8 November 2007

Intellego Holdings plc
Unaudited Condensed Consolidated Interim Financial Statements for the period ended 30 September 2007

Chairman's Statement

Your business continues to grow rapidly with sales of £740,557(six months to 30 September 2006 £416,379) a 78% increase, and the gross profit generated rose to £530,498 (2006: £259,732) or 104%. The Group reduced losses for the period falling to £149,111 (2006 £315,825) less than half the level in the comparative period in 2006. This continues the trend of improvement maintained over the past two years.

The Group is benefiting from the wider range of resources it is now able to deploy to provide customers with both first rate product and service offerings which enables it to handle larger projects and generate greater value per sale.

This is the first occasion that the Company has prepared the accounts using the new international financial reporting standards (IFRS). The effect of the new standards to the reported numbers has been immaterial. However, the new segmental reporting highlights the underlying improvement in the business showing growth in all segments and the emergence of a new publishing segment. This new sector should offer the Company high sustainable margins and opportunities for repeat revenues so improving the quality of the Company's earnings.

Product portfolio

As part of our strategy to develop the Group's product range with products which offer customers additional functionality to their Learning Management System (LMS) we have added a new product, Halogen, a talent management system which links to the LMS allowing users greater control and management reporting and so greater value to the total offering. We were pleased to launch Halogen with a new customer.

Since the formation of Intellego Interactive and acquisition of the eMedit business the emphasis of the Group has further moved to adding value to the products we distribute and there has been material growth in the sales of content developed for clients. This both increases the total value of a sale and contribution to the Group.

Market

There is an increasing awareness of Intellego in its chosen market sectors supported by several customer related initiatives including more frequent attendance at trade exhibitions, a new customer newsletter and the recruitment of additional sales staff.

Over the past six months we have been selected to quote for several significantly larger projects and we are on an increasing number of customer preferred supplier lists. This should allow us to participate in higher value projects and improve the lead to sale conversion ratio.

We noticed that the uncertainty in financial markets in August and September impacted adversely on customers' decision making process, otherwise I am confident that the headline sales figure would have been higher. However, there has been some recovery in October.

Outlook

The Group's sales prospects have never been better so I believe there is cause for optimism that the pace of growth will continue and accelerate over the next six months. We are looking to accelerate the Group's organic growth, and expand through acquisition. Several opportunities which meet our criteria of complementing the existing business and growing shareholder value are being reviewed currently.

For further information please visit www.intellego-systems.com or contact:

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Condensed consolidated interim income statement (unaudited)

	Note	**Six months to 30 September 2007**	Six months to 30 September 2006	Year to 31 March 2007
		£	£	£
Continuing operations				
Revenue		**740,557**	416,379	1,051,746
Cost of sales		**(210,059)**	(156,647)	(392,849)
Gross profit		**530,498**	259,732	658,897
Administrative costs	5	**(665,836)**	(562,556)	(1,168,856)
Operating loss		**(135,338)**	(302,824)	(509,959)
Investment income		**1,618**	179	649
Interest expense		**(15,391)**	(13,180)	(28,483)
Loss before tax		**(149,111)**	(315,825)	(537,793)
Income tax expense		**-**	-	-
Loss for the period		**(149,111)**	(315,825)	(537,793)
Loss per share:				
Basic and diluted	6	**(0.17p)**	(0.60p)	(0.92p)

Condensed consolidated interim balance sheet (unaudited)

	Note	**30 September 2007 £**	30 September 2006 £	31 March 2007 £
ASSETS				
Non-current assets				
Property, plant and equipment		**83,185**	103,290	98,030
Goodwill		**72,006**	18,930	72,006
Other intangible assets		**63,087**	60,042	72,023
		218,278	182,262	242,059
Current assets				
Inventories		**5,976**	9,714	6,476
Trade and other receivables		**413,771**	515,325	503,675
Cash and cash equivalents		**199,177**	2,215	128,665
		618,924	527,254	638,816
Total assets		**837,202**	709,516	880,875

Condensed consolidated interim balance sheet (unaudited) (continued)

