IFRS ADOPTION

ZAMANO PLC & SUBSIDIARIES
ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS
RESTATEMENT OF 2006 FINANCIAL INFORMATION

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INTRODUCTION

zamano plc and subsidiaries ("the Group"), have adopted International Financial Reporting Standards (IFRS) as its primary accounting basis for all reporting periods beginning on or after 1 January 2007 as required for all AIM listed companies. Up to and including 31 December 2006, the Group prepared consolidated financial statements in accordance with Irish Generally Accepted Accounting Practice (GAAP). The purpose of this document is to provide information on the impact of the adoption of IFRS on the financial statements previously prepared under Irish GAAP at the date of transition, 1 January 2006, and for the year ended 31 December 2006.

BASIS OF PREPARATION

General:

The restatement of financial information has been prepared using accounting principles in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Commission, which comprise standards and interpretations adopted by the International Accounting Standards Board (IASB). The rules for first time adoption of IFRS as set out in IFRS 1 'First-time Adoption of International Financial Reporting Standards' have been followed by the Group.

The Group's first annual financial statements under IFRS will be for the year ended 31 December 2007. Consequently, there is a possibility that the preliminary financial statements may require adjustment before being incorporated into the final IFRS Financial statements if certain accountancy standards issued by the IASB are subject to further amendment before the publication of the final 2007 IFRS financial statements.

Audit Opinion:

The Group's auditors, Ernst & Young, Chartered Accountants, have audited the restatement of the Group's preliminary Consolidated Income Statement, preliminary Consolidated Cash Flow Statement, and preliminary Consolidated Balance Sheet for the full year ended 31 December 2006 and the Transition Consolidated Balance Sheet dated 1 January 2006. The Independent Auditor's Report is set out on pages 17 and 18. The financial information in respect of the six months ended 30 June 2006 contained in Appendix 1 and Appendix 2 on pages 19 and 20 is unaudited.

Principal exemptions availed of on transition to IFRS:

In accordance with IFRS 1, which establishes the framework for transition to IFRS by a first-time adopter, the Group has elected to avail of a number of specified exemptions from the general principal of retrospective restatement as follows:

(a) Business combinations prior to 1 January 2006 have not been restated to comply with IFRS 3 'Business Combinations'. Accordingly, goodwill as at the transition date is carried forward at its net book value and is subject to annual impairment testing in accordance with IAS 36 'Impairment of Assets'. As required under IFRS 1, goodwill was assessed for impairment as at the transition date and no impairment resulted from this exercise.

(b) Cumulative translation differences on foreign operations are deemed to be zero at 1 January 2006. Any gains and losses recognised in the Consolidated Income Statement on subsequent disposals of foreign operations will therefore exclude translation differences arising prior to the transition date.

None of the other exemptions contained in IFRS 1 are considered to have a material impact on the financial statements.

Principal changes on transition to IFRS:

The standards, which result in significant changes for the Group on transition to IFRS, are summarised on page 3. The accounting policies which will apply under IFRS are set out in detail on pages 12 to 16 and a detailed analysis of each of these changes on the Group's 2006 full year and interim Consolidated Income Statements and Consolidated Balance Sheets is shown on pages 8 to 11 and 19 to 20.

Principal changes on transition to IFRS – continued:

(1) Business Combinations (IFRS 3)

The Group has availed of the exemption under IFRS 1 and has not restated business combinations prior to the transition date.

Under Irish GAAP, the Group capitalised and amortised goodwill and intangible assets over the period of their expected useful lives. Under IFRS, the Group will no longer amortise goodwill, but will instead test it for impairment at least on an annual basis. Cessation of goodwill amortisation results in a credit in the Consolidated Income Statement for year ended 31 December 2006 of €209,000 and a similar increase in net assets in the Consolidated Balance Sheet at that date.

Goodwill was reviewed for impairment at the transition date. It was concluded, following the review, that no impairment loss existed.

(2) Revenue (IAS 18)

Under Irish GAAP, revenue from the provision of mobile data services was recognised net of revenue share payments to network operators.

In accordance with IFRS, where the group acts as a principal supplier of mobile phone content, entertainment and other services, revenue is recorded before the deduction of revenue share payments to network operators and where the group acts as a service provider to third parties, turnover is recorded net of revenue share payments to third parties and network operators.

The net impact of this adjustment is a reduction in revenue of €1,005,000 for the year ended 31 December 2006 (€333,000 for the six months ended 30 June 2006) and a corresponding decrease in cost of sales. There is no impact on profit as a result of this adjustment.

