THE PARKMEAD GROUP IS A SPECIALIST INVESTMENT COMPANY. THE GROUP'S PRIMARY INVESTMENT FOCUS IS IN THE OIL AND GAS EXPLORATION AND PRODUCTION SECTORS.

FOLLOWING A SUCCESSFUL RESTRUCTURING IN 2006, THE GROUP HAS ASSEMBLED A WORLD CLASS BOARD OF INDUSTRY EXPERTS AND ALSO ESTABLISHED A WIDER-REACHING ADVISORY BOARD PROVIDING TECHNICAL AND SECTOR EXPERTISE.

THE GROUP'S PRIMARY GEOGRAPHICAL INVESTMENT AREAS ARE THE MIDDLE EAST AND NORTH AFRICA.

CHAIRMAN'S STATEMENT

DEVELOPMENT OF THE GROUP, RESULTS AND DIVIDENDS

2008 was an important year in Parkmead's development with the Group becoming fully focused on the energy sector.

The Group invested £8.3 million in various energy assets including Transeuro Energy Corporation, PA Resources, RXT and Faroe Petroleum, further details of which are contained later in this statement. During the year the Group disposed of its non core trading subsidiary, Quayside Corporate Services Limited, and also disposed of its holding in Metapraxis. The Group is now actively pursuing further strategic energy investments at the corporate and asset level.

The Group has reinforced its access to expertise in the energy sector through the creation of an Advisory Board which was announced to the market earlier this year and in this regard Mr. David Bamford (a Non-Executive Director of Tullow Oil plc) and Professor Peter Davies (formely Chief Economist at BP plc) have been appointed. Subsequent to the year end the Group announced the appointment of Mr. Faysal Hamza as a Non-Executive Director who will provide the Group with access to expertise and networks in the Middle East.

At the operating level the Group recorded a loss of £1.3 million being a significant improvement on 2007: (loss £5.3 million). After finance income and amounts written off investments, this reduced to £0.4 million (loss) (2007: £4.6 million (loss)). During the year certain investments previously written down to zero through the income statement were revalued following successful refinancings. The reversal of these losses is not accounted for in the Group's income statement but directly through equity in accordance with International Financial Accounting Standards ("IFRS"). After the loss on disposal of discontinued operations the loss for the year amounted to £0.7 million (2007: £0.6 million (loss)).

The financial information for the year ended 30 June 2008 has been produced in accordance with IFRS for the first time. The impact of this was significant and the loss before tax on continuing operations was £0.4 million higher than if it had been prepared under United Kingdom Generally Accepted Accounting Principles ("UK GAAP") and this is explained as follows:

- movement on value on unquoted investments £0.2 million (negative)
- movement on value on quoted investments £0.2 million (negative)

Accordingly, without the impact of IFRS on the current and prior years, the Group's result in the consolidated income statement would have improved by £0.3 million were it to have been accounted for under UK GAAP.

IFRS also requires that the Group's assets be carried at fair value. In relation to a loan made during the year to Transeuro Energy Corp of CA$1.3 million, whilst the book value is recorded at £0.6 million, the fair value has been recorded at £0.03 million with an effective interest rate of 857% rather than the contracted rate of 12%.

The Board is not recommending the payment of a dividend (2007: £nil).

ENERGY INVESTMENTS

The Group's investment portfolio is now essentially focused on the energy sector. During the year the following investments were made:

- the acquisition of 230,000 shares in PA Resources in November 2007 for a cost of £1.0 million. The Group has subsequently exited from this holding realising a profit on sale of £0.3 million.
- the acquisition of 2,918,724 shares in Faroe Petroleum plc ("Faroe") for a cost of £5.3 million. We believe that Faroe's asset base (exploration and near-term production) has the potential to create significant value.
- the acquisition of 260,000 shares in RXT for a cost of £1.3 million. RXT has developed proprietary marine geo-seismic technology and its markets are growing strongly.
- the acquisition of CA$1.3 million convertible debt in Transeuro Energy Corporation ("Transeuro"). This debt instrument has warrants attached to it which provide an opportunity to benefit from upside in Transeuro's share price.

> "OUR STRATEGY IS TO CONTINUE TO SOURCE INVESTMENT OPPORTUNITIES IN THE ENERGY SECTOR THAT WILL CREATE SHAREHOLDER RETURNS AT AN ACCEPTABLE LEVEL OF RISK"

ADVISORY

Whilst our advisory business revenues declined to £1.3 million (2007: £2.3 million) the flexible nature of our cost base meant that associated direct costs were kept under control and were thus significantly less than revenues. The Group provides corporate finance and advisory services to clients predominantly in the energy sector. Our advisory team is increasingly focused on internal projects relating to the Group's energy investment portfolio, which in the short to mid term may lead to a reduction in fee levels earned.

RESIDUAL INVESTMENTS AND SUBSIDIARY INVESTMENTS

As announced on 8th November 2007 the Group disposed of its subsidiary, Quayside Corporate Services Limited for an initial consideration of £0.6 million plus a deferred consideration of up to £2.0 million. This disposal marked one of the final steps in re-focusing the Group in to a specialist energy investor.

KEY PERFORMANCE INDICATORS

With the change in the Group's investment focus it is more appropriate to monitor the performance of the Group with Balance Sheet Key Performance Indicators ("KPI") rather than those relating to revenue. Accordingly the Board's oversight of performance is primarily focused on net asset per share and the internal rate of return made on investments. The Board monitors these KPI's at Board Meetings. The Board also receives monthly management accounts which show progress against budget, cash flows and asset valuations.

	2008	2007
Net asset per share (based on shares in issue)	**4.40p**	4.34p
Internal Rate of Return on exiting investments	**75.5%***	NA*

* Excludes legacy investments

Given market conditions and economic uncertainty the Board is satisfied with the improvement in net asset per share recorded in the period under review.

With regard to the corporate finance business, revenue is analysed between recurring revenue streams and success fees. The baseline target is to cover the fixed element of salary costs of those employees in our advisory team by recurring revenues.

Of equal importance is the Group's pipeline of deals that it is working on and in this regard the Board is fully appraised at each Board Meeting on progress made.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal trading risk of the Group is that of sourcing, appraising and managing suitable investments. The Group is now fully focused on investing in the energy sector, accordingly, in order to support this activity the Group reinforced its investment appraisal capacity by way of the formation of an Advisory Board as previously mentioned.

The Group's primary investment focus being energy means that it is increasingly exposed to the exchange rate movements of the US dollar. The Group is also exposed to movements in the exchange rate of the Norwegian Krone and Canadian Dollar against Sterling in relation to its investment portfolio. The Group monitors these exposures and considers hedging where appropriate. As at 30 June 2008 the Group had no hedging instruments in place.

OUTLOOK

The Group is now fully focused on the energy sector. Our balance sheet remains strong with no debt, strong cash balances and a growing portfolio of investments. We have built up an investment team with significant industry expertise and associated networks. Our strategy will be to continue to source investment opportunities in the energy sector that will create shareholder returns at an acceptable level of risk.

I look forward to the continued development of the Group over the coming year.

Colin Goodall
6 November 2008

THE BOARD

COLIN GOODALL
NON-EXECUTIVE CHAIRMAN

Colin Goodall is currently Non-Executive Chairman of The Parkmead Group plc. Prior to this, he had a 24-year upstream oil career with the BP group, during which time he became the first Chief of Staff within the BP group. From 1995 to 1999 he served as Chief Financial Officer of BP Europe and then as BP's senior representative in Russia.

Colin is also Non-Executive Chairman of Dana Petroleum plc, Asite plc and Sindicatum Carbon Capital Ltd, and is a director of Lamprell plc.

GORDON ASHWORTH
CHIEF FINANCIAL OFFICER

Gordon Ashworth was previously Finance Director and Chief Executive Officer of Asite plc, a listed company focused on the construction sector. Prior to this, Gordon was Chief Financial Officer of ERM (UK) and Finance Director of a division of Hill Samuel Bank. Gordon qualified as an accountant in 1989.

FAYSAL HAMZA
NON-EXECUTIVE DIRECTOR

Faysal is currently Executive Director of the Swicorp Joussour Company, a $1 billion private equity vehicle focusing on the Energy Sector. Previously he worked for Arab Petroleum Investment Corporation, Khalid Ali Alturki and Sons Group, Arco International Oil and Gas Company, Saudi International Bank, and Saudi Arabian Oil Company.

Faysal has a BSc in Business Administration from The American University, Washington, and an MBA from Georgetown University.

RT HON BRIAN WILSON
NON-EXECUTIVE DIRECTOR

Brian is a former Labour government minister who stood down at the last election after 18 years in Parliament. Between 1997-2005, he held five ministerial posts, including Minister for Trade and Minister for Energy. Latterly, he acted as the Prime Minister's Special Representative for Overseas Trade and since leaving Parliament, he has continued to take a close interest in the energy sector. He is also a director of Celtic FC.

NIALL DORAN
CHIEF EXECUTIVE OFFICER

Niall started his career in 1992 with Accenture and worked on a series of large projects in banking and financial markets. In 1995 he was appointed the first Chief of Staff to the Managing Partner of Accenture. In 1996 he joined the Energy Practice of Accenture and worked on a series of ground breaking deals with BP in Brussels, Moscow and Houston. In 2000 he was appointed a Partner in Accenture's Energy practice.

In 2003 Niall was recruited to take on the role of turnaround CEO for an Indian company providing services to the Energy Sector. The business was stabilised, returned to profit and sold.

TOM CROSS
NON-EXECUTIVE DIRECTOR

Tom is Chief Executive of Dana Petroleum plc. He is a chartered director and petroleum engineer with 24 years energy sector experience spanning 20 countries. Tom is Chairman of BRINDEX, the Association of British Independent Oil Companies and a Council member of UKOOA, the UK Offshore Operators Association. He chairs AUPEC, a global advisory group on energy policy and economics and has served as Chairman of the Society of Petroleum Engineers and an advisor to BBC Radio on oil and gas affairs.

JOHN LEGGATE
NON-EXECUTIVE DIRECTOR

John Leggate joined BP in 1979 as a chartered engineer. During his time at BP, he managed the combined Southern North Sea (SNS) Gas Asset in the UK before becoming President of AIOC (Azerbaijan International Operating Company). In January 1999, he took on the role of Group Vice President, Information Technology before moving to CIO & Group Vice President Digital & Communications Technology, in 2005. He was also a member of the BP Group Senior Leadership Team.

DIRECTORS' REPORT

The Directors present their annual report and financial statements of the Company and of the Group for the year ended 30 June 2008.

PRINCIPAL ACTIVITY

The Parkmead Group plc is a public limited company, incorporated and domiciled in England and is quoted on AIM. The Group's principal activity carried out both in the United Kingdom and internationally was that of business advisers and investor in energy based companies.

RESULTS AND DIVIDENDS

The Group loss for the year after taxation amounted to £0.7 million (2007: £0.6 million). The Directors do not recommend the payment of a final dividend (2007: £nil).

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The review of the business for the year, future developments and events since the end of year are set out in the Chairman's Statement on pages 2 to 3. The information which fulfils the requirements of the Business Review as set out in the Companies Act is included within this report by way of reference.

During the year the Group continued in its transformation into a specialist investor in energy assets. In line with this strategy the Group invested £8.3 million in energy assets including Transeuro Energy Corporation, PA Resources, RXT and Faroe Petroleum. Additionally the Group divested itself of its non-core trading subsidiary, Quayside Corporate Services Limited. The Group also operates a corporate advisory service which traded satisfactorily during the year.

CHANGE OF COMPANY'S REGISTERED ADDRESS

On 10 August 2007, the Company changed its registered Address to Vigo House, 1-4 Vigo Street, London W1S 3HT.

DIRECTORS AND THEIR INTERESTS

The names and biographical details of the current directors, up to the date of signing these financial statements, are given on page 4. The following Board changes arose during the year or in the period up to the date of this report:

	Appointed
Mr F Hamza	15 August 2008

The following directors have been granted options:

	Date of grant	Options granted	Exercise price
Mr N Doran	22 May 2006 *	33,485,616	£0.08
Mr G Ashworth	12 March 2007 **	600,000	£0.08

* The vesting conditions associated with these options are such that 50% of the options vest at any time if the closing mid market price of the ordinary shares of the Company exceeds £0.18. The remainder of the options vest if, at any time, the closing mid market price exceeds £0.27. The options expire in May 2016.

