

Tersus Energy plc
Consolidated Condensed Interim Financial statements for the period ended
30 June 2007

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Company no: 5314207

Tersus Energy plc
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30 June 2007

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Chairman's statement

Introduction

During the six months to 30 June 2007 Tersus has continued to be capital constrained and has made slow progress. Nevertheless, most parts of the business have moved forward. However, it remains the case that Tersus will require additional finance in the coming three months. Your directors continue to explore a number of avenues to access additional capital to ensure that current opportunities are not lost and that additional time is made available for the introduction of a strategic partner or for disposal of one of the company's assets.

Financial Results

- Revenue of £1.14 million consisting of: Navitas £0.84 million; Envinta £0.28 million; advisory services £0.02 million (30 June 2006 - £1.65 million consisting of: Navitas £1.22 million; Envinta £0.06 million; advisory services £0.37 million; 31 December 2006 - £4.52 million consisting of: Navitas £2.35 million; Envinta £0.35 million; advisory services £1.82 million).
- Pre tax profit of £0.04 million (30 June 2006 – loss of £0.31 million; 31 December 2006 – loss of £0.68 million).
- Net assets of £5.08 million (30 June 2006 - £5.57 million; 31 December 2006 - £5.13 million).
- Included in the pre tax profit for the period ended 30 June 2007 is a profit of £0.50 million which is the increase in the fair value of the investment in HT Blade (see note 5 to the condensed consolidated interim financial statements).

Tersus Energy Controls (TEC)

- Navitas Technologies Inc ('Navitas'), our 100 per cent owned developer and manufacturer of electronic control equipment, made progress during the six months. Despite cash constraints a programme of product development has been maintained and is expected to result in additional sales in the second half of this year. At the same time, the customer base has been broadened. The strategy of broadening the customer base has been proven during the year to date as some of Navitas' major customers have suffered a shortfall in their own sales volumes and thus their order levels from Navitas have dropped. The revenue for the first half year was CAN \$1.88 million compared to CAN \$2.50 million for the first six months last year and CAN \$4.91 million for the year ended 31 December 2006. Earnings before interest, tax and depreciation ('EBITDA') for the first half year was breakeven compared to an equivalent profit of CAN \$0.14 million for the first half last year and a profit of CAN\$0.29 million for the year ended 31 December 2006.
- Envinta Corporation Inc ('Envinta'), our 100 per cent owned developer of energy and environmental information software has also made progress in 2007. New customer contracts have been signed with EDF and Siemens and further sales are under discussion with additional blue chip prospective customers. Revenue for the six months to June 2007 was US \$0.55 million (compared to US \$0.12million for the six weeks after acquisition in 2006 and US \$ 0.65 million to the year ended 31 December 2006). The Company posted an EBITDA profit of US \$ 0.07 million for the six months from acquisition to 30 June 2006 (compared to losses of US \$0.07 and US \$ 0.27 for the six weeks to 30 June 2006 and the twelve months to 31 December 2007 respectively).

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- Despite vigorous efforts, no firm offers were received for Navitas. Your directors believe both Navitas and Envinta will achieve, in the medium term, values in excess of those attributable to the business at present. Each of these businesses requires a modest amount of additional capital in order to make the most of the opportunities available to it. Our strategy is to provide that additional capital either through Tersus or by the introduction of minority shareholders into the subsidiary business.

HT Blade

- We continue to hold our interest in ZhongHong (Boading) Huiteng Wind Power Equipment Company Ltd ('HT Blade'), through a Texan partnership Tang Wind Energy ('TWE'). We are informed by TWE that HT Blade is trading in line with expectations in the current year. We continue to be positive about the value of our interest in HT Blade although we recognise that the realisation of that value is dependent upon the strategy adopted by the majority, Chinese state owned, shareholders.