	Note	**30 September 2007 £**	30 September 2006 £	31 March 2007 £
LIABILITIES				
Current liabilities				
Trade and other payables		**407,578**	427,209	508,935
Short-term borrowings		**112,696**	126,321	149,033
Current portion of long-term borrowings		**7,204**	7,204	7,214
		527,478	560,734	665,182
Non-current liabilities				
Long-term borrowings		**16,844**	24,058	20,451
Total non-current liabilities		**16,844**	24,058	20,451
Total liabilities		**544,322**	584,792	685,633
Net assets		**292,880**	124,724	195,242
EQUITY				
Equity attributable to equity holders of the parent				
Share capital		**504,637**	292,800	415,138
Share premium account		**1,261,824**	934,426	1,104,574
Profit and loss reserve		**(1,473,581)**	(1,102,502)	(1,324,470)
Total equity		**292,880**	124,724	195,242

Condensed consolidated interim statement of changes in equity (unaudited)

	Share capital	Share premium	Shares to be issued	Profit and loss reserve	Total equity
	£	£	£	£	£
Balance at 1 April 2006	235,500	762,226	153,599	(786,677)	364,648
Shares issued	57,300	172,200	-	-	229,500
Deferred consideration released on the acquisition of Modinex Limited (subsequently renamed Intellego TTS Limited)	-	-	(153,599)	-	(153,599)
Loss for the period	-	-	-	(315,825)	(315,825)
Balance at 30 September 2006	292,800	934,426	-	(1,102,502)	124,724
Balance at 1 October 2006	292,800	934,426	-	(1,102,502)	124,724
Shares issued	122,338	170,148	-	-	292,486
Loss for the period	-	-	-	(221,968)	(221,968)
Balance at 31 March 2007	415,138	1,104,574	-	(1,324,470)	195,242
Balance at 1 April 2007	415,138	1,104,574	-	(1,324,470)	195,242
Shares issued	89,499	157,250	-	-	246,749
Loss for the period	-	-	-	(149,111)	(149,111)
Balance at 30 September 2007	504,637	1,261,824	-	(1,473,581)	292,880

Condensed consolidated interim cash flow statement (unaudited)

	Note	**Six months to 30 September 2007**	Six months to 30 September 2006	Year to 31 March 2007
		£	£	£
Cash flows from operating activities				
Loss after taxation		**(149,111)**	(315,825)	(537,793)
Adjustments for:				
Depreciation		**18,910**	26,801	43,980
Amortisation		**8,935**	8,652	29,229
Investment income		**(1,618)**	(179)	(649)
Interest expense		**15,391**	13,180	28,483
Decrease in trade and other receivables		**89,904**	64,159	162,983
Decrease in inventories		**500**	9,714	12,952
Decrease in trade payables		**(101,357)**	(69,592)	(76,628)
Cash used in operations		**(118,446)**	(263,090)	(337,443)
Interest paid		**(15,391)**	(13,180)	(28,483)
Net cash used in operating activities		**(133,837)**	(276,270)	(365,926)
Cash flows from investing activities				
Purchase of property, plant and equipment		**(4,065)**	(11,712)	(16,077)
Overdraft acquired with business assets		**-**	-	(8,092)
Interest received		**1,618**	179	649
Net cash used in investing activities		**(2,447)**	(11,533)	(23,520)
Cash flows from financing activities				
Proceeds from issue of share capital		**246,749**	229,500	471,986
Principle payment of long-term bank loan		**(3,616)**	(3,607)	(40,494)
Net cash used in financing activities		**243,133**	225,893	431,492
Net increase / (decrease) in cash and cash equivalents		**106,849**	(61,910)	42,046
Cash and cash equivalents at beginning of period		**(20,368)**	(62,414)	(62,414)
Cash and cash equivalents at end of period		**86,481**	(124,324)	(20,368)

Notes to the condensed consolidated interim financial statements

1 General information

The financial information set out in this condensed interim report for the six months ended 30 September 2007 and the comparative figures for the six months ended 30 September 2006 and the year ended 31 March 2007 are unaudited. This financial information does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The Group's statutory financial statements for the year ended 31 March 2007, prepared under UK GAAP, received an unqualified audit report, did not contain statements under section 237(2) of the Companies Act 1985 and have been filed with the Registrar of Companies.

2 Basis of preparation

These September 2007 condensed consolidated interim financial statements of Intellego Holdings plc are for the six months ended 30 September 2007. They have been prepared taking into account the requirements of IAS 34, Interim Financial Reporting, and the requirements of IFRS1, First-time Adoption of IFRS, because they are part of the period covered by the Group's first IFRS financial statements for the year ending 31 March 2008. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group prepared under UK GAAP, for the year ended 31 March 2007. These condensed consolidated interim financial statements (the interim financial statements) have been prepared in accordance with the accounting policies set out below which are based on the recognition and measurement principles of IFRS in issue as adopted by the European Union (EU) and are effective at 31 March 2008 or are expected to be adopted and effective at 31 March 2008, our first annual reporting date at which we are required to use IFRS accounting standards adopted by the EU.