** The vesting conditions associated with the options are such that 33.3% vest immediately. The remainder of the options vest equally over a two year period from date of grant. There is no other performance criterion.

All options granted above relate to The Parkmead Group plc. No options were exercised or lapsed during the year.

FIXED ASSET INVESTMENTS

Fixed asset investments are stated at cost or valuation and in accordance with the International Private Equity and Venture Capital Valuation Guidelines. Details of changes in fixed asset investments are set out in Note 8 to these financial statements.

FINANCIAL RISK MANAGEMENT POLICIES

Full details of the Group's financial risk management policies are set out in Note 14 to the financial statements on page 27.

CHARITABLE AND POLITICAL DONATIONS

The Group made charitable donations of £700 during the year (2007: £20,100).

CREDITOR PAYMENT POLICY

It is Group policy to agree and communicate clearly the terms of payment as part of the commercial arrangements negotiated with suppliers and then to pay according to these based on the timely receipt of an accurate invoice.

Trade creditor days based on creditors as at 30 June 2008 were 47 days (2007: 56 days) for the Company.

SUBSTANTIAL SHAREHOLDINGS

The Company has been advised of the following substantial shareholdings as at 24 October 2008:

	No. of ordinary shares held	% of ordinary shares
Mr D Mills	63,146,567	17.14%
Schroder Investment Management	60,512,220	16.43%
Mr K Olisa	35,660,076	9.68%
Mr N Doran	33,485,616	9.09%
Artemis Fund Managers	30,306,061	8.23%
Nightwish Investments Ltd	30,300,000	8.23%

DIRECTORS' REPORT
CONTINUED

STATEMENT ON DISCLOSURE OF INFORMATION TO THE AUDITORS

The Directors who were members of the Board at the time of approving the directors' report are listed on page 4. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- each Director has taken all steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

ANNUAL GENERAL MEETING

Your attention is drawn to the Notice of the Annual General Meeting to be held on 3 December 2008 which is set out on page 45 to this Report. Under ordinary business shareholders will be asked to consider:

- approving the annual report and financial statements for the year ended 30 June 2008
- the reappointment of Directors who, in accordance with the articles of association of the Company have retired by rotation
- approving the re appointment of PricewaterhouseCoopers LLP as auditors to the Company

Under special business shareholders will be asked to consider:

- approving provisions whereby the Group is authorised to buy back its shares subject to approved limits
- approving provisions whereby the Group can disapply statutory pre emption rights subject to approved limits.
- authorising the Group to communicate with shareholders by way of a website.

AUDITORS

PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD

Gordon Ashworth
Chief Financial Officer
6 November 2008

CORPORATE GOVERANCE

The Directors present their report together with the financial statements of the Company and its subsidiaries for the year ended 30 June 2008.

THE BOARD

Statement of compliance with the Code of Best Practice and applying the principles of good governance

The Company is committed to high standards of corporate governance throughout the Group. The Parkmead Group plc, as an AIM listed company, is not required to comply with the June 2006 Combined Code on Corporate Governance. However, the Board recognises the importance of sound corporate governance and has ensured that the Company has adopted policies and procedures which reflect such of the Principles of Good Governance and the Code of Best Practice as published by the Committee on Corporate Governance (commonly known as the "Combined Code"), as are appropriate to the Company's size.

Board effectiveness

The Board, which is set up to control the Company and the Group meets formally at least four times a year and in the year under review met on eight occasions. As at the year end the Board was comprised of six Directors - two Executive and four Non-Executive Directors. All four of the Non-Executive Directors, namely the Chairman, Mr. C Goodall, Mr. T Cross, Mr. J Leggate, and Mr. B Wilson are considered by the Board to be independent, not withstanding the fact that they have shares and or share options in the Company.

Each Board member receives the latest financial and management information each month, which consists of:

- management accounts setting out actual costs and revenues against budgeted costs and revenues;
- cash collections and forecasts;
- a statement of income compared with budget;
- balance sheet values including net assets per share;
- internal rate of return on investments; and
- a statement of income pipeline.

The Board reserves to itself a range of key decisions to ensure it retains proper direction and control of the Group, whilst delegating authority to individual Directors who are responsible for the day to day management of the business.

All Directors have access to the advice and services of the Company Secretary and can also seek independent professional advice, if necessary, at the Company's expense.

Board appointments

All appointments to the Board are discussed at a full board meeting and each member is given the opportunity to meet the individual concerned prior to an appointment being made.

Chairman and Chief Executive Officer

The Board has shown its commitment to dividing responsibility for running the Board and the business by appointing Mr. C Goodall as Non-Executive Chairman and Mr. N Doran as Chief Executive Officer.

Re-election of Directors

All Directors are subject to re-election every three years in accordance with the Company's Articles of Association. This year the following directors are due for re-election: Mr. F Hamza, Mr. J Leggate and Mr. B Wilson.

COMMITTEES AND AUDITORS

Committees

The Directors have delegated certain of their responsibilities to various committees, which operate within specific terms of reference and authority limits.

The Audit Committee meets at least twice a year and consists of Mr. C Goodall and Mr. J Leggate. Mr. N Doran and Mr. G Ashworth attend by invitation. In the year ended 30 June 2008 the Audit Committee met twice, both meetings were fully attended.

The duties of the Audit Committee include:

- review of the scope and the results of the audit;
- assessment of the cost effectiveness of the audit;
- monitoring the independence and objectivity of the Auditors;
- review and assessment of current updates of changes in accounting standards and their likely impact on the Group's accounts;
- review and assessment of the internal controls of the Company; and
- assessment of the competencies of the financial human resources available to the Company.

Both Non-Executive Directors on the Audit Committee have recent and relevant financial experience. The Audit Committee advises the Board on the appointment, re-appointment or removal of the external Auditors. It also advises the Board on the remuneration of the external Auditors. The Committee discusses the nature and scope of the audit with the external Auditors and provides a forum for reporting by the Group's external Auditors on any matters it considers appropriate.

It is the task of the Audit Committee to ensure that auditor objectivity and independence is safeguarded when non-audit services are provided by the Auditors. To ensure auditor objectivity and independence there is a process in place to approve any non-audit work at each audit committee meeting.

CORPORATE GOVERANCE CONTINUED

The Remuneration Committee, which consists of Mr. B Wilson and Mr. C Goodall, also meets at least once a year. In the year ended 30 June 2008 the Remuneration Committee met once, the meeting was fully attended.

The Remuneration Committee is responsible for reviewing the level and make-up of the remuneration of Executive Directors.

The Executive Directors meet regularly on an informal basis and deal with decisions that do not require full Board approval. The Directors believe that this process for making business decisions provides sufficient division of responsibility to meet the requirements of the Combined Code.

Shareholder relations

The Company recognises the importance of communicating with current and potential shareholders. It does this through the annual report and financial statements and the interim statement. Additionally, through the Company's website (www.parkmeadgroup.com), the Company makes available announcements relating to progress on investments and industry relationships, which whilst not a regulatory requirement to be disclosed, provide investors with further insight as to progress made by the Company. Directors are available at the Annual General Meeting where shareholders can ask questions or represent their views. Additionally, in accordance with the AIM rules, specifically Rule 26, the Company has disclosed fully all relevant information so as to ensure that it is fully compliant.

The Company maintains a website (www.parkmeadgroup.com) where the Group's statutory accounts can be accessed.

The following information can also be found there:

- copies of regulatory announcements;
- announcements made to relevant industry media;
- Directors' biographies;
- information relating to the Group's services; and
- details of the Group's investments.

All queries raised by shareholders are dealt with by the Chief Finance Officer, Mr. G Ashworth. Otherwise the Directors meet and discuss the performance of the Group with shareholders during the year.

Accountability and audit

The Board believes that the annual report and financial statements play an important part in presenting shareholders with an assessment of the Group's position and prospects, and in particular the Chairman's Statement, which contains a detailed consideration of the Group's financial position and prospects.

REMUNERATION POLICY

The Remuneration Committee is responsible for reviewing the level and make-up of the remuneration of Executive Directors. In doing so the Committee's aims are:

- to ensure that remuneration packages are sufficient to attract and retain Executive Directors of the requisite calibre;
- to ensure that the targets of the Group and its Executive Directors are aligned;
- to ensure that the remuneration policies adopted by the Group give full consideration to the requirements of the Combined Code appended to the Listing Rules of the UK Listing Authority;
- to consider, and if thought fit, grant options to Executive Directors and staff under the Group's Executive Option Scheme; and
- where applicable, to assess targets that should be used in the fixing of performance related pay for Executive Directors. Such bonuses are paid at the discretion of the Remuneration Committee.

Non-Executive Directors

The remuneration of the Non-Executive Directors is determined by the Board within the limits set out in the Articles of Association.

INTERNAL CONTROL

The Board has decided that at this stage in the Group's development the creation of an internal audit function is not warranted. In reaching this decision the Board has had regard to the controls that have been created and implemented across the Group. These are:

- the establishment of a Board with an appropriate balance of Executive and Non-Executive Directors, which has overall responsibility for decision making across the Group;
- the preparation and approval of an annual budget in advance of each financial year and monitoring performance against this at an appropriate level of detail with appropriate timeliness;
- establishing clear lines of reporting, responsibility and delegation throughout the Group and documenting this in a clearly defined organisational chart;
- ensuring that clearly defined control procedures covering expenditure and authority levels are reviewed and implemented on a timely basis. In particular the Group requires that all significant expenditure is authorised prior to ordering by at least one Executive Director and that all financial payments in excess of £2,000 are made under dual signature;
- undertaking a risk assessment of the Group's activities and monitoring the risks identified on a timely basis; and
- annually reviewing the effectiveness of the internal controls that have been carried out.

There is an ongoing process for identifying, evaluating and managing risks faced by the Company. These processes were in place during the year.

CORPORATE SOCIAL RESPONSIBILITY

The Group acquits itself of its commitment to Corporate Social Responsibility though the implementation of policies across the following areas:

- equal opportunities across the Group; and
- health and safety

GOING CONCERN

The Directors, after making appropriate enquires have reasonable expectations that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

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

The Directors are also responsible for ensuring that the annual report includes information required by the AIM Rules.

Legislation in the UK concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report that complies with that law and those regulations.

The maintenance and integrity of the website is the responsibility of the Directors; the work carried out by the Auditors does not involve consideration of these matters and accordingly, the Auditors accept no responsibility for any changes that may have occurred to the information contained in the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE PARKMEAD GROUP PLC

We have audited the Group and parent company financial statements (the "financial statements") of The Parkmead Group plc for the year ended 30 June 2008 which comprise Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the annual report and the 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 financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement that is cross referred from the Business Review section of the Directors' Report.