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2006 – (Restated under IFRS)

	Restated under IFRS audited
	2006
	€'000
Continuing operations	
Revenue	12,352
Cost of sales	(7,129)
Gross profit	5,223
Administrative expenses	(2,831)
Operating profit	2,392
Finance income	85
Finance costs	(26)
Profit before tax	2,451
Income tax expense	(244)
Profit for the year attributable to equity holders of the parent	2,207
Earnings per share (cents)	
- basic	4.2
- diluted	3.8

CONSOLIDATED BALANCE SHEET
at 1 January 2006 – (Restated under IFRS)

	Restated under IFRS audited
ASSETS	*01.01.06.* *€'000*
NON CURRENT ASSETS	
Property plant and equipment	52
Intangible assets	1,112
	1,164
CURRENT ASSETS	
Trade and other receivables	1,924
Cash and cash equivalents	683
	2,607
TOTAL ASSETS	3,771
EQUITY	
Equity attributable to equity holders of the parent	
Share capital	26
Share premium	622
Capital conversion reserve	1
Other reserve	43
Retained earnings	16
TOTAL EQUITY	708
LIABILITIES	
CURRENT LIABILITIES	
Trade and other payables	1,891
Income tax payable	13
Deferred consideration	252
	2,156
NON CURRENT LIABILITIES	
Series 'A' Convertible Redeemable Preference Shares	907
TOTAL LIABILITIES	3,063
TOTAL EQUITY AND LIABILITIES	3,771

CONSOLIDATED BALANCE SHEET
at 31 December 2006 - (Restated under IFRS)

	Restated under IFRS audited
	31.12.06.
ASSETS	*€'000*
NON CURRENT ASSETS	
Property plant and equipment	165
Intangible assets	1,112
	1,277
CURRENT ASSETS	
Trade and other receivables	2,796
Cash and cash equivalents	7,491
	10,287
TOTAL ASSETS	11,564
EQUITY	
Equity attributable to equity holders of the parent	
Share capital	68
Share premium	6,367
Capital conversion reserve	1
Other reserve	99
Retained earnings	2,222
TOTAL EQUITY	8,757
LIABILITIES	
CURRENT LIABILITIES	
Trade and other payables	2,596
Income tax payable	211
TOTAL LIABILITIES	2,807
TOTAL EQUITY AND LIABILITIES	11,564

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2006 - (Restated under IFRS)

	Restated under IFRS audited
	2006
	€'000
Cash Flows from Operating Activities	
Profit before tax	2,451
Adjustments for	
Depreciation	52
Share-based payments	56
Increase in trade and other receivables	(850)
Increase in trade and other payables	664
Finance income	(85)
Finance costs	26
	2,314
Interest paid	(6)
Income tax paid	(67)
Net cash from operating activities	2,241
Cash Flows from Investing Activities	
Payment of deferred consideration on purchase of Enabletel	(252)
Purchase of property, plant and equipment	(165)
Interest received	85
Net cash used in investing activities	(332)
Cash Flows from Financing Activities	
Net proceeds from issue of share capital	4,899
Net cash from financing activities	4,899
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,808
Cash and cash equivalents at 1 January 2006	683
Cash and cash equivalents at 31 December 2006	7,491

RECONCILIATION OF CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2006

		Impact on transition to IFRS		
	Irish GAAP	*Business Combinations IFRS 3*	*Revenue IAS 18*	*Restated Under IFRS*
	€'000	*€'000*	*€'000*	*€'000*
Revenue	13,357	-	(1,005)	12,352
Cost of sales	(8,134)	-	1,005	(7,129)
Gross profit	5,223	-	-	5,223
Administrative expenses	(3,040)	209	-	(2,831)
Operating profit	2,183	209	-	2,392
Finance income	85	-	-	85
Finance costs	(26)	-	-	(26)
Profit before tax	2,242	209	-	2,451
Income tax expense	(244)	-	-	(244)
Profit for the year attributable equity holders of the parent	1,998	209	-	2,207
Earnings per share (cents)				
Basic	3.8			4.2
Diluted	3.5			3.8