Tersus Asian Renewables (TAR)

- Tersus' activities through its 50per cent owned Indian company, Jasfour Power Private Ltd ('Jasfour'), have not progressed during the year and Tersus is in dispute with its joint venture partner. However, the financial exposure from this disagreement is limited and opportunities are still available for Tersus to develop a wind farm portfolio in India. Project capital will be required to exploit these opportunities and your directors continue to seek such capital.
- Tersus activities in the Philippines have also made little demonstrable progress during 2007. Tersus has been informed by its joint venture partner that the Philippine's authorities have granted a land lease for the first site (40mw) but your directors have not been able to obtain any evidence for this as a result of delays within the Philippine authorities and/or the joint venture partner. Assuming the land lease has been granted and that this can be demonstrated, the opportunity exists to exploit the project and the next step will be to appoint a Philippines based full time developer.
- In South Korea we have, through our 50/50 joint venture with Hahn Renewable Energy Plc, submitted a number of proposals which we anticipate will lead to memoranda of understanding. These proposals are for projects representing up to 600mw of wind power and 125mw of solar power. In addition, discussions continue elsewhere in South Korea in relation to a 10 mw solar project, for which an MOU has been signed, a further 34mw of solar power, and up to 600mw of wind power projects. In order to verify and pursue these opportunities some development capital will be required and, in due course, project capital will be sought.

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Tersus Bio Energy (TBE)

- Tersus continues to seek project development opportunities, primarily through our interest in ECL Developments Ltd. This company is mainly focused on anaerobic digestion opportunities using proprietary thermophilic anaerobic digestion technology developed by Enviro-Control Limited ('ECL') into which Tersus invested in May 2006. ECL Developments Ltd is 50 per cent owned by Tersus and 50 per cent by ECL. The number and extent of the development opportunities which have been and are being discussed is such that we remain optimistic that a number of these will result in developable projects, as long as we have the working capital to get them to the development stage.

Tersus Advisory

- Tersus continues to provide advisory services in relation to the Bens Run salt dome and prospective major investors continue to show an interest.
- Tersus is providing strategic advice to Minnesota Power on entry into greenhouse gas investments and has received US \$41k fees for these services since the end of the half year.

Future Direction and Financing

- As noted earlier the Company will shortly be in need of additional finance. This would, we hope, enable immediate opportunities to be retained and discussions to continue to secure a more stable long term future for the business.
- In the meantime your directors have terminated the employment contracts of almost all our people, where possible continuing to have their experience and expertise available through ad-hoc consultancy arrangements. Your chairman and executive directors have deferred their salaries throughout 2007 and all other practicable steps have been taken in order to minimise the running cost of the business and thus maximise the period of time in which to achieve a satisfactory medium to long term financial platform for the business.

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Condensed consolidated interim balance sheet

	(Unaudited) 30 June 2007	(Unaudited) 30 June 2006 Restated	(Unaudited) 31 December 2006 Restated
Note	£	£	£
ASSETS			
Non-current assets			
Property, plant and equipment	91,002	107,540	93,302
Goodwill	1,034,564	1,038,348	1,019,459
Other intangible assets	896,571	622,830	776,250
Other financial assets	5 2,965,918	2,415,362	2,466,136
	<u>4,988,055</u>	<u>4,184,080</u>	<u>4,355,147</u>
Current assets			
Inventories	315,592	421,239	302,301
Trade and other receivables	747,524	1,135,062	859,664
Other current assets	-	319,488	-
Cash and cash equivalents	351,197	491,064	565,755
	<u>1,414,313</u>	<u>2,366,853</u>	<u>1,727,720</u>
Total assets	<u><u>6,402,368</u></u>	<u><u>6,550,933</u></u>	<u><u>6,082,867</u></u>

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Condensed consolidated interim balance sheet (continued)