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

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Statement 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 financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

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

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

OPINION

In our opinion:

- the 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 30 June 2008 and of its loss and cash flows for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 30 June 2008 and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Uxbridge
6 November 2008

CONSOLIDATED AND COMPANY BALANCE SHEET
AS AT 30 JUNE 2008

		GROUP		COMPANY	
	NOTES	2008 £	2007 £	2008 £	2007 £
Assets					
Non current assets					
Property, plant and equipment	6	**230,076**	108,776	**230,076**	108,776
Investment in subsidiary and joint ventures	7	**-**	-	**201,000**	200,000
Available-for-sale financial assets	8	**9,221,833**	1,506,754	**9,221,833**	1,506,754
Trade and other receivables	9	**949,351**	90,554	**949,351**	40,554
Total non-current assets		**10,401,260**	1,706,084	**10,602,260**	1,856,084
Current assets					
Trade and other receivables	9	**1,943,994**	623,338	**1,964,855**	860,478
Other financial assets at fair value through profit or loss	10	**678,577**	-	**678,577**	-
Cash and cash equivalents		**4,243,690**	12,746,208	**4,037,610**	12,572,224
Total current assets		**6,866,261**	13,369,546	**6,681,042**	13,432,702
Non-current assets classified as held for sale	25	**-**	2,491,139	**-**	2,189,229
Total assets		**17,267,521**	17,566,769	**17,283,302**	17,478,015
Liabilities					
Current liabilities					
Current portion of capital lease obligations	11	**(12,521)**	-	**(12,521)**	-
Trade and other payables	12	**(1,008,607)**	(874,968)	**(987,205)**	(871,758)
Provisions	13	**(18,836)**	(370,276)	**(18,836)**	(370,276)
Total current liabilities		**(1,039,964)**	(1,245,244)	**(1,018,562)**	(1,242,034)
Non-current liabilities					
Capital lease obligations	11	**(13,565)**	-	**(13,565)**	-
Total non-current liabilities		**(13,565)**	-	**(13,565)**	-
Liabilities associated with non-current assets held for sale	25	**-**	(324,581)	**-**	-
Total liabilities		**(1,053,529)**	(1,569,825)	**(1,032,127)**	(1,242,034)
Net assets		**16,213,992**	15,996,944	**16,251,175**	16,235,981
Capital and reserves					
Called up share capital	15	**18,417,089**	18,417,089	**18,417,089**	18,417,089
Merger reserve	16	**(952,109)**	(952,109)	**1,454,546**	1,454,546
Other reserve	16	**(1,128,008)**	(1,128,008)	**(1,128,008)**	(1,128,008)
Foreign exchange reserve	16	**159,149**	-	**159,149**	-
Revaluation reserve	16	**966,159**	344,382	**966,159**	344,382
Retained deficit	16	**(1,248,288)**	(684,410)	**(3,617,760)**	(2,852,028)
Equity shareholders' funds		**16,213,992**	15,996,944	**16,251,175**	16,235,981

Approved by the Board on 6 November 2008

Gordon Ashworth
Director

The notes on pages 14 to 44 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT
CONSOLIDATED AND COMPANY STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2008

CONSOLIDATED INCOME STATEMENT

	NOTES	2008 £	2007 £
Revenue	4	**1,283,153**	2,277,871
Other operating income		**12,352**	150,987
Operating expenses		**(2,566,880)**	(7,694,607)
Operating loss	17	**(1,271,375)**	(5,265,749)
Finance income	20	**504,971**	520,369
Finance costs	21	**(803)**	(666)
Profit on sale of investments	22	**303,706**	435,549
Amounts written off investments		**-**	(262,725)
Other gains - net	23	**89,229**	-
Loss before tax		**(374,272)**	(4,573,222)
Taxation	24	**-**	-
Loss after tax- continuing operations		**(374,272)**	(4,573,222)
(Loss)/Profit after tax- discontinued operations	25	**(328,555)**	3,993,696
Loss for the financial year		**(702,827)**	(579,526)
Attributable to:			
Equity shareholders		**(702,827)**	(529,675)
Minority interest		**-**	(49,851)
Loss for the financial year		**(702,827)**	(579,526)
Loss per 5 pence ordinary share (pence)			
Continuing operations- basic and diluted	5	**(0.10)**	(1.23)
Total- basic and diluted	5	**(0.19)**	(0.13)

CONSOLIDATED AND COMPANY STATEMENT OF RECOGNISED INCOME AND EXPENSE

		GROUP		COMPANY	
	NOTES	2008 £	2007 £	2008 £	2007 £
Movement on value of investment in quoted companies	16	**280,007**	-	**280,007**	-
Movement on value of investment in unquoted companies	16	**500,919**	344,382	**500,919**	344,382
Net income recognised directly in equity		**780,926**	344,382	**780,926**	344,382
Loss for the financial year		**(702,827)**	(579,526)	**(904,681)**	(52,264)
Total recognised income/(expense) for the year		**78,099**	(235,144)	**(123,755)**	292,118
Attributable to:					
Equity shareholders		**78,099**	(185,293)	**(123,755)**	292,118
Minority interest		**-**	(49,851)	**-**	-
		78,099	(235,144)	**(123,755)**	292,118

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2008

	NOTES	GROUP 2008 £	GROUP 2007 £	COMPANY 2008 £	COMPANY 2007 £
Cash flows from operating activities					
Continuing activities	27	**(2,020,265)**	(1,009,468)	**(2,040,986)**	(1,128,813)
Discontinued operations	27	**(4,250)**	1,393,575	**-**	-
Interest received		**588,066**	452,676	**576,352**	501,271
Interest paid		**-**	(138,592)	**-**	(666)
Taxation paid		**-**	(791,859)	**-**	-
Net cash used in operating activities		**(1,436,449)**	(93,668)	**(1,464,634)**	(628,208)
Cash flow from investing activities					
Proceeds from sale of subsidiaries		**589,247**	5,506,445	**589,247**	5,332,986
Proceeds from sale of investments		**1,198,466**	2,038,602	**1,198,466**	2,038,602
Debt disposed of with subsidiaries		**-**	(463,092)	**-**	-
Cash disposed of with subsidiaries		**(15,685)**	67,870	**-**	-
Acquisition of investments		**(8,727,996)**	-	**(8,727,996)**	-
Acquisition of property, plant and equipment		**(193,273)**	(113,104)	**(193,273)**	(107,450)
Proceeds from sale of property, plant and equipment		**13,529**	423	**6,529**	423
Net cash (used in)/generated by investing activities		**(7,135,712)**	7,037,144	**(7,127,027)**	7,264,561
Cash flow from financing activities					
Income from debt and lease financing		**37,564**	-	**37,564**	-
Finance lease principal payments		**(11,478)**	(184,676)	**(11,478)**	-
Net cash generated by/(used in) financing activities		**26,086**	(184,676)	**26,086**	-
Net (decrease)/increase in cash and cash equivalents		**(8,546,075)**	6,758,800	**(8,565,575)**	6,636,353
Cash and cash equivalents at beginning of year		**12,758,804**	6,000,004	**12,572,224**	5,935,871
Effect of exchange rate fluctuations		**30,961**	-	**30,961**	-
Cash and cash equivalents at end of year		**4,243,690**	12,758,804	**4,037,610**	12,572,224

The above table includes information relating to discontinued operations, see Note 27 c).

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2008

1. CHANGES IN ACCOUNTING POLICIES

This is the first year that The Parkmead Group plc has prepared financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) for both the consolidated and Parent Company financial statements. Prior to the adoption of IFRS the financial statements had been prepared in accordance with UK GAAP. UK GAAP differs in certain respects from IFRS and certain accounting and valuation methods have been adjusted, when preparing these financial statements, to comply with IFRS. The comparative amounts in respect of 2007 have been restated to reflect these adjustments as the transition date is 1 July 2006.

IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets out the requirements for companies preparing financial statements under IFRS for the first time and, in general, requires the accounting policies to be applied retrospectively with certain mandatory exceptions and exemptions.

A description of the effect of the transition from UK GAAP to IFRS together with reconciliations between the financial information previously prepared under UK GAAP and the IFRS equivalents for the Group is set out in Note 30.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial information presented in this statement has been prepared in accordance with IFRSs as adopted by the EU, IFRIC interpretations and the Companies Act 1985 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and available for-sale financial assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The resulting accounting estimates may not equate with the actual results which will only be known in time. Those areas believed to be key areas of estimation are noted below:

- Estimates of fair values of share based payments, warrants and unquoted investments. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Directors consider shares traded in an active market to be traded daily on a recognised stock exchange. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the time the transaction is recognised and at each balance sheet date.

(a) Standards, amendments and interpretations effective in 2007

IFRS 7, 'Financial instruments - Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group or Company's financial instruments, or the disclosures relating to taxation and trade and other payables.

IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the Group or Company's financial statements. The Company already applies an accounting policy which complies with the requirements of IFRIC 8.

IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard did not have any impact on the Group or Company's financial statements.

(b) Standards, amendments and interpretations early adopted by the Group and Company

No standards, amendments or interpretations have been early adopted by the Group and Company

(c) Standards, amendments and interpretations effective in 2007 but not relevant

The following standards amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group or Company's operations:

IFRS 4, 'Insurance contracts';

IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies;

IFRIC 9, 'Re-assessment of embedded derivatives'. None of the assets and liabilities from previous years contained embedded derivatives; and,

IFRIC 11, 'IFRS 2 – Group and treasury share transactions'.

(d) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group or Company

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group and Company have not early adopted them:

IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 July 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will not change. As the financial report contains both the Group consolidated and Parent Company financial statements prepared under IFRS, the Company will not be required to present segment information.

(e) Interpretations to existing standards that are not yet effective and not relevant to the Group and Company's operations.

The following interpretations to existing standards have been published and are mandatory for the Group and Company's accounting periods beginning on or after 1 January 2008 or later periods, but are not relevant for the Group's operations:

IFRS 2 (Amendment), 'Share-based payment', effective for annual period beginning on or after 1 January 2009. The amendment to the standard limits vesting conditions to service conditions and performance conditions. The amendment also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment, namely, acceleration of the expense based on the grant date fair value. No significant impact on the consolidated financial statements is expected. The amendment to the standard is still subject to endorsement by the European Union.

IFRS 3 (Revised), 'Business combinations', must be applied prospectively by the Group from 1 July 2009. The revised standard requires that all acquisition-related costs are to be expensed to the income statement in the period incurred. Furthermore, purchase accounting only applies at the point when control is achieved. This has a number of implications:

- where the acquirer has a pre-existing equity interest in the entity acquired and increases its equity interest such that it achieves control, it must remeasure its previously held equity interest to fair value as at the date of obtaining control and recognise any resulting gain or loss in the income statement.
- once control is achieved all other increases and decreases in ownership interest are treated as transactions among equity holders and reported directly within equity Goodwill is not remeasured or adjusted.

The revised standard is still subject to endorsement by the European Union.

IAS 1 (revised 2007), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. No significant impact on the consolidated financial statements is expected, except for additional disclosure.

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment to the standard is still subject to endorsement by the European Union. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply IAS 23 (Amended) from 1 July 2009, subject to endorsement by the EU but it is currently not applicable to the Group or Company as there are no qualifying assets.

IFRIC 14, 'IAS 19- The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply IFRIC 14 from 1 January 2008, but it is not expected to have any impact on the Group or Company's accounts because the Group does not operate any defined benefit pension schemes.

IFRIC 12, 'Service concession arrangements' (effective for annual periods beginning on or after 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Group or Company's operations because none of the Group's companies provide public sector services.

IFRIC 13, 'Customer loyalty programmes' (effective for annual periods beginning on or after 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Group or Company's operations because none of the Group's companies operate loyalty programmes.

3. ACCOUNTING POLICIES

a. Basis of Consolidation

i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

ii) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

b. Interest in Joint Ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, in that strategic financial and operating decisions require the unanimous consent of the parties.

The Group's interest in joint ventures is accounted for using the proportionate consolidation method, whereby the Group's share of the results and assets and liabilities of a jointly-controlled entity is combined line by line with similar items in the Group's consolidated financial statements.

c. Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

d. Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

e. Depreciation

Tangible fixed assets are stated at historic purchase cost less depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets on a straight line basis to write each asset down to its estimated residual value over its expected useful life, as follows:

Short leasehold improvements	5 years
Fixtures, fittings and computer equipment	3 – 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

f. Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non current assets. The Group's loans and receivables comprise 'trade and other receivables' (Note 9) and cash and cash equivalents in the balance sheet.

iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category and dividend income from financial assets at fair value through profit or loss are presented in the income statement within 'other gains/(losses) - net' in the period in which they arise.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of finance income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of 'other gains/(losses) - net' when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a Group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement but through equity. Impairment testing of trade receivables is described in Note 9.

g. Derivative financial instruments

Derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement except where derivatives qualify for cash flow hedge accounting.

Embedded derivatives: A derivative may be embedded in another financial instrument known as the host contract. Where the economic characteristics and risks of an embedded derivative are not closely related to those of the host contract the embedded derivative is separated from the host and held on the balance sheet at fair value. Movements in fair value are posted to the income statement whilst the host contract is accounted for according to the policy for that class of financial instrument.

h. Assets held for sale

Groups of assets are reclassified as held for sale when a sale within one year is highly probable and the assets are available for immediate sale in their present condition. Property, plant and equipment and intangible assets held for sale are remeasured at the lower of fair value less cost to sell or the carrying amounts at the date they meet the held for sale criteria. Any resulting impairment loss is recognised in the income statement.

i. Cash and cash equivalents

Cash and cash equivalents for the purposes of the cash flow statement includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

j. Foreign currency

i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in pounds sterling, which is the Company's functional and presentation currency.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available for-sale reserve in equity.

k. Leasing and Hire purchase agreements

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 Group, are capitalised in the balance sheet and are depreciated over their useful lives. A liability is also created in the balance sheet.