RECONCILIATION OF CONSOLIDATED BALANCE SHEET

at 1 January 2006

	Impact on transition to IFRS	
	Irish GAAP	*Restated Under IFRS*
ASSETS	*€'000*	*€'000*
NON CURRENT ASSETS		
Property, plant and equipment	52	52
Intangible assets	1,112	1,112
	1,164	1,164
CURRENT ASSETS		
Trade and other receivables	1,924	1,924
Cash and cash equivalents	683	683
	2,607	2,607
TOTAL ASSETS	3,771	3,771
EQUITY		
Equity attributable to equity holders of the parent		
Share capital	26	26
Share premium	622	622
Capital conversion reserve	1	1
Other reserve	43	43
Retained earnings	16	16
TOTAL EQUITY	708	708
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	1,891	1,891
Income tax payable	13	13
Deferred consideration	252	252
	2,156	2,156
NON CURRENT LIABILITIES		
Series 'A' Convertible Redeemable Preference Shares	907	907
TOTAL LIABILITIES	3,063	3,063
TOTAL EQUITY AND LIABILITIES	3,771	3,771

RECONCILIATION OF CONSOLIDATED BALANCE SHEET
at 31 December 2006

	Irish GAAP	*Impact on transition to IFRS* Business Combinations IFRS 3	*Restated Under IFRS*
ASSETS	*€'000*	*€'000*	*€'000*
NON CURRENT ASSETS			
Property, plant and equipment	165	-	165
Intangible assets	903	209	1,112
	1,068	209	1,277
CURRENT ASSETS			
Trade and other receivables	2,796	-	2,796
Cash and cash equivalents	7,491	-	7,491
	10,287	-	10,287
TOTAL ASSETS	11,355	209	11,564
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	68	-	68
Share premium	6,367	-	6,367
Capital conversion reserve	1	-	1
Other reserve	99	-	99
Retained earnings	2,013	209	2,222
TOTAL EQUITY	8,548	209	8,757
LIABILITIES			
CURRENT LIABILITES			
Trade and other payables	2,596	-	2,596
Income tax payable	211	-	211
TOTAL LIABILITIES	2,807	-	2,807
TOTAL EQUITY AND LIABILITIES	11,355	209	11,564

RECONCILIATION OF CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2006

		Impact on transition to IFRS	
	Irish GAAP	*Business Combinations IFRS 3*	*Restated Under IFRS*
	€'000	*€'000*	*€'000*
Cash Flows from Operating Activities			
Operating profit	2,183	209	2,392
Adjustments for			
Depreciation	52	-	52
Share-based payments	56	-	56
Amortisation of goodwill	209	(209)	-
Increase in trade and other receivables	(850)	-	(850)
Increase in trade and other payables	664	-	664
	2,314	-	2,314
Interest paid	(6)	-	(6)
Income tax paid	(67)	-	(67)
Net cash from operating activities	2,241	-	2,241
Cash Flows from Investing Activities			
Payment of deferred consideration on purchase of Enabletel	(252)	-	(252)
Purchase of property, plant and equipment	(165)	-	(165)
Interest received	85	-	85
Net cash used in investing activities	(332)	-	(332)
Cash Flows from Financing Activities			
Net proceeds from issue of share capital	4,899	-	4,899
Net cash from financing activities	4,899	-	4,899
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,808	-	6,808
Cash and cash equivalents at 1 January 2006	683	-	683
Cash and cash equivalents at 31 December 2006	7,491	-	7,491

GROUP ACCOUNTING POLICIES UNDER IFRS

Statement of compliance:

The restatement of financial information has been prepared using accounting principles in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Commission, which comprise standards and interpretations adopted by the International Accounting Standards Board (IASB).

The Group's first annual financial statements under IFRS will be for the year ended 31 December 2007. Consequently, there is a possibility that the preliminary financial statements may require adjustment before being incorporated into the final IFRS Financial statements if certain accountancy standards issued by the IASB are subject to further amendment before the publication of the final 2007 IFRS financial statements.

Basis of consolidation:

The financial statements consolidate the financial statements of Zamano plc and all its subsidiary undertakings drawn up to 31 December 2006. Subsidiaries are consolidated from the date of their acquisition, being the date on which the group obtains control.

The cost of acquisition is measured at the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities acquired in a business combination are initially measured at their fair value at acquisition date. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill.

The Group has elected not to apply IFRS 3 'Business Combinations' retrospectively to business combinations that took place before 1 January 2006.

Intangible Assets:

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be estimated reliably.

The Group's intangible assets are amortised over the useful life of the related asset on a straight line basis.

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Goodwill:

Goodwill arising on acquisition is capitalised and classified as an asset on the balance sheet. Goodwill is reviewed annually for impairment and is carried at cost less accumulated impairment.

If a subsidiary or business is subsequently sold or closed, the attributable amount of goodwill is taken into account in determining the profit or loss on sale or closure.

