PARKMEAD GROUP

INVESTORS IN ENERGY

ANNUAL REPORT 2007

FOUNDED IN 1992, THE PARKMEAD GROUP PLC IS A LONDON BASED MERCHANT BANK

FOLLOWING A SUCCESSFUL RESTRUCTURING IN 2006 THE GROUP IS NOW FOCUSED IN PROVIDING ADVISORY SERVICES TO AND INVESTING IN THE OIL, GAS AND ENERGY SECTORS

CHAIRMAN'S STATEMENT

"...we have an extensive pipeline of investment opportunities in the energy sector that we are actively evaluating..."

I am pleased to announce that the Group has made further progress in returning to profitability in the year ended 30 June 2007 recording a loss before tax and minority interests of £0.5 million (2006: loss £6.2 million, restated). This is a significant improvement over 2006 and is indicative of the progress that the Group has made.

At the operating level the Group recorded a loss of £5.3 million (2006: loss £3.9 million restated). There were, however a number of exceptional items, one off costs, amortisation of goodwill and impairment charges which gave rise to this. In particular, the Group wrote down the carrying value of Quayside Corporate Services Limited ("Quayside", the Group's turnaround business) by £3.1 million from £5.3 million to £2.2 million and also expensed £0.6 million of amortisation relating to Quayside. During the year, the Group invested in a number of business development activities. The costs associated with this investment of £0.6 million were expensed in the year. Prior to the Group relocating in August this year a provision was made for dilapidations, onerous lease commitments and accelerated depreciation (relating to the Group's former offices) of £0.3 million. Finally, subsequent to the year end, the Group has reached agreement to dispose of its entire holding in Quayside for a consideration of £0.6 million in cash and deferred consideration of up to £2.0 million. Accordingly, the operating loss before these exceptional and impairment costs was £0.7 million; a significant improvement on 2006 (loss £3.9 million restated). The Group was particularly successful in divesting of a number of its trading subsidiaries and certain portfolio investments. Overall a profit on sale of subsidiaries of £4.6 million was recorded (2006: £nil). In accordance with its accounting policy, the Group revalued its remaining portfolio investments which gave rise to a charge of £0.2 million in the year (2006 charge: £2.7 million). Net interest income was significantly higher at £0.4 million (2006: £nil) due mainly to higher than anticipated proceeds from asset sales.

Overall the Group recorded a loss for the year, after tax and minority interests of £0.4 million (2006: £6.4 million restated). The Board is not recommending the payment of a dividend (2006: £nil).

PRINCIPAL INVESTMENT AND ADVISORY

Our revenues grew 17% to £3.7 million (2006: £3.2 million). The Group provided corporate finance and advisory services to clients predominantly in the energy sector including advising on disposals, acquisitions and corporate restructurings. Following the successful realisation of proceeds from the disposal of the Group's former subsidiaries, the Group will look to make investments either as principal or along side financing partners in energy related assets during the course of the coming year.

Our turnaround business activities are carried out through Quayside. Before provisions for doubtful debts Quayside recorded a profit of £0.2 million, however, at present, given the unpredictable nature of the distressed company debt markets, we have set aside £0.6 million for doubtful debts associated with trade receivables. The impact of this provision caused Quayside to record a loss for the year of £0.4 million.

PORTFOLIO AND SUBSIDIARY INVESTMENTS

The Group was successful in disposing of the majority of its technology assets. The Group sold its holding in AVM in September 2006 for a cash consideration of £1.3 million before expenses. AVM was carried in the Company's balance sheet at £0.5 million giving a profit before expenses of £0.8 million, however, on deconsolidation this profit reduced to £0.2 million. The Group's holding in Yospace was sold for a cash consideration of £4.9 million before expenses in February 2007. On deconsolidation and repayment of debt the sale realised a profit of £4.0 million. In February of this year the Group disposed of its holding in Respond Group Limited for a cash consideration of £2.1 million before expenses, which after repayment of debt, gave rise to a profit of £0.4 million. The successful conclusion of these deals demonstrates the Group's capacity to execute transactions. Furthermore, as a result, the Group's balance sheet has been strengthened significantly which provides funds for the Group's principal investment activities.

The Group's remaining technology portfolio is comprised of small holdings in Future Route Limited, Metapraxis Limited, Red M Group Limited, Retento Limited and Speed Trap Limited. The Group revalued these holdings with an overall charge of £0.2 million being recognised during the year. The Group's investment in Thruvision Limited has been revalued by £0.2 million from £1.1 million to £1.3 million following a further funding round subsequent to the Group's investment.

KEY PERFORMANCE INDICATORS

The Board monitors the performance of its businesses through the reporting of monthly management accounts that show progress against budget, highlighting significant variances, positive and negative. The Board also receives cash flow reports on a monthly basis. The Board considers the Group's pipeline of business at each Board meeting and tests Executive Management's expectation of conversion. Additionally, key performance indicators are set, against which the Board can assess performance and prospects for the businesses. With regard to Quayside, the Board monitors each assignment undertaken against budgeted profit and gross profit margin and for the year ended 30 June 2007 gross margins averaged 54%. With regard to the corporate finance business, revenue is analysed between recurring revenue streams and success fees. The baseline target is to cover fixed costs with recurring revenues and for the year under review fixed costs were covered 127% by recurring revenues. Executive Directors report progress on the Group's investments at each Board meeting.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal trading risks of the Group's business are the sourcing of suitable transactions (deal flow) and the ability to recruit and retain experienced executives. With regard to deal flow, the Group has via its Board and other intermediary relationships, access to a number of sources of deal flow which the Board believes is satisfactory to grow the business. With regard to recruitment the Group has been actively recruiting at senior levels over the past year, however, the market remains tight for high quality individuals. As a mitigating strategy the Group has entered into a number of retainer relationships whereby it has access to high quality corporate finance and investment experts such that it can resource deals in a cost effective manner.

OUTLOOK

Overall it has been a satisfactory year, we have taken steps to focus our business and our core division is performing well. Our balance sheet is significantly strengthened, with cash balances more than doubled to £12.8 million (2006: £6.2 million) following the asset realisation programme. We have now successfully restructured the Group.

Our strategy will be to focus on the energy sector; providing corporate finance services and making principal investments to create shareholder value, at an acceptable level of risk. I look forward to the continued development of the Group over the coming year.

Colin Goodall
23 November 2007

THE BOARD

GORDON ASHWORTH
CHIEF FINANCIAL OFFICER

Gordon was previously Finance Director and Chief Executive Officer of Asite plc, a listed technology company focused on the construction sector. Prior to this, Gordon gained experience as finance director in the IT contracting, hospitality, consulting, and banking sectors. Gordon qualified as an accountant in 1989.

TOM CROSS
NON-EXECUTIVE DIRECTOR

Tom is Chief Executive of Dana Petroleum plc. He is a chartered director and petroleum engineer with 24 years energy sector experience spanning 20 countries. Tom is Chairman of BRINDEX, the Association of British Independent Oil Companies and a Council member of UKOOA, the UK Offshore Operators Association. He chairs AUPEC, a global advisory group on energy policy and economics and has served as Chairman of the Society of Petroleum Engineers and an advisor to BBC Radio on oil and gas affairs.

NIALL DORAN
CHIEF EXECUTIVE OFFICER

Niall started his career in 1992 with Accenture. In 1995 he was appointed the first chief of staff to the UK Managing Partner of Accenture. In 1996 he joined the Energy Practice of Accenture and was appointed a partner in 2000. In 2003 Niall was recruited to take on the role of turnaround CEO for an Indian software start-up, which was stabilised, returned to profit and sold to a leading provider of supply chain solutions.

COLIN GOODALL
NON-EXECUTIVE CHAIRMAN

Colin is currently Non-Executive Chairman of Dana Petroleum plc. He has had a 24 year upstream oil career with the BP Group, during which time he became the first Chief of Staff. From 1995 to 1999 he served as Chief Financial Officer of BP Europe and then as BP's senior representative in Russia. Colin holds directorships at Dana Petroleum plc, Asite plc and Sindicatum Carbon Capital Ltd.

JOHN LEGGATE
NON-EXECUTIVE DIRECTOR

John is CIO & GVP strategic supply chain management for BP. Following 20 years in the E+P division he has spent seven years in key corporate roles. He ran many oil and gas field developments and operations, was president of Azerbaijan International Operating Company and is known for restructuring late life assets. He has been involved in BP's industry scale M+A activities following the BP/Amoco merger.

RT HON BRIAN WILSON
NON-EXECUTIVE DIRECTOR

Brian is a former Labour government minister who stood down at the last election after 18 years in Parliament. Between 1997-2005, he held five ministerial posts, including Minister for Trade and Minister for Energy. Latterly, he acted as the Prime Minister's Special Representative for Overseas Trade and since leaving Parliament, he has continued to take a close interest in the energy sector. He is also a director of Celtic FC.

DIRECTORS' REPORT

The Directors present their annual report and financial statements of the Company and of the Group for the year ended 30 June 2007.

PRINCIPAL ACTIVITY

The Group's principal activity carried out both in the United Kingdom and internationally, was that of, business advisers and investor in technology and energy based companies.

RESULTS AND DIVIDENDS

The Group loss for the year amounted to £0.4 million (2006: restated £6.4 million). The Directors do not recommend a final dividend (2006: £nil). It is proposed that the loss for the year will be deducted from reserves.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The review of the business for the year, future developments and events since the end of year are set out in the Chairman's Statement on pages 2 to 3. The information which fulfils the requirements of the Business Review as set out in the Companies Act is included within this report by way of reference.

During the year the Group disposed of two of its trading subsidiaries and certain other assets held for resale. The Group's corporate finance division traded profitably, while its trading subsidiary (Quayside) made a trading profit but recorded an overall loss after providing for doubtful debts and inter-group management charges. During the year the Group attempted to raise a publicly listed fund to invest in special situations oil and gas based assets. Whilst favourably received in the market, insufficient funds were raised to make the project commercially viable which gave rise to a one-off cost of £0.6 million. Whilst Quayside traded profitably, the present unpredictable nature of the distressed company debt markets meant a provision of £0.6 million was charged to the income statement. As a result of these difficulties, goodwill relating to this business was assessed by the Directors and an impairment charge of £3.1million was booked to the profit and loss account.

CHANGE OF COMPANY'S REGISTERED ADDRESS

On 10 August 2007, the Company changed its registered address to Vigo House, 1-4 Vigo Street, London W1S 3HT.