The interest element of the rental obligations is charged to the income statement over the period of the lease and represents a constant rate of charge on the remaining capital repayments.

Rentals payable and receivable under operating leases are charged or credited to the income statement on a straight line basis over the lease term.

l. Deferred taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

m. **Pensions**
The Company contributes 3% of employees' gross salary into personal pension funds of their choice. The cost of providing pension contributions for employees is charged to the income statement as accrued.

n. **Share capital**
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

o. **Revenue recognition**
Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax and after eliminating sales within the Group.

The Group and the Company recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

p. **Segment reporting**
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

q. **Trade receivables**
Trade receivables are initially stated at fair value and subsequently accreted for interest and adjusted for any provisions for impairment. Trade receivables are assessed individually for impairment. Movements in the provision for doubtful trade receivables are recorded in the income statement in operating expenses.

r. **Trade payables**
Trade payables are initially recognised at fair value and subsequently at amortised cost.

s. **Provisions**
Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

t. **Share based payments**
Incentives in the form of shares are provided to employees under an unapproved share option scheme and an Inland Revenue approved EMI scheme and through other discretionary share based awards. The Group measures the fair value of any share based awards issued by the Group to employees at the date of grant. The fair value at the date of grant is expensed over the vesting period, except where market based conditions make it more appropriate to recognise the costs over the expected vesting period of the options. All share based awards are settled in equity and accordingly the share based payment is credited directly to equity.

The requirements of IFRS 2 apply to all grants of share options made after 7 November 2002 which had not vested on or before 30 June 2005.

Where the share based payment has taken the form of a loan from the Employee Benefit Trust, a charge based on the fair value of the anticipated benefit is determined on a consistent basis with the other share based awards. The charge is recognised in the income statement and any difference between the charge and the loan is debited to other reserves.

u. **Employee Benefit Trust**
The Company has provided loan finance to an Employee Benefit Trust ("EBT") such that it can purchase shares in the Group. Assets and liabilities of the EBT are included in the Group balance sheet. The costs of running the EBT are charged to the income statement.

v. **Employers taxes on share options**
Employer's national insurance in the UK is payable on the exercise of certain share options. Provision is calculated on the fair value of the share options at the balance sheet date, pro-rated over the vesting period of the options.

4. SEGMENTAL ANALYSIS

The Directors believe that the Group has only one reportable business segment, which is investment and advisory, and one geographical segment. Discontinued operations are discussed in Note 25.

5. LOSS PER SHARE

Loss per share attributable to equity holders of the Company arise from continuing and discontinued operations as follows:

	2008	2007
Loss per 5p ordinary share from continuing operations (pence)		
– basic	**(0.10p)**	(1.23p)
– diluted	**(0.10p)**	(1.23p)
(Loss)/Profit per 5p ordinary share from discontinued operations (pence)		
– basic	**(0.09p)**	1.10p
– diluted	**(0.09p)**	1.10p
Loss per 5p ordinary share from total operations (pence)		
– basic	**(0.19p)**	(0.13p)
– diluted	**(0.19p)**	(0.13p)

The calculations were based on the following information.

	2008	2007
(Loss)/Profit attributable to ordinary shareholders (£)		
- continuing operations	**(374,272)**	(4,573,222)
- discontinued operations	**(328,555)**	4,043,547
- total	**(702,827)**	(529,675)
Weighted average number of shares in issue		
- basic	**368,341,780**	368,341,780
- diluted	**368,341,780**	368,341,780

Earnings per share is calculated by dividing the (loss)/profit for the year, adjusted for minority interest, by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share

Earnings per share requires presentation of diluted loss per share when a company could be called upon to issue shares that would decrease net profit or increase net loss per share. For a loss making company with outstanding share options, net loss per share would only be decreased by the exercise of out-of-the-money share options. No adjustment has been made to diluted loss per share for out-of-the-money share options and there are no other diluting future share issues.

6. PROPERTY, PLANT AND EQUIPMENT

GROUP AND COMPANY	Short leasehold improvements	Fixtures, fittings and computer equipment	Total
	£	£	£
Cost			
At 1 July 2007	84,476	51,580	136,056
Additions	96,635	98,073	194,708
Disposals	-	(6,687)	(6,687)
At 30 June 2008	**181,111**	**142,966**	**324,077**
Depreciation			
At 1 July 2007	-	27,280	27,280
Charged in the year	35,835	34,278	70,113
Eliminated on disposal	-	(3,392)	(3,392)
At 30 June 2008	**35,835**	**58,166**	**94,001**
Net book value			
At 30 June 2008	**145,276**	**84,800**	**230,076**
At 30 June 2007	84,476	24,300	108,776

Fixed assets with a carrying value of £26,086 (2007: £nil) were secured against a capital lease (Note 11).

The comparable tables for 2007 are detailed below:

GROUP	Short leasehold improvements	Fixtures, fittings and computer equipment	Total
	£	£	£
Cost			
At 1 July 2006	136,129	439,368	575,497
Additions	84,476	22,975	107,451
Reclassified as asset held for sale	-	(39,855)	(39,855)
Disposals	(136,129)	(370,908)	(507,037)
At 30 June 2007	84,476	51,580	136,056
Depreciation			
At 1 July 2006	94,504	382,783	477,287
Charged in the year	4,501	8,290	12,791
Reclassified as asset held for sale	-	(8,499)	(8,499)
Impairment charge	37,124	15,614	52,738
Eliminated on disposal	(136,129)	(370,908)	(507,037)
At 30 June 2007	-	27,280	27,280
Net book value			
At 30 June 2007	84,476	24,300	108,776
At 30 June 2006	41,625	56,585	98,210

6. PROPERTY, PLANT AND EQUIPMENT continued

COMPANY	Short leasehold improvements	Fixtures, fittings and computer equipment	Total
	£	£	£
Cost			
At 1 July 2006	136,129	399,513	535,642
Additions	84,476	22,975	107,451
Disposals	(136,129)	(370,908)	(507,037)
At 30 June 2007	84,476	51,580	136,056
Depreciation			
At 1 July 2006	94,504	374,284	468,788
Charged in the year	4,501	8,290	12,791
Impairment charge	37,124	15,614	52,738
Eliminated on disposal	(136,129)	(370,908)	(507,037)
At 30 June 2007	-	27,280	27,280
Net book value			
At 30 June 2007	84,476	24,300	108,776
At 30 June 2006	41,625	25,229	66,854

7. INVESTMENT IN SUBSIDIARIES AND JOINT VENTURES

COMPANY	Subsidiary and joint venture undertakings
	£
Cost or valuation	
At 1 July 2007	200,000
Additions	1,000
At 30 June 2008	**201,000**

The comparable table for 2007 is detailed below:

COMPANY	Subsidiary and joint venture undertakings
	£
Cost or valuation	
At 1 July 2006	6,223,965
Additions	50,000
Impairment	(3,884,736)
Reclassified as asset held for sale	(2,189,229)
At 30 June 2007	200,000

7. INVESTMENT IN SUBSIDIARIES AND JOINT VENTURES continued

The interests in Group undertakings of the Company are listed below:

Name of Undertaking	Class of Holding	Interest in Subsidiary	Nature of Business
Registered in England and Wales			
Corduene Investments Limited	Ordinary	100%	Dormant
Parkmead Employee Benefit Trust Limited	Ordinary	100%	Trustee
Parkmead Investment Subsidiary Limited	Ordinary	100%	Dormant
Parkmead Energy Investment Managers Limited	Ordinary	100%	Dormant
Radius Energy Limited	Ordinary	50%	Business advisors
Registered in Guernsey			
Parkmead Special Situations Energy Fund Limited	Ordinary	100%	Dormant
Parkmead Special Situations Energy (General Partner) Limited	Ordinary	100%	Dormant
Parkmead Special Situations Energy L.P.	Ordinary	100%	Dormant
SSE (Guernsey) Limited	Ordinary	100%	Dormant

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

GROUP AND COMPANY	2008 £	2007 £
Cost or valuation		
At 1 July	**1,506,754**	3,014,365
Additions	**8,113,858**	-
Disposals	**(1,179,705)**	(1,593,729)
Impairment	**-**	(258,264)
Reversal of prior years impairment transferred to equity	**780,926**	344,382
At 30 June	**9,221,833**	**1,506,754**

At 30 June 2007 the Group decided that due to capital restructuring and poor trading performance the investment in Red-M Services Limited had become impaired. A provision for impairment was made for £258,264, reducing the carrying value of the Group's holding to £nil.

Available-for-sale financial assets comprise the following:

	2008 £	2007 £
Listed securities		
- Equity securities – UK	**5,253,703**	-
- Equity securities – Europe	**1,683,339**	-
Unlisted securities		
- Equity securities – UK	**2,284,791**	1,506,754
	9,221,833	1,506,754

Available-for-sale financial assets are denominated in the following currencies:

	2008 £	2007 £
Pound	**7,538,494**	1,506,754
Other currencies	**1,683,339**	-
	9,221,833	1,506,754

The fair values of the unlisted securities are based on the Directors' assessment of their valuation.

9. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2008	2007	2008	2007
	£	£	£	£
Non-current assets				
Other receivables	**876,087**	-	**876,087**	-
Loans	**73,264**	90,554	**73,264**	40,554
	949,351	90,554	**949,351**	40,554
Current assets				
Trade receivables	**1,215,849**	306,525	**1,215,849**	306,525
Less: provision for impairment of trade receivables	**-**	(151,075)	**-**	(151,075)
Trade receivables – net	**1,215,849**	155,450	**1,215,849**	155,450
Receivables due from joint ventures	**29,120**	-	**58,241**	-
Receivables due from Group undertakings	**-**	-	**-**	240,000
Other receivables	**565,520**	151,627	**562,923**	151,627
Prepayments and accrued income	**133,505**	316,261	**127,842**	313,401
	1,943,994	623,338	**1,964,855**	860,478

The £876,087 included in non-current assets represents the fair value of an outstanding balance from Mr. D Mills in relation to the disposal of Quayside Corporate Services Limited. The receivable is dependent on the disposal of up to 25,267,779 shares by Mr. D Mills at a price between 5p and 8p before 8 November 2012. At the date of disposal the receivable was recorded at a fair value of £843,010 (Note 25). The discount rate applied to this loan is 6.16%.

The £73,264 included in non-current assets relates to loans of £28,264 to Transeuro Energy Corporation and £45,000 (2007: £40,554) to Red-M Limited.

The £45,000 (2007: £40,554) loan due from Red-M Limited was initially recognised at fair value and subsequently held at amortised cost. The fair value approximates to the book value.

The £28,264 loan due from Transeuro Energy Corporation represents a debenture of CA$1,250,000 (£620,500) at 12% per annum interest after separately accounting for conversion rights and warrants as disclosed below. The loan is due for repayment in December 2009. In return for providing the facility, the Group, in addition to receiving interest, has been granted the right to convert the loan and interest into shares from December 2008 at CA$0.25 per share, the Group also received 5,000,000 warrants at CA$0.25 per share. Under IFRS the convertibility of the loan and the share options have been valued and the Board has elected to classify these as fair-value assets through the profit and loss. The effective interest rate on the loan is 857% per annum.

Included in current asset other receivables is a loan balance of £280,000, which is carried at a fair value of £277,629, to Mr. K Olisa in relation to the disposal of Metapraxis Limited. Under the agreement £200,000 was paid July 2008, and the balance is due to be paid by 31 December 2008.