	(Unaudited) 30 June 2007	(Unaudited) 30 June 2006 Restated	(Unaudited) 31 December 2006 Restated
Note	£	£	£
LIABILITIES			
Current liabilities			
Trade and other payables	959,048	781,027	804,810
Short-term borrowings	73,164	60,325	4,160
Current tax payable	8,500	-	8,500
	<u>1,040,712</u>	<u>841,352</u>	<u>817,470</u>
Non-current liabilities			
Deferred tax liabilities	280,000	140,000	140,000
	<u>1,320,712</u>	<u>981,352</u>	<u>957,470</u>
Net assets	<u><u>5,081,656</u></u>	<u><u>5,569,581</u></u>	<u><u>5,125,397</u></u>
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	190,231	190,231	190,231
Share premium account	6,417,112	6,417,112	6,417,112
Merger reserve	1,499,766	1,499,766	1,499,766
Share option reserve	166,992	95,933	134,210
Foreign currency translation reserve	(86,705)	(11,140)	(108,423)
Profit and loss account	(3,105,740)	(2,622,321)	(3,007,499)
Total equity	6 <u><u>5,081,656</u></u>	<u><u>5,569,581</u></u>	<u><u>5,125,397</u></u>

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expense**

	(Unaudited)	(Unaudited)	(Unaudited)
	6 months to 30 June 2007	6 months to 30 June 2006 Restated	Year to 31 December 2006 Restated
	£	£	£
Exchange differences on translation of foreign operations	21,718	(11,140)	(108,423)
Net income/(expense) recognised directly in equity	<u>21,718</u>	<u>(11,140)</u>	<u>(108,423)</u>
Loss for the period	(98,241)	(311,401)	(695,578)
Total recognised income and expense for the period	<u>(76,523)</u>	<u>(322,541)</u>	<u>(804,001)</u>

The total recognised income and expense is attributable to the equity holders of Tersus Energy plc.

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	(Unaudited) 6 months to 30 June 2007 £	(Unaudited) 6 months to 30 June 2006 Restated £	Unaudited Year to 31 December 2006 Restated £
Cash flows from operating activities			
Loss after taxation	(98,241)	(311,401)	(695,578)
Adjustments for:			
Depreciation	8,036	8,784	14,031
Increase in fair value of investment	(500,000)	-	-
Foreign exchange (profit)/loss	(41,617)	(241)	33,548
Share options	32,782	67,159	105,436
Net profit on disposal of current asset investments	-	(221,659)	(592,650)
Interest receivable	(58,311)	(90,180)	(158,730)
Taxation expense recognised in profit and loss	142,842	-	13,847
Decrease/(increase) in trade and other receivables	182,280	(300,092)	(4,084)
Decrease/(increase) in inventories	9,822	(27,638)	47,239
Increase in trade payables	163,327	71,689	31,891
Cash outflow from operations	(159,080)	(803,579)	(1,206,050)
Interest paid	(3,862)	(156)	(6,023)
Income taxes paid	(2,842)	-	(5,347)
Net cash outflow from operating activities	(165,784)	(803,735)	(1,217,420)
Cash flows from investing activities			
Acquisition of Envinta	-	(883,049)	(908,845))
Purchase of investments	(2,065)	(2,081,855)	(2,142,119)
Purchase of intangible fixed assets	(96,031)	(45,511)	(222,173)
(Purchase)/ sale of current asset investments	(20,763)	235,810	1,026,232
Purchase of property, plant and equipment	(4,246)	(21,671)	(24,123)
Interest received	10,207	44,930	63,688
Net cash used in investing activities	(112,898)	(2,751,346)	(2,207,340))
Cash flows from financing activities			
Proceeds from issue of share capital	-	665,000	665,000
Net cash generated from financing activities	-	665,000	665,000
Net decrease in cash and cash equivalents	(278,682)	(2,890,081)	(2,759,760)
Exchange differences	(4,880)	(4,012)	(3,477)
Cash and cash equivalents at beginning of period	561,595	3,324,832	3,324,832
Cash and cash equivalents at end of period	278,033	430,739	561,595

Notes to the condensed consolidated interim financial statements

1 Basis of preparation

These condensed consolidated interim financial statements (financial statements) are for the six months ended 30 June 2007. They have been prepared in accordance with the requirements of IFRS 1 "First-time Adoption of International Financial Reporting Standards" relevant to interim reports, because they are part of the period covered by the Group's first IFRS financial statements for the year ended 31 December 2007. They do not include all of the information required for full annual financial statements, have been prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards (IFRS), and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2006.

