Grant Thornton

Financial Statements Espresso Group Limited (formerly known as Espresso Broadband Limited)

For the Year Ended 31 July 2008

Company No. 04075079

Contents

Report of the directors

The directors present their report with the financial statements of the group for the year ended 31 July 2008.

Principal activities and business review

The principal activity of the group in the year under review was to serve as the parent of Espresso Education Limited, Netmedia UK Limited and Education Media Delivery Limited.

The results for the year and financial position of the group are shown in the attached financial statements and are discussed further in the business review below.

Financial performance for the year compared to prior year is as follows:

	Year Ended July 31, 2008 £ Millions	Year Ended July 31, 2007 £ Millions	% Change	£ Change
Turnover	14.1	11.9	18%	2.2
(Loss)/Profit before tax	(2.1)	(0.6)	(250%)	(1.5)

Year-over-year revenue growth comes from a combination of strong performance in the Secondary school market following the launch of "Clipbank" and encouraging growth in the Netmedia business benefiting from key account acquisition and investment in new product capabilities. The Primary business also continued to show encouraging growth in year-on-year billings driven both by new business acquisition whilst continuing to maintain high retention rates. Reported revenues suffered a one-time impact in the year, as the business moved from apportioning revenue over a 12 month period to daily recognition basis.

The loss in the year reflects the investments that the group has made both in the launch of its new Secondary services and the development of its International growth plans which contributed a combined loss of £0.8 million during the year. Reported results were also negatively impacted by material charges associated with treatment of share option charges under FRS20 of £0.9 million and interest, depreciation and goodwill amortization charges of £1.3 million. The change in the treatment of revenue for the Primary business referred to above was estimated to impact the company by £0.4 million in terms of reduced turnover and profit contribution.

Following its launch this year, and investment in product development, market penetration in the Secondary schools market has been encouraging and is more advanced than the Primary business when at a similar stage of its development cycle.

In the International arena, Espresso Education has entered into arrangements with commercial partners to maximize the use of its assets internationally both on business-to-business level and through a direct-to-schools model. Both initiatives are at early stages of their development, but the directors are encouraged by the success to-date in demonstrating the company's ability to adapt and sell existing content and applications into new International markets.

The group closed the financial year with current assets of £7.2 million, of which £1.6m was cash and a deferred revenue balance of £6.8 million.

Report of the directors

Directors are confident that the ongoing strength of the core Primary business, combined with growth in sales and market penetration in Secondary, and encouraging sales-to-date internationally will provide a successful platform for future profitable growth and consider the group's position at year end to be in line with expectations.

No new equity or new financing was required by the group in FY 2008, and loan notes holders agreed to extend the redemption term of the outstanding Loan Notes to 31 July 2009 due to the investment programs noted above. No dividends will be distributed for the year ended 31 July 2008.

The directors monitor the growth of the business by reference to certain key financial and non-financial performance indicators. Financial indicators include revenues and operating results before interest and taxes and goodwill amortisation and FRS20 charges.

	Year Ended July 31, 2008 £ Millions	Year Ended July 31, 2007 £ Millions	% Change	£ Change
Turnover	14.1	11.9	18%	2.2
Operating (Loss)/Profit before interest, tax, amort. & FRS 20 charge	0.2	1.0	(80%)	(0.8)

Non-financial indicators include the number of schools under contract and subscription renewal rates. The subscription renewal rate averaged 95% in the current year and was consistent with the prior year. These key performance indicators are constantly monitored by management and reported to the Board of Directors on a monthly basis.

Through continued investment in content and new technology and with the growth of our product offerings and customer base, management are confident that the group is moving towards a period of strong profitable cash generative growth.

Financial risk management objectives and policies

Business risks
The group's strategy and operating performance are subject to certain risks and uncertainties which the directors have set forth below.

