

**Consolidated Vending PLC**

Interim accounts for the six months  
ended 30 June 2007

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# Consolidated Vending PLC

## Interim results for the six months ended 30 June 2007

All figures reported under International Financial Reporting Standards as adopted by the European Union

	<b>Six months ended 30 June</b>	<b>Six months ended 30 June</b>	Proforma six months ended 30 June	209 day period ended 31 December
	<b>(CV consolidated) 2007</b>	<b>(Snap Digital only) 2006</b>	<b>(Snap and BFresh) 2006</b>	<b>(CV Consolidated) 2007</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
• Revenue	1,533	3,549	3,651	1,545
• Operating (loss)/profit	(645)	(43)	(1,470)	(1,039)
• (Loss)/profit before taxation	(189)	(46)	(1,483)	(1,044)
• Loss per share - basic	0.1p	-	-	0.7p
• Borrowings	733	1,250	1,250	1,059

- The directors have been advised by AIM that, in the absence of comparative information on the group for the six months to 30 June 2006, comparative information on the principal subsidiary Snap Digital Imaging Limited ('Snap') should be provided in the income statement. In the opinion of the directors, more appropriate comparative information is given by the presentation of an aggregation of the combined results of CV, Snap and its fellow subsidiary BFresh Limited for that period.
- Consequently, the directors have included this proforma comparative information in the above.
- Ongoing revenues have remained relatively stable compared to the 209 day period ended 31 December 2006.
- The Post Office Contract was lost in June 2006 which accounted for approximately 55% of Snap's Revenues.
- Losses before taxation have been reduced from the comparable period last year.
- On 27 June 2007 the acquisition of Kiddies Rides (UK) Limited was completed.

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# Consolidated Vending PLC

## Interim Results for the six months ended 30 June 2007

Consolidated Vending Plc ('CV'), the niche vending operator, is pleased to announce its unaudited interim results for the 6 months ended 30 June 2007.

### *Overview*

CV operates vending products in the UK. It is the second largest operator of photobooths and, since the acquisition of Kiddies Rides (UK) Ltd on 27 June 2007, it is the third largest operator of kiddie rides.

On admission to AIM in December 2006 it was the clear intention of the Directors to use the Company's shares as an acquisition currency in order to make acquisitions. Growth by acquisition will yield both cost efficiencies and higher quality earnings.

The acquisition of Kiddies Rides (UK) Ltd should provide an increase of revenue of 30% and also a positive contribution to earnings and EBITDA. The integration process has been straightforward and major customers have indicated their satisfaction with the transition.

Photobooths provide the majority of CV's revenue. Due to our stock of ex Post Office booths we remain well placed to provide competitive bids for significant contracts as and when they come up for renewal or out to tender. We do however acknowledge the price sensitive nature of recent bid decisions so we intend to provide differentiation through customer service levels.

### *Activities in the Period*

Ongoing revenues have remained relatively stable compared with the 209 day period ended 31 December 2006. The Post Office contract ended in June 2006. If the effect of the Post Office revenue in the 6 months to 30 June 2006 is excluded then again revenues are reasonably comparable.

The Group is showing reduced losses before tax of £189,000 compared to £1,483,000 for the comparable period last year which included a share option related FRS 20 charge of £1,168,000). The current period includes a one off discount relating to debt refinancing of £450,000.

On 27 June 2007 we completed the acquisition of Kiddies Rides (UK) Ltd whilst also raising new equity funds and refinancing of our debt position.

Kiddies Rides (UK) Ltd owns and operates around 360 rides in similar locations to the Groups' photobooth locations. In the year ended 31 October 2006 the business had turnover of £938,721, EBITDA of £155,839 and profit before tax of £45,780. Based on a similar level of turnover we anticipate a significant increase in profitability through integration into CV's engineering team and infrastructure.

