results you can measure

eg solutions plc

INTERIM REPORT
SIX MONTHS TO 31 JULY 2007

Company Registration No. 02211062

Corporate statement

eg solutions plc is an IT and software support services business delivering guaranteed improvements in operations management. We use our proprietary software and an operations management methodology based on production management techniques to deliver measurable improvements in customer service operations throughout the world.

The Group, which is listed on the Alternative Investment Market ('AIM') of the London Stock Exchange, is committed to customer satisfaction and the ongoing development of its operations management solutions.

WHAT WE DO

operational intelligence

performance you can measure

eg operational intelligence® – the definitive software for producing real-time Operations Management Information ('MI'), provides the most comprehensive Operations MI available, supports the achievement of operational excellence and enables organisations to achieve dramatic improvements in service, efficiency and reduced costs in weeks – guaranteed.

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operational management

practice you can measure

The **eg principles of operational management**® are based on tried, tested and proven methodologies taken from industry. They form the basis of a Manager and Team Leader training and development programme in Operations Management. Through training and skills transfer, Managers and Team Leaders learn how to use **eg operational intelligence**® to provide a consistent approach to actively managing work, resources and performance.

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operational excellence

improvement you can measure

eg operational excellence™ can be achieved by using improved Operations MI and the **eg principles of operational management**® to improve the end-to-end customer service and quality experience.

Highlights

FINANCIAL HIGHLIGHTS

- Revenue £2.07m (2006: £3.43m).
- Loss before interest and tax (£0.68m) (2006: profit £0.72m).
- Adjusted basic loss per share 3.3p (2006: earnings per share 4.1p)*.
- Cash used £1.10m (2006: cash generated £1.30m).

* 2006 figure adjusted to IFRS (note transition from UK GAAP to IFRS).

BUSINESS HIGHLIGHTS

- Operating costs reduced to £2.5m (2006: £2.7m) after non-recurring items of £0.25m.
- Continued expansion in international markets with sales in three of five target territories; South Africa, the Netherlands and India.
- Revenues marginally ahead of expectations and maintained at the same level as the second half of 2006.
- Further £0.12m invested in South Africa and second contract secured with Standard Bank.
- Further £0.3m invested in Research and Development, development of further new software module; **eg activity manager** and launched new versions of **eg work manager®** and **eg operational intelligence®**.
- Software Maintenance Revenues increased by 22%, whilst Software Development revenues increased 30% in the half year compared to full year 2006. Long term software licence commitments secured based on hosted solution.
- Appointment of Paul Bird as Finance Director and Company Secretary.

CONTENTS

Introduction

I am pleased to report that the first half of the current financial year has seen some recovery across the Group, following the disappointing performance of the previous financial year.

Despite trading in an increasingly competitive environment the Group has, as previously indicated in our statement to shareholders on 6 June 2007, implemented significant refinements to our strategy and continued to work hard to reduce our cost base.

These results reflect our expectations of our performance in this period. Six months ago we began implementing plans to strengthen our fundamentals as a successful software company, to return to profitable growth and re-establish shareholder confidence. We did not expect to achieve these objectives overnight. However, there are clear signs of recovery across the Group and as a result of these activities, the Group is currently trading in line with the Board's expectations for the full year.

Financials

As previously reported in our AGM Statement and trading update announced in June 2007, the current financial year is one of operational transition and margin recovery. We have been implementing a plan of action to improve our performance and re-build the confidence of our shareholders and will continue to remain firmly focused on these objectives for the remainder of the financial year. Our plans require several months to deliver visible results in terms of our financial performance, which is reflected in our interim results which are in line with expectations at this point of the year.

"Our international market strategy continues to develop. We now have implementation projects in three of our five target territories."

Chairman's statement

- Revenue in the six months ended 31 July 2007 was £2.07m (2006: £3.43m).
- Loss before interest and tax was (£0.68m) (2006: £0.72m profit) including £0.25m in one off costs.
- Adjusted basic loss per share 3.3p (2006: earnings per share 4.1p).
- Cash used £1.10m (2006: cash generated £1.30m).