Trade receivables that are less than three months past due are not considered impaired. As of 30 June 2008, trade receivables of £12,455 (2007: £36,294) were three months past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2008	2007
	£	£
3 to 6 months	**2,990**	23,500
Over 6 months	**9,465**	12,794
	12,455	36,294

9. TRADE AND OTHER RECEIVABLES continued

As at 30 June 2008, trade receivables of £nil (2007: £177,514) were impaired and provided for. The amount of the provision was £nil (2007: £151,075). The individually impaired receivables relate to customers who are in difficult economic situations. The ageing of these receivables is as follows:

	2008 £	2007 £
Less than 3 months	-	77,355
3 to 6 months	-	60,941
Over 6 months	-	39,218
	-	177,514

The carrying amounts of the Group's trade and other receivables (current and non-current) are denominated in the following currencies:

	GROUP		COMPANY	
	2008 £	2007 £	2008 £	2007 £
Pound	**2,865,081**	713,892	**2,885,942**	901,032
Other currencies	**28,264**	-	**28,264**	-
	2,893,345	713,892	**2,914,206**	901,032

Movements on the Group and Company provision for impairment of trade receivables are as follows:

	2008 £	2007 £
At 1 July	**151,075**	100,541
Provision for receivables impairment	-	151,075
Receivables written off during the year as uncollectable	**(151,075)**	(100,541)
At 30 June	-	151,075

10. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2008 £	2007 £
Unlisted securities – held for trading		
- Equity securities (warrants and option to convert loan) - Canada	**678,577**	-
	678,577	-

Other financial assets at fair value through profit and loss are presented within 'operating activities' as part of changes in working capital in the cash flow statement (Note 27).

Changes in fair values of other financial assets at fair value through profit or loss are recorded in 'other gains/(losses) – net' in the income statement (Note 23).

During the year the Group acquired warrants and an option to convert in relation to a loan made to Transeuro Energy Corporation (Note 9). The fair value of these unlisted assets is calculated using the Black-Scholes-Merton model with reference to the listed share price of Transeuro Energy Corporation. The inputs into the model and resulting fair values were as follows:

	Share price (CA$)	Exercise price (CA$)	Volatility	Expected life	Expected dividend yield	Risk free rate	Fair value (CA$)
30 June 2008	0.39	0.25	121%	1.5 years	0%	4.65%	0.27

The conversion of the loan was given a 10% chance of occurring.

11. CAPITAL LEASE OBLIGATIONS

	GROUP		COMPANY	
	2008	2007	2008	2007
	£	£	£	£
Non-current liabilities				
Capital lease obligations	13,565	-	13,565	-
	13,565	-	13,565	-
Current liabilities				
Capital lease obligations	12,521	-	12,521	-
	12,521	-	12,521	-

During the year the Company took out a hire purchase lease to acquire fixed assets. The lease has an interest rate of 0% and the loan is secured on the fixed assets.

12. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2008	2007	2008	2007
	£	£	£	£
Current assets				
Trade creditors	**241,478**	191,446	**219,576**	188,236
Amounts due to joint ventures	**-**	50,000	**-**	50,000
Other taxes and social security costs	**54,067**	49,446	**54,067**	49,446
Other creditors	**-**	14,320	**-**	14,320
Accruals and deferred income	**713,062**	569,756	**713,562**	569,756
	1,008,607	874,968	**987,205**	871,758

13. PROVISION FOR LIABILITIES AND CHARGES

GROUP AND COMPANY	Employers taxes on options	Onerous lease	Dilapidations	Total
		£	£	£
At 1 July 2007	26,478	94,966	248,832	370,276
Utilisation	-	(62,202)	(90,000)	(152,202)
Release of provision	(7,642)	(32,764)	(158,832)	(199,238)
At 30 June 2008	**18,836**	**-**	**-**	**18,836**

The comparable tables for 2007 are detailed below:

GROUP	Employers Taxes On Options	Onerous Lease	Dilapidations	Deferred Tax	Total
		£	£	£	£
At 1 July 2006	20,662	-	100,000	8,816	129,478
On disposal of subsidiary	-	-	-	(8,816)	(8,816)
Charge to the income statement	5,816	94,966	148,832	-	249,614
At 30 June 2007	26,478	94,966	248,832	-	370,276

COMPANY	Employers taxes on options	Onerous lease	Dilapidations	Total
		£	£	£
At 1 July 2006	20,662	-	100,000	120,662
Charge to the income statement	5,816	94,966	148,832	249,614
At 30 June 2007	26,478	94,966	248,832	370,276

14. FINANCIAL INSTRUMENTS

(a) Policies and Risks

i) Financial Instruments

The Group's financial instruments comprise long term loans and equity related investments held within the portfolio, cash and liquid resources, and various items such as trade debtors and trade creditors that arise directly from its operations. The main reason for holding the equity investments and long term loans is to achieve capital growth in their value and subsequently dispose of them realising a profit. The principle risk arising from the Group's financial instruments is market price risk and the underlying performance of the portfolio companies being able to service their indebtedness to the Company.

ii) Financial Risk Management

The Group's operations expose it to a variety of financial risks that include market price risk, credit risk, interest rate risk and liquidity risk. The Group's treasury policy which is determined by the Board of Directors governs the management of financial risks within the Group. In accordance with the treasury policy, the Group actively monitors and manages its financial risk exposures. The policy permits the use of financial instruments such as derivatives, where appropriate, however, derivatives are only used as hedging instruments against specific risks and are not used speculatively.

Following the recent adverse conditions encountered in the financial markets the Group decided to mitigate its market risk by splitting its cash deposits, excluding current account, between two separate banks.

Bank	Deposit	Rating (Standard and Poor's)
Lloyds TSB Bank	£580,000	AA
Anglo Irish Bank	£3,100,000	A-

Since the year end the Group has further diversified its deposit base and now holds deposits at three banks. The Group will continue to monitor this position.

iii) Market Price Risk

The Group regularly monitors its investment portfolio and manages disposals to meet overall business requirements as they arise.

iv) Interest Rate Risk

Cash and cash equivalents (which are presented as a single class of asset on the balance sheet) comprise cash at bank and other short-term deposits and liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of change in value.

	2008 £	2007 £
Fixed rate financial assets < 1 year	**3,680,000**	12,670,000
Floating rate financial assets < 1 year	**563,690**	76,208
	4,243,690	12,746,208

At 30 June 2008, short-term deposits were earning interest at a weighted average fixed deposit rate of 5.52% (2007: 5.54% Cash at bank earns interest at floating rates based on a discount to GBP Base Rate.

v) Credit Risk

The Group's credit risk is primarily attributable to its trade receivables. Other than large corporate clients where credit risk is assumed to be low, client credit risk is managed by the use of credit scoring services and cash management procedures.

vi) Capital Risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or take on debt facilities.

vii) Currency Risk

The Group is exposed to foreign currency risk on investments in available for sale assets, loans receivable and assets held at fair value through profit and loss. The currencies giving rise to the risk are Canadian Dollars and Norwegian Krone.

14. FINANCIAL INSTRUMENTS continued

The table below shows the extent to which Group companies have monetary assets at 30 June 2008 in currencies other than their functional currency. Foreign exchange differences on retranslation of available for sale assets are taken to equity while retranslation of loans receivable are taken to the income statement.

	Net foreign currency monetary assets		
	Canadian Dollars	Norwegian Krone	Total
	£	£	£
Functional currency of Group operation			
Sterling	706,841	1,683,339	2,390,180

At 30 June 2007 the Group had no foreign currency exposure.

(b) Fair Values of Financial Assets and Liabilities

The following is a comparison by category of the carrying amounts and fair values of the Group's financial assets and liabilities at 30 June 2008. Set out below the table is a summary of the methods and assumptions used for each category of instrument.

	2008		2007	
	Book value	Fair value	Book value	Fair value
	£	£	£	£
Cash and cash equivalents	**4,243,690**	**4,243,690**	12,746,208	12,746,208
Other non-derivative financial liabilities	**(267,564)**	**(267,564)**	(191,446)	(191,446)
Other non-derivative financial assets	**12,343,239**	**12,935,475**	1,702,758	1,702,758
	16,319,365	**16,911,601**	14,257,520	14,257.520

i) **Cash**

The fair value approximates to the carrying value because of the short maturity of these instruments.

ii) **Other non-derivative financial liabilities**

The fair value approximates to the carrying value because the majority are associated with variable-rate interest payments that are re-aligned to market rates at intervals of less than one year.

iii) **Other non-derivative financial assets**

The fair values are less than the carrying values as a significant proportion of the assets are not linked to a variable interest rate. The assets are sensitive to credit risk, in case of default, and to interest rates.

(c) Equity price risks

The Group is exposed to equity price risk in respect of its available-for-sale investments which are in equity securities. These investments are held for strategic rather than trading purposes.

i) **Equity price sensitivity analysis**

a. **Listed investments**

A 5% change represents management's estimate of a reasonably possible change in equity prices at the balance sheet date. The following table demonstrates the sensitivity to equity prices, with all other variables held constant, on the Group's profit before tax and Group's equity.

	Increase or decrease of 5% in equity prices	
	2008	2007
	£	£
Effect on Profit before tax	-	-
Effect on equity	**346,852**	-

b. **Unlisted investments**

A 5% change represents management's estimate of a reasonably possible change in equity prices at the balance sheet date. The following table demonstrates the sensitivity to equity prices, with all other variables held constant, on the Group's profit before tax and Group's equity.

14. FINANCIAL INSTRUMENTS continued

	Increase or decrease of 5% in equity price 2008 £	2007 £
Effect on Profit before tax	**-**	-
Effect on equity	**116,490**	77,365

ii) Currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rate, with all other variables held constant, on the Group's profit before tax and Group's equity.

	Increase or decrease of 5% in exchange rate against Sterling		
	Canadian Dollars £	Norwegian Krone £	Total £
2008			
Effect on Profit before tax	**35,342**	**-**	**35,342**
Effect on equity	**35,342**	**84,167**	**119,509**
2007			
Effect on Profit before tax	-	-	-
Effect on equity	-	-	-

15. SHARE CAPITAL

	Authorised	
	2008 £	2007 £
Ordinary shares of £0.05 each	**450,000,000**	450,000,000
	£	£
Ordinary shares of £0.05 each	**22,500,000**	22,500,000
	Allotted, Called Up and Paid Up	
	2008 No.	2007 No.
Ordinary shares of £0.05 each	**368,341,780**	368,341,780
	£	£
Ordinary shares of £0.05 each	**18,471,089**	18,471,089

Share Options

Share options are granted from time to time at the discretion of the remuneration committee. All employees are eligible to receive share options. At 30 June 2008, 4 employees (2007: 4) held share options.

The movement in share awards during the year ended 30 June 2008 is as follows:

	2008		2007	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 July	**54,375,472**	**£0.0691**	54,933,472	£0.0687
Granted	**550,000**	**£0.0800**	600,000	£0.0800
Forfeited	**(250,000)**	**£0.0538**	(1,158000)	£ 0.0538
Outstanding at 30 June	**54,675,472**	**£0.0693**	54,375,472	£0.0691
Exercisable at 30 June	**20,623,189**	**£0.0516**	19,406,523	£0.0512

15. SHARE CAPITAL continued

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date	Exercise price	2008	2007
25 February 2010	5.00 pence	**1,187,500**	1,187,500
13 March 2010	5.00 pence	**2,694,048**	2,694,048
8 April 2013	5.00 pence	**9,884,051**	9,884,051
8 April 2013	5.38 pence	**1,666,667**	1,666,667
24 July 2013	5.38 pence	**1,799,256**	1,799,256
27 April 2014	5.00 pence	**250,000**	250,000
20 December 2014	5.38 pence	**483,334**	733,334
25 February 2015	5.75 pence	**25,000**	25,000
1 April 2015	6.75 pence	**50,000**	50,000
12 December 2015	5.00 pence	**2,000,000**	2,000,000
30 April 2016	8.00 pence	**33,485,616**	33,485,616
12 March 2017	8.00 pence	**600,000**	600,000
13 December 2017	8.00 pence	**550,000**	-
		54,675,472	54,375,472

The fair value of the share options granted has been calculated using the Black-Scholes-Merton model. The inputs into the model and resulting fair values were as follows:

	Share price	Exercise price	Volatility	Vesting Period	Expected life	Expected dividend yield	Risk free rate	Fair Value
Feb 2000	N/A	£0.0500	N/A	0 years	10 years	N/A	N/A	N/A
Mar 2000	N/A	£0.0500	N/A	0 years	10 years	N/A	N/A	N/A
Apr 2003	£0.0308	£0.0500	107%	3 years	10 years	0%	4.41%	£0.0279
Jul 2003	£0.0473	£0.0538	113%	5 years	10 years	0%	4.43%	£0.0444
Apr 2004	N/A	£0.0500	N/A	0 years	10 years	N/A	N/A	N/A
Dec 2004	£0.0491	£0.0538	94%	3 years	10 years	0%	4.53%	£0.0435
Feb 2005	£0.0736	£0.0575	92%	1 year	10 years	0%	4.61%	£0.0662
Apr 2005	N/A	£0.0675	N/A	0 years	10 years	N/A	N/A	N/A
Dec 2005	£0.0616	£0.0500	84%	0 years	10 years	0%	4.22%	£0.0534
May 2006*	£0.0698	£0.0800	81%	0 years	10 years	0%	4.63%	£0.0464
May 2006**	£0.0698	£0.0800	81%	0 years	10 years	0%	4.63%	£0.0290
Mar 2007	£0.0632	£0.0800	75%	3 years	10 years	0%	4.83%	£0.0501
Dec 2007	£0.0545	£0.0800	71%	3 years	10 years	0%	4.65%	£0.0375

* Half of the May 2006 options had a market based condition that the share price must reach 18 pence; this was given a success rating of 80%. The cost has been spread over the life of the options.