On 27 June 2007 the Company placed 22,667,209 ordinary shares of £0.001 each at £0.014875 with funds managed by Arc Fund Management Limited which raised £337,174 before expenses. These funds were used to part fund the acquisition of Kiddies Rides (UK) Ltd.

During the period the Group debt due to 3i Group plc of £1.55m was repaid at a discount of £450,000. The repayment was mainly funded by monies raised on admission to AIM in December 2006 and from a convertible loan of £625,000 advanced by Trafalgar Capital Specialized Investment Fund ('Trafalgar') on 27 June 2007.

The Company has also entered into a Committed Equity Facility with Trafalgar of up to £2m.

At the beginning of the reporting period the Company owned 65% of Powerpod Holdings Plc, a non-trading holding company. Powerpod Ltd, a wholly owned subsidiary of Powerpod Holdings Plc, is in liquidation and the remaining shares in Powerpod Holdings Plc are being purchased by the Company. To date the Company owns 94% and the remainder are under a compulsory purchase order. Powerpod Holdings Plc will be struck off once full ownership is gained.

As indicated in our December 2006 directors' report and financial statements, bringing the Aqua Polar product to the UK market will require significant investment in gaining and maintaining various approvals and accreditations and in altering the product. The level of investment has been assessed against the likelihood of commercial success and it has been deemed too high a risk in the current state of the Group's development. The Directors retain the belief that pure water vending is a valid business concept and will continue to keep abreast of opportunities as and when they arise in the area.

### ***Accounting Policies***

These are the first results presented under International Financial Reporting Standards and the comparatives have been restated on this basis.

The main effect is that of an accelerated charge to profits due to the requirement to identify and amortise intangible assets not previously recognised which has produced an increased charge of £85,000 for the 6 months ended 30 June 2007. The consequential identification of intangible assets resulted in a one-off credit of £70,000 to the income statement for the period ended 30 June 2007 of the excess of the assets acquired over the consideration paid.

### ***Outlook***

The second half should yield further reduction in losses with the introduction of the Kiddies Rides (UK) Ltd business before moving into profit in 2008.

We continue to seek suitable acquisitions to bolt onto the existing infrastructure. Further information will be announced at the appropriate time.

**Andrew Coll**  
Chief Executive

**Consolidated Income Statement  
for the six months ended 30 June 2007**

	Note	Six months ended 30 June 2007 £'000	Snap Digital Imaging Limited Six months ended 30 June 2006 £'000	Proforma Six months ended 30 June 2006 £'000	209 day period ended 31 December 2006 £'000
Revenue	3	1,533	3,549	3,651	1,545
Cost of sales		(991)	(3,068)	(3,138)	(856)
Gross profit		542	481	513	689
Other operating income		69	-	-	369
Operating expenses		(1,256)	(524)	(1,983)	(2,097)
Operating loss	3	(645)	(43)	(1,470)	(1,039)
Finance income	4	466	-	-	48
Finance expense	5	(10)	(3)	(13)	(53)
Loss before taxation		(189)	(46)	(1,483)	(1,044)
Income tax expense		-	-	-	-
(Loss)/profit for the period attributable to equity holders of the parent		(189)	(46)	(1,483)	(1,044)
Loss per share (pence)					
Basic		0.01p	-	-	0.7p
Diluted		0.01p	-	-	0.5p

As agreed with AIM, the results for the comparative six months ended 30 June 2006 represent the trading for the subsidiary Snap Digital Imaging Limited ('Snap') only. The proforma figures for the six months ended 30 June 2006 represent an aggregation of the trading results of both Snap and its fellow subsidiary BFresh Limited. The results for the 209 day period from incorporation on 6 June 2006 to 31 December 2006 represent the consolidated results of the group for that period and hence include the trading results of the two subsidiaries post acquisition on 23 June 2006.