Intellego Holdings plc's consolidated financial statements were prepared in accordance with applicable United Kingdom Generally Accepted Accounting Principles (UK GAAP) until 31 March 2007. The date of transition was 1 April 2006. UK GAAP differs in some areas from IFRS. In preparing Intellego Holdings plc's 2007 condensed consolidated interim financial statements, management has amended certain accounting, valuation and consolidation methods applied in the UK GAAP financial statements to comply with IFRS. The comparative figures in respect of 2006 and 2007 were restated to reflect these adjustments.

Reconciliations and descriptions of the effect of the transition from UK GAAP to IFRS on the Group's equity and its net income and cash flows are provided in Note 7.

These condensed consolidated interim financial statements have been prepared under the historical cost convention.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies.

3 Summary of significant accounting policies

Basis of consolidation

The Group's consolidated interim financial statements incorporate the financial statements of the parent company and all of its subsidiaries drawn up to 30 September 2007. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

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

The Group has applied the principles of merger accounting for the acquisition of Intellego Systems Limited during 2004.

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

Business combinations completed prior to date of transition to IFRS

The Group has elected not to apply IFRS 3 Business Combinations retrospectively to business combinations prior to 1 April 2006, the date of transition. Accordingly the classification of the combination (acquisition, reverse acquisition or merger) remains unchanged from that used under UK GAAP. Assets and liabilities are recognised at date of transition if they would be recognised under IFRS, and are measured using their UK GAAP carrying amount immediately post-acquisition as deemed cost under IFRS, unless IFRS requires fair value measurement. Deferred tax and minority interest are adjusted for the impact of any consequential adjustments after taking advantage of the transitional provisions.

Revenue

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

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods which is generally when a software license is delivered.
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold which is generally when the license key is delivered,

- it is probable that the economic benefits associated with the transaction will flow to the entity, and
- the amount of revenue and the costs associated with the transaction can be measured reliably

Related ancillary services such as support and maintenance and system hosting are recognised over the period of the contract. Content development sales are recognised on achievement of agreed milestones or on delivery. Where training or support services are invoiced but not supplied by the period end, the value of these services is recorded in current liabilities as deferred income.

The outcome of the transaction is deemed to be able to be estimated reliably when all the following conditions are satisfied:

- the stage of completion of the transaction at the balance sheet date can be measured reliably and is estimated by reference to agreed delivery milestones or over the period of the contract,
- it is probable that the economic benefits associated with the transaction will flow to the entity, and
- the amount of revenue and costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Goodwill

Goodwill representing the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired, is capitalised and reviewed annually for impairment. Goodwill is carried at cost less accumulated impairment losses.

Intangible assets

Acquired distribution rights are amortised to the income statement over their estimated economic life.

Software development costs relate to expenditure on the development of certain new products and service projects where the outcome of those projects is assessed as being reasonably certain as regards viability and technical feasibility. Such expenditure is capitalised and amortised over the expected sales life of the software being generally a period not longer than five years commencing in the year the sales of the product were first made.

Development costs incurred on specific projects are capitalised when all the following conditions are satisfied:

- completion of the intangible asset is technically feasible so that it will be available for use or sale
- the Group intends to complete the intangible asset and use or sell it
- the Group has the ability to use or sell the intangible asset
- the intangible asset will generate probable future economic benefits.
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- the expenditure attributable to the intangible asset during its development can be measured reliably

Development costs not meeting the criteria for capitalisation are expensed as incurred.

Assets acquired as part of a business combination

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

economic benefits embodied in the asset will flow to the Group. Where an intangible asset might be separable, but only together with a related tangible or intangible asset, the group of assets is recognised as a single asset separately from goodwill where the individual fair values of the assets in the Group are not reliably measurable.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

On the acquisition of the assets and liabilities of Emedit Limited in December 2006 a medical content library and an on-line content delivery system was acquired. The fair value is based on the review of future cash flows discounted back at 20% over a period of three years.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets with an indefinite life are not amortised but are systematically tested for impairment.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment.

