

AdEPT Telecom plc

March 2007

ANNUAL REPORT

REGISTERED NUMBER: 4682431



MISSION STATEMENT

“ One day
we will be widely acknowledged
as the most professional Telecom Reseller
in the UK ”

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Chairman's Statement



Roger Wilson
Chairman

It is with great pleasure that I announce our annual results.

For the year ended 31 March 2007 AdEPT Telecom plc ("AdEPT" or the "Company") delivered another strong trading performance.

Review of Operations

The business was established to be a consolidator of the highly fragmented UK fixed line reseller sector which is estimated to include approximately 1,000 mostly smaller telecom businesses. To date AdEPT has acquired 14 competitors and/or their customer bases of which the two listed below were completed in the period under review:

June 2006	Fizz Telecom Limited ("Fizz Telecom")
October 2006	Worldwide Telecom Limited

A critical part of our acquisition strategy is the ability to integrate the acquired customer bases into AdEPT's systems within 6 weeks. Both of the acquisitions referred to above were integrated within this timeframe. Rapid integration into AdEPT's automated back office systems significantly enhances the profitability of the acquired customer bases.

We are fast achieving our strategic aim of making our customer base more stable by moving away from lower-spending, higher churn residential customers to focus on small business

customers. In the year to 31 March 2007, 87% of group revenues were derived from business customers compared to 67% in the prior period. This reversal of customer focus has been driven by the recent acquisitions all of which have been focused on business customers.

At the half year we reported that we had seen an increase in churn after the launch of "free broadband" in the UK. We are pleased to report that churn has now reduced from its peak last year and the hard work of our customer service and retention teams is bearing fruit.

We are now in the process of launching a wider range of products aimed at the small business market. These include broadband with speeds of up to 8Mb and 24Mb and remote IT support services. We will continue to look at options to enter the mobile market. The Board believes that increasing the range of products and services on offer, and encouraging customers to take larger "bundles" of products, will create additional opportunities for new revenue streams, while making customers increasingly "sticky" and reducing their propensity to churn.

Around 79% of our business customers now take line rental (up from 70%: March 2006) and this has the impact of both increasing revenue and reducing churn as customers are tied in on long term contracts. Growing line rental revenues has been a key objective and we are delighted to report line rental revenues increased 315% to £4.2 million compared to £1.3m in the prior year.

Employees

As a company we are immensely proud of the track record we have created in a relatively short period of time. Our success is a result of the efforts of all our employees and on behalf of the Board I would like to take this opportunity to thank them for all their hard work.

Outlook

AdEPT has now reached a size where scope exists to generate increasing revenues organically to complement growth through acquisition. Following the completion of the second Fizz Telecom acquisition the Company now has over 20,000 business customers, which provides significant opportunities to cross-sell additional products. AdEPT now possesses an enhanced set of products and services for small and medium-sized businesses which are attractive to our core customer base.

The business focus for this coming year is therefore to increase organic sales and customer retention to achieve a stable business which can then progress into positive organic growth.

We will therefore invest more in our organic sales channels and complement this with continued investment in retention activities to retain more customers and upsell more of our products. We believe the launch of our broader product portfolio also makes it easier for the company to strengthen its existing indirect distribution channel and recruit new dealers, which will further support increased sales.

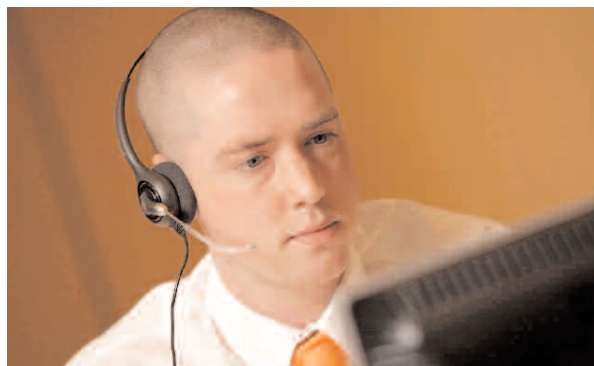
The Board is not declaring a dividend for this financial year and will instead reinvest the surplus funds in the business.

Whilst increasing our focus on net organic growth, AdEPT will continue its strategy of acquiring businesses where they add value, enhance earnings per share and do not exceed sensible levels of gearing. The current financial year has started well with the second part of the Fizz Telecom customer base being acquired in June 2007. This gives us another 5,000+ customers. The first part of the Fizz Telecom customer base was acquired in June 2006.

Roger Wilson
Chairman
29th June 2007

Every call will be answered by a human being...

We will never use robotic call trees, with press 1 for this, press 2 for that, press 9 for complete frustration.





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Financial highlights

↑ 63%

Turnover

increasing by 63% to £18.8 million driven by the acquisitions made during this year and the previous period:

↑ 34%

EBITA

increasing by 34% to £2.3 million:

↑ 76%

Profit before tax

increasing by 76% to £0.8 million reflecting our ability to integrate the acquired businesses quickly; and

↑ 120%

120% of EBITA

(£2.3m) turned into cash (£2.8m).



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Operational highlights



Acquired

two of our competitors' customer bases.



Achieved

a higher mix of business customers with total business revenue up from 67% at March 2006 to 87% this year, increasing stability of overall customer base.



79% (up from 70%: March 2006)

of business customers take line rental.



Launching

a wide range of new products aimed at small businesses, including broadband to create new revenue streams and reduce the propensity to churn.





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Finance Director's Report



Tim Holland
Finance Director

REVENUE in 2007 increased by 63% to £18.8m (2006: £11.5m) with growth primarily derived from the two acquisitions completed during the year. There was a substantial change in the customer mix and as a result, 87% (2006: 67%) of revenue was derived from business customers. The introduction of line rental in March 2005 has had a marked impact and now represents about 22% (2006:14%) of our total revenue.

GROSS MARGIN has decreased to 38.7% (2006: 40.4%). Call margins have remained stable across the year and it is pleasing to see line rental margins have increased. However, the net impact on overall margin is a decrease as lower margin line rental revenue is now an increased proportion of the total.

ADMINISTRATION COSTS

excluding depreciation have increased to £4.8m which is 26% of revenue (2006:25%). This is as a result of having added additional resource for retention and cross sell activity, combined with the additional costs of AIM compliance and corporate governance.

We remain one of the lowest cost operators in the industry.

EBITA has decreased to 12.3% of revenue (2006: 15.1%), primarily as a result of the compression of gross margins due to changing product mix, but remains one of the best results in the telecoms sector.

EARNINGS PER SHARE, based on profit after tax add back amortisation of goodwill (see note 32) has increased by 3% to 7.18p per share (2006: 6.97p).

CASHFLOW is strong as the group benefits from an excellent operating cash model, with net funds increasing by £0.7m in the year to £1.3m at year end (2006: £0.6m).

CAPITAL EXPENDITURE on tangible assets is low at 1.8% of revenue. Expenditure on intangible assets was £4.3m (2006: £6.5m), invested in the acquisition of 2 customer bases during the year (2006: four).

NET DEBT which comprises cash balances, bank borrowings and deferred consideration, increased by £2.3m to £3.2m (2006: reduced by £1.8m). This was due to the draw down of £4.25m borrowing from the new debt facility with Barclays Bank plc, a reduction in deferred consideration of £1.2m and an increase in cash of £0.7m.