**Consolidated Balance Sheet  
At 30 June 2007**

	<b>As at 30 June 2007 £'000</b>	As at 30 June 2006 £'000	As at 31 December 2006 £'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant & equipment	1,800	2,023	1,688
Intangible assets			
- customer contracts	1,184	892	817
<b>Total non-current assets</b>	<b>2,984</b>	<b>2,915</b>	<b>2,505</b>
<b>Current Assets</b>			
Inventories	372	385	336
Trade and other receivables	406	441	633
Cash and cash equivalents	302	808	955
<b>Total current assets</b>	<b>1,080</b>	<b>1,634</b>	<b>1,924</b>
<b>Total assets</b>	<b>4,064</b>	<b>4,549</b>	<b>4,429</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Borrowings	-	1,250	750
Trade and other payables	1,258	2,472	1,654
<b>Total current liabilities</b>	<b>1,258</b>	<b>3,722</b>	<b>2,404</b>
<b>Non-Current Liabilities</b>			
Borrowings	733	-	309
Other payables	-	27	-
Deferred taxes	27	-	-
<b>Total non-current liabilities</b>	<b>760</b>	<b>27</b>	<b>309</b>
<b>Total liabilities</b>	<b>2,018</b>	<b>3,749</b>	<b>2,713</b>
<b>Net assets</b>	<b>2,046</b>	<b>800</b>	<b>1,716</b>
<b>EQUITY</b>			
Issued share capital	259	160	206
Share premium account	1,853	800	1,387
Retained earnings	(66)	(160)	123
<b>Total equity attributable to equity holders of the parent</b>	<b>2,046</b>	<b>800</b>	<b>1,716</b>

**Consolidated Statement of Changes in Shareholders' Equity  
for the six months ended 30 June 2007**

	Issued Share Capital £'000	Share Premium Account £'000	Retained Earnings £'000	Total £'000
<b>24 day period ended 30 June 2006</b>				
At 6 June 2006	-	-	-	-
Loss for the period being total recognised income and expense for the period	-	-	(1,328)	(1,328)
Share-based payments including deferred tax taken directly to equity	-	-	1,168	1,168
Shares issued	160	800	-	960
At 30 June 2006	<u>160</u>	<u>800</u>	<u>(160)</u>	<u>800</u>
<b>209 day period ended 31 December 2006</b>				
At 6 June 2006	-	-	-	-
Loss for the period being total recognised income and expense for the period	-	-	(1,045)	(1,045)
Share-based payments including deferred tax taken directly to equity	-	-	1,168	1,168
Shares issued	206	1,387	-	1,593
At 31 December 2006	<u>206</u>	<u>1,387</u>	<u>123</u>	<u>1,716</u>
<b>Six months ended 30 June 2007</b>				
At 1 January 2007	206	1,387	123	1,716
Loss for the period being total recognised income and expense for the period	-	-	(189)	(189)
Shares issued	53	466	-	519
At 30 June 2007	<u>259</u>	<u>1,853</u>	<u>(66)</u>	<u>2,046</u>