Disposal of assets

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation

Depreciation is calculated to write down the cost less estimated residual value of all property, plant and equipment by equal annual instalments where it reflects the basis of consumption of the asset over their estimated useful economic lives. The rates/periods generally applicable are:

Fixtures, fittings and equipment	20-25% straight line
Computer hardware	33 1/3 % straight line
Improvements to leasehold	Over the term of the lease

Impairment testing of goodwill, other intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows.

Goodwill, other individual assets or cash-generating units that include goodwill, other intangible assets with an indefinite useful life, and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested 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 or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited

initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula.

Taxation

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

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

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

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

Leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease costs are charged to the income statement on a straight line basis over the lease term.

Financial assets

Financial assets relate to loans and receivables. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are recognised at fair value plus transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables are classified as loans and receivables. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the Group transfers substantially all the risks and rewards of ownership of the asset, or if the Group neither retains nor transfers substantially all the risks and rewards if ownership but does transfer control of that asset.

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities categorised as at fair value through profit or loss are recorded initially at fair value and all transaction costs are recognised immediately in the income statement. All other financial liabilities are recorded initially at fair value, net of direct issue costs.

Financial liabilities categorised as at fair value through profit or loss are remeasured at each reporting date at fair value, with changes in fair value being recognised in the income statement. All other financial liabilities are recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

Cash and cash equivalents

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

Equity

Equity comprises the following:

"Share capital" represents the nominal value of equity shares.
"Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
"Profit and loss reserve" represents retained profits.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the income statement in the period in which they arise.

Share-based payment

For equity-settled share options, the services received from employees are measured by reference to the fair value of the share options. The fair value is calculated at grant date and recognised in the income statement, together with a corresponding credit to "profit and loss reserves", on a straight-line basis over the vesting period, based on the best available estimate of the number of options that are expected eventually to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting. Vesting conditions, other than market conditions, are not taken into account when estimating the fair value.

IFRS 2 has been applied, in accordance with IFRS 1, to equity-settled share options granted on or after 7 November 2002 and not vested at 1 April 2006.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium. The adoption of IFRS 2 has had no material effect on the figures previously reported or on the results for the period.

4 Segment analysis

The Group's primary reporting format is business segment and its secondary format is geographical segment by origin of revenue.

Intellego operates three main business segments Distribution, Services and Publishing. The activities undertaken by the Distribution segment are the resale of software developed by third parties including maintenance and support contracts. The Services segment includes consultancy, customisation, development of bespoke content and integration of e-learning systems. The Publishing segment includes the publishing and sale of internally generated product. The revenues and net result generated by each of Intellego plc's business segments are summarised as follows:

6 months to 30 September 2007

	Distribution	Services	Publishing	Group
	£	£	£	£
Revenue	343,356	304,644	92,557	740,557
(Loss)/profit for the period	(91,920)	(47,911)	(9,280)	(149,111)

6 months to 30 September 2006

	Distribution	Services	Publishing	Group
Revenue	286,377	130,002	-	416,379
Loss for the period	(257,531)	(58,294)	-	(315,825)

Year to 31 March 2007

	Distribution	Services	Publishing	Group
Revenue	673,438	378,308	-	1,051,746
Loss for the period	(453,714)	(84,079)	-	(537,793)

5 Administrative costs

	Six months to 30 September 2007	Six months to 30 September 2006	Year to 31 March 2007
	£	£	£
Administrative costs	**665,836**	438,654	963,890
Exceptional items:			
Inventory written off	**-**	-	12,952
Long standing bad debts and prepayments written off	**-**	111,681	163,789
Non-current assets written off	**-**	12,221	28,225
Total exceptional items	**-**	123,902	204,966
Total administrative costs	**665,836**	562,556	1,168,856

6 Loss per share

The calculation of basic loss per share is based on a loss for the period of £149,111 (31 March 2007: £537,793, 30 September 2006: £315,825) and on 87,502,585 (31 March 2007: 58,646,896, 30 September 2006: 52,830,000) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

The loss attributable to ordinary shareholders and the weighted average number of ordinary shares for the purpose of calculating the diluted loss per share are identical to those used for the basic loss per share. Similarly, the adjusted loss attributable to ordinary shareholders and the weighted average number of ordinary shares for the purposes of calculating the diluted loss per share are identical to those used for the loss per share. This is because the exercise of share options and warrants would have the effect of reducing the loss per share and is therefore not dilutive under the terms of IAS 33.