** Half of the May 2006 options had a market based condition that the share price must reach 27 pence; this was given a success rating of 50%. The cost has been spread over the life of the options.

Options issued in February 2000, March 2000, April 2004 and April 2005 did not meet the requirements to be included under IFRS, so a fair value figure has not been calculated.

Volatility was calculated from an average of the Group's shares monthly volatility from March 2000.

Additionally, shares were allotted during 2006 which were funded by a loan from the Employee Benefit Trust. The loan is secured over the shares and the individual is protected from downside risk should the shares be sold for a value less than the value of the loan. In accordance with IFRS 2, this benefit constitutes a share based payment and a charge has been recognised accordingly. The assumptions used are consistent with the May 2006 options above and a binomial model has been used to value this benefit.

16. STATEMENT OF CHANGES IN EQUITY

GROUP	Attributable to equity holders of the parent							Minority interest	Total equity
	Share capital	Merger reserve	Other reserve	Foreign exchange reserve	Revaluation reserve	Retained earnings	Total		
	£	£	£	£	£	£	£	£	£
At 1 July 2006	18,417,089	(952,109)	(1,128,008)	-	-	(263,711)	16,073,261	337,231	16,410,492
Retained loss for the period	-	-	-	-	-	(529,675)	(529,675)	(49,851)	(579,526)
Revaluation of available-for-sale investments	-	-	-	-	344,382	-	344,382	-	344,382
Total recognised income and expense for the period	-	-	-	-	344,382	(529,675)	(185,293)	(49,851)	(235,144)
Share-based payments	-	-	-	-	-	108,976	108,976	-	108,976
Disposal of subsidiary	-	-	-	-	-	-	-	(287,380)	(287,380)
At 30 June 2007	18,417,089	(952,109)	(1,128,008)	-	344,382	(684,410)	15,996,944	-	15,996,944
Retained loss for the period	-	-	-	-	-	(702,827)	(702,827)	-	(702,827)
Revaluation of available-for-sale investments	-	-	-	159,149	621,777	-	780,926	-	780,926
Total recognised income and expense for the period	-	-	-	159,149	621,777	(702,827)	78,099	-	78,099
Share-based payments	-	-	-	-	-	138,949	138,949	-	138,949
At 30 June 2008	**18,417,089**	**(952,109)**	**(1,128,008)**	**159,149**	**966,159**	**(1,248,288)**	**16,213,992**	**-**	**16,213,992**

16. STATEMENT OF CHANGES IN EQUITY continued

COMPANY	Share capital	Merger reserve	Other reserve	Foreign exchange	Revaluation reserve	Retained earnings reserve	Total
	£	£	£	£	£	£	£
At 1 July 2006	18,417,089	1,454,546	(1,128,008)	-	-	(2,908,740)	15,834,887
Retained loss for the period	-	-	-	-	-	(52,264)	(52,264)
Revaluation of available-for-sale investments	-	-	-	-	344,382	-	344,382
Total recognised income and expense for the period	-	-	-	-	344,382	(52,264)	292,118
Share-based payments		-	-	-	-	108,976	108,976
At 30 June 2007	18,417,089	1,454,546	(1,128,008)	-	344,382	(2,852,028)	16,235,981
Retained loss for the period	-	-	-	-	-	(904,681)	(904,681)
Revaluation of available-for-sale investments	-	-	-	159,149	621,777	-	780,926
Total recognised income and expense for the period	-	-	-	159,149	621,777	(904,681)	(123,755)
Share-based payments	-	-	-	-	-	138,949	138,949
At 30 June 2008	**18,417,089**	**1,454,546**	**(1,128,008)**	**159,149**	**966,159**	**(3,617,760)**	**16,251,175**

The other reserve represents the debit created by share based treatment of the employee benefit trust.

17. OPERATING LOSS

	2008 £	2007 £
The operating loss is stated after charging/(crediting):		
Depreciation of property, plant and equipment		
- Owned tangible fixed assets (Note 6)	**58,635**	19,963
- Under finance leases (Note 6)	**11,478**	-
Impairment of fixed assets (Note 6)	-	52,738
Impairment of goodwill	-	3,682,650
Provision for onerous lease (Note 13)	**(32,764)**	94,966
Provision for dilapidations (Note 13)	**(158,832)**	148,832
Provision for employers taxes on share options (Note 13)	**(7,642)**	5,816
Operating Lease Rentals: Other	**242,591**	278,867
Gain on disposal of property, plant and equipment	**(3,234)**	(423)
Exchange loss	**30,961**	5,366
Public Fund – professional fees	**-**	631,078
Operating lease rental income	**(12,352)**	(150,987)

Auditors' Remuneration

	2008 £	2007 £
Audit fees payable to the auditor for the audit of the Company's annual financial statements	**40,000**	33,500
Fees payable to the Company's auditors and its associates for other services supplied pursuant to legislation	**-**	157,000
Audit of the Company's subsidiaries pursuant to legislation	**35,615**	36,500
Other services relating to taxation	**19,430**	164,500
	95,045	391,500

18. STAFF COSTS

Staff costs (including executive directors) during the year comprise:

GROUP	2008 £	2007 £
Wages and salaries	**992,974**	2,074,244
Social security costs	**158,438**	259,715
Other pension costs	**5,513**	12,925
Charge for share based payments	**138,949**	108,976
	1,295,874	2,455,860

The average monthly number of employees (including executive directors) during the year was as follows:

	2008 No.	2007 No.
Administration and management	**6**	43

18. STAFF COSTS continued

COMPANY	2008 £	2007 £
Wages and salaries	**992,974**	871,854
Social security costs	**158,438**	106,717
Other pension costs	**5,513**	12,925
Charge for share based payments	**138,949**	108,976
	1,295,874	1,100,472

The average monthly number of employees (including executive directors) during the year was as follows:

	2008 No.	2007 No.
Administration and management	**6**	9

19. DIRECTORS' EMOLUMENTS

	2008 £	2007 £
Aggregate emoluments	**973,809**	1,050,761
Pension contributions	**3,000**	4,825
Compensation for loss of office	**-**	49,295
Gain on share options	**-**	-
	976,809	1,104,881
Highest paid Director:		
Emoluments	**536,831**	505,438
Gain on share options	**-**	-
	536,831	505,438

During the year 1 (2007: 2) director accrued benefits under a money purchase pension scheme. No directors exercised share options in the period (2007: none).

Key Management was comprised solely of Executive Directors. The total charge for Key Management was £1,115,221 (2007: £1,252,084) of this amount £138,412 (2007: £147,203) related to share based payments.

Highest paid Director
The emoluments paid to the highest paid Director of £536,831 (2007: £505,438) include £280,939 (2007: £197,091) that relates to the benefits in kind created out of the establishment of the Group's Employee Benefit Trust scheme under which Mr. Doran has acquired 33,485,616 shares at 8p per share

20. FINANCE INCOME

	2008 £	2007 £
Bank interest receivable	**471,894**	520,369
Imputed interest receivable	**33,077**	-
	504,971	520,369

The imputed interest receivable represents the accretion of the difference between the fair value and the redemption value of the loan (see Note 9).

21. FINANCE COSTS

	2008 £	2007 £
Interest payable on capital lease	**803**	-
Loan interest payable	**-**	666
	803	666

22. PROFIT ON SALE OF INVESTMENTS

On 27 June 2008 the Group sold its entire holding in Metapraxis Limited to Mr. K Olisa for a consideration of £280,000, the fair value of the consideration at 30 June 2008 was £277,629. After expenses the Group recognised a profit on disposal of £26,336.

On 13 May 2008 the Group sold its entire holding in PA Resources AB for a consideration of £1,272,787. After expenses the Group recognised a profit on disposal of £277,370.

On 20 February 2007 the Group sold its entire holding in Respond Group Limited for a consideration of £2,067,969, including repayment of debt and interest. After expenses the Group recognised a profit on disposal of £435,549.

23. OTHER GAINS - NET

	2008 £	2007 £
Other financial assets at fair value through profit or loss (Note 10)		
- Fair value gains	**89,229**	-
	89,229	-

24. TAXATION

	2008 £	2007 £
Current tax:		
Corporation tax at 30% (2007:30%) based on the loss for the year	**-**	-

The differences from the standard charge are explained below:

	2008 £	2007 £
Loss on ordinary activities before tax	**(846,311)**	(406,115)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2007: 30%)	**(253,893)**	(121,835)
Expenses not deductible for tax purposes and other permanent differences	**247**	40,503
Depreciation in the year in excess of capital allowances	**(17,334)**	14,372
Investments written down - not tax deductible	**-**	1,432,447
Losses/(Gains) not taxable	**50,500**	(1,730,655)
Unrelieved tax losses	**220,480**	365,168
Total tax charge for the year	**-**	-

A deferred tax asset has not been recognised in respect of timing differences relating to excess management expenses as there is insufficient evidence that the asset will be recovered. The amount of excess management expenses available are £12.5m (2007: £12.2m), and the amount of capital losses available are £70.0m (2007: £70.0m).

25. DISCONTINUED OPERATIONS

a) Results from discontinued operations

	2008 £	2007 £
Revenue	**62,982**	5,369,216
Cost of sales	**92,111**	(2,305,074)
Operating expenses	**(11,798)**	(3,101,803)
Operating Profit/(Loss)	**143,295**	(37,661)
Finance income	**189**	7,518
Finance costs	**-**	(137,926)
Profit/(Loss) before tax	**143,484**	(168,069)
Taxation	**-**	(5,342)
Profit/(Loss) after tax operations	**143,484**	(173,411)
(Loss)/Profit on disposal	**(472,039)**	4,167,107
(Loss)/Profit after tax - discontinued operations	**(328,555)**	3,993,696

b) Assets and liabilities of the discontinued operations at the date of disposal

GROUP	2008 £	2007 £
Goodwill	**2,177,829**	2,177,829
Property, plant and equipment	**15,878**	18,884
Trade and other receivables	**423,609**	281,830
Cash and cash equivalents	**15,685**	12,596
Total assets	**2,633,001**	2,491,139
Trade and other payables	**(518,705)**	(324,581)
Total net assets disposed of	**2,114,296**	2,166,558
Net assets	**2,114,296**	
Legal cost of disposal	**41,303**	
Loss on disposal	**(682,039)**	
	1,473,560	
Satisfied by:		
Cash	**630,550**	
Loan secured by shares (Note 9)	**843,010**	
	1,473,560	

On 8 November 2007 the Group sold its entire holding in Quayside Corporate Services Limited to Mr. D Mills for a consideration of up to £2,600,000 receivable by 8 November 2012, the fair value of the total consideration was £1,473,560. After expenses the Group recognised a loss on disposal of £682,039.

During the year the Group released the warranty provision of £210,000 that was accrued to cover potential claims against the debtor book of Yospace Technologies Limited, a subsidiary that was sold on 2 February 2007.

On 29 September 2006 the Group sold its entire holding in Audio Visual Machines Limited for a cash consideration of £1,275,000 After expenses the Group recognised a profit on disposal of £162,940 in the profit and loss account.