GROUP ACCOUNTING POLICIES UNDER IFRS - *continued*

Impairment:

Impairment is determined by assessing the recoverable amount of the asset. Where the recoverable amount of the asset is less than the carrying amount, an impairment loss is recognised. Impairment losses arising in respect of goodwill are not reversed once recognised.

Deferred and Contingent Consideration:

Deferred and contingent consideration relating to acquisitions represents the liability associated with a performance related target as evaluated by management, taking into account the terms of the earn out. If the effect of the time value of money is material, the deferred and contingent consideration is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the deferred and contingent consideration due to the passage of time is recognised as a finance cost.

Any revision in the deferred and contingent consideration provision is accounted for by an adjustment to the carrying value of goodwill.

Revenue Recognition:

Revenue represents the amount (excluding Value Added Tax) derived from the provision of services to customers.

Revenue from the provision of mobile data services is recognised on the basis of receipted transactions with the ultimate end user. Where the group acts as a principal supplier of mobile phone content, entertainment and other services, revenue is recorded before the deduction of revenue share payments to network operators. Where the Group acts as a service provider to third parties, turnover is recorded net of revenue share payments to third parties and network operators.

Fee-based income from the provision of other services is recognised on delivery of the service to the customer.

Interest income is recognised as interest accrues.

Government grants:

Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Research and development:

Expenditure on research (or the research phase of an internal project) is written off as incurred. An intangible asset arising from development expenditure on an individual project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefit, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

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

GROUP ACCOUNTING POLICIES UNDER IFRS - *continued*

Pension costs:

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from the group in independently administered funds. Contributions are charged to the income statement as they become payable in accordance with the rules of the scheme.

Deferred tax:

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- Where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

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.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise, income tax is recognised in the Income Statement.

Depreciation:

Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life as follows:

Computer hardware and equipment	- 3 years
Leased equipment	- 3 years
Fixtures and fittings	- 3 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

The residual values and useful lives of property, plant and equipment, are reviewed and adjusted if appropriate, at each balance sheet date.

Leasing and hire purchase commitments:

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Group, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The asset is recorded at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the finance lease. The capital elements of future obligations under leases are included in liabilities in the balance sheet and analysed between current and non-current amounts. The interest element of the rental obligations are charged to the income statement over the periods of the leases and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the income statement on a straight line basis over the lease term.

GROUP ACCOUNTING POLICIES UNDER IFRS - *continued*

Foreign currencies:

The consolidated financial statements are presented in Euros, which is the Group's presentation and functional currency. The Group determines the functional currency of each entity and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or, if appropriate, at the forward contract rate. Exchange differences are recognised in the income statement.

The functional currency of the foreign operation Zamano Limited, is Sterling. As at the reporting date, the assets and liabilities of this subsidiary are translated into the presentation currency of Zamano plc (the Euro) at the rate of exchange ruling at the balance sheet date and, the income statement is translated at the weighted average exchange rate for the year. The exchange differences arising on the translation are taken directly to a separate component of equity.

Cumulative translation differences on foreign operations are deemed to be zero at 1 January 2006. Any gains and losses recognised in the Consolidated Income Statement on subsequent disposals of foreign operations will therefore exclude translation differences arising prior to the transition date.

Share-based payments – Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by the directors using a Binominal model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions). No expense is recognised for awards that do not ultimately vest.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in other reserves.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference if negative.

When an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement,

Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. The amount of the provision is recognised in the income statement. Balances are written off to the income statement when the probability of recovery is assessed as being remote.

GROUP ACCOUNTING POLICIES UNDER IFRS - ***continued***

Cash and cash equivalents

Cash and Cash Equivalents comprises cash at banks and in hand and short-term deposits with a maturity of less than three months.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an finance cost.

Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns different to those of other segments. Stemming from the Group's internal organisational and management structure and its system of internal financial reporting, segmentation by business is regarded as being the predominant source and nature of the risks and returns facing the Group and is thus the primary segment. Geographical segmentation is therefore the secondary segment.

Convertible Redeemable Preference Shares

The component of the Convertible Redeemable Preference Shares that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of the Convertible Redeemable Preference Shares, the fair value of the liability component is determined using a market rate for an equivalent non convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Significant Accounting Judgments, Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of goodwill

The group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying value of goodwill at 31 December 2006 was €1,112,000 (2005 - €1,112,000).