7 Explanation of transition to IFRS

As stated in the Basis of Preparation, these are the Group's first condensed consolidated interim financial statements for part of the period covered by the first IFRS annual consolidated financial statements prepared in accordance with IFRS.

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

IFRS 1 permits entities adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period. These Condensed interim financial statements have been prepared on the basis of taking the following exemptions:

- business combinations prior to 1 April 2006, the Group's date of transition to IFRS, have not been restated to comply with IFRS 3 "Business Combinations".

Under UK GAAP both positive and negative goodwill arising on consolidation relating to acquisitions prior to 31 March 2006 and representing the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired, is capitalised and is amortised on a straight line basis over its estimated useful economic life of 10 years.

The Group has taken the exemption under IFRS 1 in respect of positive goodwill, and therefore the net book value of positive goodwill under UK GAAP at 31 March 2006 becomes the deemed cost of goodwill as at the date of transition (1 April 2006). Under IFRS this goodwill balance is no longer amortised but instead subject to an annual impairment review.

The impact of adopting IFRS is to reverse the goodwill amortisation charged in 2006 and 2007 and to increase the carrying value of goodwill in the balance sheet dated 30 September 2006 and 31 March 2007.

In accordance with IFRS 3 Business Combinations, an intangible asset acquired in a business combination is deemed to have a cost to the Group of its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the Group. On the acquisition of the assets and liabilities of Emedit Limited in December 2006 a medical content library and an on-line content delivery system was acquired. The fair value is based on the review of future cash flows discounted back at 20% over a period of three years. The following reconciliations provide a quantification of the effect of the transition to IFRS.

7.1 Reconciliation of equity at 1 April 2006

	UK GAAP	A	B	C (a)	IFRS
	£	£	£	£	£
Non-current assets					
Property, plant and equipment	118,379	-	-	-	118,379
Goodwill	172,529	-	-	-	172,529
Other intangible assets	68,923	-	-	-	68,923
	359,831	-	-	-	359,831
Current assets					
Inventories	19,428	-	-	-	19,428
Trade and other receivables	579,484	-	-	-	579,484
	598,912	-	-	-	598,912
Total assets	958,743	-	-	-	958,743
Current liabilities					
Trade and other payables	496,802	-	-	-	496,802
Short-term borrowings	62,414	-	-	-	62,414
Current portion of long-term borrowings	7,214	-	-	-	7,214
	566,430	-	-	-	566,430
Non-current liabilities					
Long-term borrowings	27,665	-	-	-	27,665
Total liabilities	594,095	-	-	-	594,095
Net assets	364,648	-	-	-	364,648
Equity					
Share capital	235,500	-	-	-	235,500
Share premium account	762,226	-	-	-	762,226
Shares to be issued	153,599	-	-	-	153,599
Profit and loss reserve	(786,677)	-	-	-	(786,677)
Total equity	364,648	-	-	-	364,648

7.2 Reconciliation of equity at 30 September 2006

	UK GAAP	A	B	C (a)	IFRS
	£	£	£	£	£
Non-current assets					
Property, plant and equipment	103,290	-	-	-	103,290
Goodwill	17,907	1,023	-	-	18,930

Other intangible assets	60,042	-	-	-	60,042
	181,239	1,023	-	-	182,262
Current assets					
Inventories	9,714	-	-	-	9,714
Trade and other receivables	515,325	-	-	-	515,325
Cash and cash equivalents	2,215	-	-	-	2,215
	527,254	-	-	-	527,254
Total assets	708,493	1,023	-	-	709,516
Current liabilities					
Trade and other payables	427,209	-	-	-	427,209
Short-term borrowings	126,321	-	-	-	126,321
Current portion of long-term borrowings	7,204	-	-	-	7,204
	560,734	-	-	-	560,734
Non-current liabilities					
Long-term borrowings	24,058	-	-	-	24,058
Total liabilities	584,792	-	-	-	584,792
Net assets	123,701	1,023	-	-	124,724
Equity					
Share capital	292,800	-	-	-	292,800
Share premium account	934,426	-	-	-	934,426
Profit and loss reserve	(1,103,525)	1,023	-	-	(1,102,502)
Total equity	123,701	1,023	-	-	124,724