These financial statements have been prepared under the historical cost convention, except for revaluation of certain financial assets.

These financial statements have been prepared in accordance with accounting policies based on the recognition and measurement principles of IFRS in issue as adopted by the European Union (EU) and are effective at 31 December 2007 or are expected to be adopted and effective at 31 December 2007, the first annual reporting date at which the Group is required to use IFRS accounting standards adopted by the EU.

These financial statements were prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) until 31 December 2006. The date of transition to IFRS was 1 January 2006. The comparative figures in respect of 2006 have been restated to reflect changes in accounting policies as a result of adoption of IFRS. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in the reconciliation schedules in note 6.

The financial information set out in this interim report 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 December 2006, prepared under UK GAAP, have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 237(2) of the Companies Act 1985.

Going concern

The interim statements have been prepared on the going concern basis, the directors consider it appropriate to prepare the accounts on this basis on the assumption that additional finance will be raised. The directors' consider that this additional finance may come from the sale of business assets or from one of a number of financing relationships which are under discussion.

However, there can be no certainty that the discussions with potential investors and parties interested in purchasing certain group interests currently in progress will be successful. If the above assumption were not borne out then the Group would not be a going concern. The interim statements do not include any adjustments or disclosures that would be required if the company was not a going concern.

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2 Segment analysis

Segmental information on turnover by origin and losses before taxation:

By geographical area of origin	Revenue			Profit after tax		
	(Unaudited) 30 June 2007	(Unaudited) 30 June 2006	(Unaudited) 31 Dec 2006	(Unaudited) 30 June 2007	(Unaudited) 30 June 2006	(Unaudited) 31 Dec 2006
	£	£	£	£	£	£
Canada - Navitas	839,543	1,226,998	2,349,650	(34,914)	29,064	54,542
USA - advisory	11,526	234,099	1,667,635	(93,187)	6,230	(523,576)
USA - Envinta	281,688	63,488	353,625	25,901	(40,789)	(145,105)
UK	10,000	131,195	148,440	3,959	(305,906)	(81,439)
	<u>1,142,757</u>	<u>1,655,780</u>	<u>4,519,350</u>	<u>(98,241)</u>	<u>(311,401)</u>	<u>(695,578)</u>

3 Administrative costs

Administrative costs of £1,086,236 include £528,311 which relates to Tersus Energy plc and Tersus Energy Services Inc. of which £365,899 is for employment costs. However £192,488 of these employment costs have been accrued rather than paid as the Chairman, Executive Directors, and some senior members of staff have deferred their salary payments.

4 Loss per share

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

	(Unaudited) 6 months ended 30 June 2007	(Unaudited) 6 months ended 30 June 2006 Restated	(Unaudited) 12 months ended 31 Dec 2006 Restated
	£	£	£
Loss for the financial period	<u>(98,241)</u>	<u>(311,401)</u>	<u>(695,578)</u>
Weighted average number of shares	Number of shares	Number of shares	Number of shares
For basic loss per share	<u>38,046,376</u>	<u>37,491,182</u>	<u>37,392,378</u>

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5 Other financial assets

Other financial assets are categorised as at fair value through profit or loss. Where the fair value can be reliably measured the fair value of the asset is reflected in the balance sheet and any changes are reported in profit or loss. Assets whose fair value can not be reliably measured are held at cost less any impairment.