POST YEAR END the Company acquired over 5,000 business customers from Fizz Telecom in June 2007 for an initial consideration of £0.95m.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

As required by EU regulations, our future financial statements will be prepared under IFRS, and work is well underway to facilitate this. The main area under consideration due to the transition to IFRS is the treatment of the goodwill arising on acquisition of our customer bases. As can be seen in Note 1.5, our accounting policy on intangible fixed assets and amortisation, we have re-classified our goodwill as an intangible asset "Customer Base" as it meets the test of being an identifiable non-monetary asset without physical substance. The asset is the customer contracts with the value being the benefit AdEPT will derive from the future cashflows from those specific customer contracts. Goodwill, which represents future economic benefit arising from assets that cannot be identified individually and recognised separately, is therefore zero in our accounts as at 31 March 2007.

The intangible "Customer Base" assets, which are all considered to have finite lives, are recorded at cost, amortised over their useful economic life and tested for impairment at the end of the first full year or following any indication of possible impairment.

Therefore as the treatment of intangible assets under FRS10 (UK GAAP) and IFRS3 & IAS38 (IFRS) are broadly consistent it is not anticipated that the accounting for intangible assets under IFRS will materially affect the presentation of the financial statements.

SUMMARY of our three year financial performance is set out in the following table:

£k	Year ending March				
	2007	YOY Growth %	2006	YOY Growth %	2005
Sales	18,827	63%	11,521	33%	8,676
EBITA*	2,314	34%	1,724	87%	924
Profit after tax add back amortisation	1,512	36%	1,109	87%	594

* Earnings Before Interest, Tax & Amortisation



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Finance Director's Report

continued...

Following a review of other changes to accounting policies, it is not anticipated that there will be any other changes which will materially affect the presentation of the financial statements as a result of the transition to IFRS.

Key Performance Indicators (KPI's)

The KPI's outlined below are intended to provide useful information when interpreting the accounts. The KPI's outline the Company's position as at the final month of the year, March, which provides an indication of the starting point for the following financial year. Please note that this analysis only includes those customers who received a bill; we only bill customers if they spend > £2.99 per month.

Key Performance				
Indicators (as at 31 March)	Year	Residential	Business	Total
CUSTOMER NUMBERS	2007	15,594	16,886	32,480
	2006	22,644	8,051	30,695
REVENUE BY PRODUCT				
Line rental	2007	0.0%	22.3%	22.3%
	2006	0.0%	14.3%	14.3%
Calls	2007	12.7%	64.4%	77.1%
	2006	17.0%	68.7%	85.7%
Broadband	2007	0.0%	0.6%	0.6%
	2006	0.0%	0.0%	0.0%
Total	2007	12.7%	87.3%	100.0%
	2006	17.0%	83.0%	100.0%
Average spend per customer per month (ex VAT)	2007	£10.90	£77.93	£45.75
	2006	£12.10	£167.18	£52.78

The acquisition of 10,000 business customers from Fizz Telecom in June 2006, which had an average spend of £35 per customer, has reduced the average spend to £77.93 per customer per month.

Tim Holland
Finance Director

29th June 2007



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Directors and Advisors

Executive Directors

Ian Fishwick, MBA, ACMA aged 47 (Managing Director)

Prior to founding AdEPT Telecom in February 2003, Ian spent 15 years as a Managing Director in the telecom industry. From 1983 - 95 Ian rose through the ranks at Marconi Secure Systems including 2 years as Financial Controller and 5 years as Managing Director. From 1996 to 2000 Ian was a Managing Director at Virgin Media (formerly Telewest Communications) managing Telewest North West, Telewest London and South East, and Cable London. Ian was Managing Director of World Access (UK) Limited from 2000 to 2001.

Tim Holland, BSc, ACA, aged 44 (Finance Director)

Tim has 14 years experience in the telecoms and energy industries and prior to AdEPT Telecom, was Finance Director of EDF Energy, Customer Division. After qualifying with Price Waterhouse in 1987, Tim's experience included advising on acquisitions and fund raising with FICF, followed by 4 years with BT, where he was instrumental in the set up of the joint venture with MCI in the states. This was followed by a divisional Finance Director role with Virgin Media (formerly Telewest Communications). Tim joined AdEPT Telecom in October 2005.

Amanda Woodruffe, aged 44 (Operations Director)

Amanda has held a wide variety of Customer Operations roles for major companies. At BT she was a customer service trouble-shooter, winning the Chairman's Award for Quality. Amanda worked with Ian Fishwick on the cable mergers of Kent, Essex & London before taking on a national role at Virgin Media (formerly Telewest Communications). She was a key member of the team that set

up the discount airlines GO & Hapag Lloyd Express. Her consultancy assignments have been worldwide for companies such as Sonera (mobile), and BoStream (broadband in Sweden). Amanda also worked as a consultant at EdExcel following the highly-publicised A-level fiasco in 2002. EdExcel went on to become 'best examination board' in 2003.

Christopher Riggs, aged 45 (Sales Director)

Chris has 16 years experience in the telecom industry. He has held a variety of positions from direct sales through to director level positions. Chris has had high level involvement in several projects, including the cabling and supply of telecommunications services to the Canary Wharf development. Chris has held directorships at 2 major telecom companies, (NETnet, Unitel) and was particularly successful in turning around a loss making sales organisation at NETnet creating annual sales exceeding £120 million.

Non-Executive Directors

Roger Wilson, BA Hons, DMS aged 55 (Non-executive Chairman)

Roger has worked in the telecom industry for the past 19 years. Roger was Senior Vice President of Operations and subsequently Managing Director for Virgin Media's (formerly Telewest Communication) residential consumer business in the UK from February 1995 until March 1998. Roger spent 3 years between June 1998 and April 2001 in Poland establishing a telecom business for American investors. Roger was Managing Director of ECTA, the European Competitive Telecommunications Association until January 2006. Roger is a member of the Company's remuneration and audit committees.

Dusan Lukic, aged 45 (Non-executive Director)

Dusan Lukic (also known as Dusko Lukic) has worked for 20 years as an institutional stockbroker covering UK and Continental European equity markets with City firms such

as Wood Mackenzie, Salomon Brothers, Schroder Securities and latterly, at Cazenove. At Cazenove, Dusko was the director responsible for Pan European equity sales to German institutions. During 2004 Dusko augmented his stock market experience by working at Eurovestech PLC, an AIM-quoted private equity investment company and since April 2005 he has been employed by Millpath Limited which acts as investment adviser to Draganfly Investments Ltd, an AIM quoted investment company. Dusko is a member of the Company's remuneration and audit committees.

Mark Palios, aged 54 (Non-executive Director)

Mark is a highly experienced business leader who during his 17 years as a Partner with Arthur Young and PricewaterhouseCoopers, has built extensive relationships with the City and financial institutions. Amongst other roles he was the UK leader for the Business Regeneration Practice. Since leaving PWC he has specialised in both executive and advisory roles helping companies undergoing significant change. A chartered accountant, Mark is perhaps best known for his time as CEO of The Football Association. He is credited with saving The FA from a severe financial crisis and undertaking an organisational and financial restructuring that enabled the FA to manage its risks around the Wembley project and continue to invest in the national sport. Mark has become a member of the Company's audit committee for the year ending March 2008.

Edward Williams, aged 50 (Non-executive Director)

Edward brings to AdEPT almost 30 years of experience in the financial sector. Edward is a leading financial figure having recently retired from Schroders as an Executive Director, where he was responsible for substantial pension funds. He has also managed funds for St James's Place. Edward began his leading city career at Prudential as an equity analyst in 1978 and, in 1981, became an equity fund manager and specialised in the management of institutional funds and unit trusts.



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Directors and Advisors

continued ...