The Group operates predominantly in a highly competitive market controlled by government funding of schools. The degree of funding is dependent on government policy. While spending on ICT in schools has increased significantly under the present Government, in the future levels and types of funding may be reduced and competition may increase. Both situations would have an adverse impact on the financial performance of the group and the group invests significant resources to maximize the usage and value proposition of its products in schools. The Group's business is dependent on the maintenance of key third party relationships. In particular, the cessation of certain supplier and distribution arrangements could have an adverse impact on the business. The directors are not aware that any supplier or distribution arrangements will, or are likely to, cease and the Group takes all reasonable precautions to ensure the stability of these agreements and the overall reputation of the Group but cannot ensure that these relationships continue without the continued goodwill of third parties.

Report of the directors

As part of its long-established arrangements for delivering digital data to schools via electronic transmission, the Group has positioned computer servers inside server farms owned and operated by third parties. The Group depends on the third parties continuing to provide effective services in order to deliver its services to schools in a timely and efficient manner.

Financial risks
The group uses various financial instruments including cash, loans, equity investments and various other items such as trade debtors and trade creditors that arise from operations for the purpose of financing the group's operations. The existence of these financial instruments exposes the group to certain financial risks, including credit risk and liquidity risk.

The group's principal credit risk arises from trade debtors. In order to manage and mitigate credit risk, the directors have set credit limits for customers and monitor these limits in conjunction with payment history.

The directors manage liquidity risk by ensuring sufficient liquidity is available to meet foreseeable operating needs. Cash assets are invested in investment vehicles such as short-term Treasury notes.

The maturity of loans to the group is set forth in note 16 of the financial statements.

Directors

The directors during the year under review were:
Mr. L. Bronze
Mr. T. Evans
Mr. D. Fishburn
Mr. M. Hodgson (resigned 6 February 2008)
Mr. R. McGrath
Mr. S. Veale
Ms. S. Williamson (resigned 28 April 2008)
Mr. D. Wimpress
Mr. M. Wood
Ms N. Schwartz (appointed 6 February 2008)
Mr A. Stringer (appointed 3 July 2008)

At 31 July 2008 the following directors held shares in the group.
Mr. L. Bronze
Mr. T. Evans
Mr. D. Fishburn
Mr. R. McGrath

No other directors had beneficial interests in the shares of the parent company.

Political and charitable contributions

During the year the group made nominal charitable donations.
No contributions were made of a political nature.

Change of name

The company changed its name from Espresso Broadband Limited to Espresso Group Limited with effect from 12 February 2009.

Report of the directors

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and Regulations.

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

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the group's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:

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Stephen W Tupper - Secretary

Date: 25/02/09

Grant Thornton

Report of the independent auditor to the members of Espresso Group Limited (formerly known as Espresso Broadband Limited)

We have audited the group and parent company financial statements ("the financial statements") of Espresso Group Limited (formerly known as Espresso Broadband Limited) for the year ended 31 July 2008 on pages 12 to 23. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 9 to 11.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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

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

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

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

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of 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 judgements 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.

Report of the independent auditor to the members of Espresso Broadband Limited (continued)

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 July 2008 and of the group's loss 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 Report of the Directors is consistent with the financial statements.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

25 February 2009
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Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over 20 years from the year of acquisition. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 230 of the Companies Act 1985.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company and group is medium sized.

Turnover

The turnover shown in the profit and loss account consists of the following revenue streams and is exclusive of Value Added Tax:

Subscription revenue
Revenue is recognized over the period of the contract.

Installation revenue
Revenue is recognized when installation has taken place.

Training
Revenue is recognized when the service has been delivered and invoiced.

Commissioned content
Revenue is recognized when the content module is complete and made available to the customer.

Goodwill

Goodwill arising on consolidation and purchased goodwill, representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and is amortised on a straight line basis over its estimated useful economic life.

Intellectual property rights are included at cost and amortised on straight-line basis over their useful economic lives.