**Consolidated Statement of Cash Flows  
for the six months ended 30 June 2007**

	<b>Six months ended</b>	Proforma six months ended	209 day period ended
	<b>30 June 2007 £'000</b>	30 June 2006 £'000	31 December 2006 £'000
<b><u>Cash flows from operating activities</u></b>			
Loss for the period	(189)	(1,483)	(1,045)
<i>Adjustments for:</i>			
Depreciation	270	-	472
Amortisation	157	-	75
Loss on sale of property, plant and equipment	-	-	(126)
Finance income	(466)	-	(48)
Finance expense	10	13	53
		1,168	1,168
<b>Equity settled share based payment expenses</b>			
<b>Operating cash (outflow)/inflow before changes in working capital</b>	<b>(218)</b>	<b>(302)</b>	<b>549</b>
Increase in inventories	(20)	15	64
Decrease/(increase) in trade and other receivables	321	(80)	(272)
(Increase)/decrease in trade and other payables	217	389	(614)
<b>Net cash generated from operations and operating activities</b>	<b>(134)</b>	<b>22</b>	<b>(273)</b>
<b><u>Cash flows from investing activities</u></b>			
Acquisitions	(775)	95	95
Purchase of property, plant and equipment	-	(12)	(12)
<b>Net cash from investing activities</b>	<b>(775)</b>	<b>83</b>	<b>83</b>
<b><u>Cash flows from financing activities</u></b>			
Proceeds from the issue of share capital	519	878	1,511
New borrowings	625	1,250	1,300
Repayment of borrowings	(951)	(2,245)	(2,486)
<b>Net cash from financing activities</b>	<b>193</b>	<b>(117)</b>	<b>325</b>
Net (decrease)/increase in cash and cash equivalents	(716)	(12)	135
Cash acquired with subsidiaries	63	820	820
Cash and cash equivalents at start of period	955	-	-
<b>Cash and cash equivalents at end of period</b>	<b>302</b>	<b>808</b>	<b>955</b>

The proforma cashflow figures for the comparative six months ended 30 June 2006 have been derived from the group's balance sheet at incorporation on 6 June 2006 and that of 30 June 2006.

**Reconciliation of net cash to movement in net borrowings**

	<b>Six months ended</b>	Proforma six months ended	209 day period ended
	<b>30 June 2007 £'000</b>	30 June 2006 £'000	31 December 2006 £'000
Net (decrease)/increase in cash and cash equivalents	(716)	(12)	135
Repayment of borrowings	951	2,245	2,486
New borrowings	(625)	(1,250)	(1,300)
Net cash/(borrowings) acquired with subsidiaries	63	(1,425)	(1,425)
<b>Movement in net borrowings in the period</b>	<b>(327)</b>	<b>(442)</b>	<b>(104)</b>
Net borrowings at start of period	(104)	-	-
<b>Net borrowings at end of period</b>	<b>(431)</b>	<b>(442)</b>	<b>(104)</b>

**Notes to the Financial Statements  
For the six months ended 30 June 2007**

**1. Transition to International Financial Reporting Standards**

The attached interim financial statements are the first interim financial statements following the adoption of International Financial Reporting Standards as adopted by the European Union ("EU-adopted IFRSs") for Consolidated Vending PLC and its subsidiaries ("the Group"). These interim financial statements have been prepared in accordance with the accounting policies set out below and are consistent with the policies the Group expects to follow at the year-end, taking into account the requirements and options in IFRS 1 'First-time adoption of International Financial Reporting Standards'.

The transition date for the Group's application of adopted IFRS is the date of incorporation on 6 June 2006 and the comparative figures for 30 June 2006 and 31 December 2006 have been restated accordingly. Reconciliations of the income statement, balance sheet and net equity from previously reported UK GAAP to IFRS are shown in note 10. The consolidated interim statements are prepared on the basis of adopted IFRS published by the International Accounting Standards Board ('IASB') that are currently in issue. The adopted IFRS that will be effective (or available for early adoption) in the annual financial statements to 31 December 2007 are still subject to change and additional interpretations. Therefore, the accounting policies set out below may be updated by the time the Group prepares its first full set of financial statements under EU-adopted IFRSs for the year ending 31 December 2007.

The information presented for the six months ended 30 June 2007 represents the consolidated results of the CV Group for that period. The directors have been advised by AIM that, in the absence of comparative information on the group for the six months to 30 June 2006, comparative information on the principal subsidiary Snap Digital Imaging Limited should be provided in the income statement. In the opinion of the directors, more appropriate comparative information is given by the presentation of an aggregation of the combined results of both Snap and BFresh Limited for that period. Consequently, the directors have included this proforma comparative information in the income statement as presented.

