

**TIME.L**  
**28 September 2007**

## **Timestrip Plc**

### **INTERIM RESULTS FOR THE 6 MONTHS ENDED 30 JUNE 2007**

Timestrip Plc is pleased to announce its unaudited interim results for the 6 months to 30 June 2007.

Timestrip Plc develops, manufactures and sells patented Timestrip smart labels which monitor how long perishable food and other limited life products have been open or in use.

#### **Key Points**

- Steady progress being made despite lengthy sales cycles within global multinationals. New contract secured with Whirlpool, existing contracts progressing well
- Partnerships agreed with leading packaging companies CCL Label and Plastek
- Significant \$3 million contract win post period end with leading US consumer goods company
- Healthy sales pipeline building, underpinned by global references

#### **Paul Freedman, Timestrip's joint CEO, commented:**

"We remain committed to our strategy of pursuing substantial and sustainable revenues through supply contracts with some of the largest consumer product, food and beverage companies worldwide. Sales cycles across these companies are proving to be lengthy, resulting in erratic short term revenues, however we remain confident that the pipeline for potential future orders is extremely healthy and will deliver significant recurring revenues into the longer term. We believe that the recently announced \$3 million contract win with a leading North American consumer goods company is a crucial step along this process.

Product freshness, supply chain integrity and customer compliance with usage instructions have become an absolute pre-requisite for leading brands. The Timestrip technology can meet all of these needs and is therefore ideally positioned to play a leading role in the intelligent packaging market in the future.

We remain confident in our ability to evolve a revenue model that combines sales from in-house manufacturing with royalty revenues and raw material sales derived from manufacturing licenses. Indeed, we have received a number of approaches from companies interested in acquiring manufacturing licenses and it is likely that one of these will be agreed over the coming months."

#### **For further information:**

Paul Freedman, Joint CEO, Timestrip	01462 440 700
Shane Dolan, Biddicks	020 7448 1000
Fergus Marcroft, Evolution Securities	020 7071 4300

## **Chairman's Statement**

I am pleased to report that we have made some significant progress towards our objective of establishing Timestrip as a household name and a new standard in product labelling. So far in 2007 we have concluded our largest contract to date, (expected to generate at least \$3million in revenues over the first three years) as well as deals with global brands such as Whirlpool and partnerships with leading packaging companies such as CCL Label and Plastek. These achievements, along with the many other projects we are progressing, lead us to the firm belief that the technology is moving closer to a "tipping point" in several key markets.

## **Financial Results**

Turnover for the six months to 30 June 2007 was £109,647 (30 June 2006 as restated - £215,932). At the pre-tax level the Company recorded a loss of £730,429 (2006 as restated - £397,460) including a charge relating to FRS20 (accounting for share based payments) amounting to £137,396 (2006 as restated - £36,894). The resultant loss per share is 0.23p (2006 – 0.13p). The Company had cash resources of £1.83m as at the end of June, which your Board considers to be sufficient to take the business through to profitability

## **Operations**

As is reported in the Joint Chief Executives' statement below, we have made good progress towards the widespread adoption of our core technology in a number of different markets and sectors.

Increasing awareness of the technology has led to a sharp increase in the number of demands placed on the business by potential customers, but I am pleased to report that we continue to exceed customer expectations, delivering customised products and solutions for uses ranging from market tests to full scale production.

Additionally, our employees remain highly motivated and well incentivised to drive forward the Timestrip business and the Board wishes to thank them for their continued hard work and commitment.

## **Current Trading and Prospects**

We appreciate the frustration caused by both the speed at which revenues are coming on stream as well as the confidentiality restrictions that prevent us from fully disclosing the breadth and quality of the sales pipeline and revenue potential therein. These extended timetables imposed by our potential customers make it probable that the contracts necessary for us to exceed 2006's sales will not be finalised in time for shipment to fall in 2007. However, we remain committed to our strategy of targeting customers in each market who are able to generate not only large volume orders but also predictable and repeatable revenue streams for the Company, even if the consequences are prolonged development cycles in many cases. We retain a tight control over our monthly cash costs and therefore, despite the time being taken to secure these contracts we remain confident that the Company has adequate financial resource to reach profitability.