Accounting policies

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Goodwill	-	20 Years on cost
Other Intangibles	-	7 Years on cost

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures & Fittings	-	20% on cost
Computer Equipment	-	33% on cost

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

> Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
>
> Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Accounting policies

Share-based payments

The group issues equity-settled and cash-settled share-based payments to certain employees (including directors). Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based upon the group's estimate of the shares that will eventually vest.

Fair value is measured using an appropriate option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Profit and loss account

	Note	2008 £	2007 £
Group turnover	1	**14,083,891**	11,933,709
Cost of sales		**(6,547,457)**	(4,874,727)
Gross profit		**7,536,434**	7,058,982
Other operating charges	2	**(10,907,120)**	(8,496,111)
Other operating income	3	**1,415,230**	1,030,817
Operating loss	4	**(1,955,456)**	(406,312)
Interest receivable		**72,520**	55,021
Interest payable and similar charges	7	**(216,381)**	(237,185)
Loss on ordinary activities before taxation		**(2,099,317)**	(588,476)
Tax on loss on ordinary activities	8	389,987	1,365,580
(Loss)/profit for the financial year	9	**(1,709,330)**	777,104

All of the activities of the group are classed as continuing.

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own Profit and Loss Account.

Group balance sheet

	Note	2008 £	2007 £
Fixed assets			
Intangible assets	10	**9,789,867**	9,653,886
Tangible assets	11	**250,370**	230,562
Investments	12	**–**	3,417
		10,040,237	9,887,865
Current assets			
Stocks	13	**373,091**	222,329
Debtors	14	**5,314,004**	4,235,790
Cash at bank and in hand		**1,589,361**	2,407,686
		7,276,456	6,865,805
Creditors: amounts falling due within one year	16	**(9,810,773)**	(8,487,100)
Net current liabilities		**(2,534,317)**	(1,621,295)
Total assets less current liabilities		**7,505,920**	8,266,570
Capital and reserves			
Called-up equity share capital	18	**4,970,899**	4,970,899
Share premium account	19	**9,003,900**	9,003,900
Profit and loss account	19	**(6,468,879)**	(5,708,229)
Shareholders' funds	20	**7,505,920**	8,266,570

These financial statements were approved by the directors and authorised for issue on 25/02/09, and are signed on their behalf by:

Mr R McGrath

Balance sheet

	Note	2008 £	2007 £
Fixed assets			
Investments	12	**2,137,882**	2,141,299
Current assets			
Debtors	14	**8,408,868**	7,703,564
Cash at bank		**110,010**	81,165
		8,518,878	7,784,729
Creditors: amounts falling due within one year	16	**(3,630,250)**	(2,973,312)
Net current assets		**4,888,628**	4,811,417
Total assets less current liabilities		**7,026,510**	6,952,716
Capital and reserves			
Called-up equity share capital	18	**4,970,899**	4,970,899
Share premium account	19	**9,003,900**	9,003,900
Profit and loss account	19	**(6,948,289)**	(7,022,083)
Shareholders' funds		**7,026,510**	6,952,716

These financial statements were approved by the directors and authorised for issue on 25/02/09, and are signed on their behalf by:

Mr R McGrath

Notes to the financial statements

1 Turnover

The turnover and loss before tax are attributable to the one principal activity of the group.
An analysis of turnover is given below:

	2008	2007
	£	£
United Kingdom	**14,083,891**	11,933,709

2 Other operating charges

	2008	2007
	£	£
Administrative expenses	**10,907,120**	8,496,111

3 Other operating income

	2008	2007
	£	£
Other operating income	**1,415,230**	1,030,817

4 Operating loss

Operating loss is stated after charging:

	2008	2007
	£	£
Amortisation	**1,041,422**	718,677
Depreciation of owned fixed assets	**181,954**	109,454
Auditor's remuneration:		
Audit fees payable in respect of the parent company	**7,200**	6,900
Audit fees payable in respect of the subsidiary companies	**28,800**	27,600

5 Particulars of employees

The average number of staff employed by the group during the financial year amounted to:

	2008 No	2007 No
Number of sales and marketing staff	**45**	33
Number of production staff	**43**	36
Number of finance and administrative staff	**16**	11
Number of customer operations and training staff	**30**	28
	134	108

The aggregate payroll costs of the above were:

	2008 £	2007 £
Wages and salaries	**5,183,783**	4,692,171
Social security costs	**592,011**	511,579
Other pension costs	**(226)**	11,292
Equity-settled share-based payments	**948,680**	514,407
	6,724,248	5,729,449

6 Directors

Remuneration in respect of directors was as follows:

	2008 £	2007 £
Emoluments	**733,483**	603,361

Emoluments of highest paid director:

	2008 £	2007 £
Total emoluments (excluding pension contributions)	**142,078**	115,500

7 Interest payable and similar charges

	2008 £	2007 £
Interest payable on borrowings	**216,381**	237,185

8 Taxation on ordinary activities

(a) Analysis of charge in the year

	2008 £	2007 £
Current tax:		
UK Corporation tax based on the results for the year at 30% (2007 - 30%)	-	-
(Over)/under provision in prior year	-	146
Total current tax	-	146
Deferred tax:		
Origination and reversal of timing differences	**(389,987)**	(1,365,726)
Tax on loss on ordinary activities	**(389,987)**	(1,365,580)

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2007 - 30%).

	2008 £	2007 £
Loss on ordinary activities before taxation	**(2,099,317)**	(588,476)
Loss on ordinary activities by rate of tax	**(629,795)**	(176,543)
Expenses not deductible for tax purposes	**124,321**	65,039
Capital allowances for period in excess of depreciation	**50,947**	45,401
loss created/(used)	**220,660**	(198,908)
Adjustments to tax charge in respect of previous periods	-	146
Group relief claimed	-	-
Difference in tax rates	**38,388**	120,978
Other timing differences	**195,479**	144,033
Total current tax (note 8(a))	-	146

9 Profit/(loss) attributable to members of the parent company

The loss dealt with in the accounts of the parent company was £40,475 (2007 - £367,390 loss).

10 Intangible fixed assets

Group

	Goodwill £	Other Intangibles £	Total £
Cost			
At 1 August 2007	7,124,503	4,165,070	11,289,573
Fair value adjustment	171,628	-	171,628
Additions	-	1,016,928	1,016,928
Disposals	-	(11,153)	(11,153)
At 31 July 2008	**7,296,131**	**5,170,845**	**12,466,976**
Amortisation			
At 1 August 2007	226,732	1,408,955	1,635,687
Charge for the year	365,211	676,211	1,041,422
At 31 July 2008	**591,943**	**2,085,166**	**2,677,109**
Net book value			
At 31 July 2008	**6,704,188**	**3,085,679**	**9,789,867**
At 31 July 2007	6,897,771	2,756,115	9,653,886

During the year, the directors reviewed the fair values of the assets and liabilities acquired from Channel 4 Learning. This resulted in a fair value adjustment of £171,628 of the goodwill acquired on acquisition of Channel 4 Learning.

11 Tangible fixed assets

Group

	Fixtures & Fittings £	Computer Equipment £	Total £
Cost			
At 1 August 2007	115,768	769,576	885,344
Additions	10,597	191,165	201,762
Disposals	-	(90,413)	(90,413)
At 31 July 2008	**126,365**	**870,328**	**996,693**
Depreciation			
At 1 August 2007	63,414	591,368	654,782
Charge for the year	32,934	149,020	181,954
On disposals	-	(90,413)	(90,413)
At 31 July 2008	**96,348**	**649,975**	**746,323**
Net book value			
At 31 July 2008	**30,017**	**220,353**	**250,370**
At 31 July 2007	52,354	178,208	230,562

12 Investments

Group

	Associated undertakings
	£
Cost	
At 1 August 2007 and 31 July 2008	**3,417**
Net book value	
At 31 July 2008	-
At 31 July 2007	3,417