Dividend

The Board will not be declaring a dividend at the half year stage.

Operating review

Despite the challenging trading conditions that we continue to experience, the Group has made a number of encouraging developments during the period:

- Our cost base has been reduced and is continually reviewed. Run-rate costs have been reduced by £0.90m on an annualised basis. Our cost base in the first half of the year includes £0.25m of one-off costs. After taking these into account we have reduced costs below interim 2006 levels. We will now benefit from this reduced cost base in the second half of the financial year and will continue to review our costs moving forward.
- Whilst our sales are reduced compared with the same period last year, they are marginally ahead of market expectations and we have maintained revenues at the same level as the second half of 2006. This repeats a pattern that has historically proven to be a sustainable feature of our performance. First half of the year revenues have previously been similar to the second half of the previous year.

"...there are clear signs of recovery across the Group and as a result of these activities, the Group is currently trading in line with the Board's expectations for the full year."

Chairman's statement continued

Operating review continued

- Our international market strategy continues to develop. We now have implementation projects in three of our five target territories; South Africa, the Netherlands and India. We have invested a further £0.12m in our South African operation and are pleased to report that a second sale with Standard Bank has been closed since our financial half year end. Our subsidiary office in South Africa has a healthy pipeline of sales prospects and will move into profit in 2008.

- The Research and Development team we established in South Africa has completed the development of **eg activity manager**; a new module of our **eg work manager**® software that enables our clients to track actual processing time in comparison with target processing times on an ongoing basis. In total we have invested a further £0.30m in Research and Development and launched new versions of **eg work manager**® and **eg operational intelligence**®. These new versions are now in use by our clients.

- We have introduced strategies to reduce the lumpiness in our revenues and also create long term secured contractual income. These include increasing software services revenues from existing clients, revised licensing models based on our hosted solution, Software as a Service ('SaaS') pricing and three to five year licences.

"Contracted sales to date are £3.4m which is in line with our expectations to achieve the Board's target for the year."

- As a result of these strategies, software maintenance revenues have increased by 22% in the period and software development revenues in the first half of the financial year are 30% higher than the full financial year ended 31 January 2007. We have also secured contractual commitments of £0.34m in three year hosted and annual licensing contracts. Although these are small initial commitments, they are pilot implementations that will grow during the second half of the financial year and more significantly in 2008. These strategies allow us to build long term contractual commitments from our clients, which in turn, will increase secured revenues for future periods.

People

During the period we were pleased to appoint Paul Bird as Finance Director and Company Secretary. Paul brings financial and commercial expertise in business process outsourcing and the software industry in regulated areas, particularly the public sector and utilities. Paul will strengthen the operational management of the Group, as well as the Board.

On behalf of the Board and shareholders, I would like to take this opportunity to thank all of our people for their continued hard work and commitment to the Group during the period.

Current trading and outlook

Contracted sales to date are £3.4m which is in line with our expectations to achieve the Board's targets for the year.

Rodney Baker-Bates
Non-executive Chairman
27 September 2007

Consolidated interim income statement

for the six months ended 31 July 2007

	Unaudited 6 months ended 31 July 2007 £'000	Unaudited 6 months ended 31 July 2006 as restated £'000	Audited 12 months ended 31 January 2007 as restated £'000
Revenue	**2,067**	3,430	5,472
Cost of sales	**(722)**	(930)	(1,481)
Gross profit	**1,345**	2,500	3,991
Administrative expenses	**(2,027)**	(1,782)	(4,164)
Operating (loss)/profit	**(682)**	718	(173)
Finance income	**48**	44	113
Finance costs	**(4)**	—	—
(Loss)/profit before income tax	**(638)**	762	(60)
Income tax credit/(expense)	**212**	(221)	47
(Loss)/profit for the period	**(426)**	541	(13)
(Loss)/profit attributable to ordinary shareholders	**(426)**	541	(13)
Earnings per share			
– basic	**(3.3p)**	4.1p	(0.1p)
– fully diluted	**(3.2p)**	4.0p	(0.1p)