A recent influential industry report\* has predicted growth in the intelligent packaging market in the US to \$165m in 2011, led principally by label technologies that help improve food safety and reduce losses in perishables from temperature abuse in the supply chain. Technologies that monitor "compliance" (i.e. replace every three months, use once a month) are also identified as a key driver to this growth. Timestrip has the unique ability to deliver meaningful benefits in all three of these areas and we are ideally positioned to become the leading player in this exciting market.

Stephen Oakes  
Chairman  
28 September 2007

\* Active & Intelligent Packaging., The Freedonia Group Inc.

## **Joint Chief Executives' Statement**

### **Operating Review**

We are pleased to report some good progress in the six international mass markets in which relative expiry dates are predominantly found:

Appliances and Consumables

Timestrip is gaining widespread acceptance as the technology of choice for appliances with Period after Opening/Time in Service dates. It has been adopted as an integrated component in devices sold globally by Whirlpool, Hamilton Beach/Febreze®, Hygolet, DryandStore (Dry Brik II), and Bioconservacion SA.

Our increasing exposure in this sector has generated a pipeline with a number of potentially lucrative deals, each with the prospect for recurring annual revenues. In each case, the client has selected Timestrip as its preferred technology partner. Customised product has been supplied for use in a variety of market tests ranging from confidential home trials to regional test launches. Our ability to convert these deals and the timing of them now depends on the progress of the tests. Initial reports are very encouraging and we expect to report definitive progress later this year.

### **Catering and Food Services**

We continue to work closely with our US and European distributors to gain wider adoption of the technology amongst catering establishments, where Timestrips are positioned as an essential upgrade to existing food safety systems. Substantial new distribution opportunities are being actively evaluated in order to expand our presence in an expansive global market. Recent accreditation of the technology by the German food safety organization BVLK will help in our marketing of Timestrip in this sector.

We are actively targeting both small to medium size businesses who will help build a track record for us in this sector, as well as large chains who can provide large volume orders and excellent reference sites for the technology.

We recently became involved in a partnership, which includes two leading food manufacturers and a major restaurant chain, looking to employ the Timestrip technology as a device to monitor time and temperature abuse in the supply chain of fresh and frozen produce in hot climates. The revenue potential for such a device is substantial.

Food and Beverage

Timestrips represent an opportunity for manufacturers and brands to promote the freshness of their products as well as to help consumers avoid unnecessary waste by alerting them to how long an item has been open. The F & B sector is a natural home for Timestrip, and although the pace of progress has been much slower than anticipated, the revenue potential is so significant that it remains at the heart of our efforts.

The growing trend towards stating "Period after Opening" dates on fresh products in North America has opened up a number of exciting opportunities to integrate Timestrip technology into the packaging of premium brand fresh foods which have a "once opened use within.." instruction. The process is lengthy and involves the brand owner, manufacturer and packaging company, however we believe that our first landmark deal in this market is close to fruition.

Timestrip technology still features on the packaging of sauces sold by Nestle Foodservice UK and progress continues to be made towards our goal of widespread adoption in the retail food market. In this regard we would like to thank our partners CCL Label and Plastek for their co-operation in the development of solutions for the integration of Timestrips into labels and closures.

Cosmetics, Pharmaceuticals, Medical Devices

We recently started to supply a leading European medical equipment company who are looking to integrate the technology with one of their core products, to communicate the useful life of the product

after first use. Market testing and product development is expected to last another three to six months after which a full scale adoption would generate an important source of predictable revenues.

There is an unprecedented level of interest in the Timestrip technology from the cosmetics industry, where European legislation requires a "Period After Opening" date on most products, and newspaper reports have highlighted health issues surrounding the prolonged use of items such as mascara and face creams. The opportunity for integrated packaging solutions as well as shorter term promotions is being actively pursued.

The pharma market has notoriously long cycles for product innovation but our exposure to this market is growing and we remain very optimistic about this market in the medium term.

### **iStrip®**

Introduced in late 2006, iStrip is a unique, patent pending label that changes colour irreversibly if an accidental freezing event takes place in the cold chain for products such as vaccines and agricultural chemicals.

We are working closely on the specification for the product with the Non-Government Organisation PATH as well as one of the largest global logistics companies, whose recent field trials have produced some very encouraging results.