DIRECTORS AND THEIR INTERESTS

The names and biographical details of the current Directors, up to the date of signing these financial statements, are given on page 4. The following Board changes arose during the year ended 30 June 2007:

	APPOINTED	RESIGNED
T Cross	06 October 2006	
M Morris		31 August 2006
D Mills		29 June 2007
I Taylor		29 June 2007

The following Directors have acquired options:

	DATE OF GRANT	OPTIONS GRANTED	EXERCISE PRICE
N Doran	22 May 2006 *	33,485,616	£0.08
G Ashworth	12 March 2007 **	600,000	£0.08

* The vesting conditions associated with these options are such that 50% of the options vest at any time if the closing mid market price of the ordinary shares of the Company exceeds £0.18 pence. The remainder of the options vest if, at any time, the closing mid market price exceeds £0.27 pence. The options expire in April 2016.

** The vesting conditions associated with the options are such that 33.3% vest immediately. The remainder of the options vest equally over a two year period from date of grant. There is no other performance criterion.

All options granted above relate to The Parkmead Group plc. No options were exercised or lapsed during the year.

DIRECTORS' REPORT
CONTINUED

AUTHORITY TO PURCHASE OWN SHARES
Under special business at the forthcoming Annual General Meeting (AGM) of the Company shareholder consent will be sought to purchase the Company's shares. This authority shall expire at the Company's next AGM subsequent to the forthcoming meeting or 15 months from the date of the forthcoming AGM if earlier. In the event that the Company were to make such market purchases then the minimum it shall pay for such shares will be 3 pence and the maximum shall no more than 5 per cent above the average of the market values for an ordinary share as derived from the Appendix to the London Stock Exchange Daily Official List for the five business days immediately preceeding the date on which the ordinary shares are purchased.

FIXED ASSET INVESTMENTS
Fixed asset investments are stated at cost or valuation and in accordance with the International Private Equity and Venture Capital Valuation Guidelines. Details of changes in fixed asset investments are set out in note 14 to these financial statements.

FINANCIAL RISK MANAGEMENT POLICIES
Full details of the Group's financial risk management policies are set out in note 22 to the financial statements on page 32.

TRANSITION TO IFRS
The Group will be required to adopt International Financial Reporting Standards when it reports its results for the year ending 30 June 2008. Furthermore, the Group's interim report for the 6 months ending 31 December 2007 will be reported in accordance with IAS 34, Interim Financial Reporting. In addressing this transition the Group will be investing additional resource and training prior to the reporting of the Group's Interim Report prior to 31 March 2008.

CHARITABLE AND POLITICAL DONATIONS
The Group made charitable donations of £20,100 during the year (2006: £3,710).

CREDITOR PAYMENT POLICY
It is Group policy to agree and communicate clearly the terms of payment as part of the commercial arrangements negotiated with suppliers and then to pay according to these based on the timely receipt of an accurate invoice.

Trade creditor days based on creditors as at 30 June 2007 were 56 days (2006: 80 days) for the Company.

RESEARCH AND DEVELOPMENT
Yospace Technologies Limited, a subsidiary company which was sold during the year, builds a range of innovative software products targeted at the mobile telecom industry. These products allow mobile operators to launch innovative customer products. During the year ended 30 June 2007, research and development costs of £366,951 (2006: £622,590) were charged to the profit and loss account.

SUBSTANTIAL SHAREHOLDINGS
The Company has been advised of the following substantial shareholdings as at 8 November 2007:

	NO. OF ORDINARY SHARES HELD	% OF ORDINARY SHARES
Mr David Mills	63,146,567	17.14%
Schroder Investment Management	62,212,220	16.89%
Artemis Fund Managers	60,606,061	16.45%
Liontrust Asset Management	43,686,007	11.86%
Mr Kenneth Olisa	35,660,076	9.68%
Mr Niall Doran	33,485,616	9.09%

STATEMENT ON DISCLOSURE OF INFORMATION TO THE AUDITORS

As far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware. The Directors have also taken all the steps they ought to have taken as Directors, to make themselves aware of any relevant audit information and, to establish that the Company's auditors are aware of that information.

ANNUAL GENERAL MEETING

Your attention is drawn to the Notice of the Annual General Meeting to be held on 21 December 2007 which is set out on pages 42 to 43 of this Report. Under ordinary business shareholders will be asked to consider:

- approving the Annual Report and Financial Statements for the year ended 30 June 2007
- the reappointment of Directors who, in accordance with the articles of association of the Company, have retired by rotation
- approving the re appointment of PricewaterhouseCoopers LLP as auditors to the Company

Under special business shareholders will be asked to consider:

- approving provisions whereby the Group is authorised to buy back its shares subject to approved limits
- approving provisions whereby the Group can disapply statutory pre emption rights subject to approved limits.

AUDITORS

PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Gordon Ashworth
Chief Financial Officer
23 November 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK accounting standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently with the exception of the changes arising from the adoption of new accounting standards as explained on page 16 under Note 1 Accounting Policies;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

A copy of the financial statements of the Company is placed on The Parkmead Group plc website (www.parkmeadgroup.com). The maintenance and integrity of the website is the responsibility of the Directors and the work carried out by the auditors does not involve consideration of these matters. Accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were originally presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved on behalf of the Board by

Gordon Ashworth
Chief Financial Officer
23 November 2007

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE COMBINED CODE

Under the rules of the Alternative Investment Market (AIM) the Company is not required to and does not comply in all respects with the FRC Combined Code published in July 2003 and updated in June 2006 ('the Combined Code'). However, the Board is committed to high standards of corporate governance and intends to comply as far as is practicable with the Combined Code and to the extent reasonable, in the Board's view, for a company of The Parkmead Group plc's current size and nature. The Group's principal Corporate Governance procedures are described below.

BOARD OF DIRECTORS AND BOARD COMMITTEES

The Board

The Board of Directors comprises a non-executive Chairman, three further non-executive Directors and two executive Directors. The Board meets regularly throughout the year holding a minimum of four meetings and has implemented procedures to ensure that relevant financial and business information is provided on a monthly basis. The executive Directors also meet regularly on an informal basis.

Board Meetings

During the year the Board met five times and, subject to Directors having been appointed at the time of the meeting, all meetings were fully attended.

Audit Committee

The Board has established an audit committee which is chaired by Colin Goodall with the other non-executive Director members being John Leggate. Niall Doran and Gordon Ashworth attend by invitation. The purpose of the committee is to ensure the preservation of good financial practices throughout the Group; to monitor that controls are enforced to ensure the integrity of financial information; to review the interim and annual financial statements; and to provide a line of communication between the Board and external auditors.

Remuneration Committee

The remuneration committee is chaired by Brian Wilson with the other non-executive member being Colin Goodall. It is responsible for the executive Directors' remuneration, other benefits and terms of employment, including performance related bonuses and share options.

Given the size of the Board, it is not considered necessary to constitute a separate nominations committee. All Board members are consulted on the potential appointment of a new Director. All Directors are subject to re-election every three years.

INTERNAL CONTROL

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. The system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement of the Group's results.

The principal internal control in the Group lies in the budgetary process. A comprehensive budget is completed once a year and is reviewed and approved by the Board. The Group's results are compared with the budget and also against prior year comparatives on a monthly basis and this information is distributed to the Board regardless of whether there is a Board meeting in the month or not. Revenue is reforecast on a monthly basis and any significant divergence to budget is reported to the Board. When the Group makes principal investments it will request a representative board seat in the investee company. Where such seats are not available, the Group will enter into active dialogue with investee companies to monitor the performance of its investment.

GOING CONCERN

After making appropriate enquiries that the Group has adequate resources to continue in operation for the foreseeable future, the Board continues to adopt the going concern basis in preparing these financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE PARKMEAD GROUP PLC

We have audited the Group and parent Company financial statements ('the financial statements') of The Parkmead Group plc for the year ended 30 June 2007 which comprise the Consolidated Profit and Loss Account, the Group Note of Historical Cost Profits and Losses, the Group Statement of Total Recognised Gains and Losses, the Consolidated and Company Balance Sheets, the Consolidated Statement of Cash Flows, the Consolidated Reconciliation of Net Cashflow to Movement in Net Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors report includes specific information presented in the Chairman's Statement that is cross-referred from the Review of the Business section of the Directors Report.

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

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Statement of Directors' Responsibilities, the Chairman's Statement, the Board and the Corporate Governance Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the 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. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

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

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the parent Company's affairs as at 30 June 2007 and of the Group's loss and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Uxbridge
23 November 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2007

	NOTES	CONTINUING OPERATIONS 2007 £	DISCONTINUED OPERATIONS 2007 £	TOTAL 2007 £	TOTAL AS RESTATED 2006 £
Turnover	2	3,687,006	3,960,081	7,647,087	13,006,387
Cost of sales	2	(563,840)	(1,741,234)	(2,305,074)	(4,989,539)
Gross Profit		3,123,166	2,218,847	5,342,013	8,016,848
Administrative expenses	2	(8,676,625)	(2,117,975)	(10,794,600)	(12,037,581)
Other operating income	2	150,987	-	150,987	106,054
Operating (loss)/profit	3	(5,402,472)	100,872	(5,301,600)	(3,914,679)
Profit on disposal of subsidiaries/investments	6			4,613,262	-
Exceptional profit on deemed disposal				-	363,715
Amounts written off investments	7			(154,286)	(2,670,624)
Net interest receivable/(payable)	8			389,295	(1,553)
Loss on ordinary activities before taxation	2			(453,329)	(6,223,141)
Taxation	9			(5,342)	(41,873)
Loss on ordinary activities after taxation				(458,671)	(6,265,014)
Minority interest	26			49,851	(86,587)
Loss for the financial year	25			(408,820)	(6,351,601)
Loss per 5 pence ordinary share (pence)					
- basic	11			(0.11p)	(3.71p)
- diluted	11			(0.11p)	(3.71p)

GROUP NOTE OF HISTORICAL COST PROFITS AND LOSSES
GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30 JUNE 2007

GROUP NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2007 £	2006 AS RESTATED £
Loss on ordinary activities before taxation	(453,329)	(6,223,141)
Write-down of previous temporary diminution in value of fixed asset investments charged against revaluation reserve	-	(306,464)
Historical cost loss on ordinary activities before taxation	(453,329)	(6,529,605)
Historical cost loss for the year retained after taxation and minority interest	(408,820)	(6,658,065)

