AdEPT Telecom plc

March 2008
ANNUAL REPORT

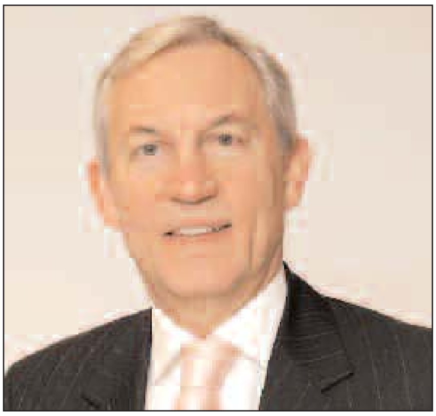
REGISTERED NUMBER: 4682431

MISSION STATEMENT

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

CONTENTS

Chairman's Statement



Roger Wilson
Chairman

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

For the year ended 31 March 2008 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 16 competitors and/or their customer bases of which the two listed below were completed in the period under review:

June 2007	the remaining part of Fizz Telecom Limited ("Fizz Telecom") not acquired in June 2006
December 2007	Telecom Direct 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 business customers. In the year to 31 March 2008, 93% of group revenues were derived from business customers compared to 87% in the prior period. This reversal of customer focus has been driven by the recent acquisitions; all of which continue to be focused on business customers.

Our retention and customer service teams have reduced customer churn substantially in the year. Our indirect sales channel of independent business partners continues to grow with over 60 partners active in bringing us new customers in the second half of the year. We have seen an increase in the size of new customers with important wins such as nine of the regional Probation Services.

Growing line rental revenues has been a key objective and we are delighted to report line rental revenues increased 86% to £7.8m compared to £4.2m in the prior year. Our revenue is becoming more stable as we reduce our reliance on variable monthly call charges, replacing them with fixed monthly line rentals.

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

The business focus for this coming year is to continue to increase organic sales and customer retention. We will therefore invest more in our organic sales channels and complement this with continued investment in retention activities to retain more customers. The launch of our new Telesales team in February 2008 allows us to target up-selling of products and contract renewals to our existing customers along with new customer acquisition.

As we enter a period of economic uncertainty the business is in a much stronger position than before with a more stable customer base, a higher proportion of fixed monthly revenues and more customers paying by Direct Debit. We will focus very closely on our debtors to ensure payment terms do not get extended.

Roger Wilson
Chairman

18 July 2008

Financial highlights

25%

Revenue

increasing by 25% to £23.6 million driven by the acquisitions made during this year and the previous period:

30%

EBITA

excluding non-recurring costs increasing by 30% to £3.2 million:

48%

Adjusted Earnings Per Share

after adding back amortisation and non-recurring costs up 48% to 11.43p per share (2007: 7.71p); and

97%

97% of EBITA

(£1.8m) turned into cash generated from operations (£1.8m) (114% in 2007).

Operational highlights

Acquired

two of our competitors' customer bases; including Telecom Direct with £12m sales pa.

Completed

the integration of both acquisitions within six weeks.

Achieved

a higher mix of business customers with total business revenue up from 87% at March 2007 to 93% this year, increasing stability of overall customer base.

Customer churn

reduced substantially in the year and continued growth in organic sales channels.

Direct debit

customers now 66% of revenue (up from 58% March 2007).

Fixed monthly charges

excellent progress in increasing revenue from fixed monthly charges, with line rental revenues at March 2008 up 86% at £7.8m (2007: £4.2m).

Line rental and data

products represented 35% of total revenues at March 2008 (23% March 2007).

Administration costs

(excluding one-off restructuring costs) fell from 26% of revenue in 2007 to 23% in 2008.

Finance Director's Report

Tim Holland
Finance Director

REVENUE in 2008 increased by 25% to £23.6m (2007: £18.8m) 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, 93% (2007: 87%) of revenue was derived from business customers. The introduction of line rental in March 2005 and Broadband data products in 2007 has had a marked impact on the proportion of revenue which is now fixed monthly values. These fixed monthly revenues now represent 35% (2007: 22%) of total revenue for the year and at March 2008 represents 37% of total revenue (March 2007: 24%).

GROSS MARGIN has decreased to 37.1% (2007: 38.7%). Margins for calls, lines and broadband have again remained stable. However, the net impact on overall margin is a decrease as lower margin line rental and broadband revenue is now an increased proportion of the total.

ADMINISTRATION COSTS (excluding depreciation, amortisation and non-recurring costs) have increased to £5.5m which is 23% of revenue (2007: 26%). The non-recurring costs are those incurred in the Telecom Direct division which will not recur next year. The bulk of these costs are represented by staff, property and leases, which when stripped out leave the underlying administrative costs for the business. These underlying costs have increased as the business has increased in size, although the benefits of scale mean that costs have gone up less than revenue such that they are a lower proportion of revenue.

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

EBITA excluding non-recurring costs has increased to 13.4% of revenue (2007: 12.9%), which represents the underlying EBITA of the business. This has increased as a proportion of revenue as the fixed costs are removed from the acquisitions.

EARNINGS PER SHARE based on retained earnings adding back amortisation and non-recurring costs (see note 5) has increased by 48% to 11.43p per share (2007: 7.71p).

CASHFLOW is strong as the group benefits from an excellent operating cash model, with again the EBITA turned into cash - EBITA as a proportion of cash generated from operations is 97% (2007: 114%).

CAPITAL EXPENDITURE on tangible assets is low at 0.8% of revenue. Expenditure on intangible assets was £7.4m (2007: £4.3m), invested in the acquisition of 2 customer bases during the year.

NET DEBT which comprises cash balances and bank borrowings, increased by £8.4m to £11.3m (2007: £2.9m). This bank financing increased to £11.5m from £4.3m to fund the two acquisitions.

POST YEAR END there are no matters to note.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

As required by EU regulations, our results are now prepared under IFRS. As part of the transition 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 2.5, 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.

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

	Year ending March				
	2008 £'000	YOY Growth %	2007 £'000	YOY Growth %	2006 £'000
Revenue	**23,618**	25%	18,827	63%	11,521
EBITA* excluding non-recurring costs	**3,161**	30%	2,427	41%	1,724
Retained earnings (add back amortisation and non-recurring costs)	**2,408**	48%	1,625	47%	1,109

* Earnings Before Interest, Tax & Amortisation

Finance Director's Report

continued...

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.

Following a review of other changes to accounting policies, the only other change is the reclassification of our billing system from tangible fixed assets to intangible fixed assets.

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 and we only bill customers if the bill exceeds £2.99.