Consolidated interim balance sheet

at 31 July 2007

	Unaudited as at 31 July 2007 £'000	Unaudited as at 31 July 2006 as restated £'000	Audited as at 31 January 2007 as restated £'000
Non current assets			
Property, plant and equipment	**147**	147	132
Intangible assets	**559**	156	297
Deferred tax assets	**291**	—	—
Total non current assets	**997**	303	429
Current assets			
Trade and other receivables	**1,261**	1,459	619
Cash and cash equivalents	**1,309**	3,378	2,431
Total current assets	**2,570**	4,837	3,050
Total assets	**3,567**	5,140	3,479
Equity			
Issued capital	**143**	143	143
Share premium	**2,910**	2,910	2,910
Other reserves	**154**	120	123
Own shares held	**(1,000)**	(1,000)	(1,000)
Retained earnings	**(192)**	874	241
Shareholders' funds	**2,015**	3,047	2,417
Non current liabilities			
Deferred tax	**163**	53	92
Total non current liabilities	**163**	53	92
Current liabilities			
Trade and other payables	**717**	930	689
Deferred revenue	**672**	678	281
Current tax payable	**—**	432	—
Total current liabilities	**1,389**	2,040	970
Total liabilities	**1,552**	2,093	1,062
Total liabilities and equity	**3,567**	5,140	3,479

Consolidated interim cash flow statement

for the six months ended 31 July 2007

	Unaudited 6 months ended 31 July 2007 £'000	Unaudited 6 months ended 31 July 2006 as restated £'000	Audited 12 months ended 31 January 2007 as restated £'000
Operating activities			
(Loss)/profit before tax	**(638)**	762	(60)
Adjustments	**—**	—	—
Depreciation of property, plant and equipment	**45**	43	89
Amortisation of intangible assets	**44**	11	32
Share option charge	**31**	48	51
Exchange rate difference	**(7)**	—	—
Working capital adjustments	**—**	—	—
(Increase)/decrease in trade and other receivables	**(741)**	143	990
Increase/(decrease) in trade and other payables	**511**	629	83
Net cash (used in)/generated from operations	**(755)**	1,636	1,185
Investing activities			
Purchase of property, plant and equipment	**(60)**	(99)	(80)
Purchase of intangible assets	**(307)**	(49)	(261)
Corporation tax	**—**	—	(225)
Net cash (used in)/generated from investing activities	**(367)**	(148)	(566)
Financing			
Dividend	**—**	(145)	(223)
Net cash generated from/(used in) financing activities	**—**	(145)	(223)
Net (decrease)/increase in cash and cash equivalents	**(1,122)**	1,343	396
Cash and cash equivalents at beginning of the period	**2,431**	2,035	2,035
Cash and cash equivalents at end of the period	**1,309**	3,378	2,431

Consolidated interim statement of changes in equity

attributable to equity holders of the Group

	Unaudited Share capital £'000	Unaudited Share premium £'000	Unaudited Retained earnings £'000	Unaudited Shares to be Issued reserve £'000	Unaudited Other reserves £'000	Unaudited Total £'000
At 1 February 2006	143	2,910	477	(1,000)	72	2,602
Consolidated profit for the period to 31 July 2006	—	—	542	—	—	542
Share option charge	—	—	—	—	48	48
Dividend	—	—	(145)	—	—	(145)
At 31 July 2006	**143**	**2,910**	**874**	**(1,000)**	**120**	**3,047**
Consolidated profit for the period to 31 January 2007	—	—	(555)	—	—	(555)
Share option charge	—	—	—	—	3	3
Dividend	—	—	(78)	—	—	(78)
At 31 January 2007	**143**	**2,910**	**241**	**(1,000)**	**123**	**2,417**
Consolidated loss for the period to 31 July 2007	—	—	(426)	—	—	(426)
Share option charge	—	—	—	—	31	31
Foreign exchange write off on consolidation	—	—	(7)	—	—	(7)
At 31 July 2007	**143**	**2,910**	**(192)**	**(1,000)**	**154**	**2,015**

Accounting policies

The accounting policies set out below and used in the preparation of the interim Financial Statements, represent the principal policies expected to apply to the preparation of the Financial Statements for the year ending 31 January 2008.