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	NOTES	2007 £	2006 AS RESTATED £
Loss for the financial year attributable to members of the parent Company		(408,820)	(6,351,601)
Unrealised surplus on revaluation of fixed asset investments	25	235,943	-
Write-down of previous revaluation of fixed asset investments	25	-	(1,095,754)
Currency translation adjustment	25	-	9,772
Total recognised losses relating to the year		(172,877)	(7,437,583)
Prior year adjustment – FRS 20		(1,750,798)	
Total recognised loss since the last annual report		(1,923,675)	

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2007

	NOTES	2007	2007	2006 AS RESTATED	2006 AS RESTATED
		£	£	£	£
Fixed assets					
Intangible assets	12	**2,177,829**		8,176,776	
Tangible assets	13	**127,660**		598,355	
Investments	14	**1,547,308**		3,059,365	
Investments in joint ventures					
Share of gross assets	15	**50,000**		-	
			3,902,797		11,834,496
Current assets					
Stock	16	**-**		252,971	
Debtors	17	**905,168**		4,127,827	
Cash at bank and in hand		**12,758,804**		6,207,315	
		13,663,972		10,588,113	
Creditors					
Amounts falling due within one year	18	**(1,192,949)**		(5,187,657)	
Net current assets		**12,471,023**		5,400,456	
Total assets less current liabilities			**16,373,820**		17,234,952
Creditors					
Amounts falling due after more than one year	19		**-**		(694,982)
Provision for liabilities and charges	21		**(343,798)**		(108,816)
Net assets			**16,030,022**		16,431,154
Capital and reserves					
Called up share capital	23		**18,417,089**		18,417,089
Merger reserve	24		**(952,109)**		(952,109)
Revaluation reserve	24		**235,943**		-
Other reserve	24		**(1,128,008)**		(1,128,008)
Profit and loss account	24		**(542,893)**		(243,049)
Equity shareholders' funds	25		**16,030,022**		16,093,923
Minority interests	26		**-**		337,231
Capital employed			**16,030,022**		16,431,154

Approved by the Board on 23 November 2007

Gordon Ashworth
Director

COMPANY BALANCE SHEET
AS AT 30 JUNE 2007

	NOTES	2007	2007	2006 AS RESTATED	2006 AS RESTATED
		£	£	£	£
Fixed assets					
Tangible assets	13	108,776		66,854	
Investments	14	3,936,537		10,031,569	
			4,045,313		10,098,423
Current assets					
Debtors	17	860,478		1,346,784	
Cash at bank and in hand		12,572,224		5,935,871	
		13,432,702		7,282,655	
Creditors					
Amounts falling due within one year	18	(865,158)		(1,425,529)	
Net current assets		12,567,544		5,857,126	
Total assets less current liabilities			16,612,857		15,955,549
Provision for liabilities and charges	21		(343,798)		(100,000)
Net assets			16,269,059		15,855,549
Capital and reserves					
Called up share capital	23		18,417,089		18,417,089
Merger reserve	24		1,454,546		1,454,546
Revaluation reserve	24		235,943		-
Other reserve	24		(1,128,008)		(1,128,008)
Profit and loss account	24		(2,710,511)		(2,888,078)
Equity shareholders' funds	25		16,269,059		15,855,549

Approved by the Board on 23 November 2007

Gordon Ashworth
Director

CONSOLIDATED STATEMENT OF CASH FLOWS
CONSOLIDATED RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
FOR THE YEAR ENDED 30 JUNE 2007

CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTES	2007 £	2006 AS RESTATED £
Net cash inflow/(outflow) from operating activities	27(a)	**384,107**	(1,018,444)
Returns on investments and servicing of finance	27(b)	**314,084**	(1,553)
Taxation		**(791,859)**	83,483
Capital expenditure and financial investment	27(b)	**1,925,921**	(1,221,727)
Acquisitions and disposals	27(b)	**5,574,315**	(406,776)
Cash inflow/(outflow) before financing		**7,406,568**	(2,565,017)
Financing	27(b)	**(647,768)**	10,584,419
Increase in cash		**6,758,800**	8,019,402

CONSOLIDATED RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	NOTES	2007 £	2006 £ AS RESTATED
Increase in cash in the year		**6,758,800**	8,019,402
Decrease in debt and lease financing		**647,768**	1,632,262
Finance leases acquired with subsidiaries		-	(9,132)
Other non-cash changes - new finance leases		-	(12,690)
Other non-cash changes - share based award		-	(2,678,849)
Movement in net funds		**7,406,568**	6,950,993
Net funds/(debt) at 1 July		**5,352,236**	(1,598,757)
Net funds at 30 June	27(c)	**12,758,804**	5,352,236

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2007

1 ACCOUNTING POLICIES

(a) Basis of Preparation
The financial statements are prepared on a going concern basis, under the historical cost convention modified to include the revaluation of fixed asset investments and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. A summary of the significant accounting policies, which have been applied consistently, are set out below.

Changes in Accounting Policy
The Group adopted FRS 20 'Share based payments' during the year. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly. The effect was to increase administrative expense by £108,976 for share options (2006: £168,343 for share options and £1,441,556 for other share based awards). The effect on net assets as at 1 July 2006 for the share options was £nil as the credit entry for the cumulative option charge of £309,242 to 1 July 2006 has been taken directly to equity in accordance with FRS 20. With regard to other share based awards, the effect was to reduce net assets by £2,569,564 which comprised recognition of the charge of £1,441,556 included in administrative expenses plus a debit to other reserves of £1,128,008 representing the remainder of the transaction through the employee benefit trust.

(b) Basis of Consolidation
The consolidated financial statements incorporate those of The Parkmead Group plc and all of its subsidiary undertakings for the year. Subsidiaries disposed of during the year were deconsolidated from the date that control passed. Minority interests are recorded to the extent that profits or losses and net assets of subsidiaries consolidated into the Group's financial statements are financed by shareholders who are not members of the Group.

In accordance with the exemption permitted by section 230 of the Companies Act 1985, a separate Company profit and loss account has not been presented.

(c) Interest in Joint Ventures
A joint venture is an entity that requires the unanimous consent of both parties for making strategic and operating decisions. The results, assets and liabilities of a jointly controlled entity are incorporated in these financial statements using the gross equity method of accounting.

(d) Goodwill
Positive goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet, and amortised on a straight line basis over its useful economic life up to a maximum of 10 years. Goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable. Provision is made where it is considered that there has been a permanent diminution of value. Any provision is charged to the profit and loss account.

(e) Intangible Assets
Intangible assets are recorded at purchase cost and are amortised on a straight line basis over their estimated useful lives up to a maximum of 10 years. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

(f) Depreciation
Tangible fixed assets are stated at historic purchase cost less depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets on a straight line basis to write each asset down to its estimated residual value over its expected useful life, as follows:

	Years
Freehold buildings	50
Short leasehold improvements	3 - 5
Fixtures, fittings and computer equipment	3 - 5
Plant and machinery	3
Motor vehicles	3 - 4

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

(g) Fixed Asset Investments

Fixed asset investments, comprising equity shares and loans, are stated at cost or valuation. The Group has applied the Alternative Accounting Rules to record its fixed asset investments at market value as permitted by the Companies Act 1985. The investments have been valued in accordance with the "International Private Equity and Venture Capital Valuation guidelines" published in conjunction with the British Venture Capital Association and other European associations effective from March 2005 on the following basis:

- early stage investments: these are investments in immature companies, including seed, start-up and early stage investments. Such investments are valued at cost less any provision considered necessary, until no longer viewed as early stage or unless a significant transaction involving an independent third party at arm's length values the investment at a materially different value.
- development stage investments: such investments are in mature companies having a maintainable trend of sustainable profits and from which an exit, by way of flotation or trade sale, can be reasonably foreseen. An investment at this stage is periodically revalued by reference to open market value.

Valuation will usually be by one of five methods as indicated:

i. at cost for at least one period unless such a basis is unsustainable;
ii. on a third party basis based on the price at which a subsequent issue of capital is made involving a significant investment by a new investor;
iii. on an earnings basis by applying a discounted price/earnings ratio to profit after taxation, either before or after interest;
iv. on a revenue basis by applying a discounted multiple of revenue to the turnover of the investment; or
v. on a net asset basis, again applying a discount to reflect the illiquidity of the investment.

Investments in subsidiaries, recorded in the Company's balance sheet, are held at cost less provision for impairment. Where an interest in a subsidiary is reduced in the period, the gain or loss arising as a result of the reduction in the Group's interest is charged to the profit and loss account.

(h) Foreign Currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings whose local currency is denominated in a currency other than Sterling are translated into Sterling at closing exchange rates. The profit and loss accounts are translated into Sterling at the average exchange rate. Exchange differences arising on translation are taken to reserves.

(i) Leasing and Hire Purchase Agreements

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the Group, are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant rate of charge on the remaining capital repayments.

Rentals payable and receivable under operating leases are charged or credited to the profit and loss account on a straight line basis over the lease term.

(j) Deferred Taxation

Deferred taxation is provided in full on timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

(k) Pensions

The Company contributes 3% of employees' gross salary into personal pension funds of their choice. The cost of providing pension contributions for employees is charged to the profit and loss account as incurred.

(l) Turnover

Turnover from the advisory business represents the amount derived from the provision of services to third party customers. Revenue is recognised as services are provided. Contingency fees (including investment fees) are recognised on completion of the contingent event.

Software licence fees are recognised on delivery of the software licence. For bespoke projects income is recognised on acceptance of the software or hardware installation by the client. Software and hardware support income is recognised evenly over the period of the support agreement.

Turnover from the design, supply and installation of audio visual systems is recognised as contract activity progresses by reference to the value of work performed.

(m) Long Term Contracts

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of the work done after provisions for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

(n) Research and Development

Research and development expenditure is charged to the profit and loss account as incurred.

(o) Stock

Stock is valued at the lower of cost and net realisable value. Costs of finished goods and work in progress include overheads appropriate to the stage of manufacture. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items.

(p) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(q) Share Based Payments

Incentives in the form of shares are provided to employees under an unapproved share option scheme and an Inland Revenue approved EMI scheme and through other discretionary share based awards. The Group measures the fair value of any share based awards issued by the Group to employees at the date of grant. The fair value at the date of grant is expensed over the vesting period, except where market based conditions make it more appropriate to recognise the costs over the expected vesting period of the share based awards. All share based awards are settled in equity and accordingly the share based payment is credited directly to equity.

Where the share based payment has taken the form of a loan from the Employee Benefit Trust, a charge based on the fair value of the anticipated benefit is determined on a consistent basis with the other share based awards. The charge is recognised in the profit and loss account and any difference between the charge and the loan is debited to other reserves.