Key Performance Indicators (as at 31 March)	Residential		Business		Total	
	2007	**2008**	2007	**2008**	2007	**2008**
CUSTOMER NUMBERS	15,594	**12,101**	16,886	**25,036**	32,480	**37,137**
REVENUE BY PRODUCT						
Line rental	0.0%	**1.0%**	22.3%	**32.2%**	22.3%	**33.2%**
Calls	12.7%	**6.9%**	64.4%	**58.3%**	77.1%	**65.2%**
Broadband	0.0%	**0.0%**	0.6%	**1.6%**	0.6%	**1.6%**
Total	12.7%	**7.9%**	87.3%	**92.1%**	100.0%	**100.0%**
Average spend per customer per month (ex VAT)	£10.90	**£12.43**	£77.93	**£91.80**	£45.75	**£69.65**

Tim Holland
Finance Director

18 July 2008

Directors and Advisors

Executive Directors

Ian Fishwick, MBA, ACMA aged 48 (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 45 (Finance Director)

Tim has 15 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 45 (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 46 (Sales Director)

Chris has 17 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 56 (Non-executive Chairman)

Roger has worked in the telecom industry for the past 20 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 Non-Executive Director of Urban Wimax plc, a provider of high bandwidth services in London. Roger is a member of the Company's remuneration and audit committees.

Dusan Lukic, aged 46 (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 55 (Non-executive Director)

Mark is a highly experienced business leader who during his 17 years as a Partner at PricewaterhouseCoopers, has built extensive relationships with the City and financial institutions. Mark rose to become a Senior Partner at PricewaterhouseCoopers, where 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 John Williams, aged 51 (Non-executive Director)

Edward brings to AdEPT almost 30 years of experience in the financial sector. Edward is a leading financial figure having retired from Schroders as an Executive Director in February 2007, 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.

Directors and Advisors

continued ...

DIRECTORS

Roger Wilson
Ian Fishwick
Tim Holland
Amanda Woodruffe
Christopher Riggs
Dusko Lukic
Mark Palios
Edward Williams

SECRETARY

Maclay Murray & Spens LLP

COMPANY NUMBER

4682431

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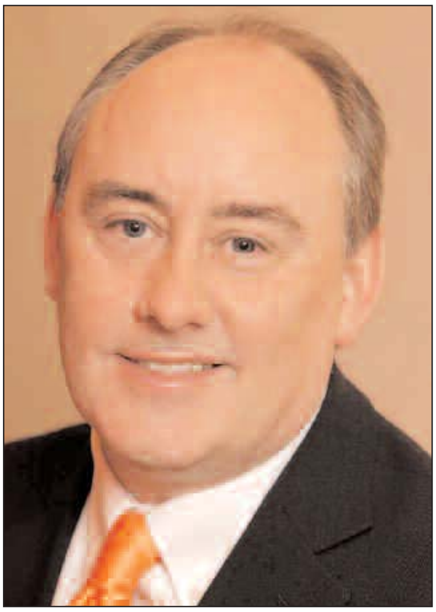
Directors' Report



Ian Fishwick
Director

The directors present their report and the financial statements for the year ended 31 March 2008.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group at the end of the period and the profit or loss of the group for the period. In preparing the financial statements directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company will continue in business.

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

They are further responsible for ensuring that the Report of the Directors and other information included in the Annual Report and Financial Statements is prepared in accordance with applicable law in the United Kingdom.

The maintenance and integrity of the AdEPT Telecom plc web site is the responsibility of the directors; the work carried out by the auditors does not involve the consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the accounts and the other information included in annual reports 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.

FINANCIAL INSTRUMENTS

Details of our financial risk mitigation policy is included in note 2.14.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £842,743 (2007: profit £299,790).

No dividend (2007: Nil) was paid to ordinary shareholders during the year and the directors do not recommend the payment of a final dividend.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year the group made charitable donations of £1,205 (2007: £1,240). No political donations were made during the current or previous financial year.

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 2008 there were 55 (2007: 65) days' purchases outstanding, calculated on a ratio of trade creditors to total purchases.

Directors' Report

continued ...

SUBSTANTIAL INTERESTS

At 31 March 2008 there were the following substantial interests (3% or more) in the company's ordinary share capital.

	% Holding in ordinary share capital 31 March 2008
Croyde Limited	13.6%
Invision III Limited Partnership	10.5%
Codium Limited	9.3%
Richard Blakesley	5.8%
Invision Capital III Limited Partnership	5.5%
Oathall Plc	5.5%
Ian Fishwick	5.4%
New Star Asset Management	4.7%
Capita Trust Company Limited	4.5%
Brewin Dolphin	4.3%
Roger Wilson	3.4%
Patricia Wilson	3.4%
Joseph Banks	3.3%
Bittium Limited	2.2%
	80.2%

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 and Invision Capital III 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
18th July 2008

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, Mark Palios and Edward Williams are the independent non executive directors.

The Board

The Board 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.

Audit committee

An audit committee, consisting of Roger Wilson, Mark Palios 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.

Remuneration committee

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.

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.

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

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 2008 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated Statement of Changes in Equity, the Consolidated and Company Cash Flow Statements 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 members, 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 members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the group 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 group financial statements give a true and fair view and whether the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. 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, 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 group financial statements. This other information comprises only the Directors' Report, the Chairman's Statement, the Finance Directors' Report and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group 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 group financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the group financial statements, and of whether the accounting policies are appropriate to the group'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 group 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 group financial statements.

Unqualified Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2008 and of its loss for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the group financial statements.

Separate opinion in relation to IFRSs:

As explained in Note 2.1 to the group financial statements, the group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion, the group financial statements give a true and fair view, in accordance with IFRSs, of the state of the group's affairs as at 31 March 2008 and of its loss for the year then ended.

Horwath Clark Whitehill LLP

Chartered Accountants and
Registered Auditors
Tunbridge Wells

25 July 2008

Consolidated Income Statement For the year ended 31 March 2008

	Note	**2008** £	2007 £
REVENUE	4	**23,617,846**	18,827,007
Cost of sales		**(14,863,741)**	(11,535,949)
GROSS PROFIT		**8,754,105**	7,291,058
Administrative expenses	5	**(6,854,998)**	(4,801,219)
Analysed as:			
Admin expenses before non-recurring costs		**(5,474,060)**	(4,801,219)
Non-recurring costs	5	**(1,380,938)**	-
EARNINGS BEFORE INTEREST TAXATION DEPRECIATION AND AMORTISATION		**1,899,107**	2,489,839
Analysed as:			
EBITDA before non-recurring costs		**3,280,045**	2,489,839
Non-recurring costs	5	**(1,380,938)**	-
Depreciation	12	**(119,034)**	(62,848)
Amortisation of intangible fixed assets	11	**(1,869,488)**	(1,325,229)
OPERATING (LOSS)/PROFIT	5	**(89,415)**	1,101,762
Analysed as:			
Operating profit before non-recurring costs		**1,392,412**	1,101,762
Non-recurring costs	5	**(1,481,827)**	-
Finance costs	7	**(652,547)**	(321,141)
Finance income		**3,951**	8,708
(LOSS)/PROFIT BEFORE INCOME TAX		**(738,011)**	789,329
Income tax expense	10	**(104,732)**	(489,539)
RETAINED EARNINGS (ACCUMULATED LOSSES)	19	**(842,743)**	299,790
Attributable to:			
Equity holders of the parent		**(842,743)**	299,790
Earnings per share			
Basic earnings per share	27	**(4.00)p**	1.42p
Diluted earnings per share	27	**n/a**	1.30p

All amounts relate to continuing operations. Details of acquisitions are set out in note 23. The notes on pages 18 to 35 form part of these financial statements.