The investment in ZhongHong (Boading) Huiteng Wind Power Equipment Company Ltd (HT Blade) was revalued at 30 June 2007. The investment is held through a partnership into which a new partner was accepted introducing new capital providing evidence of an increase in the fair value of the investment held by the other partners. As a result of this adjustment, investments have been increased by £500,000 and a profit of £500,000 has been recognised. The related deferred tax has been provided.

6 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 and are prepared in accordance with the recognition and measurement rules of 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 companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period. These interim financial statements have been prepared on the basis of taking the following exemptions:

- business combinations prior to 1 January 2006, the Group's date of transition to IFRS, have not been restated to comply with IFRS 3 "Business Combinations". Goodwill arising from these business combinations of £282,841 has not been restated other than as set out in note b below.

The reconciliations set out on the following pages show the movement from previously reported results prepared under UK GAAP to the restated results used in these financial statements prepared under IFRS.

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Reconciliation of equity at 1 January 2006

	UK GAAP £	a £	b £	£	IFRS £
Non-current assets					
Property, plant and equipment	35,802	-	-	-	35,802
Goodwill	349,013	-	-	-	349,013
Other intangible assets	80,450	-	-	-	80,450
Investments	337,625	-	-	-	337,625
Current assets					
Inventories	397,380	-	-	-	397,380
Trade and other receivables	1,333,893	-	-	-	1,333,893
Other current assets	319,181	-	-	-	319,181
Cash and cash equivalents	3,387,575	-	-	-	3,387,575
Current liabilities					
Trade and other payables	(604,931)	-	-	-	(604,931)
Short-term borrowings	(62,743)	-	-	-	(62,743)
Short-term provisions	(93,716)	-	-	-	(93,716)
Net assets/liabilities	<u>5,479,529</u>	-	-	-	<u>5,479,529</u>
Equity					
Share capital	186,307	-	-	-	186,307
Share premium account	6,075,603	-	-	-	6,075,603
Merger reserve	1,499,766	-	-	-	1,499,766
Share option reserve	28,774	-	-	-	28,774
Profit and loss account	(2,310,921)	-	-	-	(2,310,921)
Total equity	<u>5,479,529</u>	-	-	-	<u>5,479,529</u>

Reconciliation of equity at 30 June 2006

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	UK GAAP	a	b	IFRS
	£	£	£	£
Non-current assets				
Property, plant and equipment	107,540	-	-	107,540
Goodwill	1,398,348	(360,000)	-	1,038,348
Other intangible assets	122,830	500,000	-	622,830
Investments	2,415,362	-	-	2,415,362
Current assets				
Inventories	421,239	-	-	421,239
Trade and other receivables	1,135,062	-	-	1,135,062
Other current assets	319,488	-	-	319,488
Cash and cash equivalents	491,064	-	-	491,064
Current liabilities				
Trade and other payables	(527,315)	-	-	(527,315)
Short-term borrowings	(60,325)	-	-	(60,325)
Current tax payable	-	-	-	-
Short-term provisions	(253,712)	-	-	(253,712)
Non-current liabilities				
Deferred tax liability	-	(140,000)	-	(140,000)
Net assets	<u>5,569,581</u>	<u>-</u>	<u>-</u>	<u>5,569,581</u>
Equity				
Share capital	190,231	-	-	190,231
Share premium account	6,417,112	-	-	6,417,112
Merger reserve	1,499,766	-	-	1,499,766
Share option reserve	95,933	-	-	95,933
Profit and loss account	(2,633,461)	-	-	(2,633,461)
Total equity	<u>5,569,581</u>	<u>-</u>	<u>-</u>	<u>5,569,581</u>

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Reconciliation of equity at 1 January 2007