The potential clearly exists to generate initial revenues from selling case level iStrips to a variety of distributors in the time/temperature industry. Production capacity has been secured but the product will not be launched until product development and comprehensive testing is complete.

In summary, we firmly believe in our strategy of targeting blue chip customers with the potential to provide high volume recurring revenues. Although this has led to delays in delivering significant revenues to date, the recent contract win and the growing number of international brand names who have adopted the technology gives us great cause for optimism.

Paul Freedman  
Joint Chief Executive Officer  
28 September 2007

Reuben Isbitsky  
Joint Chief Executive Officer  
28 September 2007

**Consolidated Income statement**

	<b>6 months to 30 June 2007 Unaudited £ 000's</b>	<b>6 months to 30 June 2006 Unaudited As restated* £ 000's</b>	<b>12 Months to 31 December 2006 Audited As restated* £ 000's</b>
Revenue	110	216	379
Cost of sales	<u>(56)</u>	<u>(139)</u>	<u>(281)</u>
Gross Profit	53	77	98
Distribution costs	-	-	-
Administrative expenses	(838)	(538)	(1,288)
Loss from Operations	(784)	(462)	(1,190)
Investment Revenue	54	64	123
Finance costs	-	-	(8)
Loss before tax	<u>(730)</u>	<u>(397)</u>	<u>(1,075)</u>
Taxation	-	-	90
Loss for the period	<u>(730)</u>	<u>(397)</u>	<u>(985)</u>
Loss for the period attributable to ordinary shareholders	<u><b>(730)</b></u>	<u><b>(397)</b></u>	<u><b>(985)</b></u>
Basic and diluted EPS	(0.23) p	(0.13) p	(0.32) p

\*Re-stated in accordance with IFRS

## Summary Consolidated Balance Sheet

	6 months to 30 June 2007 Unaudited  £ 000's	6 months to 30 June 2006 Unaudited As restated* £ 000's	12 Months to 31 December 2006 Audited As restated* £ 000's
<b>Non current assets</b>			
Goodwill	5,643	5,643	5,643
Other intangible assets	1,637	1,148	1,320
Property, plant & equipment	370	252	372
	<u>7,650</u>	<u>7,043</u>	<u>7,335</u>
<b>Current assets</b>			
Inventory	225	72	183
Trade and other receivables	213	250	186
Corporation tax	109	0	195
Cash and cash equivalents	1,831	3,369	2,517
	<u>2,378</u>	<u>3,691</u>	<u>3,082</u>
<b>Total Assets</b>	<u><b>10,027</b></u>	<u><b>10,734</b></u>	<u><b>10,416</b></u>
<b>Current Liabilities</b>			
Trade and other payables	(417)	(234)	(404)
Bank overdrafts and loans	(14)	(14)	(21)
Obligations under finance leases	(6)	(6)	(6)
	<u>(438)</u>	<u>(254)</u>	<u>(430)</u>
<b>Non-current Liabilities</b>			
Bank Loans	(45)	(60)	(52)
Obligations under finance leases	(44)	(13)	(18)
<b>Total Liabilities</b>	<u><b>(527)</b></u>	<u><b>(326)</b></u>	<u><b>(501)</b></u>
<b>Net Assets</b>	<u><b>9,501</b></u>	<u><b>10,408</b></u>	<u><b>9,915</b></u>
<b>Equity</b>			
Share Capital	3,608	3,607	3,607
Share Premium Account	27,719	27,524	27,542
Share Options Reserve	318	103	180
Retained losses	(22,144)	(20,825)	(21,414)
Equity Shareholders funds	<u><b>9,501</b></u>	<u><b>10,408</b></u>	<u><b>9,915</b></u>