Consolidated Balance Sheet as at 31 March 08

	Note	2008 £	2007 £
ASSETS			
Non-current assets			
Intangible assets	11	**22,514,209**	14,654,018
Property, plant and equipment	12	**280,119**	158,377
Deferred income tax	13	**713,093**	17,563
		23,507,421	14,829,958
CURRENT ASSETS			
Trade and other receivables	15	**4,303,900**	3,310,081
Cash and cash equivalents		**154,930**	1,340,213
		4,458,830	4,650,294
TOTAL ASSETS		**27,966,251**	19,480,252
CURRENT LIABILITIES			
Trade and other payables	16	**6,597,059**	3,852,521
Income tax		**103,261**	753,905
Short term borrowings		**922,633**	-
		7,622,953	4,606,426
NON-CURRENT LIABILITIES			
Long-term borrowings	17	**10,527,367**	4,250,000
TOTAL LIABILITIES		**18,150,320**	8,856,426
NET ASSETS		**9,815,931**	10,623,826
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital	18	**2,106,744**	2,106,744
Share premium	19	**7,965,381**	7,965,381
Retained earnings	19	**(256,194)**	551,701
TOTAL EQUITY		**9,815,931**	10,623,826

The financial statements were approved and authorised for issue by the Board on 18 July 2008 and signed on its behalf.

Ian Fishwick, Director

The notes on pages 18 to 39 form part of these financial statements.

Company Balance Sheet as at 31 March 08

	Note	**2008** £	2007 £
ASSETS			
Non-current assets			
Intangible assets	11	**22,514,209**	14,654,018
Property, plant and equipment	12	**280,119**	158,377
Deferred income tax	13	**713,093**	17,563
		23,507,421	14,829,958
CURRENT ASSETS			
Trade and other receivables	15	**4,303,900**	3,310,081
Cash and cash equivalents		**154,930**	1,340,213
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Income tax		**103,261**	665,369
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Consolidated Statement of Changes in Equity

For the year ended 31 March 2008

	Attributable to equity holders of the parent			
	Share capital	Share Premium	Retained earnings	Total equity
	£	£	£	£
EQUITY AT 1 APRIL 2006	2,106,744	7,975,680	188,868	10,271,292
Profit for the year	-	-	299,790	299,790
Share-based payments	-	-	63,043	63,043
NET INCOME/EXPENSE RECOGNISED DIRECTLY IN EQUITY	2,106,744	7,975,680	551,701	10,634,125
Cost of shares issued	-	(10,299)	-	(10,299)
EQUITY AT 31 MARCH 2007	2,106,744	7,965,381	551,701	10,623,826
Loss for the year	-	-	(842,743)	(842,743)
Share-based payments	-	-	34,848	34,848
NET INCOME/EXPENSE RECOGNISED DIRECTLY IN EQUITY	2,106,744	7,965,381	(256,194)	9,815,931
EQUITY AT 31 MARCH 2008	**2,106,744**	**7,965,381**	**(256,194)**	**9,815,931**

The notes on pages 18 to 35 form part of these financial statements.

Consolidated Cash Flow Statement For the year ended 31 March 2008

	2008 £	2007 £
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before income tax	**(738,011)**	789,329
Depreciation and amortisation	**1,988,522**	1,388,077
Loss on sale of property, plant and equipment	**-**	1,118
Profit held in trust	**(31,049)**	-
Share based payments	**34,848**	63,043
Net finance costs	**644,148**	312,433
Operating cash flows before movements in working capital	**1,898,458**	2,554,000
Decrease/(increase) in trade and other receivables	**78,736**	(74,967)
(Decrease)/increase in trade and other payables	**(138,157)**	291,865
CASH GENERATED FROM OPERATIONS	**1,839,037**	2,770,898
Income taxes paid	**(709,342)**	-
NET CASH FROM OPERATING ACTIVITIES	**1,129,695**	2,770,898
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**3,951**	8,708
Interest paid	**(664,725)**	(251,647)
Acquisition of subsidiary, net of cash acquired	**(5,144,295)**	-
Purchase of intangible assets	**(2,008,980)**	(5,872,578)
Purchase of property, plant and equipment	**(196,322)**	(134,685)
NET CASH USED IN INVESTING ACTIVITIES	**(8,010,371)**	(6,250,202)
CASH FLOWS FROM FINANCING ACTIVITIES		
Expenses paid in connection with share issue	**-**	(10,299)
Repayment of finance leases	**(4,300)**	-
Repayment of borrowings	**(1,500,307)**	-
Increase of bank loan	**7,200,000**	4,250,000
NET CASH FROM FINANCING ACTIVITIES	**5,695,393**	4,239,701
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(1,185,283)**	760,397
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,340,213**	579,816
CASH AND CASH EQUIVALENTS AT END OF YEAR	**154,930**	1,340,213
CASH AND CASH EQUIVALENTS :		
Cash at bank and in hand	**154,930**	1,340,213
Bank overdrafts	**-**	-
CASH AND CASH EQUIVALENTS	**154,930**	1,340,213

The notes on pages 18 to 35 form part of these financial statements.

Company Cash Flow Statement For the year ended 31 March 2008

	2008 £	2007 £
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before income tax	**(738,011)**	789,329
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CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,340,213**	579,816
CASH AND CASH EQUIVALENTS AT END OF YEAR	**154,930**	1,340,213
CASH AND CASH EQUIVALENTS :		
Cash at bank and in hand	**154,930**	1,340,213
Bank overdrafts	**-**	-
CASH AND CASH EQUIVALENTS	**154,930**	1,340,213

The notes on pages 18 to 35 form part of these financial statements.

1. NATURE OF OPERATIONS AND GENERAL INFORMATION

AdEPT Telecom plc is a leading independent provider of telecommunications services with award winning customer service. The Group is focused on delivering a complete telecommunications service for small and medium sized business customers with a targeted product range including landline calls, line rental, broadband, mobile and other services.

AdEPT Telecom plc is the Group's ultimate parent company and is incorporated and domiciled in the UK. The Company's shares are listed on the Alternative Investment Market (AIM) of the London Stock Exchange.

