176 new 1p ordinary shares at 8.5p each and 533,333 new 1p ordinary shares at 7.5p each announced on 6 December 2007 were allotted on 15 January 2008.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS - continued

For the six months ended 30 June 2008

## 6. Statement of changes in equity

	<i>Share Capital</i>	<i>Foreign Exchange Reserve</i>	<i>Retained Earnings</i>	<i>Merger Reserve</i>	<i>Share Premium</i>	<i>Totals</i>
At 1 January 2007	3,533,397	(35,701)	(5,404,666)	-	1,084,627	(822,343)
Profit for the period	-	-	(11,486)	-	-	(11,486)
Issue of ordinary shares	223,510	-	-	-	1,268,792	1,492,302
Share issue costs	-	-	-	-	-	-
Share based payments	-	-	84,000	-	-	84,000
Exchange differences	-	12,233	-	-	-	12,233
At 30 June 2007	<u>3,756,907</u>	<u>(23,468)</u>	<u>(5,332,152)</u>	<u>-</u>	<u>2,353,419</u>	<u>754,706</u>
At 1 January 2007	3,533,397	(35,701)	(5,404,666)	-	1,084,627	(822,343)
Profit for the year	-	-	113,896	-	-	113,896
Issue of ordinary shares	226,366	-	-	128,571	1,233,302	1,588,239
Share issue costs	-	-	-	-	(131,821)	(131,821)
Share based payments	-	-	88,081	-	-	88,081
Exchange differences	-	8,625	-	-	-	8,625
At 31 December 2007	<u>3,759,763</u>	<u>(27,076)</u>	<u>(5,202,689)</u>	<u>128,571</u>	<u>2,186,108</u>	<u>844,677</u>
At 1 January 2008	3,759,763	(27,076)	(5,202,689)	128,571	2,186,108	844,677
Profit for the period	-	-	(194,416)	-	-	(194,416)
Issue of ordinary shares	6,985	-	-	-	47,055	54,040
Share issue costs	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-
Exchange differences	-	14,011	-	-	-	14,011
At 30 June 2008	<u>3,766,748</u>	<u>(13,065)</u>	<u>(5,397,105)</u>	<u>128,571</u>	<u>2,233,163</u>	<u>718,312</u>