Company

	Group companies
	£
Cost	
At 1 August 2007	2,141,299
Disposals	(3,417)
At 31 July 2008	**2,137,882**
Net book value	
At 31 July 2008	**2,137,882**
At 31 July 2007	2,141,299

At 31 July 2008 the company held more than 20% of the ordinary share capital of the following undertakings:

	Country of incorporation	Proportion held	Nature of business	Capital and reserves £	Loss for the year £
Espresso Education Limited	England & Wales	100%	Digital Education Programming	(2,837,671)	(944,221)
Netmedia UK Limited	England & Wales	100%	Digital Education Programming	(89,871)	(119,913)
Education Media Delivery Limited	England & Wales	100%	Digital Education Programming	(947,325)	(498,896)

13 Stocks

	The group 2008 £	2007 £	The company 2008 £	2007 £
Finished goods	**194,637**	222,329	–	–
Work in progress	**178,454**	-	–	–
	373,091	222,329	–	–

14 Debtors

	The group 2008 £	2007 £	The company 2008 £	2007 £
Trade debtors	**3,120,243**	2,468,882	–	–
Amounts owed by group undertakings	–	–	**8,310,392**	7,607,437
Other debtors	**12,833**	21,374	**11,823**	9,921
Deferred taxation (Note 15)	**1,750,381**	1,360,395	**77,083**	77,083
Prepayments and accrued income	**430,547**	385,139	**9,570**	9,123
	5,314,004	4,235,790	**8,408,868**	7,703,564

15 Deferred taxation

The movement in the deferred taxation asset during the year was:

	The group 2008 £	2007 £	The company 2008 £	2007 £
Provision brought forward	**1,360,395**	-	**77,083**	-
Increase in asset	**389,986**	1,360,395	–	77,083
Asset carried forward	**1,750,381**	1,360,395	**77,083**	77,083

The group's asset for deferred taxation consists of the tax effect of timing differences in respect of:

Group	2008 Provided £	2008 Unprovided £	2007 Provided £	2007 Unprovided £
Excess of depreciation over taxation allowances	**156,473**	-	105,527	-
Tax losses available	**1,219,167**	**472,265**	1,110,835	333,305
Other timing differences	**374,741**	**173,129**	144,033	-
	1,750,381	**645,394**	1,360,395	333,305

The company's asset for deferred taxation consists of the tax effect of timing differences in respect of:

Company	**2008**		2007	
	Provided	**Unprovided**	**Provided**	**Unprovided**
	£	**£**	**£**	**£**
Other timing differences	**77,083**	**318,846**	77,083	--
Tax losses available	**-**	**134,773**	-	333,305
	77,083	**453,618**	77,083	333,305

16 Creditors: amounts falling due within one year

		The group		**The company**
	2008	2007	**2008**	2007
	£	£	**£**	£
Other loans	**1,999,450**	2,486,425	**1,999,450**	2,486,425
Trade creditors	**783,309**	1,253,047	**26,708**	407,373
Overdraft	**212,744**	–	**212,744**	–
Corporation tax	**(10,926)**	146	**–**	–
Other taxation and social security	**868,116**	636,359	**–**	–
Other creditors	**27,939**	14,604	**1,174,567**	–
Accruals and deferred income	**5,930,141**	4,096,519	**216,781**	79,514
	9,810,773	8,487,100	**3,630,250**	2,973,312

The following liabilities disclosed under creditors falling due within one year are secured by the company:

		The group		**The company**
	2008	2007	**2008**	2007
	£	£	**£**	£
Other loans	**1,999,450**	(2,486,425)	**1,999,450**	(2,486,425)

There are three classes of other loans.

'A' loan notes: There are £1,086,425 of 'A' loan notes. These were originally redeemable on 31 December 2006 however redemption of the 'A' loan notes was deferred until 31 July 2009. The interest is variable, up to 7% per annum. The loan is secured by a debenture over all current and future assets.