\*Re-stated in accordance with IFRS

**Consolidated statement of changes in equity**

	<b>Share capital £ 000's</b>	<b>Share Premium £ 000's</b>	<b>Share Options reserve £ 000's</b>	<b>Retained losses £ 000's</b>	<b>Total Equity £ 000's</b>
<b>Balance at 1 January 2006</b>	3,603	26,588	66	(20,428)	9,830
Loss for the period	-	-	-	(397)	(397)
<b>Total recognised income and expense for the period</b>	3,603	26,588	66	(20,825)	9,432
Shares issued during period	4	935	-	-	939
Share Option charge	-	-	37	-	37
<b>Balance at 30 June 2006</b>	<b>3,607</b>	<b>27,524</b>	<b>£103</b>	<b>(20,825)</b>	<b>£10,408</b>
<b>Balance at 1 January 2007</b>	3,607	27,542	180	(21,414)	9,915
Loss for the period	-	-	-	(730)	(730)
<b>Total recognised income and expense for the period</b>	3,607	27,542	180	(22,144)	9,185
Shares issued during period	1	177	-	-	179
Share Option charge	-	-	137	-	137
<b>Balance at 30 June 2007</b>	<b>3,608</b>	<b>27,719</b>	<b>318</b>	<b>(22,144)</b>	<b>9,501</b>

## Summary Cash Flow Statement

	6 months to 30 June 2007 Unaudited £ 000's	6 months to 30 June 2006 Unaudited As restated* £ 000's	12 Months to 31 December 2006 Audited As restated* £ 000's
<b>Net cash outflow from operating activities</b>	(526)	(382)	(972)
<b>Investing activities</b>			
Interest received	54	64	123
Investment in Intangible assets	(344)	(235)	(429)
Purchase of Property plant & equipment	(36)	(22)	(117)
<b>Net cash used in investing activities</b>	<b>(326)</b>	<b>(193)</b>	<b>(424)</b>
<b>Financing activities</b>			
Proceeds of issue of ordinary share capital	179	939	957
Repayments of borrowings	(7)	-	(24)
<b>Net cash inflow from financing activities</b>	<b>172</b>	<b>939</b>	<b>933</b>
Net (decrease)/increase in cash and cash equivalents	(680)	365	(462)
Cash and cash equivalents at the beginning of the year	2,517	2,979	2,979
Effect of foreign exchange rate changes	(6)	25	0
<b>Cash and cash equivalents at end of year</b>	<b>1,831</b>	<b>3,369</b>	<b>2,517</b>

\*Re-stated in accordance with IFRS

**Notes to the cashflow statement**

	<b>6 months to 30 June 2007 Unaudited £ 000's</b>	<b>6 months to 30 June 2006 Unaudited As restated* £ 000's</b>	<b>12 Months to 31 December 2006 Audited As restated* £ 000's</b>
Loss from Operations	(784)	(462)	(1,190)
Adjustment for:			
Amortisation and impairment of Intangible fixed assets	27	24	53
Depreciation of property plant & equipment	37	44	67
Share based payments	137	37	114
Decrease/(Increase) in inventories	(41)	(6)	(117)
Decrease/(Increase) in receivables	(28)	(55)	(97)
Increase in payables	39	36	207
Cash utilised by Operations	<u>(612)</u>	<u>(382)</u>	<u>(963)</u>
Corporation tax received/(paid)	87	-	-
Interest paid	-	-	(8)
<b>Net cash (outflow) from operating activities</b>	<b><u>(526)</u></b>	<b><u>(382)</u></b>	<b><u>(972)</u></b>

\*Re-stated in accordance with IFRS

## **Notes To The Interim Results:-**

### **1. Basis of preparation**

The Group's interim results for the half year ended 30 June 2007 have been prepared in accordance with International Financial Reporting Standards (IFRS) for the first time and on a historical basis. As a consequence, a number of the accounting policies adopted in the preparation of these statements are different to those adopted in preparing the financial statements for the year ended 31 December 2006, which were prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP).

The comparative figures are an abridged version of the Group's full financial statements, adjusted for the impact of IFRS accounting policies, and, together with other financial information contained in these interim results, do not constitute statutory financial statements of the Group within the meaning of section 240 of the Companies Act 1985.

Statutory financial statements for the year ended 31 December 2006 have been filed with the Registrar of Companies for England and Wales and have been reported on by the Group's auditors. The report of the auditors was not qualified and did not contain a statement under section 273(2) or (3) of the Companies Act 1985.

The Group has adopted IFRS from 1 January 2006, the date of transition. Reconciliations and descriptions of the impact of IFRS are shown in the appendix to this statement.

### **2. Basis of consolidation**

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 30 June 2007.

### **3. Share capital**

During the period the following shares and warrants were issued:

On 15<sup>th</sup> January 2007, 217,771 Placing Warrants over Ordinary Shares of 0.02p were issued at a price of 4p raising £8,711.