DIRECTORS

Roger Wilson
Ian Fishwick
Tim Holland
Amanda Woodruffe
Christopher Riggs
Dusko Lukic
Mark Palios (appointed 02/05/06)
Edward Williams (appointed 18/07/06)

SECRETARY

Secretarial Solutions Limited

COMPANY NUMBER

4682431

REGISTERED OFFICE

One London Wall
London
EC2Y 5AB

AUDITORS

Horwath Clark Whitehill LLP
Chartered Accountants & Registered
Auditors
Lonsdale House
7-9 Lonsdale Gardens
Tunbridge Wells
Kent
TN1 1NU

BANKERS

Barclays Bank plc
1 Churchill Place
London E14 5HP

BROKER

Teather & Greenwood Limited
Beaufort House
15 St Botolph Street
London EC3A 7QR

FINANCIAL PUBLIC RELATIONS

Cardew Group
12 Suffolk Street
London SW1Y 4HG

NOMINATED ADVISER

Strand Partners Limited
26 Mount Row
London W1K 3SQ

SOLICITORS

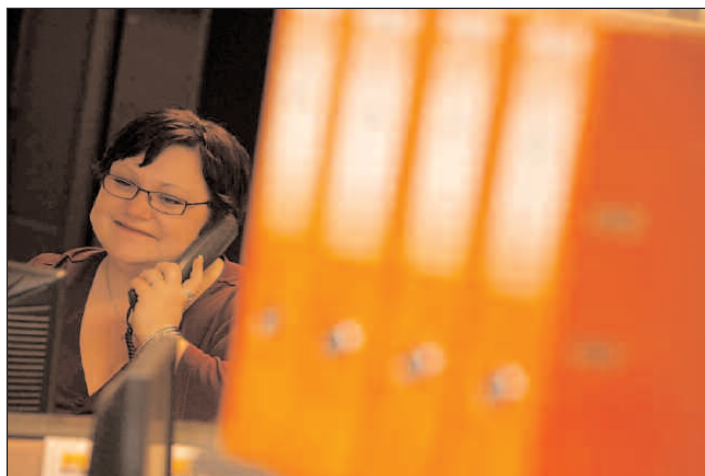
Maclay Murray & Spens
One London Wall
London EC2Y 5AB

REGISTRARS

Computershare Investor Services plc
PO Box 82, The Pavillions,
Bridgewater Road
Bristol BS99 7NH

We will always give our full name...

So that you know exactly who you are talking to.





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Directors' Report



Ian Fishwick
Director

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

STATEMENT OF 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

So far as each of the directors is aware at the time the report is approved:

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The principal activity of the group is the provision of voice telephone services to both domestic and business customers. A review of the business is contained in the chairman's statement on page 1.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £300k (2006: £165k).

No dividend (2006: £115,965) was paid to ordinary shareholders during the year and the directors do not recommend the payment of a final dividend.

DIRECTORS

The directors who served during the year and their beneficial interests in the company's issued share capital were:

Ordinary shares of 10p each	2007	2006
Roger Wilson	1,431,600	1,431,600
Ian Fishwick	1,134,000	1,134,000
Tim Holland	2,000	2,000
Amanda Woodruffe	-	-
Christopher Riggs	-	-
Dusko Lukic	-	-
Mark Palios (appointed 02/05/06)	-	-
Edward Williams (appointed 18/07/06)	7,500	-

Details of the directors share options in the company are listed in note 17 to the financial statements. None of the share options were exercised in the year.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year the group made charitable donations of £1,240 (2006: £8,548). No political donations were made during the current or previous financial year.



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Directors' Report

continued ...

COMPANY'S POLICY FOR PAYMENT OF CREDITORS

The group does not follow any code or statement on payment practice, but the policy of the group is to abide by such payment terms as are agreed with suppliers within the terms of supply. By 31 March 2007 there were 65 (2006: 66) days' purchases outstanding, calculated on a ratio of trade creditors to total purchases.

SUBSTANTIAL INTERESTS

At 31 March 2007 there were the following substantial interests (3% or more) in the company's ordinary share capital.

% Holding in ordinary share capital 31 March 2007	
Croyde Limited	13.6%
Codium Limited	9.3%
Invision III Limited Partnership (formerly Mach II Limited Partnership)	9.0%
HSBC Global Custody Nominee (UK) Limited	7.6%
Roger Wilson	6.8%
Richard Blakesley	5.7%
Oathall Plc	5.5%
Ian Fishwick	5.4%
Invision Capital III Limited Partnership (formerly Mach Capital Limited Partnership)	5.1%
Capita Trust Company Limited	4.6%
Vidacos Nominees Limited	3.3%
Giltspur Nominees Limited	3.3%
Joseph Banks	3.3%
Bittium Limited	2.2%

Croyde Limited, Codium Limited and Bittium Limited are all controlled by J F Worthytrust Limited which holds all the shares in those companies under a nominee agreement to the order of Christopher Fishwick, Ian Fishwick's brother.

The general partner for each of Invision III Limited Partnership (formerly Mach II Limited Partnership) and Invision Capital III Limited Partnership (formerly Mach Capital Limited Partnership) is Aureus Capital Partners Limited.

KEY PERFORMANCE INDICATORS

A review of Key Performance Indicators is included in the Finance Director's Report.

EMPLOYEE INVOLVEMENT

The group aims to improve the performance of the organisation through the development

of its employees. Their involvement is encouraged by means of team working, team briefings, consultative committees and working parties.

DISABLED EMPLOYEES

The group is committed to equality of employment and its policies reflect a disregard of factors such as disability in the selection and development of employees.

AUDITORS

The auditors, Horwath Clark Whitehill LLP, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

By order of the Board.

Ian Fishwick
Director
29th June 2007



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Corporate Governance

The Board recognises the importance of sound corporate governance and intends to comply in so far as practicable with the Quoted Companies Alliance's Corporate Governance Guidelines for AIM companies. The guidelines recommend that the AIM company should have at least two independent non executive directors.

The Board considers that one of the existing non executive directors, Roger Wilson, is not independent for the purposes of these guidelines due to his level of shareholding in the company, and that Dusko Lukic was the only independent non executive director at the start of the year. During the year two additional independent non executive directors were appointed, Mark Palios (2 May 2006) and Edward Williams (18 July 2006).

The Board

Following the appointment of the two non executive directors during the year, the Board now comprises four executive directors and four non executive directors. The Board meets regularly throughout the year and has a formal schedule of matters specifically reserved for its decision. This schedule is included in the corporate governance document available on the company's web site at www.adept-telecom.co.uk under the investor relations section.

If required, the directors are entitled to take independent legal advice and if the Board is informed in advance, the cost of the advice will be reimbursed by the company. The company secretary's services are available to all members of the Board.

Board appointments

The Company does not have a nomination committee which is not in compliance with the combined code. Any decision to appoint further directors to the Board is a decision taken by the whole Board and where necessary new Board members will be

provided with appropriate training in respect of their role and responsibilities as a public company director.

Going concern

Based on the normal business planning and control procedures the Directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the accounts.

An audit committee, consisting of Roger Wilson and Dusko Lukic, operated throughout the year. The audit committee determines the application of the financial reporting and internal control and risk management procedures and the scope, quality and results of the external audit.

A remuneration committee, consisting of Roger Wilson and Dusko Lukic, operated throughout the year. It reviews the performance of the executive directors and considers bonus and share option schemes. None of the executive directors take part in discussions concerning their remuneration.

Relations with shareholders

The company has a regular dialogue with institutional shareholders and communication with shareholders is given a high priority. The Board welcomes the attendance of individual shareholders at general meetings and the opportunity to address any questions they may have. The notice of the annual general meeting will be sent to shareholders at least 23 days before the meeting. The proxies for and against each resolution are announced at the meetings. Shareholders are encouraged to view the group's web site at www.adept-telecom.co.uk which includes links to the company share price, formal announcements, corporate governance and financial statements.