The Group's statutory financial statements for the year ended 31 March 2007, prepared under UK GAAP, have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

2. ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The consolidated financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRS) as adopted by the EU as issued by the International Accounting Standards Board and in particular IFRS 1, First Time Adoption of International Financial Reporting Standards as these are the Group's first annual financial statements prepared under the application of IFRS.

The policies have changed from the previous year when the financial statements were prepared under applicable United Kingdom Generally Accepted Accounting Principles (UK GAAP). The comparative information has been restated in accordance with IFRS and the changes to accounting policies are explained in note 29, together with the reconciliation of opening balances. The date of transition to IFRS was 1 April 2006 (transition date).

The accounting policies that have been applied in the opening balance sheet have also been applied throughout all periods presented in these financial statements.

The company has taken advantage of s230 CA 1985 to not present a company income statement. The (loss)/profit for the year dealt with in the holding company, which has been approved by the Board, was £(842,743) (2007: £507,375).

The following IFRS standards, amendments and interpretations are effective for the Company from 1 January 2008 and hence have not been adopted within these financial statements. The adoption of these standards, amendments and interpretations is not expected to have a material impact on the Company's profit for the year or equity:

IFRS 7 Financial Instruments: Disclosures

IFRS 4: Insurance Contracts - Revised implementation guidance

IFRIC Interpretation 11: IFRS 2 - Group and Treasury Share Transactions

IFRIC Interpretation 12: Service Concession Arrangements

IFRIC Interpretation 14: IAS 19 - The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC Interpretation 13: Customer Loyalty Programmes

IFRS 8: Operating Segments

IAS 23 Borrowing Costs (revised)

IAS 1 Presentation of Financial Statements (revised 2007)

Amendment to IFRS 2: Share-based Payment - Vesting conditions and cancellations

IAS 27 Consolidated and Separate Financial Statements

IFRS 3 Business Combinations

2.2 Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 March 2008. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

Unrealised gains on transactions between the Company and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets (including intangibles) of the acquired subsidiary at the date of acquisition.

2.3 Revenue

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied and services provided, excluding VAT and trade discounts. Revenue is recognised upon the performance of services or transfer of the risks and rewards of ownership to the customer.

Revenue comprises of both invoiced and un-invoiced amounts for performance of network services supplied by the Group during the year. The network services, which include call revenues (billing for call minutes) and fixed charges such as line rental or broadband, are generally billed monthly in arrears. The revenue is recognised in the month to which the calls relate. Revenue from mobile commissions is recognised when the customers are connected to the relevant network.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Investments

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

2.5 Intangible fixed assets acquired as part of a business combination and amortisation

In accordance with IFRS 3 Business Combinations, an intangible asset acquired in a business combination is deemed to have a cost to the Group of its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the Group.

Intangible fixed assets continue to be subject to an impairment review on the first anniversary after acquisition, when appropriate lives are selected.

The intangible asset "customer base" is amortised to the income statement over its estimated economic life. The average useful economic life of all the customer bases has been estimated at 12 years (2007: 11 years).

2.6 Other intangible assets

Also included within intangible fixed assets are the development costs of the Group's billing and customer management system plus an individual license. These other intangible assets are stated at cost, less amortisation and any provision for impairment. Amortisation is provided at rates calculated to write off the cost, less estimated residual value of each intangible asset, over its expected useful life on the following bases:

Customer management system	- 3 years straight line
Other licences	- Contract license period

2.7 Property, plant and equipment and depreciation

Property plant and equipment are stated at cost, less depreciation and any provision for impairment. Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value of each asset, 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

2.8 Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and depreciated over their useful lives. The corresponding lease or hire purchase obligation is treated in the balance sheet as a liability.

The interest element of the rental obligations is charged to the income statement over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

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.

2.9 Pensions

The group contributes to personal pension plans. The amount charged to the income statement in respect of pension costs is the contribution payable in the year.

2.10 Capital instruments

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

2.11 Income tax

Income tax is the tax currently payable based on taxable profit for the year.

Deferred income tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred income tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

The hive up of intangible assets between Group companies is not considered a business combination under IFRS 3 (Business Combinations) and therefore deferred income tax is not provided on the intangible customer base asset thus acquired by AdEPT Telecom plc.

Deferred income tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred income tax assets.

Deferred income tax liabilities are provided in full, with no discounting. Deferred income tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred income tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred income tax assets or liabilities are recognised as a component of income tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred income tax is also charged or credited directly to equity.

2.12 Share based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value of the award at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date at which the relevant employees become fully entitled to the award. Fair value is appraised at the grant date and excludes the impact on non-market vesting conditions such as profitability and sales growth targets, using an appropriate pricing model for which the assumptions are approved by the Directors. In valuing equity-settled transactions, only vesting conditions linked to the market price of the shares of the Company are considered.

2. ACCOUNTING POLICIES (CONTINUED)

2.12 Share based payments (CONTINUED)

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date, the cumulative expense (as above) is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non market conditions, the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting described above. The movement in the cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Financial risk management objectives and policies

The Group's principal financial liabilities comprise bank loans, overdrafts, finance leases, trade payables and hire purchase contracts. The main purpose of these financial liabilities is to finance the Group's operations and acquisitions. The Group has various financial assets such as trade receivables and cash, which arise directly from its operations.

The Group also enters into interest rate swaps. The purpose is to manage the interest rate risks arising from the Group's sources of finance.

It is, and has been throughout 2007 and 2008, the Group's policy that no trading in derivatives shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group's policy is to keep 75% of its borrowings at fixed rates of interest. To manage this, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 March 2008, after taking into account the effect of interest rate swaps, 75% of the Group's borrowings are at a fixed rate of interest (2007: £Nil).

Credit risk

The Group's policy is to monitor trade and other receivables and avoid significant concentrations of credit risk. The principal credit risk arises from trade receivables. Aged receivables reports are reviewed regularly and significant items brought to the attention of senior management.

Liquidity risk

The Group seeks to manage liquidity risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and finance lease contracts. 11.6% of the Group's borrowings will mature in less than one year at 31 March 2008 (2007: Nil) based on the carrying value of borrowings reflected in the financial statements.

Currency risk

AdEPT's operations are handled entirely in sterling.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The group makes certain estimates and assumptions regarding the future. 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. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The estimated life of intangible asset customer bases:

Intangible asset customer bases are amortised over their useful lives. They are subject to an impairment review on the first anniversary after acquisition, when appropriate lives are selected. Useful lives are based on the management's estimates of the period that assets will generate revenue. Changes to estimates could result in significant variations in the carrying value and amounts charged to the consolidated income statement in specified periods. More details including carrying values are included in note 11.

The estimated liability of the deferred consideration of intangible asset customer bases:

The estimate of the deferred consideration liability is based upon the revenue and margins that are expected to be generated by the customer base under the terms of each Sale and Purchase agreement. Actual revenue may be materially different to that estimated and could result in significant variations in the carrying value of the intangible asset customer bases and deferred consideration liabilities and respective amounts charged to the consolidated income statement in specified periods. Details of the deferred consideration carrying values are included in note 16.