On 5<sup>th</sup> February 2007, 893,696 Placing Warrants over Ordinary Shares of 0.02p were issued at a price of 4p raising £35,748.

On 15<sup>th</sup> February 2007, 1,425,072 "B" Warrants over Ordinary Shares of 0.02p were issued at a price of 4p raising £57,002.

On 7<sup>th</sup> March 2007, 1,917,050 "B" Warrants over Ordinary Shares of 0.02p were issued at a price of 4p raising £76,682.

On 2<sup>nd</sup> April 2007, 1,400,360 "C" Warrants over Ordinary Shares of 0.02p were issued at a price of 0.02p raising £280.

On 20<sup>th</sup> June 2007, 1,000,000 "C" Warrants over Ordinary Shares of 0.02p were issued at a price of 0.02p raising £200.

### **4. Dividends**

No dividend is proposed for the period ended 30 June 2007.

## 5. Taxation

No taxation is expected to arise on the results for the period.

## 6. Loss per Share

The loss per share for the six months ended 30 June 2007 has been calculated on the basis of the loss after taxation for the period of (£573,000) (June 2006:(£397,000) as restated, and December 2006: (£986,000) as restated) and the weighted average number of shares in issue during the period of 315,822,799 (2006: 307,892,658).

## 7. Segmental reporting

The Geographical segmental reporting by destination of sales was as follows:

### Revenue

	30-Jun-07 £'000	30-Jun-06 £'000	31-Dec-06 £'000
UK	3	7	18
Europe	48	127	158
North America	50	63	181
Rest of World	9	19	22
	<u>110</u>	<u>216</u>	<u>379</u>

### Operating (Loss)

UK	(31)	(28)	(57)
Europe	(314)	(300)	(496)
North America	(431)	(102)	(569)
Rest of World	(8)	(32)	(68)
	<u>(784)</u>	<u>(462)</u>	<u>(1,190)</u>

## 8. Distribution

The interim statement will be made available on the company's website at [www.timestrip.com](http://www.timestrip.com). Copies may also be obtained from Company Secretary: International Registrar Limited, Finsgate, 5-7 Cranwood Street, London, EC1V 9EE

## **APPENDIX – Transition Statement**

### **Introduction**

Timestrip Plc (“Timestrip”) has previously prepared its consolidated Financial Statements under United Kingdom Generally Accepted Accounting Practice (GAAP). With effect from 1 January 2007, it is required to prepare its consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Group has adopted IFRS from 1 January 2006, the date of transition. The first full set of audited Financial Statements prepared under IFRS will be for the year ended 31 December 2007, and the first interim report prepared under IFRS is for the half year ended 30 June 2007.

The IFRS transition statement has been prepared to explain the impact on the reported result of Timestrip and to set out the changes to the accounting policies of the group together with provision of reconciliations of the restatement of previously published comparative financial information.

References to IFRS throughout this document refer to the application of International Accounting Standards and International Financial Reporting Standards.

### **Overview of impact of adoption of IFRS**

Conversion to IFRS affects Timestrip’s reporting, particularly in respect of intangible assets and capitalised development expenditure. It does not affect the cashflows or the underlying prospects of the business; however, the implementation of the new standards may result in increased volatility in reported results due to changes in accounting for intangible assets and development expenditure.

It has not been possible to separately identify development expenditure which met the criteria for capitalisation prior to the date of transition. Therefore no capitalisation was performed as at the date of transition.

### **Revised group accounting policies under IFRS.**

The following accounting policies represent changes from the accounting policies stated in the financial statements for the year ended 31 December 2006. The remaining accounting policies remain the same as in the financial statements for the year ended 31 December 2006 which are consistent with IFRS.

### **Goodwill**

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiary undertaking, Timestrip UK Limited. In respect of business acquisitions, goodwill represents the difference between the cost of acquisition and the fair value of the net identifiable assets acquired. Goodwill is allocated to cash generating units and is now no longer amortised but is tested annually for impairment at a consistent time each year. Goodwill is now stated at cost or deemed cost less any accumulated impairment losses.