Basis of preparation

Prior to 2007 the Group prepared its audited Financial Statements under UK Generally Accepted Accounting Principles ('UK GAAP'). For the year ending 31 January 2008, the Group is required to prepare its annual consolidated Financial Statements in accordance with accounting standards adopted for use in the European Union (International Financial Reporting Standards ('IFRS')).

These interim Financial Statements have been prepared in accordance with the accounting policies set out below, taking into account the requirements and options in IFRS 1 'First-time adoption of International Financial Reporting Standards'. The Group has not adopted the reporting requirements of IAS 34 'Interim Financial Reporting'. The transition date for the Group's application of IFRS is 1 February 2006 and the comparative figures for 31 July 2006 and 31 January 2007 have been restated accordingly. Reconciliations of the Income Statement (previously profit and loss account), balance sheet and cash flow statement from previously reported UK GAAP to IFRS are shown in the enclosed notes.

The consolidated interim statements are prepared on the basis of all International Accounting Standards ('IAS') and IFRS published by the International Accounting Standards Board ('IASB') that are currently in issue. An element of uncertainty still surrounds the application of IFRS as the European Union may not endorse all IASB pronouncements, new interpretations may be issued by the International Financial Reporting Interpretations Committee ('IFRIC') on existing standards and best practice continues to evolve. It is therefore possible that the accounting policies set out below may be updated by the time the Group prepares its first full set of Financial Statements under IFRS for the year ending 31 January 2008.

The information relating to the six months ended 31 July 2006 and 31 July 2007 is unaudited and does not constitute statutory accounts. The comparative figures for the year ended 31 January 2007 are not the Group's statutory accounts for that financial year. The statutory accounts for the year ended 31 January 2007, prepared under UK GAAP, have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985. The interim Financial Statements are unaudited and have not been reviewed by the auditors.

The consolidated Financial Statements have been prepared under the historical cost convention. The basis of consolidation is set out on page 11.

Basis of consolidation
The consolidated Financial Statements incorporate the results of **eg** solutions plc and its subsidiaries as at 31 July 2007.

Subsidiaries are consolidated until the date that control ceases to be exercised.

The Financial Statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them are eliminated.

Significant changes to disclosure – segmental analysis
The Group has been considering the segmentation of the business (which has historically operated as one business segment), under the guidance in IAS 14. It is still deliberating as to whether the primary segment under IAS 14 should be Geographical or Business as the operations going forward may be managed using separate business segments. The aim is to resolve this matter before the year end and will result in additional disclosures being made detailing the trading performance and assets of each of the primary segments. Given the ongoing nature of these deliberations, the information has not been included in these interim Financial Statements but will be included in the Financial Statements at 31 January 2008.

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

Depreciation is provided on all property, plant and equipment at rates calculated to write each asset down to its estimated residual value over its expected useful life, as follows:

Computer equipment	–	50% straight line
Office equipment	–	15% reducing balance
Fixtures and fittings	–	15% reducing balance
Motor vehicles	–	25% reducing balance

Accounting policies continued

Intangible assets
Intangible assets comprises Research and Development expenditure. Internally generated software is capitalised in accordance with the Research and Development accounting policy.

Amortisation is calculated using the straight line method to allocate the cost of the software over its useful economic life, currently estimated to be six years.

Research and Development
Research expenditure is written off as incurred.

Development expenditure is also written off, except where the Directors are satisfied that a new or significantly improved product or process results and other relevant IAS 38 criteria are met as to the technical, commercial and financial viability of individual projects that would allow such costs to be capitalised. In such cases, the identifiable expenditure is capitalised and amortised over the period during which benefits are expected.

Intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Leased assets and obligations
All other leases are 'operating leases' and the annual rentals are charged to the Income Statement on a straight line basis over the lease term.

Retirement benefits
The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged to the Income Statement in respect of pension costs and other post retirement benefits is the contributions payable in the year.

Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Revenue recognition
Maintenance contracts
Income in respect of maintenance contracts is spread over the length of the contract to match the revenue and the costs.

Revenue recognition continued

Long term contracts

Long term contracts are assessed on a contract by contract basis and reflected in the Income Statement by recording revenue and related costs as contract activity progresses. Revenue is ascertained in a manner appropriate to the stage of completion of the contract and credit taken for profit earned to date when the outcome of the contract can be assessed with reasonable certainty. Amounts recoverable on long term contracts, which are included in 'Trade and other receivables', are stated at the net sales value of the work done less amounts received as progress payments on account. Excess progress payments are included in 'Trade and other payables', as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts, are included as long term contract balances in inventories.

Other revenue

Revenue represents the amounts (excluding value added tax) derived from the provision of goods and services to customers. Income is recognised at the date of invoice except where the income is either related to short term or long term contracts which are then accounted for in accordance with these accounting policies.

Operating loss/profit

The operating loss or profit represents the profit or loss of the Group before accounting for finance costs or income and income tax credits and expense.

Taxation

Current tax, including UK Corporation Tax, is provided at amounts expected to be paid/(recovered) using the tax rate and laws that have been enacted or substantively enacted at the balance sheet date.

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results, as stated in the Financial Statements, that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the Financial Statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Accounting policies continued

Share-based payment
The Group has implemented the requirements of IFRS 2 'Share-based Payment'. IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that had not vested as at 1 February 2006.

The Group operates an equity-settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed over the vesting period is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted measured by use of the Black-Scholes pricing method, excluding the impact of any non-market vesting conditions (for example, profitability and growth targets). Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to reserves over the remaining vesting period. The proceeds received net of any attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Employee Share Ownership Plans ('ESOP')
The Group has established an ESOP trust and has de facto control of the shares held by the trust and bears their benefits and risks. The Group records certain assets and liabilities of the trust as its own. Finance costs and administrative expenses are charged as they accrue. Consideration paid by the ESOP scheme for shares are deducted in arriving at shareholders' funds.

Foreign currency translation
The consolidated Financial Statements are presented in pounds sterling which is the Group's functional and presentational currency. The Group determines the functional currency of each entity and items included in the Financial Statements of each entity are measured using the functional currency. Transactions denominated in foreign currencies are translated into sterling at the actual rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at rates ruling at the balance sheet date. Exchange differences are included in the Income Statement.

Trade and other receivables
Trade receivables are recognised initially at fair value. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the assets carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Income Statement within administrative expenses.

Cash and cash equivalents
'Cash and cash equivalents' include cash in hand, deposits held with banks and bank overdrafts.

Segmental reporting
The Group at present does not operate segmental reporting; however, it is the intention of the Group to move forward into future financial periods under a Segmental Basis as defined under IAS 14 on either Business Segment or Geographical Segment basis.

Transition to IFRS
The accounts for the year ending 31 January 2008 will be the first annual Financial Statements to be prepared in compliance with IFRS. The reconciliations presented below have been prepared to enable shareholders to gain an understanding of the financial standing of the business had the results been prepared under IFRS.

The Directors are reviewing the effect of IAS 38 at the date of transition. The Directors have reviewed in detail expenditure previously written off that relates to Research and Development from 1 February 2005. The adjustments presented in the following tables have been calculated from the records in accordance with the Group's accounting policies. Amortisation has been charged in the first month in which amounts have been capitalised. The value of research and development expenditure capitalised may be subject to amendment.

The transition date is 1 February 2006. The Group prepared its opening IFRS balance sheet at that date.

In preparing these extracts of Financial Statements in accordance with IFRS 1, the Group has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of IFRS.