4. REVENUE

The whole of the revenue 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 revenue arose within the United Kingdom.

5. OPERATING (LOSS)/PROFIT

The operating (loss)/profit is stated after charging:

		2008 £	As restated 2007 £
Amortisation of customer base and license		**1,869,488**	1,325,229
Depreciation of tangible fixed assets:			
- owned by the group		**119,034**	62,848
Loss on disposal of tangible fixed assets		**-**	1,118
Rentals under operating leases	- land and buildings	**341,528**	108,037
	- motor vehicles and other equipment	**102,331**	4,033

The operating loss includes non-recurring costs of £1,481,827 (2007: Nil), incurred by the Telecom Direct division, which will not recur next year. The bulk of these costs are represented by staff, property and leases, which when stripped out leave the underlying administrative costs for the business. Included within this figure, is amortisation of £100,889, relating to the billing system for that division.

6. AUDITORS' REMUNERATION

	2008 £	2007 £
Fees payable to the company's auditor for the audit of the company's annual financial statements	**31,200**	30,000
Fees payable to the company's auditor and its associates in respect of :		
Other services relating to taxation	**5,100**	5,500
Services relating to corporate finance transactions	**20,000**	20,000
All other services	**13,865**	31,010

7. FINANCE COSTS

	2008 £	2007 £
On bank loans and overdrafts	**563,093**	250,997
Bank fees	**78,286**	61,668
Finance leases	**766**	-
Other interest payable	**10,402**	8,476
	652,547	321,141

8. EMPLOYEE COSTS

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

	2008 £	2007 £
Wages and salaries	**2,835,078**	1,697,112
Social security costs	**278,931**	181,698
Other pension costs	**15,889**	15,094
	3,129,898	1,893,904

Employee costs includes £810,796 non-recurring costs (note 5) (2007: Nil).

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

	2008 No.	2007 No.
Non-executive directors	**4**	4
Administrative staff	**65**	36
	69	40

Key personnel :

The directors are considered to be the key management personnel of the company, having authority and responsibility for planning, directing and controlling the activities of the Group.

9. DIRECTORS' EMOLUMENTS

	2008 £	2007 £
Emoluments	**794,047**	755,943
Group pension contributions to money purchase pension schemes	**15,889**	15,094

During the year retirement benefits were accruing to 1 director (2007: 1) in respect of money purchase pension schemes. The highest paid director received remuneration of £207,050 (2006: £262,563).

The value of the group's contributions paid to a money purchase pension scheme in respect of the highest paid director amounted to £15,889 (2007: £15,094).

Details regarding the share options of the directors who held office at 31 March 2008 in AdEPT are disclosed in note 18 to the financial statements.

10. INCOME TAX EXPENSE

	2008 £	2007 £
Current tax (see note below)		
UK corporation tax charge on profits for the year	**64,951**	444,564
Adjustments in respect of prior periods	**-**	22,636
Total current tax	**64,951**	467,200
Deferred tax		
Origination and reversal of timing differences	**39,781**	(13,516)
Adjustments in respect of prior periods	**-**	35,855
Total deferred tax (see note 13)	**39,781**	22,339
Total income tax expense	**104,732**	489,539

Factors affecting tax charge for year

The relationship between expected tax expense based on the effective tax rate of AdEPT at 30% (2007: 30%) and the tax expense actually recognised in the income statement can be reconciled as follows:

	2008 £	2007 £
(Loss)/profit before income tax	**(738,011)**	789,329
Tax rate	**30%**	30%
Expected tax expense	**(221,403)**	236,799
Expenses not deductible for tax purposes	**31,652**	28,344
Amortisation not deductible for tax purposes	**302,747**	191,152
Depreciation for period in excess of capital allowances	**-**	(4,369)
Movement in general provisions	**-**	(6,906)
Adjustments to tax charge in respect of prior periods	**-**	22,636
Marginal relief	**(8,264)**	(456)
Other timing differences	**-**	22,339
Actual tax expense net (see note above)	**104,732**	489,539

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

11. INTANGIBLE FIXED ASSETS

Group and company	License £	Computer software £	Customer base £	Total £
Cost				
At 1 April 2006	23,400	249,181	12,709,068	12,981,649
Additions	-	208,648	4,254,192	4,462,840
Retrospective adjustment	(1,093)	-	207,407	206,314
At 1 April 2007	22,307	457,829	17,170,667	17,650,803
Additions	3,904	204,124	9,425,433	9,633,461
Addition from subsidiary	-	96,218	-	96,218
Disposals	-	(96,218)	-	(96,218)
At 31 March 2008	26,211	661,953	26,596,100	27,284,264
Amortisation				
At 1 April 2006	1,170	113,263	1,557,123	1,671,556
Charge for the year	2,329	112,985	1,209,915	1,325,229
At 1 April 2007	3,499	226,248	2,767,038	2,996,785
Charge for the year	2,376	241,267	1,625,845	1,869,488
Disposals	-	(96,218)	-	(96,218)
At 31 March 2008	5,875	371,297	4,392,883	4,770,055
Net book value				
At 31 March 2008	20,336	290,656	22,203,217	22,514,209
At 31 March 2007	18,808	231,581	14,403,629	14,654,018

A retrospective adjustment was made during the year ended 31 March 2007 in relation to the fair value of the consideration paid for prior year acquisitions.

The Group acquired a billing system during the year ended 31 March 2008 by way of a hive up of assets from a subsidiary, with a net book value of £96,218 at the date of hive up. The billing system was required to maintain continuity of the billing cycle during the transitional period. Following the transition of the acquired customer base to the AdEPT billing platform the hived up billing system was disposed of.

12. PROPERTY, PLANT AND EQUIPMENT

Group and company	Short term leasehold improvements £	Fixtures and fittings £	Office equipment £	Total £
Cost				
At 1 April 2006	7,117	39,046	165,091	211,254
Additions	-	8,153	126,532	134,685
Disposals	-	-	(3,017)	(3,017)
At 1 April 2007	7,117	47,199	288,606	342,922
Additions	-	72,652	123,670	196,322
Addition from subsidiary	-	1,730	42,724	44,454
Disposals	-	-	-	-
At 31 March 2008	7,117	121,581	455,000	583,698
Depreciation				
At 1 April 2006	4,033	24,322	95,240	123,595
Charge for the year	1,423	10,898	50,527	62,848
Disposals	-	-	(1,898)	(1,898)
At 1 April 2007	5,456	35,220	143,869	184,545
Charge for the year	1,424	18,545	99,065	119,034
Disposals	-	-	-	-
At 31 March 2008	6,880	53,765	242,934	303,579
Net book value				
At 31 March 2008	237	67,816	212,066	280,119
At 31 March 2007	1,661	11,979	144,737	158,377

The Group acquired tangible fixed assets during the year ended 31 March 2008 by way of a hive up of assets from a subsidiary, with a net book value of £44,454 at the date of hive up. These assets are in continuing use within the business.