Timestrip UK Limited has a product which is unique in the market place and is able to cheaply and easily provide a record of elapsed time in the key ambient temperatures of room, fridge and freezer. In addition, the company has also spent many years working on the research and development associated with the underlying diffusion technology and it is believed that this creates a significant barrier to entry to any potential competition. Timestrip is currently one of the leading companies in the world for understanding micron diffusion. Finally, the company has spent significant money successfully applying for global patents for the technology which further adds to the protection. Hence, based on these facts the directors are of the opinion that no impairment is necessary.

### **Internally-generated Intangible Assets - Research and Development Expenditure**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising is recognised only if all of the following conditions are met:

- an asset is created that can be identified ;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

**Transition statement from UK GAAP to IFRS as at 1 January 2006**

	UK GAAP at 1 January 2006 £'000	Goodwill Amortisation IAS 38 £'000	IFRS at 1 January 2006 £'000
<b>Consolidated balance sheet</b>			
<b>Non current assets</b>			
Goodwill	5,408	235	5,642
Other intangible assets	931	-	932
Property, plant & equipment	304	-	304
	<u>6,643</u>	<u>235</u>	<u>6,878</u>
<b>Current assets</b>			
Inventory	66	-	66
Trade and other receivables	194	-	194
Cash and cash equivalents	2,979	-	2,979
	<u>3,240</u>	<u>-</u>	<u>3,240</u>
<b>Total Assets</b>	<u>9,883</u>	<u>235</u>	<u>10,118</u>
<b>Current Liabilities</b>			
Trade and other payables	208	-	208
Bank overdrafts and loans	14	-	14
	<u>222</u>	<u>-</u>	<u>222</u>
<b>Non-current Liabilities</b>			
Bank Loans	67	-	67
Total Liabilities	<u>289</u>	<u>-</u>	<u>289</u>
<b>Net Assets</b>	<u>£9,594</u>	<u>£235</u>	<u>£9,829</u>
<b>Equity</b>			
Share Capital	3,603	-	3,603
Share Premium Account	26,588	-	26,588
Share Options Reserve	66	-	66
Retained losses	(20,663)	235	(20,428)
	<u>£9,594</u>	<u>£235</u>	<u>£9,829</u>

**Transition statement from UK GAAP to IFRS - 30 June 2006**

<b>Income statement</b>	<b>UK GAAP at 30 June 2006 £'000</b>	<b>Goodwill Amortisation IAS 38 £'000</b>	<b>IFRS at 30 June 2006 £'000</b>
Revenue	216	-	216
Cost of sales	<u>(139)</u>	<u>-</u>	<u>-(139)</u>
Gross Profit	77	-	77
Administrative expenses	(679)	141	(538)
Loss from Operations	(603)	141	(462)
Investment Revenue	64	-	64
Loss before tax	<u>(539)</u>	<u>141</u>	<u>(397)</u>
Taxation	-	-	-
Loss for the period	<u>£ (539)</u>	<u>£ 141</u>	<u>£ (397)</u>

**Transition statement from UK GAAP to IFRS - 30 June 2006**

<b>Consolidated Balance sheet</b>	<b>UK GAAP at 30 June 2006 £'000</b>	<b>Goodwill Amortisation IAS 38 £'000</b>	<b>IFRS at 30 June 2006 £'000</b>
<b>Non current assets</b>			
Goodwill	5,267	376	5,643
Other intangible assets	1,148	-	1,148
Property, plant & equipment	252	-	252
	<b>6,667</b>	<b>376</b>	<b>7,043</b>
<b>Current assets</b>			
Inventory	72	-	72
Trade and other receivables	250	-	250
Corporation tax	0	-	0
Cash and cash equivalents	3,369	-	3,369
	<b>3,691</b>	<b>-</b>	<b>3,691</b>
Total Assets	<b>10,358</b>	<b>376</b>	<b>10,734</b>
<b>Current Liabilities</b>			
Trade and other payables	(234)	-	(234)
Bank overdrafts and loans	(14)	-	(14)
Obligations under finance leases	(6)	-	(6)
	<b>(254)</b>	<b>-</b>	<b>(254)</b>
<b>Non-current Liabilities</b>			
Bank Loans	(60)	-	(60)
Obligations under finance leases	(13)	-	(13)
Total Liabilities	<b>(326)</b>	<b>-</b>	<b>(326)</b>
<b>Net Assets</b>	<b>£10,032</b>	<b>£376</b>	<b>£10,408</b>
<b>Equity</b>			
Share Capital	3,607	-	3,607
Share Premium Account	27,524	-	27,524
Share Options Reserve	103	-	103
Retained losses	(21,202)	376	(20,825)
	<b>£10,032</b>	<b>£376</b>	<b>£10,408</b>