Exemptions from full retrospective application elected by the Group

Property, plant and equipment

The Group has elected to adopt the UK GAAP accounting values as the deemed cost for IFRS.

Exceptions from full retrospective application followed by the Group

Estimates

All estimates made by the Group in preparing the Financial Statements under IFRS as at 1 February 2006 are consistent with estimates made under UK GAAP at that date.

Accounting policies continued

Adjustments from transition to IFRS
The effects of the transition from UK GAAP to IFRS are shown in the reconciliation statements below.

The adjustments all relate to the capitalisation of expenditure on Research and Development under IAS 38.

Capitalising Research and Development costs previously expensed in the profit and loss also causes adjustments to amortisation of development expenditure, taxation and deferred taxation.

Reconciliation of net income for the year ended 31 January 2007

	UK GAAP £'000	IAS 38 Intangible fixed assets £'000	**IFRS £'000**
Revenue	5,472	—	**5,472**
Cost of sales	(904)	—	**(904)**
Development expenditure	(806)	—	**(806)**
Development expenditure capitalised	—	261	**261**
Amortisation of development expenditure	—	(32)	**(32)**
Total cost of sales	(1,710)	229	**(1,481)**
Gross profit	3,762	229	**3,991**
Other administrative expenses	(4,113)	—	**(4,113)**
Share-based payments	(51)	—	**(51)**
Administrative expenses	(4,164)	—	**(4,164)**
Operating (loss)/profit	(402)	229	**(173)**
Finance income	113	—	**113**
Finance costs	—	—	**—**
(Loss)/profit before income tax	(289)	229	**(60)**
Income tax credit/(expense)	116	(69)	**47**
(Loss)/profit for the financial year	(173)	160	**(13)**
(Loss)/profit for the financial year attributable to ordinary shareholders	(173)	160	**(13)**
Earnings per share			
– basic	(1.3p)	—	**(0.1p)**
– fully diluted	(1.3p)	—	**(0.1p)**

Adjustments from transition to IFRS continued

Reconciliation of net income for the half year ended 31 July 2006

	UK GAAP £'000	IAS 38 Intangible fixed assets £'000	**IFRS £'000**
Revenue	3,430	—	**3,430**
Cost of sales	(1,018)	—	**(1,018)**
Development expenditure	—	—	—
Development expenditure capitalised	—	99	**99**
Amortisation of development expenditure	—	(11)	**(11)**
Total cost of sales	(1,018)	88	**(930)**
Gross profit	2,412	88	**2,500**
Other administrative expenses	(1,734)	—	**(1,734)**
Share-based payments	(48)	—	**(48)**
Administrative expenses	(1,782)	—	**(1,782)**
Operating profit	630	88	**718**
Financial income	44	—	**44**
Financial costs	—	—	**—**
Net financial income	44	—	**44**
Profit before income tax	674	88	**762**
Income tax (expense)	(195)	(26)	**(221)**
Profit for the financial year	479	62	**541**
Profit for the financial year attributable to ordinary shareholders	479	62	**541**
Earnings per share			
– basic	3.7p	0.4p	**4.1p**
– fully diluted	3.5p	0.5p	**4.0p**

Accounting policies continued

Adjustments from transition to IFRS continued

Reconciliation of consolidated balance sheet from UK GAAP to IFRS at 31 July 2006

	UK GAAP £'000	IAS 38 Intangible fixed assets £'000	**IFRS £'000**
Non current assets			
Property, plant and equipment	147	—	**147**
Intangible assets	—	156	**156**
Deferred tax assets	—	—	**—**
Total non current assets	147	156	**303**
Current assets			
Trade and other receivables	1,459	—	**1,459**
Cash and cash equivalents	3,378	—	**3,378**
Total current assets	4,837	—	**4,837**
Total assets	4,984	156	**5,140**
Equity			
Issued capital	143	—	**143**
Share premium	2,910	—	**2,910**
Other reserves	120	—	**120**
Own shares held	(1,000)	—	**(1,000)**
Retained earnings	765	109	**874**
Shareholders' funds	2,938	109	**3,047**
Non current liabilities			
Deferred tax	6	47	**53**
Total non current liabilities	6	47	**53**
Current liabilities			
Trade and other payables	930	—	**930**
Deferred revenue	678	—	**678**
Current tax payable	432	—	**432**
Total current liabilities	2,040	—	**2,040**
Total liabilities	2,046	47	**2,093**
Total liabilities and equity	4,984	156	**5,140**