13. DEFERRED TAXATION

	2008 £	2007 £
At 1 April 2007	**17,563**	39,902
Income Statement charge	**(39,781)**	(22,339)
Acquired with subsidiary	**735,311**	-
At 31 March 2008	**713,093**	17,563

The deferred tax asset is made up as follows:

	2008 £	2007 £
Capital allowances	**77,820**	(7,228)
Tax losses	**621,320**	-
Other timing differences	**13,953**	24,791
	713,093	17,563

14. FIXED ASSET INVESTMENTS

Shares in group undertakings	Total £
Cost or valuation	
At 1 April 2006 and 1 April 2007	7,198,326
Additions (note 23)	5,630,930
31 March 2008	12,829,256
Amounts written off	
At 1 April 2006 and 1 April 2007	7,198,326
Amounts written off during the year	5,630,930
31 March 2008	12,829,256
Net book value	
At 31 March 2008	-
At 31 March 2007	-

Details of the principal Subsidiaries are disclosed in note 24 to the financial statements.

15. TRADE AND OTHER RECEIVABLES

	Group 2008 £	2007 £	**Company 2008 £**	2007 £
Trade receivables	**3,420,075**	2,921,054	**3,420,075**	2,921,054
Other receivables	**8,983**	14,807	**8,983**	14,807
Prepayments and accrued income	**874,842**	374,220	**874,842**	374,220
	4,303,900	3,310,081	**4,303,900**	3,310,081

Included within prepayments are deferred finance costs of £196,811 (2007: £115,097) in relation to the issue of debt instruments.

16. TRADE AND OTHER PAYABLES

	Group 2008 £	2007 £	**Company 2008 £**	2007 £
Trade payables	**3,700,956**	2,571,324	**3,700,956**	2,571,324
Amounts owed to group undertakings	-	-	**-**	88,536
Other taxes and social security costs	**503,172**	323,183	**503,172**	323,183
Finance lease obligations	**15,607**	-	**15,607**	-
Other payables	**143,570**	17,315	**143,570**	17,315
Accruals and deferred income	**2,233,754**	940,699	**2,233,754**	940,699
	6,597,059	3,852,521	**6,597,059**	3,941,057

The finance lease obligations are payable within one year and have a present value of £15,607. Included within accruals is deferred consideration of £619,044 (2007: £306,545) in respect of the customer bases and subsidiaries acquired in the current and prior years.

17. LONG TERM BORROWINGS

	2008 £	2007 £
Between 1 and 2 years	**1,711,933**	-
Between 2 and 3 years	**1,711,934**	-
More than 3 years	**7,103,500**	4,250,000
Bank loans	**10,527,367**	4,250,000

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. The loan bears interest at 2% above the bank's base rate.

18. SHARE CAPITAL

	2008 £	2007 £
Authorised 65,000,000 Ordinary shares of 10p each	**6,500,000**	6,500,000
Allotted, called up and fully paid 21,067,443 Ordinary shares of 10p each	**2,106,744**	2,106,744

Share Options

At 31 March 2008, the following options and warrants over the shares of AdEPT were in issue:

	2008 Number of shares under option	**2008 Weighted average exercise price**	2007 Number of shares under option	2007 Weighted average exercise price
Outstanding at 1 April	**2,378,420**	**£0.77**	2,375,047	£0.77
Granted during the year	**-**	**-**	16,168	£1.99
Forfeited during the year	**(65,374)**	**£1.45**	(12,795)	£1.65
Exercised during the year	**-**	**-**	-	-
Outstanding at 31 March	**2,313,046**	**£0.75**	2,378,420	£0.77

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 IFRS2 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%.

18. 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)
Directors						
Ian Fishwick	Unapproved	152,160	31/07/03	£0.29	£0.29	5.7
Ian Fishwick	EMI	300,000	28/12/03	£0.29	£0.29	5.3
Ian Fishwick	EMI	300,000	28/12/03	£0.29	£0.29	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
Others						
Employees	EMI	53,680	15/02/06	£1.40	£1.40	1.25
Employees	EMI	53,681	15/02/06	£1.40	£1.40	2.25
Employees	EMI	2,764	09/05/06	£1.99	£1.99	1.25
Employees	EMI	2,764	09/05/06	£1.99	£1.99	2.25
Strand Partners Limited	Warrants	316,012	14/02/06	£1.40	£1.40	4.1
Landsbanki Securities (UK) Limited	Warrants	105,337	14/02/06	£1.40	£1.40	3.1

The mid-market price of the ordinary shares on 31 March 2008 was 44.5p and the range during the year was 36.5p to 82.5p.

19. 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 expense in connection with previous share options	(10,299)	-
Share options issued during the year	-	63,043
At 1 April 2007	**7,965,381**	**551,701**
Loss for the year	-	(842,743)
Share options issued during the year	-	34,848
At 31 March 2008	**7,965,381**	**(256,194)**

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 expense in connection with previous share options	(10,299)	-
Share options issued during the year	-	63,043
At 1 April 2007	**7,965,381**	**551,701**
Loss for the year	-	(842,743)
Share options issued during the year	-	34,848
At 31 March 2008	**7,965,381**	**(256,194)**

20. PENSION COMMITMENTS

At 31 March 2008 there were no pension commitments (2007: £Nil).

21. OPERATING LEASE COMMITMENTS

At 31 March 2008 the group and company had lease commitments as follows:

Group and company	Land and buildings 2008 £	Land and buildings 2007 £	Other 2008 £	Other 2007 £
Within 1 year	**331,234**	72,280	**87,408**	4,386
Between 2 and 5 years	**611,826**	-	**28,569**	2,924
More than 5 years	**25,493**	-	**-**	-

Land and Buildings :
The group leases its offices under non cancellable operating lease agreements. There is no material contingent rent payable. The lease agreements do not offer security of tenure. The lease terms are for approximately 5 years, the Abingdon office lease agreement has an option to terminate the lease subject to a 6 month notice period.

Other :
The Group leases various office equipment and motor vehicles under non cancellable operating lease agreements. The lease terms are either 2 or 3 years.

The lease expenditure charged to the income statement during the year is disclosed in note 5.

22. RELATED PARTY TRANSACTIONS

There were no related party transactions during the year.

23. ACQUISITIONS

In June 2007 AdEPT acquired a customer base from Fizz Telecom limited comprising 5,000 business customers. The fair value tables in respect of this acquisition can be summarised as follows:

	£
Purchase consideration:	
Initial cash paid	1,028,875
Acquisition costs	55,218
Deferred consideration	660,514
Fair value of net assets acquired	-
Customer base acquired	1,744,607

23. ACQUISITIONS (CONTINUED)

In December 2007, AdEPT acquired 100% of the share capital of Oxtalk Limited and its subsidiary Telecom Direct Limited, both companies are registered in England and Wales.