The Group has taken advantage of the exemption available on the adoption of FRS 20 and has applied the provisions of the standard only to those options that were granted after 7 November 2002 and which had not vested on or before 30 June 2005.

(r) Employee Benefit Trust

The Company has provided loan finance to an Employee Benefit Trust (EBT) such that it can purchase shares in the Group. The costs of running the Trust are charged to the profit and loss account.

(s) Employers taxes on share options

Employer's national insurance in the UK is payable on the exercise of certain share options. Provision is calculated on the expected gain determined by the difference between the market price of shares at the year end date and the exercise price of the share based award.

2 TURNOVER AND SEGMENTAL ANALYSIS

(a) Business Segments

The Group is organised into three business segments: Investment and advisory, Software development, support and marketing and Design, supply and install of audio visual systems.

	TURNOVER		LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION AND MINORITY INTEREST		NET ASSETS	
	2007	2006	2007	2006 AS RESTATED	2007	2006 AS RESTATED
	£	£	£	£	£	£
Continuing Operations:						
Investment and advisory	**3,719,006**	3,286,875	**(349,550)**	(5,956,616)	**16,030,022**	16,128,397
Less: inter segmental sales	**(32,000)**	(132,000)	**-**	-	**-**	-
	3,687,006	3,154,875	**(349,550)**	(5,956,616)	**16,030,022**	16,128,397
Discontinued Operations:						
Software development, support and marketing	**1,153,658**	1,884,640	**(266,455)**	(245,846)	**-**	(963,426)
Investment and advisory	**-**	22,497	**3,834**	(376,550)	**-**	(2,975)
Design, supply and install of audio visual systems	**2,806,423**	7,944,375	**158,842**	355,871	**-**	1,269,158
	3,960,081	9,851,512	**(103,779)**	(266,525)	**-**	302,757
	7,647,087	13,006,387	**(453,329)**	(6,223,141)	**16,030,022**	16,431,154

(b) Geographical Analysis

All turnover originated in the UK.

	2007 £	2006 £
i. Turnover by destination		
UK	**7,074,432**	10,342,438
Europe	**572,655**	952,594
USA and Canada	**-**	1,697,303
Other	**-**	14,052
	7,647,087	13,006,387

	2007 £	2006 AS RESTATED £
ii. (Loss)/Profit on ordinary activities before taxation		
UK	**(457,163)**	(5,846,591)
USA and Canada	**3,834**	(376,550)
	(453,329)	(6,223,141)

	2007 £	2006 AS RESTATED £
iii. Net assets/(liabilities)		
UK	**16,030,022**	16,434,129
USA and Canada	**-**	(2,975)
	16,030,022	16,431,154

The segmental analysis of turnover, profit before tax and net assets for the United Kingdom includes £2,806,423 (2006: £7,944,375), £158,842 (2006: £355,871) and £nil (2006: £1,269,158) as at 30 June 2007 in respect of Audio Visual Machines Limited and its subsidiaries which were sold during the year.

The segmental analysis of turnover, loss before tax and net assets for the United Kingdom includes £588,366 (2006: £962,046), loss £(266,455) (2006: loss £(245,846)) and £nil (2006: (£963,426)) as at 30 June 2007 in respect of Yospace Technologies Limited which was sold during the year.

The segmental analysis of turnover for Europe also includes £565,292 (2006: £922,594) in respect of Yospace Technologies Limited which was sold during the year.

The segmental analysis of turnover, profit/(loss) before tax and net assets for the USA and Canada includes £nil (2006: £22,497), £3,834 (2006: loss £(376,550)) and £nil (2006: £(2,975)) as at 30 June 2007 in respect of US operations which were discontinued during the prior year.

The analysis of operating (loss)/profit between continuing and discontinued operations is set out below:

	2007 CONTINUING OPERATIONS £	2007 DISCONTINUED £	2007 TOTAL £	2006 CONTINUING OPERATIONS AS RESTATED £	2006 DISCONTINUED AS RESTATED £	2006 TOTAL AS RESTATED £
Turnover	**3,687,006**	**3,960,081**	**7,647,087**	3,154,875	9,851,512	13,006,387
Cost of sales	**(563,840)**	**(1,741,234)**	**(2,305,074)**	(316,625)	(4,672,914)	(4,989,539)
Gross profit	**3,123,166**	**2,218,847**	**5,342,013**	2,838,250	5,178,598	8,016,848
Administrative expenses	**(8,676,625)**	**(2,117,975)**	**(10,794,600)**	(6,820,469)	(5,217,112)	(12,037,581)
Other operating income	**150,987**	**-**	**150,987**	106,054	-	106,054
Operating (loss)/profit	**(5,402,472)**	**100,872**	**(5,301,600)**	(3,876,165)	(38,514)	(3,914,679)

3 OPERATING (LOSS)/PROFIT

	2007 £	2006 £
The operating (loss)/profit is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	**38,114**	177,872
Impairment of fixed assets	**52,738**	-
Depreciation of tangible fixed assets held under finance leases and hire purchase contracts	**-**	898
Amortisation of intellectual property	**30,908**	52,984
Amortisation of goodwill	**660,333**	373,910
Impairment of goodwill	**3,076,392**	-
Provision for onerous lease	**94,966**	-
Provision for dilapidations	**148,832**	100,000
Operating Lease Rentals: Other	**278,867**	349,397
Research and development	**366,951**	622,590
Exchange loss/(gain)	**5,366**	(22,188)
Restructuring costs	**-**	412,016
Public Fund – professional fees	**631,078**	-
Operating lease rental income	**(150,987)**	(106,054)

During the year ended 30 June 2007, the Company served notice under terms of its lease to vacate its head office building on or before 12 October 2007. Accordingly, a further provision of £148,832 (2006: £100,000) for dilapidation costs was made in the year based on the final assessment provided by the Group's property advisers.

During the year ended 30 June 2007, the Group incurred restructuring costs of £nil (2006: £412,016), following closure of its business in the United States and the re-organisation of its UK operations.

The Group incurred £631,078 (2006 £nil) of one-off professional fees in respect of the set up of a special situations energy fund which was aborted during the year.

Auditors' remuneration

	2007 £	2006 £
Audit fees payable to the auditor for the audit of the Company's annual financial statements	**33,500**	45,570
Fees payable to the Company's auditors and its associates for other services supplied pursuant to legislation	**157,000**	-
Audit of the Company's subsidiaries pursuant to legislation	**36,500**	33,750
Other services relating to taxation	**164,500**	5,000

4 DIRECTORS' EMOLUMENTS

	2007 £	2006 AS RESTATED £
Aggregate emoluments	**1,050,761**	619,756
Pension contributions	**4,825**	25,992
Compensation for loss of office	**49,295**	289,717
Provision for share based payments	**147,203**	1,679,998
	1,252,084	2,615,463
Highest paid Director:		
Emoluments	**505,438**	177,353
Provision for share based payments	**126,038**	1,564,308
	631,476	1,741,661

During the year 2 (2006: 3) directors accrued benefits under money purchase pension schemes. No directors exercised share options in the period (2006: none).

5 STAFF COSTS

Staff costs (including executive directors) during the year comprise:

GROUP	2007 £	2006 AS RESTATED £
Wages and Salaries	**2,074,244**	4,846,309
Social Security Costs	**259,715**	532,792
Other Pension Costs	**12,925**	38,013
Provision for share based payments	**108,976**	1,719,184
	2,455,860	7,136,298

The average monthly number of employees (including executive directors) during the year was as follows:

	2007 NO.	2006 NO.
Administration and management	**43**	109

COMPANY	2007 £	2006 AS RESTATED £
Wages and Salaries	**871,854**	1,332,697
Social Security Costs	**106,717**	160,132
Other Pension Costs	**12,925**	38,013
Provision for share based payments	**108,976**	1,719,184
	1,100,472	3,250,026

The average monthly number of employees (including executive directors) during the year was as follows:

	2007 NO.	2006 NO.
Administration and management	**9**	16

6 PROFIT ON DISPOSAL OF SUBSIDIARIES/INVESTMENTS

	2007 £	2006 £
Profit on disposal of investments	446,155	-
Profit on disposal of subsidiaries	4,167,107	-
	4,613,262	-

On 29 September 2006 the Group sold its entire holding in Audio Visual Machines Limited for a cash consideration of £1,275,000. After expenses the Group recognised a profit on disposal of £162,940 in the profit and loss account.

On 2 February 2007 the Group sold its entire holding in Yospace Technologies Limited for a total cash consideration of £4,896,164, including repayment of debt and interest. After expenses the Group recognised a profit on disposal of £4,004,167 in the profit and loss account.

On 20 February 2007 the Group sold its entire holding in Respond Group Limited for a consideration of £2,067,969, including repayment of debt and interest. After expenses the Group recognised a profit on disposal of £446,155.

7 AMOUNTS WRITTEN OFF INVESTMENTS

In accordance with the Group's accounting policy, the Group has assessed the fair value of its fixed asset investments at the balance sheet date. The assessment has resulted in a write-down of £154,286 (2006: £2,670,624) to the profit and loss account.

8 NET INTEREST RECEIVABLE/(PAYABLE)

	2007 £	2006 £
Interest receivable	527,887	300,353
Interest payable on:		
- Bank Loans	(16,459)	(204,531)
- Other Loans	(121,015)	(96,861)
- Finance Leases	(1,118)	(514)
	389,295	(1,553)

9 TAXATION

(a) Analysis in year:

	2007 £	2006 £
Current tax:		
Corporation tax credit at 30% (2006: 30%)	-	(26,152)
Under provision in respect of prior year	5,342	801
Total current tax	5,342	(25,351)
Deferred tax:		
Origination and reversal of timing differences	-	67,224
Tax charge on loss on ordinary activities	5,342	41,873

9 TAXATION continued

(b) Factors affecting the tax charge for the year:
The tax for the year is higher (2006: higher) than the standard rate of corporation tax in the UK (30%).
The differences are explained below:

	2007 £	2006 AS RESTATED £
Loss on ordinary activities before tax	(453,329)	(6,223,141)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006: 30%)	(135,999)	(1,866,942)
Expenses not deductible for tax purposes and other permanent differences	196,270	532,436
Depreciation in the year in excess of capital allowances	14,892	54,302
Investments written down - not tax deductible	1,193,267	801,187
Gains not taxable	(1,428,802)	-
Research and development tax relief	-	(99,338)
Unrelieved tax losses	160,372	614,555
Losses utilised	-	(62,352)
Adjustment in respect of previous period	5,342	801
Current tax charge/(credit) for the year	5,342	(25,351)

(c) Deferred Tax
The Group has provided for a deferred tax liability as follows:

	GROUP		COMPANY	
	2007 £	2006 £	2007 £	2006 £
Accelerated capital allowances	8,816	8,816	-	-
Disposed of with subsidiary	(8,816)	-	-	-
Deferred tax liability	-	8,816	-	-

The unprovided deferred tax asset for all timing differences of the Group is as follows:

	GROUP		COMPANY	
	2007 £	2006 £	2007 £	2006 £
Accelerated capital allowances	(229,884)	(119,608)	(201,538)	(98,130)
Tax losses carried forward	(24,789,098)	(24,859,858)	(24,789,098)	(24,664,595)
Deferred tax asset	(25,018,982)	(24,979,466)	(24,990,636)	(24,762,725)

The Group has tax losses of approximately £13.5 million (2006: £13.0 million) available for off set against future taxable trading profits and capital losses of approximately £70.0 million (2006: £70.0 million) available to carry forward and off set against future chargeable gains. Deferred tax assets of £25.0 million (2006: £25.0 million) have not been recognised in respect of these losses since the benefit of the unrecognised losses will only accrue when taxable profits are realised on the sale of the Company's investments and gains are realised on future disposals.