INDEPENDENT AUDITORS' REPORT TO ZAMANO PLC AND SUBSIDIARIES ON THE PRELIMINARY IFRS FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

We have audited the accompanying preliminary International Financial Reporting Standards ("IFRS") financial statements of the Group for the year ended 31 December 2006 which comprise the opening IFRS Balance Sheet as at 1 January 2006, the Profit and Loss Account and the Cash Flow Statement for the year ended 31 December 2006 and the Balance Sheet as at 31 December 2006, together with the related accounting policies note set out on pages 12 to 16.

This report is made solely to the Group in accordance with our engagement letter dated 29 August 2007. Our audit work has been undertaken so that we might state to the Group those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility or liability to anyone other than the Group for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

These preliminary IFRS financial statements are the responsibility of the Group's directors and have been prepared as part of the Group's conversion to IFRS. They have been prepared in accordance with the basis set out on page 2, which describes how IFRS have been applied under IFRS 1, including the assumptions management has made about the standards and interpretations expected to be effective, and the policies expected to be adopted, when management prepares its first complete set of IFRS financial statements as at 31 December 2007.

Our responsibility is to express an independent opinion on the preliminary IFRS financial statements based on our audit. We read the other information accompanying the preliminary IFRS financial statements and consider whether it is consistent with the preliminary IFRS financial statements. This other information comprises the description of significant changes in accounting polices on pages 2 to 3. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the preliminary IFRS financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the preliminary IFRS financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the preliminary IFRS financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the preliminary IFRS financial statements. We believe that our audit provides a reasonable basis for our opinion.

Emphasis of matter

Without qualifying our opinion, we draw attention to the fact that page 2 explains why there is a possibility that the preliminary IFRS financial statements may require adjustment before constituting the final IFRS financial statements. Moreover, we draw attention to the fact that, under IFRSs only a complete set of financial statements with comparative financial information and explanatory notes can provide a fair presentation of the Group's financial position, results of operations and cash flows in accordance with IFRS.

Opinion

In our opinion, the preliminary IFRS financial statements for the year ended 31 December 2006 have been prepared, in all material respects, in accordance with the basis set out on pages 2 to 3, which describes how IFRS have been applied under IFRS 1, including the assumptions management has made about the standards and interpretations expected to be effective, and the policies expected to be adopted, when management prepares its first complete set of IFRS financial statements as at 31 December 2007.

Ernst & Young
Chartered Accountants
Annaville House
Newtown
Waterford

19 September 2007

APPENDIX 1

RECONCILIATION OF CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June - 2006 - Unaudited

		Impact on transition to IFRS		
	Irish GAAP	*Business Combinations IFRS 3*	*Revenue IAS 18*	*Restated Under IFRS*
	€'000	*€'000*	*€'000*	*€'000*
Revenue	6,029	-	(333)	5,696
Cost of sales	(3,410)	-	333	(3,077)
Gross profit	2,619	-	-	2,619
Administrative expenses	(1,493)	104	-	(1,389)
Operating profit	1,126	104	-	1,230
Finance income	16	-	-	16
Finance costs	(3)	-	-	(3)
Profit before tax	1,139	104	-	1,243
Income tax expense	(170)	-	-	(170)
Profit for the period attributable to equity holders of the parent	969	104	-	1,073

Earnings per share (cents)

	Irish GAAP			Restated Under IFRS
Basic	2.0			2.2
Diluted	1.8			2.0

APPENDIX 2

RECONCILIATION OF CONSOLIDATED BALANCE SHEET
at 30 June - 2006 - Unaudited

		Impact on transition to IFRS	
	Irish GAAP	*Business Combinations IFRS 3*	*Restated Under IFRS*
ASSETS	*€'000*	*€'000*	*€'000*
NON CURRENT ASSETS			
Property, plant and equipment	81	-	81
Intangible assets	1,008	104	1,112
	1,089	104	1,193
CURRENT ASSETS			
Trade and other receivables	1,823	-	1,823
Cash and cash equivalents	1,825	-	1,825
	3,648	-	3,648
TOTAL ASSETS	4,737	104	4,841
EQUITY			
Share capital	26	-	26
Share premium	622	-	622
Capital conversion reserve	1	-	1
Other reserve	62	-	62
Retained earnings	985	104	1,089
TOTAL EQUITY	1,696	104	1,800
LIABILIITES			
CURRENT LIABILITIES			
Trade and other payables	1,971	-	1,971
Income tax payable	163	-	163
	2,134	-	2,134
NON CURRENT LIABILITIES			
Series 'A' Convertible Redeemable Preference Shares	907	-	907
TOTAL LIABILITIES	3,041	-	3,041
TOTAL EQUITY AND LAIBILITIES	4,737	104	4,841