	Book value £	Fair value adjustments £	Fair value £
Assets			
Non-current assets			
Intangible assets	441,407	(296,318)	145,089
Property, plant and equipment	413,613	(369,159)	44,454
Deferred income tax	212,343	529,218	741,561
	1,067,363	(136,259)	931,104
Current assets			
Trade and other receivables	2,739,695	(1,748,854)	990,841
Cash and cash equivalents	-	-	-
	2,739,695	(1,748,854)	990,841
Total assets	3,807,058	(1,885,113)	1,921,945
Current liabilities			
Trade and other payables	(2,025,536)	(437,530)	(2,463,066)
Short term borrowings	(1,500,307)	-	(1,500,307)
	(3,525,843)	(437,530)	(3,963,373)
Total liabilities	(3,525,843)	(437,530)	(3,963,373)
Net assets/(liabilities)	281,215	(2,322,643)	(2,041,428)

	£
Purchase consideration:	
Cash paid	4,819,000
Acquisition costs	371,635
Deferred consideration	440,295
Purchase consideration	5,630,930
Fair value of net liabilities acquired	2,041,428
Customer base acquired	7,672,358

24. 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
Oxtalk Limited	England & Wales	100	Non trading
Telecom Direct Limited	England & Wales	100	Non trading

The business and assets of Subsidiaries are hived up to AdEPT immediately or within one month following acquisition. After the hive up, the Subsidiaries become inactive. With effect from April 2008 all of the above Subsidiaries, with the exception of Oxtalk Limited and Telecom Direct Limited (both non-trading), are in the process of being taken through a member's voluntary liquidation.

25. CAPITAL COMMITMENTS

At 31 March 2008 there were capital commitments of £23,188 (2007: £4,042).

26. ANALYSIS OF ACQUISITIONS DURING THE YEAR

During the year the group made two acquisitions (2007: 2). Following acquisition the customers are fully integrated into a single billing and customer service platform. Whilst revenue 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 revenue by existing and acquired businesses is, therefore, as follows:

Sales Revenue	**31 March 2008 £**	31 March 2007 £
Existing businesses as at 31 March 2007	**16,437,242**	14,911,072
Businesses acquired in the year	**7,180,604**	3,915,935
Total sales revenue	**23,617,846**	18,827,007

27. EARNINGS PER SHARE

Earnings per share is calculated on the basis of a loss of £842,743 (2007: profit £299,790) divided by the weighted average number of shares in issue for the year of 21,067,443 (2007: 21,067,443). The diluted earnings per share is calculated on the assumption that the unapproved and EMI share options as disclosed in note 18 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 22,959,140 (2007: 23,024,513).

27. EARNINGS PER SHARE (CONTINUED)

A more realistic representation of earnings per share is to add back amortisation of intangible assets and non-recurring costs to retained earnings, giving £2,407,683 (2007: £1,625,019). This is divided by the same weighted average number of shares as above.

	2008 £	2007 £
Earnings for the purposes of basic and diluted earnings per share		
(Loss)/profit for the period attributable to equity holders of the parent	**(842,743)**	299,790
Amortisation	**1,869,488**	1,325,229
Non-recurring costs	**1,380,938**	-
Adjusted profit attributable to equity holders of the parent, adding back amortisation and non-recurring costs	**2,407,683**	1,625,019
Number of shares		
Weighted average number of shares used for earnings per share	**21,067,443**	21,067,443
Dilutive effect of share plans	**1,891,697**	1,957,070
Diluted weighted average number of shares used to calculate fully diluted earnings per share	**22,959,140**	23,024,513
Earnings per share		
Basic earnings per share (pence)	**(4.00)p**	1.42p
Fully diluted earnings per share (pence)	**n/a**	1.30p
Adjusted earnings per share, after adding back amortisation and non-recurring costs		
Adjusted basic earnings per share (pence)	**11.43p**	7.71p
Adjusted fully diluted earnings per share (pence)	**10.49p**	7.06p

Earnings per share is calculated by dividing the retained earnings attributable to equity holders of the parent by the weighted average number of ordinary shares in issue.

Adjusted earnings per share is calculated by dividing the retained earnings attributable to equity holders of the parent (after adding back amortisation and non-recurring costs) by the weighted average number of ordinary shares in issue.

The adjustment for the dilutive effect of share options in the year to 31 March 08 has not been reflected in the calculation of the diluted loss per share as the effect would be anti-dilutive.

28. FINANCIAL INSTRUMENTS

Set out below is the fair carrying amounts of the Group's financial instruments in the financial statements. The directors consider there to be no difference between the carrying value and fair value of the Group's financial instruments.

Group and company	**2008** **£**	2007 £
Financial assets		
Cash	**154,930**	1,340,213
Financial liabilities		
Interest bearing loans and borrowings:		
Obligations under finance lease contracts	**15,607**	-
Floating rate borrowings	**2,862,500**	4,250,000
Fixed rate borrowings	**8,587,500**	-
Other financial liabilities	**619,044**	306,545
	12,084,651	4,556,545
Amounts due for settlement:		
Within 12 months	**1,951,934**	306,545
After 12 months	**10,132,717**	4,250,000
	12,084,651	4,556,545

The Facility A term loan bears interest at 2% over LIBOR and is repayable by quarterly instalments of £394,650. The final repayment is due on 31 December 2011. At the year end the amount outstanding in respect of this facility was £5.25m.

The Facility B term loan bears interest at 2% over LIBOR and is repayable in 12 quarterly instalments based on the amount drawn. At the year end the amount outstanding in respect of this facility was £400,000. At 31 March 2008 the undrawn committed facility available in respect of which all conditions precedent had been met at that date were £2.1m (2007: £1.75m).

The Facility C revolving credit facility bears interest at a rate at 2.0% over LIBOR. At the year end the amount outstanding in respect of the revolving credit facility was £5.25m.

At 31 March 2008 the Group had outstanding earnout liabilities amounting to £619,044 (2007: £396,545). No interest is charged on these liabilities. The weighted average period of financial liabilities on which no interest is paid is 12 months (2007: 12 months).

The fixed interest rate liabilities relate to amounts payable on finance lease liabilities. The weighted average interest rate of these liabilities was 8.0% and the weighted average period for which the interest rates are fixed was 60 months.

The financial assets of the Group are surplus funds, which are offset against borrowings under the facility, and there is no separate interest rate exposure.

Barclays Bank plc has 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.