On 2 February 2007 the Group sold its entire holding in Yospace Technologies Limited for a total cash consideration of £4,896,164, including repayment of debt and interest. After expenses the Group recognised a profit on disposal of £4,004,167 in the profit and loss account.

26. LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss dealt with in the financial statements of the parent company is £904,681 (2007: £52,264).

27. NOTES TO THE STATEMENT OF CASHFLOWS

(a) Reconciliation of operating loss to net cash flow from continuing operations

	GROUP		COMPANY	
	2008	2007	2008	2007
	£	£	£	£
Operating loss	**(1,271,375)**	(5,265,749)	**(1,197,895)**	(5,375,635)
Depreciation	**70,113**	12,791	**70,113**	12,790
Impairment of property, plant and equipment	**-**	52,738	**-**	52,738
Amortisation and impairment of intangible assets	**-**	3,693,256	**-**	3,884,736
Gain on disposal of fixed assets	**(3,234)**	(423)	**(3,234)**	(423)
Charge for share based payments	**138,949**	108,976	**138,949**	108,976
(Increase)/Decrease in debtors	**(1,016,181)**	345,518	**(1,041,190)**	560,914
Increase/(Decrease) in creditors	**412,903**	(206,189)	**343,711**	(622,523)
(Decrease)/Increase in other provisions	**(351,440)**	249,614	**(351,440)**	249,614
Net cash flow from operations	**(2,020,265)**	(1,009,468)	**(2,040,986)**	(1,128,813)

(b) Reconciliation of operating profit/(loss) to net cash flow from discontinued operations

	GROUP	
	2008	2007
	£	£
Operating Profit/(Loss)	**143,295**	(37,661)
Depreciation	**1,453**	25,338
Amortisation and impairment of intangible assets	**-**	63,771
(Gain)/Loss on disposal of fixed assets	**(447)**	1,488
Decrease in stocks	**-**	25,299
Increase in debtors	**(146,929)**	(295,660)
(Decrease)/Increase in creditors	**(1,622)**	1,611,000
Net cash flow from operations	**(4,250)**	1,393,575

(c) Reconciliation of cash flows from discontinued operations

Cash in/(out) flow from operating activities total £(3,911) (2007: £468,272). These figures were made up of: operating activities £(4,250) (2007: £1,393,575), interest received £339 (2007: £7,368), interest paid £nil (2007: £(137,926)), and taxation paid £nil (2007: £(791,859)).

Cash flow from investing activities total £(8,685) (2007: £(400,876)). These figures were made up of: debt disposed of with subsidiary £nil (2007: £(463,092)), cash disposed of with subsidiary £(15,685) (2007: £67,870), acquisition of property, plant and equipment £nil (2007: £(5,654)), and proceeds from sale of property, plant and equipment £7,000 (2007: £nil).

Cash flow from financing activities total £nil (2007: £(34,676)). These figures were made up of finance lease principal payments £nil (2007: £(34,676)).

28. OTHER FINANCIAL COMMITMENTS

The following amounts are the minimum contractually amounts payable on operating leases:

	Land and Buildings 2008 £	Land and Buildings 2007 £
Rent on premises:		
Within one year	**131,600**	167,625
Within two to five years	**-**	-
	131,600	167,625

	Other operating leases 2008 £	Other operating leases 2007 £
Other:		
Within one year	**-**	396
Within two to five years	**1,187**	-
	1,187	396

29. ULTIMATE CONTROLLING PARTY AND RELATED PARTY TRANSACTIONS

In the opinion of the directors there is no ultimate controlling party. All other transactions and balances with related parties are detailed below.

(a) Transactions with Subsidiaries

Transactions with subsidiaries mainly comprise sale and purchase of goods and services in the ordinary course of business and in total amounted to £45,000 (2007: £272,000). During the year The Parkmead Group plc accrued interest receivable on loan notes of £nil (2007: £59,823). During the year The Parkmead Group plc wrote off £89,253 of trade debtors from subsidiaries.

Balances outstanding at 30 June 2008, and 2007 in respect of the above transactions are shown in Notes 9 and 12.

During the year ended 30 June 2008, The Parkmead Group plc supplied consultancy services of £nil (2007: £18,000) to Audio Visual Machines Limited ("AVM").

(b) Transactions with Directors

During the year Quayside provided services to a number of companies where David Mills, a Director of the Group during the year, serves as a Director. The amount of services provided to these companies during the year totalled £20,000 (2007: £635,254).

During the year Quayside received services from a number of companies where David Mills serves as a director. The amount of services received from these companies during the year totalled £5,890 (2007: £4,342).

During the year The Parkmead Group plc provided corporate advisory services to a number of companies where David Mills serves as a Director. The amount of services provided to these companies during the year totalled £nil (2007: £261,667). At 30 June 2007, the value of the amounts outstanding was £nil (2007: £177,514).

During the year The Parkmead Group plc provided corporate advisory services to Thruvision Limited, a company where Niall Doran, is a Director. The value of services provided amounted to £10,000 (2007: £9,106) of which £14,307 (2007: £2,557 was unpaid at the year end.

During the year The Parkmead Group plc provided corporate advisory services to Red-M Limited, a company where Gordon Ashworth, is a Director. The value of services provided amounted to £25,000 (2007: £25,000).

During the year Quayside procured services from Wordsters Limited, a company where Alison Mills, the wife of David Mills, is a Director. The value of services provided amounted to £5,000 (2007: £49,500) of which £nil (2007: £6,000) was unpaid at the year end.

Included within trade creditors at the year end are the following amounts due to Non-Executive Directors' companies, in respect of remuneration for the following directors included within directors' emoluments in Note 19: C Goodall £3,750 (2007: £nil) and B Wilson £2,350 (2007: £2,500), J Leggate £4,700 (2007: £nil).

29. ULTIMATE CONTROLLING PARTY AND RELATED PARTY TRANSACTIONS continued

(c) Transactions with Related Parties

On 27 June 2008 the Group sold its entire holding in Metapraxis Limited to Mr. K Olisa, a significant shareholder, for a consideration of £280,000. After expenses the Group recognised a profit on disposal of £26,336. There was an outstanding debtor at 30 June 2008 of £280,000, carried at a fair value £277,629.

On 8 November 2007 the Group sold its entire holding in Quayside Corporate Services Limited to Mr. D Mills for a consideration of up to £2,600,000 receivable by 8 November 2012 (Note 25), the fair value of the total consideration was £1,473,560. After expenses the Group recognised a loss on disposal of £682,039. There was an outstanding receivable at 30 June 2008 carried at a fair value £876,087.

30. TRANSITION FROM UK GAAP TO IFRS

The accounting policies were changed on 1 July 2007 to comply with IFRS. The transition to IFRS is accounted for in accordance with IFRS 1 'First-Time Adoption of International Financial Reporting Standards' with 1 July 2006 as the date of transition. The adoption of IFRS did not result in substantial changes to the Group's accounting policies previously under UK Accounting Standards as set out in the Group's audited financial statements for the year ended 30 June 2007. The changes in accounting policies as a consequence of the transition to IFRS are described below, along with reconciliations of the effects of the transition to IFRS.

The transition to IFRS resulted in the following changes in accounting policies:

(a) IFRS 3 Business Combinations

In accordance with IFRS 3 goodwill is tested for impairment every year and not amortised over its useful life.

(b) IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

In accordance with IFRS 5 Operations held for sale at the year end have been classified as held for sale assets and the activities as discontinued operations. Gain on disposal of subsidiaries has been reclassified in profit or loss from discontinued operations.

(c) IAS 19 Employee Benefits

In accordance with IAS 19 all liabilities in respect of employees are recognised, accruals have been made in respect of unclaimed holiday entitlement and provisions have been made in respect of employers taxes on share options.

(d) IAS 39 Financial Instruments: Recognition and Measurement

In accordance with IAS 39 the reversal of a provision against an available for sale asset is put to equity. Also classification of assets has been adjusted.

The Group elected to apply the exemptions granted in IFRS 1 in respect of business combinations that occurred prior to the transition date of 1 July 2006 and in respect of share options granted prior to 7 November 2002. To explain the impact of the transition, reconciliations have been included that show the changes made to the statements previously reported under UK GAAP.

The following reconciliations are included:

- Reconciliation of Consolidated and Company UK GAAP balance sheet to the Consolidated and Company IFRS balance sheet at 1 July 2006 and 30 June 2007
- Reconciliation of the Consolidated and Company UK GAAP profit and loss account to the Consolidated and Company IFRS income statement for the year ended 30 June 2007
- Notes on financial impact on adoption of IFRS statements

30. TRANSITION FROM UK GAAP TO IFRS continued

Reconciliation of consolidated loss for year ended 30 June 2007

	UK GAAP £	(a) IFRS 3 £	(b) IFRS 5 £	(c) IAS 19 £	(d) IAS 39 £	IFRS £
Revenue	7,647,087	-	(5,369,216)	-	-	2,277,871
Cost of sales	(2,305,074)	-	2,305,074	-	-	-
Other operating income	150,987	-	-	-	-	150,987
Operating expenses	(10,794,600)	10,606	3,101,803	(12,416)	-	(7,694,607)
Operating loss	(5,301,600)	10,606	37,661	(12,416)	-	(5,265,749)
Finance income	527,887	-	(7,518)	-	-	520,369
Finance costs	(138,592)	-	137,926	-	-	(666)
Profit on sale of subsidiaries/ investments	4,613,262	(10,606)	(4,167,107)	-	-	435,549
Amounts written off investments	(154,286)	-	-	-	(108,439)	(262,725)
Loss before tax	(453,329)	-	(3,999,038)	(12,416)	(108,439)	(4,573,222)
Taxation	(5,342)	-	5,342	-	-	-
Loss after tax- continuing operations	(458,671)	-	(3,993,696)	(12,416)	(108,439)	(4,573,222)
Profit after tax- discontinued operations	-	-	3,993,696	-	-	3,993,696
Loss for the financial year	(458,671)	-	-	(12,416)	(108,439)	(579,526)
Attributable to:						
Equity shareholders	(408,820)	-	-	(12,416)	(108,439)	(529,675)
Minority interest	(49,851)	-	-	-	-	(49,851)
Loss for the financial year	(458,671)	-	-	(12,416)	(108,439)	(579,526)

Reconciliation of Company profit/(loss) for year ended 30 June 2007

	UK GAAP £	(c) IAS 19 £	(d) IAS 39 £	IFRS £
Revenue	2,309,871	-	-	2,309,871
Other operating income	150,987	-	-	150,987
Operating expenses	(7,824,077)	(12,416)	-	(7,836,493)
Operating loss	(5,363,219)	(12,416)	-	(5,375,635)
Finance income	575,879	-	-	575,879
Finance costs	(666)	-	-	(666)
Profit on sale of subsidiaries/ investments	5,010,883	-	-	5,010,883
Amounts written back off investments	(154,286)	-	(108,439)	(262,725)
Profit/(Loss) before tax	68,591	(12,416)	(108,439)	(52,264)
Taxation	-	-	-	-
Profit/(Loss) after tax- continuing operations	68,591	(12,416)	(108,439)	(52,264)
Profit after tax- discontinued operations	-	-	-	-
Profit/(Loss) for the financial year	68,591	(12,416)	(108,439)	(52,264)
Attributable to:				
Equity shareholders	68,591	(12,416)	(108,439)	(52,264)
Minority interest	-	-	-	-
Profit/(Loss) for the financial year	68,591	(12,416)	(108,439)	(52,264)