7.3 Reconciliation of equity at 31 March 2007

	UK GAAP	A	B	C (a)	D	IFRS
	£	£	£	£	£	£
Non-current assets						
Property, plant and equipment	98,030	-	-	-	-	98,030
Goodwill	99,781	1,023	3,531	(32,329)		72,006
Other intangible assets	41,310	-	-	32,329	(1,616)	72,023
	239,121	1,023	3,531	-	(1,616)	242,059
Current assets						
Inventories	6,476	-	-	-	-	6,476
Trade and other receivables	503,675	-	-	-	-	503,675
Cash and cash equivalents	128,665	-	-	-	-	128,665
	638,816	-	-	-	-	638,816
Total assets	877,937	1,023	3,531	-	(1,616)	880,875
Current liabilities						
Trade and other payables	508,935	-	-	-	-	508,935
Short-term borrowings	149,033	-	-	-	-	149,033
Current portion of long-term borrowings	7,214	-	-	-	-	7,214
	665,182	-	-	-	-	665,182
Non-current liabilities						
Long-term borrowings	20,451	-	-	-	-	20,451
Total liabilities	685,633	-	-	-	-	685,633
Net assets	192,304	1,023	3,531	-	(1,616)	195,242
Equity						
Share capital	415,138	-	-	-	-	415,138
Share premium account	1,104,574	-	-	-	-	1,104,574
Profit and loss reserve	(1,327,408)	1,023	3,531	-	(1,616)	(1,324,470)
Total equity	192,304	1,023	3,531	-	(1,616)	195,242

7.4 Reconciliation of net income

Six months to 30 September 2006

	UK GAAP	A	B	C (b)	D	IFRS
	£	£	£	£	£	£
Revenue	416,379	-	-	-	-	416,379
Cost of sales	(156,647)	-	-	-	-	(156,647)
Gross profit	259,732	-	-	-	-	259,732
Administrative costs	(439,676)	1,023	-	(123,903)	-	(562,556)
Exceptional items	(123,903)	-	-	123,903	-	-
Total administration costs	(563,579)	1,023	-	-	-	(562,556)
Operating loss	(303,847)	1,023	-	-	-	(302,824)
Investment income	179	-	-	-	-	179
Interest income	(13,180)	-	-	-	-	(13,180)
Loss before tax	(316,848)	1,023	-	-	-	(315,825)
Income tax expense	-	-	-	-	-	-
Loss for the period	(316,848)	1,023	-	-	-	(315,825)

Year to 31 March 2007

	UK GAAP	A	B	C (b)	D	IFRS
	£	£	£	£	£	£
Revenue	1,051,746	-	-	-	-	1,051,746
Cost of sales	(392,849)	-	-	-	-	(392,849)
Gross profit	658,897	-	-	-	-	658,897
Administrative costs	(966,828)	1,023	3,531	(204,966)	(1,616)	(1,168,856)
Exceptional items	(204,966)	-	-	204,966	-	-
Total administration costs	(1,171,794)	1,023	3,531	-	(1,616)	(1,168,856)
Operating loss	(303,847)	1,023	3,531	-	(1,616)	(509,959)
Investment income	649	-	-	-	-	649
Interest income	(28,483)	-	-	-	-	(28,483)
Loss before tax	(540,731)	1,023	3,531	-	(1,616)	(537,793)
Income tax expense	-	-	-	-	-	-
Loss for the period	(540,731)	1,023	3,531	-	(1,616)	(537,793)

7.5 Notes to the reconciliation

Note A: Being the write back of goodwill amortisation in the period from 1 April to 30 September 2006.

Note B: Being the write back of goodwill amortisation in the period from 1 October 2006 to 31 March 2007.

Note C (a): Being the reclassification from goodwill to intangible assets of assets acquired from Emedit Limited.

Note C (b): Being the reclassification of exceptional items to administration costs.

Note D: Being the amortisation of intangible assets relating to the acquisition of assets from Emedit Limited from 22 December 2006 (the date of acquisition) to 31 March 2007.

7.6 Explanation of material adjustments to the cash flow statement

Application of IFRS has resulted in the reclassification of certain items in the cash flow statement as follows:

- Under UK GAAP, payments to acquire property, plant and equipment were classified as part of 'Capital expenditure and financial investment'. Under IFRS, payments to acquire property, plant and equipment have been classified as part of 'Investing activities'
- Income taxes are classified as operating cash flows under IFRS, but were included in a separate category of tax cash flow under UK GAAP.
- Interest paid and interest received are classified as cash flows from investing activities under IFRS, but were included in the 'Returns on investments and servicing of finance' category in cash flows under UK GAAP.

There are no other material differences between the cash flow statement presented under IFRS and that presented under UK GAAP.