Internal control and risk assessment

The directors are responsible for risk assessment and systems of internal control. Although no system of internal control can

provide absolute assurance against material misstatement or loss, the group's systems are designed to provide the directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately. The key features of the group's system of internal control are:

- A management structure with clearly defined responsibilities and authority limits;
- A comprehensive system of reporting financial results to the Board. Towards the end of each financial year, detailed budgets are prepared for the following year. Re-forecasts are prepared on a regular basis during the year, for example reflecting an additional acquisition. The actual results are compared to budget and/or re-forecasts as appropriate;
- A regular review of staff skills, identifying & providing training;
- A regular review of operational performance by the executive directors, including sales and customer service;
- Appraisal and authorisation of capital expenditure;
- Approval of significant contracts; and
- Review of the risks faced by the group.

Ian Fishwick, Director



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Auditors Report

Independent Auditors' Report To The Shareholders of AdePT Telecom plc

We have audited the group and parent company financial statements (the "financial statements") of AdePT Telecom plc for the year ended 31 March 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

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

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises of the Chairman's Statement, Finance Director's Report and the Statement of Corporate Governance. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and parent company's affairs as at 31 March 2007 and of the group's profit for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Horwath Clark Whitehill LLP

Chartered Accountants and Registered Auditors
Lonsdale House
7 9 Lonsdale Gardens
Tunbridge Wells
Kent
TN1 1NU

29th June 2007



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Consolidated Profit and Loss Account

For the year ended 31 March 2007

The notes on pages 17 to 34 form part of these financial statements.

	Note	2007 £	As restated 2006 £
TURNOVER	1,2,31	18,827,007	11,520,855
Cost of sales		<u>(11,535,949)</u>	<u>(6,864,629)</u>
GROSS PROFIT		7,291,058	4,656,226
Administrative expenses		<u>(4,801,219)</u>	<u>(2,811,800)</u>
EARNINGS BEFORE INTEREST TAXATION DEPRECIATION AND AMORTISATION		2,489,839	1,844,426
Depreciation		<u>(175,833)</u>	<u>(120,579)</u>
Amortisation		<u>(1,212,244)</u>	<u>(944,211)</u>
OPERATING PROFIT	3	1,101,762	779,636
Interest receivable		8,708	4,351
Interest payable and similar charges	7	<u>(321,141)</u>	<u>(334,292)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		789,329	449,695
Tax on profit on ordinary activities	8	<u>(489,539)</u>	<u>(284,487)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	18	<u>299,790</u>	<u>165,208</u>
EARNINGS PER SHARE			
Basic earnings per share	32	1.42 pence	1.04 pence
Diluted earnings per share	32	1.30 pence	0.92 pence

All amounts relate to continuing operations.

Details of acquisitions are set out in note 31.



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Statement of Total Recognised Gains and Losses

For the year ended 31 March 2007

The notes on pages 17 to 34 form part of these financial statements.

	Year ended 31 March 2007 £	As restated Year ended 31 March 2006 £
PROFIT FOR THE FINANCIAL YEAR AND TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	299,790	165,208
Prior year adjustment (Note 19)	<u>(19,594)</u>	
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST FINANCIAL STATEMENTS	<u>280,196</u>	



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Consolidated Balance Sheet

as at 31 March 07

The financial statements were approved and authorised for issue by the Board on 29th June 2007 and signed on its behalf.

The notes on pages 17 to 34 form part of these financial statements.

Ian Fishwick, Director

	Note	2007		2006	
		£	£	£	£
FIXED ASSETS					
Intangible fixed assets	10		14,422,437		11,174,175
Tangible fixed assets	11		389,958		223,577
			14,812,395		11,397,752
CURRENT ASSETS					
Debtors	13	3,327,644		3,336,684	
Cash at bank and in hand		1,340,213		579,816	
		4,667,857		3,916,500	
CREDITORS: amounts falling due within one year	14	(4,606,426)		(5,042,960)	
NET CURRENT ASSETS/(LIABILITIES)			61,431		(1,126,460)
TOTAL ASSETS LESS CURRENT LIABILITIES			14,873,826		10,271,292
CREDITORS: amounts falling due after more than one year	15		(4,250,000)		-
NET ASSETS			10,623,826		10,271,292
CAPITAL AND RESERVES					
Called up share capital	17		2,106,744		2,106,744
Share premium account	18		7,965,381		7,975,680
Profit and loss account	18		551,701		188,868
SHAREHOLDERS' FUNDS	20		10,623,826		10,271,292



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Company Balance Sheet

as at 31 March 07 Ian Fishwick, Director

The financial statements were approved and authorised for issue by the Board on 29th June 2007 and signed on its behalf.

The notes on pages 17 to 34 form part of these financial statements.

	Note	2007		2006	
		£	£	£	£
FIXED ASSETS					
Intangible fixed assets	10		14,422,437		11,174,175
Tangible fixed assets	11		389,958		223,577
Investments	12		-		-
			<u>14,812,395</u>		<u>11,397,752</u>
CURRENT ASSETS					
Debtors	13	3,327,644		3,577,796	
Cash at bank and in hand		<u>1,340,213</u>		<u>338,602</u>	
		4,667,857		3,916,398	
CREDITORS: amounts falling					
due within one year	14	<u>(4,606,426)</u>		<u>(5,250,443)</u>	
NET CURRENT ASSETS/(LIABILITIES)			<u>61,431</u>		<u>(1,334,045)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>14,873,826</u>		<u>10,063,707</u>
CREDITORS: amounts falling due					
after more than one year	15		<u>(4,250,000)</u>		-
NET ASSETS			<u><u>10,623,826</u></u>		<u><u>10,063,707</u></u>
CAPITAL AND RESERVES					
Called up share capital	17		2,106,744		2,106,744
Share premium account	18		7,965,381		7,975,680
Profit and loss account	18		<u>551,701</u>		<u>(18,717)</u>
SHAREHOLDERS' FUNDS	20		<u><u>10,623,826</u></u>		<u><u>10,063,707</u></u>



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Consolidated Cash Flow Statement

For the year ended 31 March 2007

	Note	2007 £	2006 £
Net cash flow from operating activities	21	2,770,898	1,252,753
Returns on investments and servicing of finance	22	(242,939)	(506,708)
Taxation		-	(158,900)
Capital expenditure and financial investment	22	(6,007,263)	(6,655,983)
Equity dividends paid		-	(115,965)
CASH OUTFLOW BEFORE FINANCING		(3,479,304)	(6,184,803)
Financing	22	4,239,701	7,106,109
INCREASE IN CASH IN THE YEAR		760,397	921,306

Reconciliation of Net Cash Flow to Movement in Net Debt

For the year ended 31 March 2007

	Note	2007 £	2006 £
Increase in cash in the year		760,397	921,306
Cash outflow from decrease in debt and invoice discounting		-	54,040
Bank loan		(4,250,000)	-
Deferred consideration outflow		3,009,968	1,293,118
CHANGE IN NET DEBT RESULTING FROM CASH FLOWS		(479,635)	2,268,464
Deferred consideration		(1,806,545)	(2,347,466)
Preference share conversion to equity shares		-	1,870,593
MOVEMENT IN NET DEBT IN THE YEAR		(2,286,180)	1,791,591
Net debt at 1 April 2006		(930,152)	(2,721,743)
NET DEBT AT 31 MARCH 2007	23	(3,216,332)	(930,152)

The notes on pages 17 to 34 form part of these financial statements.