30. TRANSITION FROM UK GAAP TO IFRS continued

Reconciliation of consolidated equity for the year ended 30 June 2007

	UK GAAP £	(b) IFRS 5 £	(c) IAS 19 £	(d) IAS 39 £	IFRS £
Assets					
Non-current assets					
Goodwill and other intangible	2,177,829	(2,177,829)	-	-	-
Property, plant and equipment	127,660	(18,884)	-	-	108,776
Available-for-sale assets	1,547,308	-	-	(40,554)	1,506,754
Loans and other receivables	50,000	-	-	40,554	90,554
Total non-current assets	3,902,797	(2,196,713)	-	-	1,706,084
Current assets					
Trade and other receivables	905,168	(281,830)	-	-	623,338
Cash and cash equivalents	12,758,804	(12,596)	-	-	12,746,208
Total current assets	13,663,972	(294,426)	-	-	13,369,546
Non-current assets classified as held for sale	-	2,491,139	-	-	2,491,139
Total assets	17,566,769	-	-	-	17,566,769
Liabilities					
Current liabilities					
Trade and other payables	(1,192,949)	324,581	(6,600)	-	(874,968)
Short-term provisions	(343,798)	-	(26,478)	-	(370,276)
Total current liabilities	(1,536,747)	324,581	(33,078)	-	(1,245,244)
Liabilities associated with non-current assets held for sale	-	(324,581)	-	-	(324,581)
Total liabilities	(1,536,747)	-	(33,078)	-	(1,569,825)
Net assets	16,030,022	-	(33,078)	-	15,996,944
Capital and reserves					
Called up share capital	18,417,089	-	-	-	18,417,089
Merger reserve	(952,109)	-	-	-	(952,109)
Other reserve	(1,128,008)	-	-	-	(1,128,008)
Revaluation reserve	235,943	-	-	108,439	344,382
Profit and loss account	(542,893)	-	(33,078)	(108,439)	(684,410)
Equity shareholders' funds	16,030,022	-	(33,078)	-	15,996,944

30. TRANSITION FROM UK GAAP TO IFRS continued

Reconciliation of consolidated equity for the year at 1 July 2006 (date of transition to IFRS)

	UK GAAP £	(b) IFRS 5 £	(c) IAS 19 £	(d) IAS 39 £	IFRS £
Assets					
Non-current assets					
Goodwill and other intangibles	8,176,776	(2,316,297)	-	-	5,860,479
Property, plant and equipment	598,355	(500,145)	-	-	98,210
Available-for-sale assets	3,059,365	-	-	(45,000)	3,014,365
Loans and other receivables	-	-	-	45,000	45,000
Total non-current assets	11,834,496	(2,816,442)	-	-	9,018,054
Current assets					
Stock	252,971	(252,971)	-	-	-
Trade and other receivables	4,127,827	(2,357,589)	-	-	1,770,238
Cash and cash equivalents	6,207,315	(62,896)	-	-	6,144,419
Total current assets	10,588,113	(2,673,456)	-	-	7,914,657
Non-current assets classified as held for sale	-	5,489,897	-	-	5,489,897
Total assets	22,422,609	(1)	-	-	22,422,608
Liabilities					
Current liabilities					
Trade and other payables	(5,187,657)	3,134,602	-	-	(2,053,055)
Short-term provisions	(108,816)	8,816	(20,662)	-	(120,662)
Total current liabilities	(5,296,473)	3,143,418	(20,662)	-	(2,173,717)
Non-current liabilities					
Trade and other payables	(694,982)	694,982	-	-	-
Total non-current liabilities	(694,982)	694,982	-	-	-
Liabilities associated with non-current assets held for sale	-	(3,838,399)	-	-	(3,838,399)
Total liabilities	(5,991,455)	1	(20,662)	-	(6,012,116)
Net assets	16,431,154	-	(20,662)	-	16,410,492
Capital and reserves					
Called up share capital	18,417,089	-	-	-	18,417,089
Merger reserve	(952,109)	-	-	-	(952,109)
Other reserve	(1,128,008)	-	-	-	(1,128,008)
Profit and loss account	(243,049)	-	(20,662)	-	(263,711)
Equity shareholders' funds	16,093,923	-	(20,662)	-	16,073,261
Minority interests	337,231	-	-	-	337,231
Total equity	16,431,154	-	(20,662)	-	16,410,492

30. TRANSITION FROM UK GAAP TO IFRS continued

Reconciliation of Company equity for the year ended 30 June 2007

	UK GAAP	(b) IFRS 5	(c) IAS 19	(d) IAS 39	IFRS
	£	£	£	£	£
Assets					
Non current assets					
Property, plant and equipment	108,776	-	-	-	108,776
Investment in subsidiary and joint ventures	-	200,000	-	-	200,000
Available-for-sale assets	3,936,537	(2,389,229)	-	(40,554)	1,506,754
Loans and other receivables	-	-	-	40,554	40,554
Total non-current assets	4,045,313	(2,189,229)	-	-	1,856,084
Current assets					
Trade and other receivables	860,478	-	-	-	860,478
Cash and cash equivalents	12,572,224	-	-	-	12,572,224
Total current assets	13,432,702	-	-	-	13,432,702
Non-current assets classified as held for sale	-	2,189,229	-	-	2,189,229
Total assets	17,478,015	-	-	-	17,478,015
Liabilities					
Current liabilities					
Trade and other payables	(865,158)	-	(6,600)	-	(871,758)
Short-term provisions	(343,798)	-	(26,478)	-	(370,276)
Total current liabilities	(1,208,956)	-	(33,078)	-	(1,242,034)
Net assets	16,269,059	-	(33,078)	-	16,235,981
Capital and reserves					
Called up share capital	18,417,089	-	-	-	18,417,089
Merger reserve	1,454,546	-	-	-	1,454,546
Other reserve	(1,128,008)	-	-	-	(1,128,008)
Revaluation reserve	235,943	-	-	108,439	344,382
Profit and loss account	(2,710,511)	-	(33,078)	(108,439)	(2,852,028)
Equity shareholders' funds	16,269,059	-	(33,078)	-	16,235,981

30. TRANSITION FROM UK GAAP TO IFRS continued

Reconciliation of Company equity for the year at 1 July 2006 (date of transition to IFRS)

	UK GAAP £	(b) IFRS 5 £	(c) IAS 19 £	(d) IAS 39 £	IFRS £
Assets					
Non current assets					
Property, plant and equipment	66,854	-	-	-	66,854
Investment in subsidiary and joint ventures	-	-	-	6,223,965	6,223,965
Available-for-sale assets	10,031,569	(750,000)	-	(6,268,965)	3,012,604
Loans and other receivables	-	-	-	45,000	45,000
Total non-current assets	10,098,423	(750,000)	-	-	9,348,423
Current assets					
Trade and other receivables	1,346,784	-	-	-	1,346,784
Cash and cash equivalents	5,935,871	-	-	-	5,935,871
Total current assets	7,282,655	-	-	-	7,282,655
Non-current assets classified as held for sale	-	750,000	-	-	750,000
Total assets	17,381,078	-	-	-	17,381,078
Liabilities					
Current liabilities					
Trade and other payables	(1,425,529)	-	-	-	(1,425,529)
Short-term provisions	(100,000)	-	(20,662)	-	(120,662)
Total current liabilities	(1,525,529)	-	(20,662)	-	(1,546,191)
Net assets	15,855,549	-	(20,662)	-	15,834,887
Capital and reserves					
Called up share capital	18,417,089	-	-	-	18,417,089
Merger reserve	1,454,546	-	-	-	1,454,546
Other reserve	(1,128,008)	-	-	-	(1,128,008)
Profit and loss account	(2,888,078)	-	(20,662)	-	(2,908,740)
Equity shareholders' funds	15,855,549	-	(20,662)	-	15,834,887

Cash flows

There is no material difference between the UK GAAP and IFRS cash flow statements; hence no reconciliation has been prepared of the cash flow statements.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting (AGM) of The Parkmead Group plc will be held at 2nd Floor Vigo House, 1-4 Vigo Street, London W1S 3HT on 3 December 2008 at 3pm for the following purposes:

ORDINARY BUSINESS

1. To receive and consider the Company's accounts for the financial year ended 30 June 2008 together with the last Directors' report and the auditors' report.
2. To reappoint Faysal Hamza as a Director, who retires in accordance with article 65.2 of the Company's articles of association and who, being eligible, offers himself for reappointment.
3. To reappoint Brian Wilson as a Director who retires by rotation and who, being eligible, offers himself for reappointment.
4. To reappoint John Leggate as a Director, who retires by rotation and who, being eligible, offers himself for reappointment.
5. To reappoint PricewaterhouseCoopers 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.

SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions, of which resolution 6 will be proposed as an ordinary resolution and resolutions 7 and 8 will be proposed as special resolutions.

6. That, in substitution for all existing authorities, to the extent unused, and pursuant to section 80 of the Companies Act 1985 (the Act) the Directors be and they are hereby authorised generally and unconditionally to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £2,250,000 provided that this authority, unless renewed, shall expire on the date five years from the date on which this resolution is passed, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot the relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.
7. That, subject to the passing of the previous resolution, the Directors be and they are hereby empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the authority conferred by the previous resolution as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
   (a) in connection with or the subject of an offer or invitation, open for acceptance for a period fixed by the Directors, to holders of ordinary shares and such other equity securities of the Company as the Directors may determine on the register on a fixed record date in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with the rights attached thereto (including equity securities which, in connection with such offer or invitation, are the subject of such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory or otherwise howsoever);
   (b) (otherwise than pursuant to sub-paragraph (a) above) up to an aggregate nominal amount of £2,250,000 (representing 10% of the Company's authorised share capital as at the date of this notice),

   and shall expire on the conclusion of the next AGM of the Company after the passing of this resolution save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allocated after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred hereby has expired.

NOTICE OF ANNUAL GENERAL MEETING

8. That the Company be and is hereby generally and unconditionally authorised for the purposes of section 166 of the Act to make one or more market purchases (within the meaning of section 163(3) of the Act) of ordinary shares of 5 pence each in the capital of the Company provided that:
   (a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 36,834,178 (representing 10% of the Company's issued ordinary share capital as at the date of this notice);
   (b) the minimum price (exclusive of expenses) which may be paid for such shares is 3 pence per share;
   (c) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall not be more than 5 per cent above the average of the market values for an ordinary share as derived from the Appendix to the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the ordinary share is purchased;
   (d) unless previously renewed varied or revoked, the authority hereby conferred shall expire at the conclusion of the Company's next AGM or 15 months from the date of passing this resolution, if earlier; and
   (e) the Company may make a contract or contracts to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract or contracts.

By order of the Board

Gordon Ashworth

NOTES

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that to be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the number of votes they may cast), holders of ordinary shares must be entered on the relevant register of securities by 6pm on Monday 1 December 2008.
2. To appoint a proxy using the proxy form, the form must be completed and signed and deposited at the office of the Company's registrars, Capita Registrars Limited, Proxies Department, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received not later than 48 hours before the time appointed for holding the AGM.
3. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
4. A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form.
5. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.
6. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.
7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
8. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut off time will be disregarded.
9. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

10. In order to revoke a proxy instruction you will need to inform the Company using one of the following methods:
    (a) by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Registrars, at Capita Registrars Limited, Proxies Department, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice; or
    (b) by fax, marked for the attention of Capita Registrars Limited, Proxies Department, on +44 20 8639 2482, followed by a hard copy notice to the address given in sub-paragraph (a) above.

In either case, the revocation notice must be received by Capita no later than 1 hour before the time appointed for holding the AGM. The fax number specified in sub-paragraph (b) above may only be used for revoking proxy instructions, and the Company will not accept any other document or information relating to the AGM which is sent to this fax number.

11. In order to facilitate voting by corporate representatives at the AGM, arrangements will be put in place at the AGM so that
    i) if a corporate shareholder has appointed the chairman of the AGM as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the AGM, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and
    ii) if more than one corporate representative for the same corporate shareholder attends the AGM but the corporate shareholder has not appointed the chairman of the AGM as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (i) above.

12. Copies of the Directors' service contracts and letters of appointment will be available for inspection from 9 a.m. on the day of the AGM until conclusion of the AGM.
13. You may not use any electronic address provided in this notice or any related documents (including the chairman's letter and proxy form) to communicate with the Company for any purposes other than those expressly stated.
14. Appointment of a proxy does not preclude you from attending the AGM and voting in person. If you have appointed a proxy and attend the AGM in person, your proxy appointment will automatically be terminated.

DIRECTORS AND ADVISORS

EXECUTIVE DIRECTORS
Niall Doran
Gordon Ashworth

NON EXECUTIVE DIRECTORS
Colin Goodall
Thomas Cross
Faysal Hamza
John Leggate
Brian Wilson

SECRETARY
Gordon Ashworth

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