10 PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the financial statements of the parent company is £68,591(2006: loss (£7,077,747), restated from (£5,467,848) as a result of the adoption of FRS 20 Share based payments (note 1)).

11 LOSS PER SHARE

The basic loss per share has been calculated by dividing the loss attributable to equity shareholders funds by the weighted average number of shares in issue during the year.

The loss and weighted average number of shares used in the calculation of the loss per share are set out below:

	2007	2006 AS RESTATED
Basic loss per share		
Loss attributable to ordinary shareholders (£)	**(408,820)**	(6,351,601)
Weighted average number of shares – number	**368,341,780**	171,332,649
Loss per 5 pence ordinary share (pence)		
- basic	**(0.11p)**	(3.71p)

Diluted loss per share

Due to the loss in the current and prior year there is no further dilution of the loss per share as a result of the share options in issue.

The loss and weighted average number of shares used to calculate the loss per share based on continuing and discontinued operations respectively are set out below:

	2007	2006 AS RESTATED
Loss per share from continuing operations		
Loss attributable to ordinary shareholders (£)	**(408,820)**	(6,351,601)
Pre-tax losses from discontinued operations	**32,569**	20,679
Tax relating to discontinued operations	**-**	141,211
Loss from continuing operations	**(376,251)**	(6,189,711)
Weighted average number of shares – number	**368,341,780**	171,332,649
Loss per 5p ordinary share from continuing operations (pence)		
- basic and diluted	**(0.10p)**	(3.61p)

	2007	2006
Loss per share from discontinuing operations		
Pre-tax losses from discontinued operations (£)	**(32,569)**	(20,679)
Tax relating to discontinued operations	**-**	(141,211)
	(32,569)	(161,890)
Weighted average number of shares – number	**368,341,780**	171,332,649
Loss per 5p ordinary share from discontinued operations (pence)		
- basic and diluted	**(0.01p)**	(0.09p)

12 INTANGIBLE FIXED ASSETS

GROUP	INTELLECTUAL PROPERTY £	GOODWILL £	TOTAL £
Cost			
At 1 July 2006	529,839	8,257,588	8,787,427
Disposals	-	(424,242)	(424,242)
Disposed of on sale of subsidiaries	(529,839)	(1,770,781)	(2,300,620)
At 30 June 2007	**-**	**6,062,565**	**6,062,565**
Depreciation			
At 1 July 2006	194,274	416,377	610,651
Charged in the year	30,908	660,333	691,241
Impairment charge	-	3,076,392	3,076,392
Eliminated on disposal	-	(70,697)	(70,697)
Eliminated on sale of subsidiaries	(225,182)	(197,669)	(422,851)
At 30 June 2007	**-**	**3,884,736**	**3,884,736**
Net book value			
At 30 June 2007	**-**	**2,177,829**	**2,177,829**
At 30 June 2006	335,565	7,841,211	8,176,776

13 TANGIBLE FIXED ASSETS

GROUP	FREEHOLD LAND AND BUILDINGS	SHORT LEASEHOLD IMPROVEMENTS	FIXTURES, FITTINGS AND COMPUTER EQUIPMENT	PLANT AND MACHINERY	MOTOR VEHICLES	TOTAL
	£	£	£	£	£	£
Cost						
At 1 July 2006	403,481	164,200	481,126	64,738	48,173	1,161,718
Additions	-	84,476	28,628	-	-	113,104
Disposals	-	(164,200)	(376,323)	-	-	(540,523)
Disposed of on sale of subsidiaries	(403,481)	-	(52,221)	(64,738)	(48,173)	(568,613)
At 30 June 2007	**-**	**84,476**	**81,210**	**-**	**-**	**165,686**
Depreciation						
At 1 July 2006	11,051	122,575	398,275	22,429	9,033	563,363
Charged in the year	2,010	4,501	19,041	8,172	4,390	38,114
Impairment charge	-	37,124	15,614	-	-	52,738
Eliminated on disposal	-	(164,200)	(369,822)	-	-	(534,022)
Eliminated on sale of subsidiaries	(13,061)	-	(25,082)	(30,601)	(13,423)	(82,167)
At 30 June 2007	**-**	**-**	**38,026**	**-**	**-**	**38,026**
Net book value						
At 30 June 2007	**-**	**84,476**	**43,184**	**-**	**-**	**127,660**
At 30 June 2006	392,430	41,625	82,851	42,309	39,140	598,355

As at 30 June 2007, motor vehicles with a net book value of £nil (2006: £21,822) were held under finance leases

COMPANY	SHORT LEASEHOLD IMPROVEMENTS	FIXTURES, FITTINGS AND COMPUTER EQUIPMENT	TOTAL
	£	£	£
Cost			
At 1 July 2006	136,129	399,513	535,642
Additions	84,476	22,975	107,451
Disposals	(136,129)	(370,908)	(507,037)
At 30 June 2007	**84,476**	**51,580**	**136,056**
Depreciation			
At 1 July 2006	94,504	374,284	468,788
Charged in the year	4,501	8,290	12,791
Impairment charge	37,124	15,614	52,738
Eliminated on disposal	(136,129)	(370,908)	(507,037)
At 30 June 2007	-	27,280	27,280
Net book value			
At 30 June 2007	**84,476**	**24,300**	**108,776**
At 30 June 2006	41,625	25,229	66,854

14 INVESTMENTS

GROUP	UNLISTED SHARES £	LOANS £	TOTAL £
Cost or valuation			
At 1 July 2006	4,524,607	1,201,994	5,726,601
Disposals	(1,229,026)	(1,121,994)	(2,351,020)
Eliminated on liquidation	(94,744)	-	(94,744)
Revaluations	235,943	-	235,943
At 30 June 2007	**3,436,780**	**80,000**	**3,516,780**
Amounts provided			
At 1 July 2006	1,931,639	735,597	2,667,236
Provided during the year	258,279	4,446	262,725
Provision reversed during the year	(108,439)	-	(108,439)
Eliminated on disposal	(56,709)	(700,597)	(757,306)
Eliminated on liquidation	(94,744)	-	(94,744)
At 30 June 2007	**1,930,026**	**39,446**	**1,969,472**
Net book value			
At 30 June 2007	**1,506,754**	**40,554**	**1,547,308**
At 30 June 2006	**2,592,968**	**466,397**	**3,059,365**

On an historical cost basis, these fixed asset investments would have been included as follows

	2007 £	2006 £
Unlisted investments	**1,311,365**	3,059,365

The estimated taxation on the potential capital gain if sold at valuation is £nil (2006: £nil) since there are sufficient capital losses available to offset any potential gains.

14 INVESTMENTS continued

COMPANY	SUBSIDIARY UNDERTAKINGS £	UNLISTED SHARES £	LOANS £	TOTAL £
Cost or valuation				
At 1 July 2006	7,842,833	5,141,683	1,201,994	14,186,510
Additions	-	50,000	-	50,000
Disposals	(1,618,868)	(1,846,102)	(1,121,994)	(4,586,964)
Revaluations	-	235,943	-	235,943
Eliminated on liquidation	-	(94,744)	-	(94,744)
At 30 June 2007	**6,223,965**	**3,486,780**	**80,000**	**9,790,745**
Amounts provided				
At 1 July 2006	870,629	2,548,715	735,597	4,154,941
Provided during the year	-	258,264	4,446	262,710
Provision reversed during the year	-	(108,439)	-	(108,439)
Impairment charge	3,884,736	-	-	3,884,736
Eliminated on disposal	(870,629)	(673,770)	(700,597)	(2,244,996)
Eliminated on liquidation	-	(94,744)	-	(94,744)
At 30 June 2007	**3,884,736**	**1,930,026**	**39,446**	**5,854,208**
Net book value				
At 30 June 2007	**2,339,229**	**1,556,754**	**40,554**	**3,936,537**
At 30 June 2006	6,972,204	2,592,968	466,397	10,031,569

On an historical cost basis, these fixed asset investments would have been included as follows:

	2007 £	2006 £
Unlisted investments	**3,700,594**	10,031,569

The estimated taxation on the potential capital gain if sold at valuation is £nil (2006: £nil) since there are sufficient capital losses available to offset any potential gains.

Subsidiary undertakings

NAME OF SUBSIDIARY	CLASS OF HOLDING	INTEREST IN SUBSIDIARY	NATURE OF BUSINESS
Registered in England and Wales			
Quayside Corporate Services Limited	Ordinary	100%	Business turnaround specialists
Parkmead Employee Benefit Trust Limited	Ordinary	100%	Trustee
Parkmead Investment Subsidiary Limited	Ordinary	100%	Dormant
Parkmead Energy Investment Managers Limited	Ordinary	100%	Investment managers
Registered in Guernsey			
Parkmead Special Situations Energy Fund Limited	Ordinary	100%	Dormant
Parkmead Special Situations Energy (General Partner) Limited	Ordinary	100%	Dormant
Parkmead Special Situations Energy L.P.	Ordinary	100%	Dormant
SSE (Guernsey) Limited	Ordinary	100%	Dormant

15 INVESTMENT IN JOINT VENTURES

NAME OF JOINT VENTURE	CLASS OF HOLDING	INTEREST IN JOINT VENTURE	NATURE OF BUSINESS
Radius Energy Limited	Ordinary	50%	Business advisors

On 18 June 2007 The Parkmead Group plc entered into a joint venture, Radius Energy Limited, with Stone Henge Limited, a subsidiary of the Edgo Holdings Limited BVI. The Group subscribed for 50,000 Ordinary £1 shares at par for a cash consideration of £50,000.