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1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

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

1.2 Basis of consolidation

The financial statements for the year ended 31 March 2007 consolidate the accounts of AdEPT and Transglobal Telecommunications Limited, the remaining subsidiary undertakings (the 'Subsidiaries') are considered to be immaterial.

Under Section 230 of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account. The profit/(loss) for the financial period, before dividends payable, dealt with in the financial statements of the holding company, which have been approved by the Board, was £507,375 (2006: £(42,377)).

1.3 Turnover

Turnover comprises of both invoiced and uninvoiced amounts for services supplied by the group during the year, exclusive of Value Added Tax and trade discounts. Call revenues are recognised when the calls are made and line rental revenues are recognised over the period to which they relate.

1.4 Investments

Shares in the Subsidiaries are valued at cost less provision for permanent impairment.

1.5 Intangible fixed assets and amortisation

Intangible fixed assets are stated at cost, less amortisation and continue to be subject to an impairment review at 1st anniversary, when appropriate lives are selected.

Goodwill has been re-classified as the "customer base" to more accurately reflect its description.

The cost of customer base is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable

assets and liabilities. It is amortised to the profit and loss account over its estimated economic life. The average estimated useful economic life has been estimated at 11 years.

Also included within intangible fixed assets is a license which is being amortised over its life of 10 years.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value of each asset, over its expected useful life on the following bases:

Short term leasehold improvements	5 years straight line
Fixtures and fittings	3 years straight line
Office equipment	3 years straight line
Computer software	3 years straight line

1.7 Operating leases

Rentals under operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are charged to the profit and loss on a straight line basis, even if payments are not made on such a basis.

1.8 Taxation

UK corporation tax is provided for amounts expected to be paid (or received) using tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events have occurred at that date that will result in an obligation to pay more tax in future or a right to pay less tax in future, except for gains on disposal of fixed assets which will be rolled over into replacement assets. Timing differences are differences between the group's taxable profits and its results stated in the financial statements that arise from the inclusion of gains and losses in tax recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are

expected to reverse based upon tax rates and laws that have been enacted or substantially enacted at the balance sheet date. Deferred tax is measured on a non discounted basis.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

1.9 Pensions

The group contributes to personal pension plans. The amount charged to the profit and loss account in respect of pension costs is the contribution payable in the year.

1.10 Capital instruments

The costs incurred directly in connection with the issue of debt instruments are charged to the profit and loss account on a straight line basis over the life of the debt instrument.

1.11 Share based payments

These are equity settled share based payments measured by reference to the fair value at the date of grant for all options granted after 7 November 2002 and had not yet vested at 1 January 2005 in accordance with FRS20 "Share based payments". The fair value of the options have been calculated using the Black Scholes-Merton model, based upon publicly available market data and based on the group's estimate of shares that will eventually vest. The respective cost is charged to the profit and loss account over the vesting period. Accordingly, the Company has restated its comparatives for the prior year adjustment as disclosed in Note 19 to the financial statements.

2. TURNOVER

The whole of the turnover is attributable to the provision of voice telephone services to both residential and business customers.

The directors regard the group as having a single business segment.

All turnover arose within the United Kingdom.



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3. OPERATING PROFIT

The operating profit is stated after charging:

	2007 £	2006 £
Amortisation of customer base and license	1,212,244	944,211
Depreciation of tangible fixed assets:		
- owned by the group	175,833	120,579
Loss on disposal of tangible fixed assets	1,118	201
Rentals under operating leases - land and buildings	77,465	77,465
- other	4,033	1,344

4. AUDITORS' REMUNERATION

	2007 £	2006 £
Fees payable to the company's auditor for the audit of the company's annual financial statements	30,000	30,000
Fees payable to the company's auditor and its associates in respect of :		
Other services relating to taxation	5,500	5,000
Services relating to corporate finance transactions	20,000	157,500
All other services	31,010	-

The services relating to corporate finance transactions in both the current and prior years have been charged to the share premium account.

5. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	2007 £	As restated 2006 £
Wages and salaries	1,697,112	1,158,530
Social security costs	181,698	129,142
Other pension costs	15,094	10,500
	<u>1,893,904</u>	<u>1,298,172</u>



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5. STAFF COSTS (CONTINUED)

The average monthly number of employees, including the directors, during the year was as follows:

	2007 No.	2006 No.
Non executive directors	4	2
Administrative staff	36	23
	<u>40</u>	<u>25</u>

6. DIRECTORS' EMOLUMENTS

	2007 £	2006 £
Emoluments	755,943	606,021
Group pension contributions to money purchase pension schemes	15,094	10,500

During the year retirement benefits were accruing to 1 director (2006:1) in respect of money purchase pension schemes.

The highest paid director received remuneration of £262,563 (2006: £234,350).

The value of the group's contributions paid to a money purchase pension scheme in respect of the highest paid director amounted to £15,094 (2006: £10,500).

Details regarding the share options of the directors who held office at 31 March 2007 in AdePT are disclosed in note 17 to the financial statements.

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £	2006 £
On bank loans and overdrafts	250,997	23,090
On other loans	-	30,417
Preference shares dividend	-	224,379
Bank fees	61,668	54,165
Other interest payable	8,476	2,241
	<u>321,141</u>	<u>334,292</u>



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8. TAXATION

	2007 £	2006 £
Analysis of tax charge in year:		
Current tax (see note below)		
UK corporation tax charge on profits of the year	444,564	284,632
Adjustments in respect of prior periods	22,636	18,448
Total current tax	<u>467,200</u>	<u>303,080</u>
Deferred tax		
Origination and reversal of timing differences	(13,516)	(18,593)
Adjustments in respect of prior periods	35,855	-
Total deferred tax (see note 16)	<u>22,339</u>	<u>(18,593)</u>
Tax on profit on ordinary activities	<u><u>489,539</u></u>	<u><u>284,487</u></u>

FACTORS AFFECTING TAX CHARGE FOR YEAR:

The tax assessed for the year is higher than the standard rate of corporation tax in the UK applicable to the group (30%). The differences are explained below:

	2007 £	As restated 2006 £
Profit on ordinary activities before tax	<u>789,329</u>	<u>449,695</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006: 30%)	236,799	134,909
Effects of:		
Expenses not deductible for tax purposes	28,344	20,728
Amortisation not deductible for tax purposes	191,152	106,952
Depreciation for period in excess of capital allowances	(4,369)	3,312
Movement in general provisions	(6,906)	15,280
Adjustments to tax charge in respect of prior periods	22,636	24,326
Marginal relief	(456)	(2,427)
Current tax charge for year (see note above)	<u><u>467,200</u></u>	<u><u>303,080</u></u>

There were no material factors that may affect future tax charges.



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9. DIVIDENDS

	2007 £	2006 £
Total dividends paid	-	115,965

10. INTANGIBLE FIXED ASSETS

Group and company	License £	Customer base £	Total £
Cost			
At 1 April 2006	23,400	12,709,068	12,732,468
Additions	-	4,254,192	4,254,192
Retrospective adjustment*	(1,093)	207,407	206,314
At 31 March 2007	<u>22,307</u>	<u>17,170,667</u>	<u>17,192,974</u>
Amortisation			
At 1 April 2006	1,170	1,557,123	1,558,293
Charge for the year	2,329	1,209,915	1,212,244
At 31 March 2007	<u>3,499</u>	<u>2,767,038</u>	<u>2,770,537</u>
Net book value			
At 31 March 2007	<u>18,808</u>	<u>14,403,629</u>	<u>14,422,437</u>
At 31 March 2006	<u>22,230</u>	<u>11,151,945</u>	<u>11,174,175</u>

*A retrospective adjustment in accordance with FRS 7 'Fair values in acquisition accounting' was made in relation to the fair value of the consideration paid for the prior year acquisitions. An adjustment in respect of amortisation was made accordingly, as directed by FRS 7, which has been recognised in the current year's profit and loss account.