Adjustments from transition to IFRS continued

Reconciliation of consolidated balance sheet from UK GAAP to IFRS at 31 January 2007

	UK GAAP £'000	IAS 38 Intangible fixed assets £'000	**IFRS £'000**
Non current assets			
Property, plant and equipment	132	—	**132**
Intangible assets	—	297	**297**
Deferred tax assets	—	—	**—**
Total non current assets	132	297	**429**
Current assets			
Trade and other receivables	619	—	**619**
Cash and cash equivalents	2,431	—	**2,431**
Total current assets	3,050	—	**3,050**
Total assets	3,182	297	**3,479**
Equity			
Issued capital	143	—	**143**
Share premium	2,910	—	**2,910**
Other reserves	123	—	**123**
Own shares held	(1,000)	—	**(1,000)**
Retained earnings	35	206	**241**
Shareholders' funds	2,211	206	**2,417**
Non current liabilities			
Deferred tax	1	91	**92**
Total non current liabilities	1	91	**92**
Creditors			
Trade and other payables	689	—	**689**
Deferred revenue	281	—	**281**
Current tax payable	—	—	**—**
Total current liabilities	970	—	**970**
Total liabilities	971	91	**1,062**
Total liabilities and equity	3,182	297	**3,479**

Accounting policies continued

Adjustments from transition to IFRS continued

Reconciliation of cash flows for the year ended 31 January 2007

	UK GAAP £'000	IAS 38 Intangible fixed assets £'000	**IFRS £'000**
Operating activities			
(Loss)/profit before interest and income taxes	(402)	229	**(173)**
Adjustments to reconcile operating (loss)/profit to net cash flows from operating activities			
Depreciation of property, plant and equipment	89	—	**89**
Amortisation of intangible assets	—	32	**32**
Share option charge	51	—	**51**
Working capital adjustments			
(Increase)/decrease in trade and other receivables	990	—	**990**
(Increase)/decrease in trade and other payables	83	—	**83**
Net cash (used in)/generated from operating activities	811	261	**1,072**
Investing activities			
Purchase of property, plant and equipment	(80)	—	**(80)**
Purchase of intangible assets	—	(261)	**(261)**
Corporation tax	(225)	—	**(225)**
Interest income	113	—	**113**
Net cash (used in)/generated from investing activities	(192)	(261)	**(453)**
Financing			
Issue of ordinary share capital	—	—	**—**
Share issue costs	—	—	**—**
Increase in loans from banks	—	—	**—**
Loan repayments	—	—	**—**
Dividend	(223)	—	**(223)**
Net cash (used in)/generated from financing activities	(223)	—	**(223)**
Net (decrease)/increase in cash and cash equivalents	396	—	**396**
Cash and cash equivalents at beginning of the period	2,035	—	**2,035**
Cash and cash equivalents at end of the period	2,431	—	**2,431**

Board of Directors and corporate advisers

BOARD OF DIRECTORS

Rodney Baker-Bates Non-executive Chairman

Elizabeth Gooch Chief Executive Officer

Paul Bird Finance Director and Company Secretary (appointed 3 September 2007)

Malcolm Wilton Interim Finance Director (Non-board appointment, resigned 31 August 2007)

Jonathan Pyke Non-executive Director

Andrew McRae Non-executive Director

COMPANY ADVISERS

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Manchester M60 2EP

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Chartered Accountants
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Staffordshire ST1 5BB

Registrars
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Northern House
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