The information relating to the six months ended 30 June 2007 and 30 June 2006 is unaudited and does not constitute statutory accounts. The comparative figures for the year ended 31 December 2006 are not the Group's statutory accounts for that financial period. The statutory accounts for the period ended 31 December 2006, prepared under UK GAAP, have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

**2. Accounting Policies**

The Group's significant accounting policies are listed below:

**(a) First Time Adoption**

The Group has applied IFRS1 'First time adoption of International Financial Reporting Standards' in its initial application of IFRS. The Group is required to select appropriate accounting policies under IFRS and apply them retrospectively to its financial statements such that all comparative information is presented on the same basis. Accordingly this necessitates the restatement of the balance sheet at 6 June 2006, the date of transition (this being the date of the beginning of the earliest financial period for which full comparative information is required) as well as at 31 December 2006.

**(b) Basis of Preparation**

The financial statements are presented in Sterling, rounded to the nearest thousand. They are prepared on the historical cost basis.

The restated financial information for the transition to IFRS at 6 June 2006, the interim period ended 30 June 2006, the period ended 31 December 2006 has been prepared in accordance with EU-adopted IFRSs and in accordance with the accounting policies as set out below.

The preparation of financial statements in conformity with EU-adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**(c) Basis of Consolidation**

**(i) Subsidiaries**

Subsidiaries are entities controlled by Consolidated Vending Plc ('the Company'). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

**(ii) Transactions Eliminated on Consolidation**

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

## **(d) Foreign Currency**

### **Foreign Currency Transactions**

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

## **(e) Property, Plant and Equipment**

### **(i) Owned Assets**

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy).

### **(ii) Leased Assets**

Leases under the terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by finance leases are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

### **(iii) Subsequent Costs**

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

### **(iv) Depreciation**

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Photobooths 6 years
- Plant and machinery 3 years
- motor vehicles 3 – 4 years
- Fixtures and fittings 3 – 4 years

The residual value, if not insignificant, is reassessed annually.

## **(f) Intangible Assets**

### **(i) Goodwill**

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries. In respect of business acquisitions that have occurred since 6 June 2006, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets, liabilities and contingent liabilities.

### **(ii) Customer contracts**

Customer contracts relate to the cost of trading arrangements in place at the date of acquisition of subsidiaries. Such costs are being amortised to nil over their estimated useful lives as follows:

- Photobooths - 6 years
- Kiddie rides - 3 years

## **(g) Trade and Other Receivables**

Trade and other receivables are stated initially at their fair value and then subsequently at their amortised cost.

## **(h) Inventories**

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

## **(i) Cash and Cash Equivalents**

Cash and cash equivalents comprises cash balances and call deposits with a maturity of 3 months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

## **(j) Impairment**

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely

independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Any impairment of goodwill is never reversed.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### **(k) Interest-Bearing Borrowings**

Interest-bearing borrowings are recognised at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of borrowings on an effective interest basis.

#### **(l) Employee Benefits**

##### **(i) Pensions**

The Group operates a defined contribution pension plan for certain employees. Obligations for contributions are recognised as an expense in the income statement as incurred.

##### **(ii) Share Based Payment Transactions**

The Group operates an equity-settled share based payment programme that allows certain directors to acquire shares of the Company.

The fair value of shares or options granted is recognised as an employee expense on a straight line basis in the income statement with a corresponding movement in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the shares or options (the vesting period). The fair value of the shares or options granted is measured using a valuation model, taking into account the terms and conditions upon which the shares or options were granted. All of the company's share options vested immediately upon the date of grant.

The fair value of options granted under the Group's share option scheme has been determined using the Black-Scholes option pricing model.

**(m) Trade and Other Payables**

Trade and other payables are stated initially at their value and then subsequently at their amortised cost.

**(n) Revenue**

**(i) Goods Sold**

Revenue from the sale of goods and services is recognised in the income statement when cash is received in the company's vending machines.

**(o) Expenses**

**(i) Operating Lease Payments**

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

**(ii) Finance Lease Payments**

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Finance charges are calculated so as to produce a constant periodic rate of interest on the remaining balance of liability.