16 STOCK

	GROUP	
	2007	2006
	£	£
Finished Goods	-	252,971
	-	252,971

17 DEBTORS

	GROUP		COMPANY	
	2007	2006 AS RESTATED	2007	2006 AS RESTATED
	£	£	£	£
Due within one year				
Trade debtors	436,508	2,748,350	155,450	240,926
Amounts recoverable on contracts	-	112,143	-	-
Amounts due from Group undertakings	-	-	240,000	562,274
Other debtors	151,627	740,813	151,627	133,576
Prepayments and accrued income	317,033	526,521	313,401	410,008
	905,168	4,127,827	860,478	1,346,784

18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		COMPANY	
	2007	2006	2007	2006
	£	£	£	£
Amounts falling due within one year				
Bank overdraft	-	207,311	-	-
Short term loans (note 20)	-	201,795	-	150,000
Obligations under finance leases and hire purchase contracts	-	19,278	-	-
Trade creditors	457,559	1,507,499	188,236	373,685
Amounts due to Group Undertakings	-	-	-	167,311
Amounts due to joint ventures	50,000	-	50,000	-
Corporation tax	-	793,018	-	4,800
Other taxes and social security costs	56,025	628,361	49,446	27,237
Other creditors	14,320	77,050	14,320	2,235
Accruals and deferred income	615,045	1,753,345	563,156	700,261
	1,192,949	5,187,657	865,158	1,425,529

Amounts due to joint ventures are unsecured, do not bear interest and are repayable on demand.
Details of the loans are provided in note 20.

19 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	GROUP	
	2007	2006
	£	£
Amounts falling due after more than one year		
Bank loans	-	426,695
Other creditors	-	202,889
Accruals and deferred income	-	65,398
	-	694,982

20 LOANS AND FINANCE LEASES

	GROUP		COMPANY	
	2007	2006	2007	2006
	£	£	£	£
Amounts falling due:				
In one year or less or on demand	-	201,795	-	150,000
In more than one year but not more than two years	-	55,815	-	-
In more than two years but not more than five years	-	205,601	-	-
In more than five years	-	165,279	-	-
	-	628,490	-	150,000
Less: Included in creditors: amounts falling due within one year	-	(201,795)	-	(150,000)
	-	426,695	-	-

Included in loans is an amount of £nil (2006: £243,302) secured over the freehold property owned by AVM repayable over 8 years which accrues interest at the rate of 2.6% over Barclays Bank plc base rate. This loan was disposed of on the sale of the subsidiary.

Included in loans are the amounts of £nil (2006: £126,250) and £nil (2006: £82,225) of which £nil (2006: £15,000) and £nil (2006: £15,167) are repayable within 12 months, £nil (2006: £60,000) and £nil (2006: £60,688) is repayable over more than one year but less than five years with the balance being paid in more than five years time. These loans are secured with a floating charge over the assets of Yospace and attract interest at the rate of 3.5% over Barclays Bank plc base rate. These loans were disposed of on the sale of the subsidiary.

Included in amounts due within one year is the amount of £nil (2006: £150,000) being a deferred payment relating to the acquisition of AVM in January 2005. This loan note was redeemed at par on 26 July 2006.

21 PROVISION FOR LIABILITIES AND CHARGES

GROUP	ONEROUS LEASE	DILAPIDATIONS	DEFERRED TAX	TOTAL
	£	£	£	£
At 1 July 2006	-	100,000	8,816	108,816
On disposal of subsidiary	-	-	(8,816)	(8,816)
Charge to the profit and loss account	94,966	148,832	-	243,798
At 30 June 2007	**94,966**	**248,832**	**-**	**343,798**

COMPANY	ONEROUS LEASE	DILAPIDATIONS	TOTAL
	£	£	£
At 1 July 2006	-	100,000	100,000
Charge to the profit and loss account	94,966	148,832	243,798
At 30 June 2007	**94,966**	**248,832**	**343,798**

During the year ended 30 June 2007, the Company served notice under terms of its lease to vacate its head office building on or before 12 October 2007. Accordingly, full provision of £148,832 for dilapidation costs and £94,966 for lease costs have been made based on the final assessments from the Group's property advisers. The provision is expected to be utilised during 2007.

22 FINANCIAL INSTRUMENTS

(a) Policies and risks

i **Financial Instruments**
The Group's financial instruments comprise long term loans and equity investments held within the portfolio, cash and liquid resources and various items such as trade debtors and trade creditors that arise directly from its operations. The main reason for holding the equity investments and long term loans is to achieve capital growth in their value and subsequently dispose of them realising a profit. The main risk arising from the Group's financial instruments is market price risk and the underlying performance of the portfolio companies being able to service their indebtedness to the Company.

ii **Financial Risk Management**
The Group's operations expose it to a variety of financial risks that include market price risk, credit risk, interest rate risk and liquidity risk. The Group's treasury policy which is determined by the Board of Directors governs the management of financial risks within the Group. In accordance with its treasury policy, the Group actively monitors and manages its financial risk exposures. The policy permits the use of financial instruments such as derivatives, where appropriate, however, derivatives are only used as hedging instruments against specific risks and are not used speculatively. As at 30 June 2007 and 30 June 2006 the Group had no derivative instruments outstanding.

iii **Market Price Risk**
The Group regularly monitors its investment portfolio and manages disposals to meet overall business requirements as they arise.

iv **Interest Rate Risk**
At 30 June 2007, the Company and its subsidiaries had no net debt.

v **Credit Risk**
The Group's credit risk is primarily attributable to its trade receivables. Other than large corporate clients where credit risk is assumed to be low, client credit risk is managed by the use of credit scoring services and cash management procedures. Quayside, provides services to clients that are deemed "high risk" by their bankers, otherwise referred to as "distressed debt". The inherent risk associated in providing services to such clients is mitigated through the use of contractual success fees and bonus payments, however, it is not possible to fully mitigate against the credit risk implicit in such trade receivable balances.

vi **Liquidity Risk**
The Group ensures availability of funding through the retention of an appropriate amount of cash on deposit.

vii **Currency Risk**
The Group has limited foreign currency exposure and it deals only in stable currencies.

22 FINANCIAL INSTRUMENTS continued

The disclosures below exclude short-term debtors and creditors.

(b) Currency Profile

	2007	2006
	£	£
Cash Sterling	**12,758,804**	6,067,413
Cash US Dollars	**-**	139,902
	12,758,804	6,207,315
Less: Banking Overdraft Sterling	**-**	(207,311)
	12,758,804	6,000,004

All other loans and long term liabilities are denominated in Sterling.

(c) Maturity Profile of the Group's Financial Liabilities

Other than the loans referred to in note 20 all the Group's other financial liabilities as at 30 June 2007 and 30 June 2006 mature within one year.

(d) Interest Rate Profile

The interest rate profile on financial assets is:

2007	FLOATING	FIXED	INTEREST FREE	TOTAL
	£	£	£	£
Sterling	12,758,804	40,554	1,506,754	14,306,112
	12,758,804	**40,554**	**1,506,754**	**14,306,112**

2006	FLOATING	FIXED	INTEREST FREE	TOTAL
	£	£	£	£
Sterling	6,067,413	466,397	2,592,968	9,126,778
US Dollar	139,902	-	-	139,902
	6,207,315	466,397	2,592,968	9,266,680

Floating rate financial assets comprise cash deposits on the money markets at various short-term maturity rates which, on average, had an interest rate of 5.54%. Fixed rate financial assets comprise investments which earn interest at 7%. The financial assets on which no interest is earned are the Group's fixed asset equity investments which have no maturity date.

At 30 June 2007, the Group had no financial liabilities other than trade balances. The interest rate profile on financial liabilities at 30 June 2006 was:

2006	FLOATING	FIXED	TOTAL
	£	£	£
Sterling	835,801	19,278	855,079

22 FINANCIAL INSTRUMENTS continued

(e) Fair Values of Financial Assets and Liabilities

	2007 £	2006 £
Cash and deposits	**12,758,804**	6,207,315
Fixed asset investments – loans	**40,554**	466,397
Fixed asset investments – unlisted equity	**1,506,754**	2,592,968
Short term borrowings	-	(201,795)
Finance leases	-	(19,728)
Long term borrowings	-	(426,695)
Bank overdrafts	-	(207,311)

The directors believe that the book values for the financial assets and liabilities above are not materially different from their fair values.

Fixed asset investment loans and unlisted equities have been written down to the directors' assessment of their recoverable amounts, which the directors believe represent their fair values.

(f) Undrawn Committed Facilities

The Group had undrawn committed borrowing facilities at 30 June 2007 of £nil (2006: £132,689).

23 SHARE CAPITAL

	AUTHORISED 2007 NO.	2006 NO.
Ordinary shares of £0.05 each	**450,000,000**	450,000,000
	£	**£**
Ordinary shares of £0.05 each	**22,500,000**	22,500,000

	ALLOTTED, CALLED UP AND PAID UP 2007 NO.	2006 NO.
Ordinary shares of £0.05 each	**368,341,780**	368,341,780
	£	**£**
Ordinary shares of £0.05 each	**18,417,089**	18,417,089

Share Options

Share options are granted from time to time at the discretion of the remuneration committee, all employees are eligible to receive share options. At 30 June 2007, 3 employees (2006: 8) held share options.

During the year the Company granted options, to a Director, to subscribe for ordinary shares of £0.05 each as follows:

Date Granted	ORDINARY SHARES NO.	OPTION PRICE £
12 March 2007	**600,000**	0.08

23 SHARE CAPITAL continued

These options vest in three equal tranches, of which 33.3% vested immediately. The remainder of the options vest equally over a two year period from date of grant. There is no other performance criterion. Subject to the vesting conditions, the options can be exercised at any date up to March 2017.