'B' loan notes: There are £68,432 of 'B' loan notes. These were originally redeemable on 30 June 2007 however redemption of the 'B' loan notes was deferred until 31 July 2009. The interest is variable, up to 7% per annum. A premium of 35% per annum is also payable upon redemption of the 'B' loan notes. The loan is secured by a debenture over all current and future assets.

The 'B' loan notes have been repaid in full on 31 October 2008.

'C' loan notes: There are £844,593 of 'C' loan notes. These were originally redeemable on 30 September 2007 however redemption of the 'A' loan notes was deferred until 31 July 2009. The interest is variable, up to 8% per annum. The loan is secured by a debenture over all current and future assets.

17 Share-based payments

Equity-settled share-based payments

The group has a share option scheme open for certain employees (including directors). Options are exercisable at a price equal to the average market price of the company's shares on the date of grant. The options do not vest until an exit event and are subject to certain realisation value criteria. Details of the number of share options and the weighted average exercise price (WAEP) outstanding at the year end are as follows:

Options were granted in February 2005, December 2006 and July 2007. The estimated fair value of those options was £1,791,959, £621,713 and £358,574 respectively. The fair values were calculated using the stochastic pricing model. The inputs into the model were as follows:

Date of issue	Strike price	Expected volatility	Risk free rate
February 2005	£0.030	30%	4.5%
December 2006	£0.077	30%	4.9%
July 2007	£0.209	30%	5.8%

Expected volatility was calculated by discounting the average volatility of a number of listed groups in the same market place at the company.

The group recognised total expenses of £948,680 (2007 - £514,407) related to equity-settled share based payment transactions during the year.

18 Share capital

Authorised share capital:

	2008 £	2007 £
36,901,515 Ordinary shares of £0.10 each	**3,690,152**	3,690,152
12,727,412 Ordinary A shares of £0.10 each	**1,272,741**	1,272,741
99,529,985 Ordinary B shares of £0.0001 each	**9,953**	9,953
	4,972,846	4,972,846

Allotted, called up and fully paid:

	2008 No	2008 £	2007 No	2007 £
Ordinary shares of £0.10 each	**32,059,266**	**3,690,152**	32,059,266	3,690,152
Ordinary A shares of £0.10 each	**11,256,180**	**1,272,741**	11,256,180	1,272,741
Ordinary B shares of £0.0001 each	**70,803,831**	**8,006**	70,803,831	8,006
	114,119,277	**4,970,899**	114,119,277	4,970,899

19 Reserves

Group	**Share premium account £**	**Profit and loss account £**
At 1 August 2007	9,003,900	(5,708,229)
Loss for the year	-	(1,709,330)
Other gains and losses		
- FRS 20 charge	-	948,680
At 31 July 2008	9,003,900	(6,468,879)

Included in the Profit and loss account is the share options reserve of £1,956,718 (2007: £1,007,324).

Company	**Share premium account £**	**Profit and loss account £**
At 1 August 2007	9,003,900	(7,022,083)
Profit for the year	-	(40,475)
Other gains and losses		
- FRS 20 charge	-	114,269
At 31 July 2008	9,003,900	(6,948,289)

20 Reconciliation of movements in shareholders' funds

	2008 £	2007 £
Profit/(Loss) for the financial year	(1,709,330)	777,104
New equity share capital subscribed	-	632,274
Premium on new share capital subscribed	-	5,681,398
FRS 20 transfer	948,680	514,407
Net addition/(reduction) to shareholders' funds	(760,650)	7,605,183
Opening shareholders' funds	8,266,570	661,387
Closing shareholders' funds	7,505,920	8,266,570

21 Contingencies

The directors have confirmed that there were no contingent liabilities which should be disclosed at 31 July 2008 or 31 July 2007.

22 Capital commitments

The directors have confirmed that there were no capital commitments at 31 July 2008 or 31 July 2007.