**(iii) Net Financing Costs**

Net financing costs comprise interest payable on borrowings, interest receivable on funds invested.

Interest income is recognised in the income statement as it accrues. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

**(p) Income Tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method and represents the tax payable or recoverable on most temporary differences which arise between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes (the tax base). Temporary differences are not provided on: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and do not arise from a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates expected to apply in the period in which the liability is settled or the asset is realised and is based upon tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is not probable that the related tax benefit will be realised against future taxable profits. The carrying amounts of deferred tax assets are reviewed at each balance sheet date.

**(q) Segment Reporting**

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

**(r) New standards and interpretations not yet adopted**

A new standard which will be effective for the year ended 31 December 2007, but which has not been applied in preparing these interim accounts is as follows:

- IFRS 8 Operating Segments introduces the ‘management approach’ to segment reporting. 2008 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group’s Chief Operating Decision Maker in order to assess each segment’s performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments (see note 3). Under the management approach, the Group does not expect the presentation of its segment information to be significantly different.

**3. Segmental Analysis**

The Group’s primary reporting segment is business divisions which correspond with the way the operating businesses are organised and managed within the Group and its secondary segment is geographical origin.

The following table analyses revenue and operating loss accordingly:

	Six months ended <b>30 June 2007</b> £000	Proforma six months ended 30 June 2006 £000	209 day period ended 31 December 2006 £000
<b><u>Business segment</u></b>			
<b>Revenue</b>			
Photobooths	1,445	3,607	1,459
Toiletries	88	44	86
	<hr/>	<hr/>	<hr/>
	1,533	3,651	1,545
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<b>Operating loss</b>			
Photobooths	(72)	(43)	(5)
Toiletries	(44)	(259)	91
Kiddies rides	(84)	-	-
Central administration	(445)	(1,168)	(1,125)
	<u>(645)</u>	<u>(1,470)</u>	<u>(1,039)</u>

<b>Geographical Origin</b>			
<b>Revenue</b>			
United Kingdom	1,533	3,651	1,545
	<u>1,533</u>	<u>3,651</u>	<u>1,545</u>

<b>Operating loss</b>			
United Kingdom	(645)	(1,470)	(1,039)
	<u>(645)</u>	<u>(1,470)</u>	<u>(1,039)</u>

#### 4. Finance Income

	Six months ended <b>30 June 2007</b> £000	Proforma six months ended 30 June 2006 £000	209 day period ended 31 December 2006 £000
Bank interest receivable	16	3	48
Gain on debt refinancing	450	-	-
	<u>466</u>	<u>3</u>	<u>48</u>

## 5. Finance Expense

	Six months ended <b>30 June 2007</b> £000	Proforma six months ended 30 June 2006 £000	209 day period ended 31 December 2006 £000
On all other loans	8	10	22
Finance charges payable on finance leases and hire purchase contracts	2	3	31
	<u>10</u>	<u>13</u>	<u>53</u>

## 6. Taxation

The tax charge for the six months ended 30 June 2007 is nil due to the existence of corporation tax trading losses. No deferred tax asset has been recognised in respect of such trading losses as the directors are unable to state if it is more likely than not that such losses will be utilised.

## 7. Loss per Share

Loss per ordinary share have been calculated by dividing the result attributable to equity holders of the parent on ordinary activities after taxation for each financial period by the weighted average number of ordinary shares in issue during the period.