28. FINANCIAL INSTRUMENTS (CONTINUED)

Obligations under finance leases

	Minimum Lease payments		Present Value of Minimum Lease payments	
	2008	2007	**2008**	2007
	£	£	**£**	£
Amounts payable under finance leases Within one year	**17,200**	-	**15,607**	-
Less Future Finance charges	**(1,593)**	-	**-**	-
Present Value of lease obligations	**15,607**	-	**-**	-
Less amounts due for settlement within 12 months			**(15,607)**	-
Amounts due for settlement after 12 months			**-**	-

The Group has a certain amount of its property, plant and equipment under finance lease. For the year ended 31 March 2008 the average effective borrowing rate was 8.0%. Interest rates are fixed at the contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in sterling. Finance lease liabilities are secured upon the underlying assets. Outstanding finance lease obligations at 31 March 2008 are due to be settled within 12 months. The fair value of the Group's lease obligations approximates to their carrying amount.

29. EXPLANATION OF TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As stated in the Basis of Preparation, these are the Group's first consolidated annual financial statements prepared in accordance with IFRS.

An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out below.

The transition to IFRS resulted in computer software being reclassified from tangible fixed assets to intangible fixed assets and the related depreciation expense reclassified to amortisation in the income statement. There have been no other changes to the financial statements as a result of the transition to IFRS.

	Year ended 31 March 2007		
	Under UK GAAP £	Effect of Transition to IFRS £	Under IFRS £
REVENUE	18,827,007	-	18,827,007
Cost of sales	(11,535,949)	-	(11,535,949)
GROSS PROFIT	7,291,058	-	7,291,058
Administration expenses	(4,801,219)	-	(4,801,219)
EARNINGS BEFORE INTEREST TAXATION DEPRECIATION AND AMORTISATION	2,489,839	-	2,489,839
Depreciation	(175,833)	112,985	(62,848)
Amortisation of intangible fixed assets	(1,212,244)	(112,985)	(1,325,229)
OPERATING PROFIT	1,101,762	-	1,101,762
Finance costs	(321,141)	-	(321,141)
Finance income	8,708	-	8,708
PROFIT BEFORE INCOME TAX	789,329	-	789,329
Income tax expense	(489,539)	-	(489,539)
PROFIT FOR THE PERIOD	299,790	-	299,790
Attributable to:			
Equity holders of the parent	299,790	-	299,790
Basic earnings per share (pence)	1.42p	-	1.42p
Diluted earnings per share (pence)	1.30p	-	1.30p

29. EXPLANATION OF TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

	At 1 April 2006			At 31 March 2007		
	Under UK GAAP £	Effect of transition to IFRS £	Opening IFRS Balance Sheet £	Under UK GAAP £	Effect of transition to IFRS £	Opening IFRS Balance Sheet £
NON-CURRENT ASSETS						
Other intangible assets	11,174,175	135,918	11,310,093	14,422,437	231,581	14,654,018
Property, plant and equipment	223,577	(135,918)	87,659	389,958	(231,581)	158,377
Deferred income tax assets	39,902	-	39,902	17,563	-	17,563
	11,437,654	-	11,437,654	14,829,958	-	14,829,958
CURRENT ASSETS						
Trade and other receivables	3,296,782	-	3,296,782	3,310,081	-	3,310,081
Cash and cash equivalents	579,816	-	579,816	1,340,213	-	1,340,213
	3,876,598	-	3,876,598	4,650,294	-	4,650,294
TOTAL ASSETS	15,314,252	-	15,314,252	19,480,252	-	19,480,252
CURRENT LIABILITIES						
Trade and other payables	4,756,256	-	4,756,256	3,852,521	-	3,852,521
Income tax payable	286,704	-	286,704	753,905	-	753,905
	5,042,960	-	5,042,960	4,606,426	-	4,606,426
NON-CURRENT LIABILITIES						
Borrowings	-	-	-	4,250,000	-	4,250,000
TOTAL LIABILITIES	5,042,960	-	5,042,960	8,856,426	-	8,856,426
NET ASSETS	10,271,292	-	10,271,292	10,623,826	-	10,623,826
CAPITAL AND RESERVES						
Called-up share capital	2,106,744	-	2,106,744	2,106,744	-	2,106,744
Share premium account	7,975,680	-	7,975,680	7,965,381	-	7,965,381
Retained earnings	188,868	-	188,868	551,701	-	551,701
TOTAL EQUITY	10,271,292	-	10,271,292	10,623,826	-	10,623,826

29. EXPLANATION OF TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

	Year ended 31 March 2007		
	Under UK GAAP £	Effect of Transition to IFRS £	Under IFRS £
Net cash from operating activities	2,770,898	-	2,770,898
Cash flows from investing activities			
Interest received	8,708	-	8,708
Interest paid	(251,647)	-	(251,647)
Purchase of intangible assets	(5,663,930)	(208,648)	(5,872,578)
Purchase of property, plant and equipment	(343,333)	208,648	(134,685)
Net cash used in investing activities	(6,250,202)	-	(6,250,202)
Cash flows from financing activities			
Expenses paid in connection with share issue	(10,299)	-	(10,299)
Increase of bank loan	4,250,000	-	4,250,000
Net cash (used in)/from financing activities	4,239,701	-	4,239,701
Net increase in cash and cash equivalents	760,397	-	760,397
Cash and cash equivalents at beginning of period/year	579,816	-	579,816
Cash and cash equivalents at end of period/year	1,340,213	-	1,340,213

There are no material adjustments to the total equity in any of the periods for these financial statements.

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 25 September 2008 to consider and, if thought fit, to pass the following resolutions of which 1 to 5 will be proposed as ordinary resolutions and resolution 6 will be proposed as a special resolution:

Ordinary Resolutions

1. To receive and adopt the Company's accounts for the year ended 31 March 2008 together with the auditors' report on those accounts.

2. To reappoint Amanda Woodruffe as a Director of the Company, who retires from office in accordance with the Company's Articles of Association.

3. To reappoint Edward Williams as a Director of the Company, who retires from office in accordance with the Company's Articles of Association.

4. 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.

5. 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 2009 (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

6. 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 2009 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

26th August 2008

NOTES:

The following notes explain your general rights as a shareholder and your right to attend and vote at this Meeting or to appoint someone else to vote on your behalf:

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and, on a poll, vote instead of him or her provided that each proxy is appointed to attend, speak and vote in respect of a different share or shares. A proxy need not be a shareholder of the Company. If a share is held by joint shareholders and more than one of the joint shareholders votes (including by way of proxy), the only vote that will count is the vote of the person whose name is listed before the other voters on the Register for the share.

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. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (SI 2001 No 3755), only those members entered on the Company's register of members not later than 5.00p.m. on 23 September 2008 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. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

4. As soon as practicable following the AGM, the results of the voting at the Meeting and the numbers of proxy votes cast for and against and the number of votes actively withheld in respect of each of the Resolutions will be announced via a Regulatory Information Service.

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