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11. TANGIBLE FIXED ASSETS

Group and company	Short term leasehold improvements £	Fixtures and fittings £	Office equipment £	Computer software £	Total £
Cost					
At 1 April 2006	7,117	39,046	165,091	249,181	460,435
Additions	-	8,153	126,532	208,648	343,333
Disposals	-	-	(3,017)	-	(3,017)
At 31 March 2007	7,117	47,199	288,606	457,829	800,751
Depreciation					
At 1 April 2006	4,033	24,322	95,240	113,263	236,858
Charge for the year	1,423	10,898	50,527	112,985	175,833
On disposals	-	-	(1,898)	-	(1,898)
At 31 March 2007	5,456	35,220	143,869	226,248	410,793
Net book value					
At 31 March 2007	1,661	11,979	144,737	231,581	389,958
At 31 March 2006	3,084	14,724	69,851	135,918	223,577



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12. FIXED ASSET INVESTMENTS

Share in group undertakings	Company £	Total £
Cost or valuation		
At 1 April 2006 and at 31 March 2007	7,198,326	7,198,326
Amounts written off		
At 1 April 2006 and at 31 March 2007	7,198,326	7,198,326
Net book value		
At 1 April 2006 and at 31 March 2007	<u> -</u>	<u> -</u>

There were no fixed asset investment additions during the year. Details of the principal Subsidiaries are disclosed in note 29 to the financial statements.

13. DEBTORS

Group	2007 £	2006 £
Due after more than one year		
Other debtors	-	127,650
Due within one year		
Trade debtors	2,921,054	2,805,306
Amounts owed by group undertakings	-	-
Other debtors	14,807	8,590
Prepayments and accrued income	374,220	355,236
Deferred tax asset (see note 16)	17,563	39,902
	<u>3,327,644</u>	<u>3,336,684</u>

Company	2007 £	2006 £
Due after more than one year		
Other debtors	-	127,650
Due within one year		
Trade debtors	2,921,054	2,805,306
Amounts owed by group undertakings	-	241,114
Other debtors	14,807	8,590
Prepayments and accrued income	374,220	355,234
Deferred tax asset (see note 16)	17,563	39,902
	<u>3,327,644</u>	<u>3,577,796</u>

During the year the secured rent deposit of £60,000 held by the landlord, MCL Property Investments Limited was repaid, in the previous year this was held within other debtors due after more than one year.

Included within prepayments are deferred finance costs of £115,097 (2006: £176,765) in relation to the issue of debt instruments.



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14. CREDITORS

Amounts falling due within one year

Group	2007 £	2006 £
Trade creditors	2,571,324	2,831,298
Amounts owed to group undertakings	-	-
Corporation tax	753,905	286,704
Social security and other taxes	323,183	54,157
Other creditors	17,315	8,379
Accruals and deferred income	<u>940,699</u>	<u>1,862,422</u>
	<u>4,606,426</u>	<u>5,042,960</u>

Company	2007 £	2006 £
Trade creditors	2,571,324	2,831,298
Amounts owed to group undertakings	88,536	296,120
Corporation tax	665,369	198,167
Social security and other taxes	323,183	54,157
Other creditors	17,315	8,279
Accruals and deferred income	<u>940,699</u>	<u>1,862,422</u>
	<u>4,606,426</u>	<u>5,250,443</u>

Included within accruals is deferred consideration of £306,545 (2006: £1,509,968) in respect of the customer bases and subsidiaries acquired in the current and prior years.



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15. CREDITORS

Amounts falling due after more than one year

Group	2007 £	2006 £
Bank loans	<u>4,250,000</u>	<u>-</u>

Company	2007 £	2006 £
Bank loans	<u>4,250,000</u>	<u>-</u>

The bank loan is secured by a debenture incorporating a fixed and floating charge over the undertaking and all property and assets present and future including goodwill, book debts, uncalled capital, buildings, fixtures, fixed plant and machinery, and is repayable in less than 5 years. The loan bears interest at 2% above the bank's base rate.

16. DEFERRED TAXATION

Group	2007 £	2006 £
At 1 April 2006	39,902	-
Provision for the year	<u>(22,339)</u>	39,902
At 31 March 2007	<u>17,563</u>	<u>39,902</u>

Company	2007 £	2006 £
At 1 April 2006	39,902	-
Provision for the year	<u>(22,339)</u>	39,902
At 31 March 2007	<u>17,563</u>	<u>39,902</u>

The deferred tax asset is made up as follows:

Group	2007 £	As restated 2006 £
Accelerated capital allowances	7,228	(2,858)
Other timing differences	<u>(24,791)</u>	42,760
	<u>(17,563)</u>	<u>39,902</u>



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16. DEFERRED TAXATION (CONTINUED)

Company	2007 £	As restated 2006 £
Accelerated capital allowances	7,228	(2,858)
Other timing differences	(24,791)	42,760
	<u>(17,563)</u>	<u>39,902</u>

17. SHARE CAPITAL

	2007 £	2006 £
Authorised 65,000,000 Ordinary shares of 10p each	<u>6,500,000</u>	<u>6,500,000</u>
Allotted, called up and fully paid 21,067,443 Ordinary shares of 10p each	<u>2,106,744</u>	<u>2,106,744</u>

Share Options

At 31 March 2007, the following options and warrants over the shares of AdEPT were in issue:

No. of options	Unapproved	EMI	Warrants	Total
Outstanding at 1 April 2006	422,948	1,530,750	421,349	2,375,047
Granted during the year	-	16,168	-	16,168
Forfeited during the year	-	(12,795)	-	(12,795)
Exercised during the year	-	-	-	-
Outstanding at 31 March 2007	<u>422,948</u>	<u>1,534,123</u>	<u>421,349</u>	<u>2,378,420</u>

The fair values have been determined using the Black Scholes-Merton Pricing Model and the weighted average fair value of these options at the measurement date is £0.06 per option. Expected volatility at 20%, was determined by reviewing the historical fluctuations in the share price since the company's admission to AIM. Expected dividend yield is estimated at 0%, this estimate of nil is per the requirement of FRS20 where a company such as AdEPT has no current dividend history, it does not bear any relation to the actual dividend policy of AdEPT Telecom PLC. The risk free interest rate is estimated at 4.8%.