Under International Accounting Standard 38: Intangible assets (IAS 38) goodwill is no longer amortised on a straight line basis, but instead is subject to annual impairment testing under International Accounting Standard 36 (IAS 36). Goodwill totalling £376,183 which had previously been amortised to the profit and loss account has been reinstated in the balance sheet.

**Transition statement from UK GAAP to IFRS - 31 December 2006**

	<b>UK GAAP at 31 December 2006 £'000</b>	<b>Goodwill Amortisation IAS 38 £'000</b>	<b>Research &amp; Development IAS 38 £'000</b>	<b>IFRS at 31 December 2006 £'000</b>
<b>Income statement</b>				
Revenue	379	-	-	379
Cost of sales	<u>(281)</u>	<u>-</u>	<u>-</u>	<u>(281)</u>
Gross Profit	98	-	-	98
Administrative expenses	(1,707)	-	419	(1,288)
Loss from Operations	(1,609)	-	419	(1,190)
Investment Revenue	123	-	-	123
Finance costs	(8)	-	-	(8)
Loss before tax	<u>(1,495)</u>	<u>-</u>	<u>419</u>	<u>(1,075)</u>
Taxation	90	-	-	90
<b>Loss for the period</b>	<b><u>(1,405)</u></b>	<b><u>-</u></b>	<b><u>419</u></b>	<b><u>(985)</u></b>

**Transition statement from UK GAAP to IFRS - 31 December 2006**

<b>Consolidated balance sheet</b>	<b>UK GAAP at 31 December 2006 £'000</b>	<b>Goodwill Amortisation IAS 38 £'000</b>	<b>Research &amp; Development IAS 38 £'000</b>	<b>IFRS at 31 December 2006 £'000</b>
<b>Non current assets</b>				
Goodwill	5,408	235	-	5,643
Other intangible assets	901	-	419	1,320
Property, plant & equipment	372	-	-	372
	<b>6,680</b>	<b>235</b>	<b>419</b>	<b>7,335</b>
<b>Current assets</b>				
Inventory	183	-	-	183
Trade and other receivables	186	-	-	186
Corporation tax	195	-	-	195
Cash and cash equivalents	2,517	-	-	2,517
	<b>3,082</b>	<b>-</b>	<b>-</b>	<b>3,082</b>
<b>Total Assets</b>	<b>9,762</b>	<b>235</b>	<b>419</b>	<b>10,416</b>
<b>Current Liabilities</b>				
Trade and other payables	404	-	-	404
Bank overdrafts and loans	21	-	-	21
Obligations under finance leases	6	-	-	6
	<b>430</b>	<b>-</b>	<b>-</b>	<b>430</b>
<b>Non-current Liabilities</b>				
Bank Loans	52	-	-	52
Obligations under finance leases	18	-	-	18
Total Liabilities	<b>501</b>	<b>-</b>	<b>-</b>	<b>501</b>
<b>Net Assets</b>	<b>£9,261</b>	<b>£235</b>	<b>£419</b>	<b>£9,915</b>
<b>Equity</b>				
Share Capital	3,607	-	-	3,607
Share Premium Account	27,542	-	-	27,542
Share Options Reserve	180	-	-	180
Retained losses	(22,068)	235	419	(21,414)
	<b>£9,261</b>	<b>£235</b>	<b>£419</b>	<b>£9,915</b>

Under International Accounting Standard 38: Intangible assets (IAS 38) goodwill is no longer amortised on a straight line basis, but instead is subject to annual impairment testing under International Accounting Standard 36 (IAS 36). Goodwill totalling £235,114 which had previously been amortised to the profit and loss account has been reinstated in the balance sheet.

Under International Accounting Standard 38: Intangible assets (IAS 38) the criteria for the recognition of expenditure on research and development allow for the capitalisation of expenditure previously expensed. The total expenditure for the year ended 30 December 2006 which it was allowable to capitalise was £419,193.