	UK GAAP £	a £	b £	IFRS £
Non-current assets				
Property, plant and equipment	93,302	-	-	93,302
Goodwill	1,341,061	(360,000)	38,398	1,019,459
Other intangible assets	276,250	500,000	-	776,250
Investments	2,466,136	-	-	2,466,136
Current assets				
Inventories	302,301	-	-	302,301
Trade and other receivables	859,664	-	-	859,664
Cash and cash equivalents	565,755	-	-	565,755
Current liabilities				
Trade and other payables	(558,813)	-	-	(558,813)
Short-term borrowings	(4,160)	-	-	(4,160)
Current tax payable	(8,500)	-	-	(8,500)
Short-term provisions	(245,997)	-	-	(245,997)
Non-current liabilities				
Deferred tax liability	-	(140,000)	-	(140,000)
Net assets	<u>5,086,999</u>	-	<u>38,398</u>	<u>5,125,397</u>
Equity				
Share capital	190,231	-	-	190,231
Share premium account	6,417,112	-	-	6,417,112
Merger reserve	1,499,766	-	-	1,499,766
Share option reserve	134,210	-	-	134,210
Profit and loss account	(3,154,320)	-	38,398	(3,115,922)
Total equity	<u>5,086,999</u>	-	<u>38,398</u>	<u>5,125,397</u>

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Reconciliation of profit for the 6 months ended 30 June 2006

	UK GAAP				IFRS
	£	a	b	£	£
Continuing operations					
Revenue	1,655,780	-	-	-	1,655,780
Cost of sales	<u>(936,116)</u>	-	-	-	<u>(936,116)</u>
Gross profit	719,664	-	-	-	719,664
Administrative costs	(1,238,917)	-	-	-	(1,238,917)
Finance costs – interest receivable	90,336	-	-	-	90,336
Other operating income	(156)	-	-	-	(156)
	<u>117,672</u>	-	-	-	<u>117,672</u>
Loss before tax	(311,401)	-	-	-	(311,401)
Income tax expense	-	-	-	-	-
Loss for the period	<u>(311,401)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(311,401)</u>

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Reconciliation of profit for the year to 31 December 2006

	UK GAAP				IFRS
	£	a	b	£	£
Continuing operations					
Revenue	4,519,350	-	-	-	4,519,350
Cost of sales	(3,025,738)	-	-	-	(3,025,738)
Gross profit	<u>1,493,612</u>	-	-	-	<u>1,493,612</u>
Administrative costs	(2,865,941)	-	38,398	-	(2,826,543)
Finance cost – interest receivable	164,753	-	-	-	164,753
Interest payable	(6,023)	-	-	-	(6,023)
Other operating income	492,470	-	-	-	492,470
Loss before tax	<u>(721,129)</u>	-	38,398	-	<u>(681,731)</u>
Income tax expense	(13,847)	-	-	-	(13,847)
Loss for the period	<u>(734,976)</u>	-	<u>38,398</u>	-	<u>(695,578)</u>

Notes to the reconciliations

- a) The Group acquired Envinta Corporation Inc (Envinta) on 8 May 2006. Application of IFRS 3 to this business combination resulted in identification of a number of intangible assets, including an internet domain name, a customer list, customer contracts and other databases. Under IFRS these have been recognised separately in the balance sheet at their fair value at the date of the combination. Under UK GAAP these intangible assets were subsumed within goodwill. The result of this adjustment is to decrease goodwill and increase intangible assets by £500,000 at the date of the combination. At both 30 June 2006 and 31 December 2006 the value of intangible assets was increased by £500,000. The value of goodwill at both 30 June 2006 and 31 December 2006 was reduced by £500,000. Deferred tax has been provided on the increase and the goodwill adjusted accordingly.

- b) Goodwill recognised by the Group on acquisition of Navitas Technologies Inc (Navitas) and Envinta under UK GAAP was being amortised over a period of 20 years. Under IFRS goodwill is not amortised, but tested annually for impairment. The goodwill amortisation charge recognised in accordance with UK GAAP in 2006 has been written back. The result of this adjustment is to reduce the amortisation charge in the income statement by £38,398 for the year ending 31 December 2006 and increase the carrying value of those intangible assets by the same amount. £10,398 of this amount relates to Navitas and £28,000 to Envinta.