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17. SHARE CAPITAL (CONTINUED)

Name	Share option scheme	Number of ordinary shares subject to options	Date of grant	Share price at grant date	Exercise price per share	Expected Option life (years)
<u>Directors</u>						
Ian Fishwick	Unapproved	152,160	31/07/03	£0.30	£0.30	5.7
Ian Fishwick	EMI	300,000	28/12/03	£0.30	£0.30	5.3
Ian Fishwick	EMI	300,000	28/12/03	£0.30	£0.30	5.3
Chris Riggs	EMI	85,548	29/08/04	£0.42	£0.42	4.6
Chris Riggs	EMI	85,560	29/08/04	£0.42	£0.42	4.6
Chris Riggs	EMI	85,548	06/06/05	£0.42	£0.42	4.8
Chris Riggs	EMI	85,560	06/06/05	£0.42	£0.42	3.8
Amanda Woodruffe	EMI	85,548	29/08/04	£0.42	£0.42	4.6
Amanda Woodruffe	EMI	85,560	29/08/04	£0.42	£0.42	4.6
Amanda Woodruffe	EMI	85,548	06/06/05	£0.42	£0.42	4.8
Amanda Woodruffe	EMI	85,560	06/06/05	£0.42	£0.42	3.8
Tim Holland	EMI	71,428	13/12/05	£1.40	£1.40	2.3
Tim Holland	Unapproved	99,680	13/12/05	£1.40	£1.40	3.1
Tim Holland	Unapproved	171,108	13/12/05	£1.40	£1.40	4.1
<u>Others</u>						
Employees	EMI	83,811	15/02/06	£1.40	£1.40	1.25
Employees	EMI	83,811	15/02/06	£1.40	£1.40	2.25
Employees	EMI	5,320	09/05/06	£1.99	£1.99	1.25
Employees	EMI	5,321	09/05/06	£1.99	£1.99	2.25
Strand Partners Limited	Warrants	316,012	14/02/06	£1.40	£1.40	4.1
Teather & Greenwood Limited	Warrants	105,337	14/02/06	£1.40	£1.40	3.1

The mid market price of the ordinary shares on 31 March 2007 was 36.5p and the range during the year was 36.5p to 204.5p.



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18. RESERVES

Group	Share premium account £	Profit and loss account £
At 1 April 2006	7,975,680	188,868
Profit retained for the year	-	299,790
Additional expenses in connection with previous share issue	(10,299)	-
Share options issued during the year	-	63,043
At 31 March 2007	<u>7,965,381</u>	<u>551,701</u>

Company	Share premium account £	Profit and loss account £
At 1 April 2006	7,975,680	(18,717)
Profit retained for the year	-	507,375
Additional expenses in connection with previous share issue	(10,299)	-
Share options issued during the year	-	63,043
At 31 March 2007	<u>7,965,381</u>	<u>551,701</u>

Included within the Company's retained profit for the year is the receipt of a dividend for £206,583, from a subsidiary company.

19. PRIOR YEAR ADJUSTMENT – Share based payments

With reference to notes 1.11 and 17, in accordance with the first time adoption of FRS 20 – “Share Based Payments”, the Company has restated its comparatives and adjusted the prior year profit by £19,594, which represents the expense to the profit and loss account relating to the share options issued.



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20. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

Group	2007 £	As restated 2006 £
Profit for the year	299,790	165,208
Dividends	-	(115,965)
	<u>299,790</u>	<u>49,243</u>
Shares issued during the year	-	2,042,319
Share premium on shares issued (net of expenses)	-	6,988,422
Additional expenses in connection with previous share issue	(10,299)	-
Share options issued during the year	<u>63,043</u>	<u>19,594</u>
	<u>352,534</u>	9,099,578
Opening shareholders' funds	<u>10,271,292</u>	<u>1,171,714</u>
Closing shareholders' funds	<u><u>10,623,826</u></u>	<u><u>10,271,292</u></u>

Company	2007 £	As restated 2006 £
Profit/(loss) for the year	507,375	(42,377)
Dividends	-	(115,965)
	<u>507,375</u>	<u>(158,342)</u>
Shares issued during the year	-	2,042,319
Share premium on shares issued (net of expenses)	-	6,988,422
Additional expenses in connection with previous share issue	(10,299)	-
Share options issued during the year	<u>63,043</u>	<u>19,594</u>
	<u>560,119</u>	8,891,993
Opening shareholders' funds	<u>10,063,707</u>	<u>1,171,714</u>
Closing shareholders' funds	<u><u>10,623,826</u></u>	<u><u>10,063,707</u></u>



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21. NET CASH FLOW FROM OPERATING ACTIVITIES

	2007 £	As restated 2006 £
Operating profit	1,101,762	779,636
Amortisation of intangible fixed assets	1,212,244	944,211
Depreciation of tangible fixed assets	175,833	120,579
Loss on disposal of tangible fixed assets	1,118	201
Cost of share options charged to profit and loss account	63,043	19,594
Increase in debtors	(74,967)	(1,706,863)
Increase in creditors	<u>291,865</u>	<u>1,095,395</u>
NET CASH INFLOW FROM OPERATIONS	<u>2,770,898</u>	<u>1,252,753</u>

22. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2007 £	2006 £
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	8,708	4,351
Interest paid	<u>(251,647)</u>	<u>(511,059)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	<u>(242,939)</u>	<u>(506,708)</u>

	2007 £	As restated 2006 £
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of intangible fixed assets	(5,663,930)	(6,478,656)
Purchase of tangible fixed assets	(343,333)	(179,400)
Sale of tangible fixed assets	<u>—</u>	<u>2,073</u>
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE	<u>(6,007,263)</u>	<u>(6,655,983)</u>



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22. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT (CONTINUED)

	2007 £	As restated 2006 £
FINANCING		
Issue of ordinary shares	-	8,200,000
Expenses paid in connection with share issues	(10,299)	(1,039,851)
New secured loans	4,250,000	-
Repayment of invoice discounting	-	(54,040)
Shareholder loans	-	250,000
Repayment of shareholder loans	-	(250,000)
NET CASH INFLOW FROM FINANCING	<u>4,239,701</u>	<u>7,106,109</u>

23. ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2006 £	Cash flow £	Other non-cash changes £	At 31 March 2007 £
Cash at bank and in hand	579,816	760,397	-	1,340,213
	<u>579,816</u>	<u>760,397</u>	-	1,340,213
DEBT:				
Deferred consideration	(1,509,968)	3,009,968	(1,806,545)	(306,545)
Bank Loan	-	(4,250,000)	-	(4,250,000)
NET DEBT	<u>(930,152)</u>	<u>(479,635)</u>	<u>(1,806,545)</u>	<u>(3,216,332)</u>

24. PENSION COMMITMENTS

At 31 March 2007 there were no pension commitments (2006: £Nil).

25. OPERATING LEASE COMMITMENTS

At 31 March 2007 the group and company had annual commitments under non cancellable operating leases as follows:

	Land and buildings		Other	
	2007 £	2006 £	2007 £	2006 £
Group and company				
Expiry date:				
Between 2 and 5 years	<u>77,465</u>	<u>77,465</u>	<u>4,033</u>	<u>4,033</u>



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26. RELATED PARTY TRANSACTIONS

There were no related party transactions during the year.

27. EVENTS AFTER THE BALANCE SHEET DATE

In June 2007, AdEPT purchased the second part (another 5,000+ customers) of the customer base of Fizz Telecom Limited.

28. ACQUISITIONS

During the year AdEPT made the following acquisitions:

Name	Method	Date of acquisition
Fizz Telecom Limited	Trade and assets	June 2006
Worldwide Telecom Limited	Trade and assets	October 2006

The fair value tables in respect of these acquisitions can be summarised as follows:

	31 March 2007 £	31 March 2006 £
Satisfied by:		
Cash	3,691,295	4,927,087
Deferred consideration	306,545	2,253,540
Acquisition costs	<u>256,352</u>	<u>221,738</u>
Customer bases acquired	<u>4,254,192</u>	<u>7,402,365</u>

29. PRINCIPAL SUBSIDIARIES

Company name	Country	Percentage Shareholding of Ordinary shares	Description
Transglobal Telecommunications Limited	England & Wales	100	Non trading
Connaught Telecommunications Limited	England & Wales	100	Non trading
Call Options UK Limited	England & Wales	100	Non trading
Adept Managed Networks Limited	England & Wales	100	Non trading
Connectacom Network Solutions Limited	England & Wales	100	Non trading

The business and assets of Subsidiaries are hived up to AdEPT immediately or within 1 month following acquisition. After the hive up, the Subsidiaries become inactive. With effect from April 2007 all of the above Subsidiaries are in the process of being taken through a members voluntary liquidation.