The share options outstanding during the year are as follows:

	2007 NUMBER	2007 WEIGHTED AVERAGE EXERCISE PRICE	2006 NUMBER	2006 WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at 1 July	**54,933,472**	**£0.0687**	25,483,166	£0.0514
Granted	**600,000**	**£0.0800**	33,485,616	£0.0800
Forfeited	**(1,158,000)**	**£0.0538**	(4,028,643)	£ 0.0535
Exercised	**-**	**-**	(6,667)	£ 0.0500
Outstanding at 30 June	**54,375,472**	**£0.0691**	54,933,472	£ 0.0687
Exercisable at 30 June	**19,406,523**	**£0.0512**	18,431,855	£ 0.0537

The following options, granted in previous years, were unexercised at 30 June 2007:

NO OF SHARES	EXERCISE PRICE	PERIOD IN WHICH OPTIONS CAN BE EXERCISED		
1,187,500	5.00 pence	25 February 2000	to	25 February 2010
2,694,048	5.00 pence	13 March 2000	to	13 March 2010
9,884,051	5.00 pence	8 April 2003	to	8 April 2013
1,666,667	5.38 pence	8 April 2003	to	8 April 2013
1,799,256	5.38 pence	24 July 2003	to	24 July 2013
250,000	5.00 pence	27 April 2004	to	27 April 2014
733,334	5.38 pence	20 December 2004	to	20 December 2014
25,000	5.75 pence	25 February 2005	to	25 February 2015
50,000	6.75 pence	1 April 2005	to	1 April 2015
2,000,000	5.00 pence	12 December 2005	to	12 December 2015
33,485,616	8.00 pence	22 May 2006	to	30 April 2016

Under Financial Reporting Standard 20 (FRS 20), the Company is obligated to expense the fair value of an option contract that it has granted. The application of this standard applies to The Parkmead Group Plc for accounting periods starting on or after 1 July 2006. In accordance with the transitional provisions of FRS 20, the standard has been applied retrospectively to all options granted after 7 November 2002 which were not vested as of 30 June 2005.

In April 2003, July 2003 and December 2004, the Company granted options to staff which vested over a three year period. In February 2005, December 2005, May 2006 and March 2007, the Company granted options which vested between zero and two years. All options have a life of 10 years. In accordance with FRS 20, a charge has been computed for the year ended 30 June 2007 and also for the year ended 30 June 2006. The charges computed are:

	2007 £	2006 £
April 2003	**6,451**	15,399
July 2003	**-**	1,164
December 2004	**(38,057)**	30,776
February 2005	**-**	665
December 2005	**-**	106,872
May 2006	**126,038**	13,467
March 2007	**14,544**	-
	108,976	168,343

23 SHARE CAPITAL continued

The fair value of the share options granted has been calculated using the Black-Scholes-Merton model.

The inputs into the model were as follows:

	SHARE PRICE	EXERCISE PRICE	VOLATILITY	EXPECTED LIFE	EXPECTED DIVIDEND YIELD	RISK FREE RATE	FAIR VALUE
April 2003	£0.0308	£0.0500	107%	10 years	0%	4.41%	£0.0279
July 2003	£0.0473	£0.0538	113%	10 years	0%	4.43%	£0.0444
December 2004	£0.0491	£0.0538	94%	10 years	0%	4.53%	£0.0435
February 2005	£0.0736	£0.0575	92%	10 years	0%	4.61%	£0.0662
December 2005	£0.0616	£0.0500	84%	10 years	0%	4.22%	£0.0534
May 2006*	£0.0698	£0.0800	81%	10 years	0%	4.63%	£0.0464
May 2006**	£0.0698	£0.0800	81%	10 years	0%	4.63%	£0.0290
March 2007	£0.0632	£0.0800	75%	10 years	0%	4.83%	£0.0501

* Half of the May 2006 options had a market based condition that the share price must reach 18 pence; this was given a success rating of 80%. The cost has been spread over the life of the options.

** Half of the May 2006 options had a market based condition that the share price must reach 27 pence; this was given a success rating of 50%. The cost has been spread over the life of the options.

Volatility was calculated from an average of the Group's shares monthly volatility from March 2000.

Additionally, shares were allotted during 2006 which were funded by a loan from the Employee Benefit Trust. The loan is secured over the shares and the individual is protected from downside risk should the shares be sold for a value less than the value of the loan. In accordance with FRS 20, this benefit constitutes a share based payment and a charge has been recognised accordingly. The assumptions used are consistent with the May 2006 options above and a binomial model has been used to value this benefit. The charge arising under this scheme is £1,550,841 which has been recognised as a prior year adjustment as the share based payment vested immediately. The prior year provision against the loan of £109,285 was also reversed on recognition of the arrangement as a share based payment.

24 MOVEMENTS IN SHARE CAPITAL AND RESERVES

GROUP	SHARE CAPITAL £	MERGER RESERVE £	REVALUATION RESERVE £	OTHER RESERVE £	PROFIT AND LOSS ACCOUNT £	TOTAL SHAREHOLDERS FUNDS £
At 1 July 2006 as previously reported	18,417,089	(952,109)	-	-	1,198,507	18,663,487
Prior year adjustment- FRS 20 (Note 1)	-	-	-	(1,128,008)	(1,441,556)	(2,569,564)
At 1 July 2006 as restated	18,417,089	(952,109)	-	(1,128,008)	(243,049)	16,093,923
Revaluation of investment upwards	-	-	235,943	-	-	235,943
Options provision	-	-	-	-	108,976	108,976
Loss for the year	-	-	-	-	(408,820)	(408,820)
At 30 June 2007	**18,417,089**	**(952,109)**	**235,943**	**(1,128,008)**	**(542,893)**	**16,030,022**

24 MOVEMENTS IN SHARE CAPITAL AND RESERVES continued

COMPANY	SHARE CAPITAL	MERGER RESERVE	REVALUATION RESERVE	OTHER RESERVE	PROFIT AND LOSS ACCOUNT	TOTAL SHAREHOLDERS FUNDS
	£	£	£	£	£	£
At 1 July 2006 as previously reported	18,417,089	1,454,546	-	-	(1,446,522)	18,425,113
Prior year adjustment						
- FRS 20 (Note 1)	-	-	-	(1,128,008)	(1,441,556)	(2,569,564)
At 1 July 2006 as restated	18,417,089	1,454,546	-	(1,128,008)	(2,888,078)	15,855,549
Revaluation of investments upward	-	-	235,943	-	-	235,943
Options provision	-	-	-	-	108,976	108,976
Profit for the year	-	-	-	-	68,591	68,591
At 30 June 2007	**18,417,089**	**1,454,546**	**235,943**	**(1,128,008)**	**(2,710,511)**	**16,269,059**

25 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	2007	AS RESTATED 2006	2007	AS RESTATED 2006
	£	£	£	£
At 1 July as previously reported	**18,663,487**	6,274,489	**18,425,113**	6,772,033
Prior year adjustment				
- FRS 20 (Note 1)	**(2,569,564)**	-	**(2,569,564)**	-
At 1 July as restated	**16,093,923**	6,274,489	**15,855,549**	6,772,033
Shares Issued				
- placing	**-**	10,000,000	**-**	10,000,000
- EBT and share options	-	2,679,181	**-**	2,679,181
- on acquisition of Quayside	-	6,000,001	**-**	6,000,001
Transaction Costs	-	(462,500)	**-**	(462,500)
Revaluation of investment upwards	**235,943**	-	**235,943**	-
Write down of previously revalued investments	-	(1,095,754)	**-**	(1,095,754)
Currency translation adjustment	-	9,772	**-**	-
Other reserve - Shared based award	-	(1,128,008)	**-**	(1,128,008)
Cost of share options	**108,976**	168,343	**108,976**	168,343
(Loss)/Profit for the year	**(408,820)**	(6,351,601)	**68,591**	(7,077,747)
At 30 June	**16,030,022**	16,093,923	**16,269,059**	15,855,549

26 MINORITY INTERESTS

	2007	2006
	£	£
At 1 July	**337,231**	(185,641)
Additional minority share acquired	**-**	800,000
Deemed profit on disposal allocated to minority	**-**	(363,715)
(Loss)/Profit for the year attributable to minority interests	**(49,851)**	86,587
On disposal of subsidiary	**(287,380)**	-
At 30 June	**-**	337,231

27 NOTES TO THE STATEMENT OF CASHFLOWS

(a) Reconciliation of operating (loss)/profit to net cash (outflow)/inflow from operating activities

	CONTINUING OPERATIONS £	DISCONTINUED OPERATIONS £	2007 TOTAL £	2006 TOTAL AS RESTATED £
Operating (loss)/profit	(5,402,472)	100,872	(5,301,600)	(3,914,679)
Depreciation	72,688	18,164	90,852	178,770
Amortisation and impairment of intangible assets	3,693,256	74,377	3,767,633	426,894
Gain on disposal of fixed assets	(1,144)	66	(1,078)	-
Provision for share based payments	108,976	-	108,976	1,609,899
Decrease/(Increase) in stocks	-	25,299	25,299	(22,566)
Decrease/(Increase) in debtors	856,095	(806,237)	49,858	(294,315)
(Decrease)/Increase in creditors	(210,631)	1,611,000	1,400,369	897,553
Increase in other provisions	243,798	-	243,798	100,000
Net cash (outflow)/inflow from operating activities	(639,434)	1,023,541	384,107	(1,018,444)

(b) Analysis of cash flows for headings netted in the cash flow statement

	2007 £	2006 £ AS RESTATED
Returns on investments and servicing of finance		
Interest received	452,676	300,353
Interest paid	(137,474)	(301,392)
Interest element of finance lease rental payments	(1,118)	(514)
Net cash inflow/(outflow) from returns on investments and servicing of finance	314,084	(1,553)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(113,104)	(95,222)
Payments to acquire fixed asset investments	-	(1,270,505)
Receipts from sale of tangible fixed assets	423	-
Receipts from sale of fixed asset investments	2,038,602	144,000
Net cash inflow/(outflow) from capital expenditure and financial investment	1,925,921	(1,221,727)
Acquisitions and disposals		
Purchase of subsidiary	-	(916,596)
Sale of subsidiaries	5,506,445	-
Overdraft disposed of with subsidiaries	67,870	-
Cash acquired with subsidiary	-	509,820
Net cash inflow/(outflow) from acquisitions and disposals	5,574,315	(406,776)
Financing		
Issue of ordinary share capital	-	12,679,181
Transaction costs	-	(462,500)
Capital element of finance lease rental payments	(19,278)	(2,544)
Decrease in short term borrowings	(51,795)	(31,139)
Decrease in long term borrowing	(576,695)	(1,598,579)
Net cash (outflow)/inflow from financing	(647,768)	10,584,419

27 NOTES TO THE STATEMENT OF CASHFLOWS continued

(c) Analysis of Change in Net Funds

	AT 1 JULY 2006 £	CASH FLOW £	DISPOSALS £	AT 30 JUNE 2007 £
Cash	6,207,315	6,622,786	(71,297)	**12,758,804**
Overdraft	(207,311)	68,144	139,167	-
Short term loans	(51,795)	25,000	26,795	-
Finance lease obligations	(19,278)	12,176	7,102	-
Long term loans	(426,695)	(2,500)	429,195	-
Loan stock	(150,000)	150,000	-	-
	5,352,236	6,875,606	530,962	**12,758,804**

28 DISPOSAL OF SUBSIDIARIES

On 29 September 2006 the Group sold its entire holding (54%) in Audio Visual Machines Limited (AVM). The book and fair values of the assets and liabilities disposed of were as follows:

	£
Tangible fixed assets	482,720
Intangible fixed assets	1,519,637
Stock	227,672
Debtors	2,463,171
Cash	10,422
Creditors: amounts falling due within one year	(3,017,085)
Creditors: amounts falling due after more than one year	(310,301)
Net assets	**1,376,236**

	£
Group share of net assets	746,195
Legal costs of disposal	12,320
Unamortised goodwill	353,545
Gain on disposal	162,940
	1,275,000

	£
Satisfied by:	
Cash	**1,275,000**

28 DISPOSAL OF SUBSIDIARIES continued

On 2 February 2007 the Group sold its entire holding (54%) in Yospace Technologies Limited (Yospace). The book and fair value of the assets and liabilities dispose of were as follows:

	£
Tangible fixed assets	3,726
Intangible fixed assets	358,132
Debtors	789,840
Cash	60,875
Creditors: amounts falling due within one year	(2,249,617)
Creditors: amounts falling due after more than one year	(192,838)
Net liabilities	**(1,229,882)**

	£
Group share of net liabilities	(857,885)
Legal costs of disposal and amounts set aside for warranties	672,462
Proceeds of debt repayment	1,077,420
Gain on disposal	4,004,167
	4,896,164

	£
Satisfied by:	
Cash	**4,896,164**

29 OTHER FINANCIAL COMMITMENTS

At 30 June 2007 the Group and the Company had annual commitments under non-cancellable operating leases as set out below:

	LAND AND BUILDINGS	
	2007	2006
	£	£
Operating leases which expire:		
Within one year	**167,625**	338,145
Within two to five years	**-**	81,000
	167,625	419,145

	OTHER OPERATING LEASES	
	2007	2006
	£	£
Operating leases which expire:		
Within one year	**396**	-
	396	-

30 ULTIMATE CONTROLLING PARTY AND RELATED PARTY TRANSACTIONS

In the opinion of the directors there is no ultimate controlling party. No disclosure has been made of transactions and balances between companies in the Group for which the Group holds 90% or more of the voting rights. All other transactions and balances with related parties are detailed below.

(a) Transactions with Subsidiaries

During the year The Parkmead Group plc supplied consultancy services of £14,000 (2006: £60,195) to Yospace Technologies Limited ("Yospace"), a subsidiary in which the Group owned 54% of the ordinary share capital. In addition The Parkmead Group plc held £nil (2006: £524,542) series A loan notes, £nil (2006: £101,080) series B loan notes and £nil (2006: £150,000) series C loan notes in Yospace. During the year The Parkmead Group plc accrued interest receivable on this balance of £59,823 (2006: £122,936). At the year end Yospace owed Parkmead Group plc £nil (2006: £358,315) in respect of accrued interest of £292,287 and consultancy services of £66,029.

During the year ended 30 June 2007, the Parkmead Group plc supplied consultancy services of £18,000 (2006: £81,031) to Audio Visual Machines Limited ("AVM"). At the year end, AVM owed The Parkmead Group plc £nil (2006: £23,157)

During the year The Parkmead Group plc purchased audio equipment to the value of £9,696 from AVM, of which £nil was outstanding at the year end.

(b) Transactions with Directors

During the year Quayside provided services to a number of companies where David Mills, a Director of the Group during the year, serves as a Director. The amount of services provided to these companies during the year totalled £635,254 (2006: £195,154). At 30 June 2007, the value of the amounts outstanding was £441,613 (2006: £180,760). During the year a provision of £288,853 (2006: £nil) was made against certain of the debts due from the companies of which David Mills is a Director, given the unpredicatable nature of the distressed debt markets.

During the year Quayside received services from a number of companies where David Mills serves as a Director. The amount of services received from these companies during the year totalled £4,342 (2006: £2,413). At 30 June 2007, the value of the amounts outstanding was £1,420 (2006: £nil).

During the year The Parkmead Group plc provided corporate advisory services to a number of companies where David Mills serves as a Director. The amount of services provided to these companies during the year totalled £261,667 (2006: £42,401). At 30 June 2007, the value of the amounts outstanding was £177,514 (2006: £39,698). During the year a provision of £151,075 (2006: £nil) was made against certain of the debts due from the companies of which David Mills is a Director, given the unpredictable nature of the distressed debt markets.

During the year The Parkmead Group plc provided corporate advisory services to Thruvision Limited, a company where Niall Doran, is a Director. The value of services provided amounted to £9,106 (2006: £2,920) of which £2,557 (2006: £nil) was unpaid at the year end.

During the year Quayside procured services from Wordsters Limited, a company where Alison Mills, the wife of David Mills, is a Director. The value of services provided amounted to £49,500 (2006: £21,080) of which £6,000 (2006: £nil) was unpaid at the year end.

During the year Quayside procured services from Peter Mills, a brother of David Mills. The value of services proved amounted to £47,905 (2006: £27,412) of which £nil (2006: £5,619) was unpaid at the year end.

Included within trade creditors at the year end are the following amounts due to non-executive directors' companies, in respect of remuneration included within directors' emoluments in note 4: M Morris, £nil (2006: £3,681), C Goodall £nil (2006: £11,000) and B Wilson £2,500 (2006: £1,175).

31 POST BALANCE SHEET EVENTS

On 8 November 2007 the Company entered into an agreement to sell its entire shareholding in Quayside Corporate Services Limited to David Mills, a Director of the Group during the year. Proceeds from this sale amounted to an initial consideration of £0.6 million before expenses and a further deferred payment of up to £2.0 million.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting (AGM) of The Parkmead Group plc will be held at 2nd Floor Vigo House, 1-4 Vigo Street, London W1S 3HT on 21 December 2007 at 10am for the following purposes:

ORDINARY BUSINESS

1 To receive and consider the Company's accounts for the financial year ended 30 June 2007 together with the last Directors' Report and the auditors' report.

2 To reappoint Niall Doran as a Director, who retires by rotation and who, being eligible, offers himself for reappointment.

3 To reappoint Gordon Ashworth as a Director, who retires by rotation and who, being eligible, offers himself for reappointment.

4 To reappoint PricewaterhouseCoopers LLP as auditors to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid before the Company, at a remuneration to be determined by the Directors.

SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions, of which resolution 5 and 6 will be proposed as ordinary resolutions and resolutions 7 and 8 will be proposed as special resolutions.

5 That, in substitution for all existing authorities, to the extent unused, and pursuant to section 80 of the Companies Act 1985 (the Act) the Directors be and they are hereby authorised generally and unconditionally to allott relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £4,082,911 provided that this authority, unless renewed, shall expire on the date five years from the date on which this resolution is passed, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot the relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

6 That the Company may send or supply documents or information to members by making them available on a website.

7 That, subject to the passing of resolution 5, the Directors be and they are hereby empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the authority conferred by the previous resolution as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

(a) in connection with or the subject of an offer or invitation, open for acceptance for a period fixed by the Directors, to holders of ordinary shares and such other equity securities of the Company as the Directors may determine on the register on a fixed record date in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with the rights attached thereto (including equity securities which, in connection with such offer or invitation, are the subject of such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory or otherwise howsoever); and

(b) (otherwise than pursuant to sub-paragraph (a) above) up to an aggregate nominal amount of £1,841,708 (representing 10 % of the Company's issued ordinary share capital as at the date of this notice), and shall expire on the conclusion of the next AGM of the Company after the passing of this resolution save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allocated after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred hereby has expired.

8 That, the Company be and is hereby generally and unconditionally authorised for the purposes of section 166 of the Act to make one or more market purchases (within the meaning of section 163(3) of the Act) of ordinary shares of 5 pence each in the capital of the Company provided that:

(a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 36,834,178 (representing 10% of the Company's issued ordinary share capital as at the date of this notice);

(b) the minimum price (exclusive of expenses) which may be paid for such shares is 3 pence per share;

(c) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall not be more than 5 per cent above the average of the market values for an ordinary share as derived from the Appendix to the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the ordinary share is purchased;

(d) unless previously renewed varied or revoked, the authority hereby conferred shall expire at the conclusion of the Company's next AGM or 15 months from the date of passing this resolution, if earlier; and

(e) the Company may make a contract or contracts to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract or contracts.

By order of the Board

Gordon Ashworth
Company Secretary
23 November 2007

Registered office:
2nd Floor, Vigo House
1-4 Vigo Street
London W1S 3HT

NOTES:

1 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that to be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the number of votes they may cast), holders of ordinary shares must be entered on the relevant register of securities by 6.00 pm on Thursday 20 December 2007.

2 If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

3 A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form.

4 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.

5 The notes to the proxy form explain how to direct your proxy, how to vote on each resolution or withhold their vote.

6 To appoint a proxy using the proxy form, the form must be completed and signed and deposited at the office of the Company's registrars, Capita, at Proxy Processing Centre,Telford Road, Bicester, OX26 4LD so as to be received notlater than 48 hours before the time appointed for holding the AGM.

7 To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

8 If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

9 In order to revoke a proxy instruction you will need to inform the Company using one of the following methods:

(a) by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita, at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

(b) by sending an e-mail to gordon.ashworth@parkmeadgroup.com.

In either case, the revocation notice must be received by Capita no later than 1 hour before the time appointed for holding the AGM.

10 Copies of the Directors' service contracts [and letters of appointment] will be available for inspection from 9am on the day of the AGM until conclusion of the AGM.

You may not use any electronic address provided in this notice or any related documents (including the chairman's letter and proxy form) to communicate with the Company for any purposes other than those expressly stated.

DIRECTORS AND ADVISORS

EXECUTIVE DIRECTORS
Gordon Ashworth
Niall Doran

NON EXECUTIVE DIRECTORS
Colin Goodall
John Leggate
Brian Wilson
Thomas Cross

SECRETARY
Gordon Ashworth

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