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30. CAPITAL COMMITMENTS

At 31 March 2007 there were capital commitments of £4,042 (2006: £Nil).

31. ANALYSIS OF ACQUISITIONS DURING THE YEAR

During the the year the group made two acquisitions (2006:4). Following acquisition the customers are fully integrated into a single billing and customer service platform. Whilst turnover can be separately identified by acquisition, cost of sales cannot. Calls are routed across various network suppliers and the overhead base services all of our customers. The analysis of turnover by existing and acquired businesses is therefore as follows :-

Sales Revenue	31 March 2007 £	31 March 2006 £
Existing businesses as at 31 March 2006	14,911,072	8,476,836
Businesses acquired in the year	<u>3,915,935</u>	<u>3,044,019</u>
Total sales	<u><u>18,827,007</u></u>	<u><u>11,520,855</u></u>

32. EARNINGS PER SHARE

Earnings per share is calculated on the basis of profit of £299,790 (2006:£165,208) divided by the weighted average number of shares in issue for the year of 21,067,443 (2006:15,916,367). The diluted earnings per share is calculated on the assumption that the unapproved and EMI share options as disclosed in Note 17 to the financial statements are exercised. This would give rise to a total weighted average number of ordinary shares in issue for the period of 23,024,513 (2006:17,870,064).

A more realistic representation of earnings per share is to add back amortisation of goodwill (as a non-cash cost) to profit on ordinary activities after tax, giving £1,512,034 (2006: £1,109,419). This is divided by the same number of weighted shares as above.

	Year ended 31 March 2007		Year ended 31 March 2006	
	Basic	Diluted	Basic	Diluted
	£	£	£	£
Profit after tax pre amortisation	1,512,034	1,512,034	1,109,419	1,109,419
Profit after tax	299,790	299,790	165,208	165,208
Earnings per share :				
Based on profit after tax pre-amortisation	7.18 pence	6.57 pence	6.97 pence	6.21 pence
Based on profit after tax	1.42 pence	1.30 pence	1.04 pence	0.92 pence
		Number of shares		Number of shares
Weighted average number of shares:				
For basic earnings per share		21,067,443		15,916,367
Exercise of share options		<u>1,957,070</u>		<u>1,953,697</u>
Fully diluted		<u><u>23,024,513</u></u>		<u><u>17,870,064</u></u>



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33. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

AdEPT finances the group's operations through long term bank facilities. The main purpose of these instruments is to finance AdEPT's operations and acquisitions.

The numerical disclosures in this note deal with financial assets and liabilities as defined in FRS 25 'Financial instruments: disclosure and presentation'.

As permitted by FRS 25, short term debtors and creditors have been excluded from the disclosures other than currency disclosures.

Maturity profile

AdEPT's borrowing at the beginning and end of each year and details of the interest rate cost are detailed in note 15 to the financial statements.

As at 31 March 2007 AdEPT had financial assets which were part of its financing arrangements of £1,340,213 (2006: £579,816).

AdEPT has various borrowing facilities available to it. The undrawn committed facilities available at the year end, in respect of which all conditions precedent had been met at that date were as follows:

Expiry in:-	2007 £	2006 £
One year or less	1,000,000	1,000,000
More than one year but not more than two years	-	-
More than two years	750,000	5,000,000
	<u>1,750,000</u>	<u>6,000,000</u>

Interest rate profile

The interest rate profile of AdEPT's financial liabilities was as follows:

Currency	Total £	Floating rate £	Fixed rate £	No interest £
Sterling				
Deferred consideration	1,509,968	-	-	1,509,968
At 31 March 2006	<u>1,509,968</u>	<u>-</u>	<u>-</u>	<u>1,509,968</u>
Sterling				
Deferred consideration	306,545			306,545
Bank loan	4,250,000	4,250,000	-	-
At 31 March 2007	<u>4,556,545</u>	<u>4,250,000</u>	<u>-</u>	<u>306,545</u>

The weighted average period on AdEPT's sterling financial liabilities on which no interest is paid is 12 months (2006: 12 months).

The benchmark rate for determining interest payments on AdEPT's sterling floating rate financial liabilities is the bank's base rate.

Currency profile

AdEPT's operations are handled entirely in sterling.

Gains and losses on hedges

There are no unrecognised gains and losses arising on hedges at either year end.



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NOTICE OF ANNUAL GENERAL MEETING

ADEPT TELECOM PLC
(Registered No. 4682431)

Notice is given that the annual general meeting of AdEPT Telecom plc ("the Company") will be held at the offices of Maclay Murray & Spens LLP, One London Wall, London EC2Y 5AB at 11 a.m. on 11th September 2007 to consider and, if thought fit, to pass the following resolutions of which 1 to 6 will be proposed as ordinary resolutions and resolution 7 will be proposed as a special resolution:

Ordinary Resolutions

1. To receive and adopt the Company's accounts for the year ended 31 March 2007 together with the auditors' report on those accounts.

2. To reappoint Mark Palios as a director of the Company, who was appointed to the board on 2 May 2006, in accordance with the Company's Articles of Association.

3. To reappoint Roger Wilson as a director of the Company, who retires from office in accordance with the Company's Articles of Association.

4. To reappoint Tim Holland as a director of the Company, who retires from office in accordance with the Company's Articles of Association.

5. To reappoint Horwath Clark Whitehill LLP as auditors to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid before the company, at a remuneration to be determined by the directors.

6. That the Directors are hereby generally and unconditionally authorised for the purpose of Section 80 of the Companies Act 1985 (the 'Act') to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) up to an aggregate nominal amount of £702,248 comprising 7,022,480 Ordinary shares of 10p each, representing one third of the Company's present issued share capital, provided that this authority shall expire (unless previously renewed varied or revoked by the Company in general meeting) on the date of the Annual General Meeting of the Company to be held in 2008 (the 'Section 80 period') save that the Company may prior to expiry of the Section 80 period make an offer or agreement which would or might require relevant securities to be allotted after the Section 80 period and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired.

Special Resolution

7. That the Directors are hereby empowered to allot equity securities for cash (within the meaning of Section 94 of the Companies Act 1985 (the 'Act')) pursuant to Section 95 of the Act subject to their being duly authorised under Section 80 of the Act, as if Sub-Section 89(1) of the Act did not apply to any such allotment and at any time prior to the expiry of the power hereby conferred to make an offer or agreement which would nor might require equity securities as aforesaid to be allotted after the expiry of such power provided that such power shall expire on the date of the Annual General Meeting of the Company to be held in 2008 only in respect of equity securities as aforesaid up to an aggregate nominal amount of £210,674 representing 10 per cent. of the present issued share capital of the Company.

Registered office:

One London Wall, London, EC2Y 5AB

BY ORDER OF THE BOARD

Maclay Murray & Spens LLP
Company Secretary

17th August 2007

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.

2. A form of proxy is provided with this notice and instructions for its use shown on the form. To be valid, completed forms must be received at the office of the Company's registrars Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8FB, not less than 48 hours before the time fixed for the meeting. Deposit of the form of proxy will not prevent a member from attending the meeting and voting in person.

3. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company's register of members not later than 5.00p.m. on 9 September 2007 or, if the meeting is adjourned, shareholders entered on the Company's register of members not later than 48 hours before the time fixed for the adjourned meeting shall be entitled to attend and vote at the meeting.





AdEPT Telecom Head Office
77 Mount Ephraim
Tunbridge Wells
Kent
TN4 8BS

Tel: 08454 504 010
e-mail: business.services@adept-telecom.co.uk
www.adept-telecom.co.uk