	Six months ended		209 day period ended
	<b>30 June 2007</b>	Proforma 30 June 2006	31 December 2006
	p	p	p
Basic loss per share	0.01	3.0	0.7
Diluted loss per share	0.01	3.0	0.7

The calculation of basic and diluted earnings per share is based upon:

	<b>30 June 2007</b> <b>£'000</b>	Proforma 30 June 2006 £'000	209 day period ended 31 December 2006 £'000
	No.	No.	No.
Earnings for basic and diluted earnings per share calculations	(189)	(1,483)	(1,044)
Weighted average number of ordinary shares for basic earnings per share	206,674,244	46,666,663	153,412,178
Impact of share options	35,903,509	11,666,687	36,730,019
Weighted average number of ordinary shares for diluted earnings per share	242,577,753	58,333,330	190,142,197

In accordance with IAS 33 paragraph 33.5 the antidilutive effect of share options have been disregarded for the purposes of calculating the diluted loss per share amounts shown above.

## 8. Analysis of Net Borrowings

	Six months ended		209 day period ended
	<b>30 June 2007 £'000</b>	Proforma 30 June 2006 £'000	31 December 2006 £'000
Loans and overdraft	(733)	(1,250)	(1,059)
Cash and cash equivalents	302	808	955
Net borrowings	<u>(431)</u>	<u>(442)</u>	<u>(104)</u>

## 9. Explanation of Transition to IFRS

The accounting policies set out in note 2 have been applied in preparing the consolidated interim financial statements for the six months ended 30 June 2007, the comparative information for the six months ended 30 June 2006 and the 209 day period ended 31 December 2006 and the preparation of the opening IFRS balance sheet at 6 June 2006 (the Group's date of transition).

In preparing its opening balance sheet, comparative information for the six months ended 30 June 2006 and the 209 day period ended 31 December 2006 the Group has adjusted amounts previously prepared in accordance with UK GAAP. No reconciliation at the rate of transition (6 June 2006) has been presented since the company was newly incorporated on that date.

### (a) IFRS Reconciliation of Income Statement Comparatives

Notes	Six months ended 30 June 2006			209 day period ended 31 December 2006		
	UK GAAP £'000	IFRS adjustments £'000	Restated under IFRS £'000	Published UK GAAP £'000	IFRS adjustments £'000	Restated under IFRS £'000
Revenue	3,651	-	3,651	1,545	-	1,545
Cost of sales	(3,138)	-	(3,138)	(856)	-	(856)
Gross profit	513		513	689	-	689
Operating expenses	(2,053)	70	(1,983)	(2,114)	17	(2,097)
Other operating income	-	-	-	369	-	369
Operating loss	(1,540)	70	(1,470)	(1,056)	17	(1,039)
Finance income	-	-	-	48	-	48
Finance expense	(13)	-	(13)	(53)	-	(53)
Loss before taxation	(1,553)	70	(1,483)	(1,061)	17	(1,044)
Income tax expense	-	-	-	-	-	-
Result attributable to equity holders of the parent	<u>(1,553)</u>	<u>70</u>	<u>(1,483)</u>	<u>(1,061)</u>	<u>17</u>	<u>(1,044)</u>

**(b) IFRS Reconciliation of Balance Sheet Comparatives**

	30 June 2006			31 December 2006		
	UK GAAP £'000	IFRS adjustments £'000	Restated under IFRS £'000	Published UK GAAP £'000	IFRS adjustments £'000	Restated under IFRS £'000
<u>Non-current assets</u>						
Intangible assets						
- goodwill	822	(822)	-	800	(800)	-
Customer contracts	-	892	892	-	817	817
Property plant and equipment	2,023	-	2,023	1,688		1,688
<b>Total non-current assets</b>	<b>2,845</b>	<b>70</b>	<b>2,915</b>	<b>2,488</b>	<b>17</b>	<b>2,505</b>
<u>Current assets</u>						
Inventories	385	-	385	336	-	336
Trade and other receivables	441	-	441	663	-	633
Cash and cash equivalents	808	-	808	955	-	955
<b>Total current assets</b>	<b>1,634</b>	<b>-</b>	<b>1,634</b>	<b>1,924</b>	<b>-</b>	<b>1,924</b>
<b>Total assets</b>	<b>4,479</b>	<b>70</b>	<b>4,549</b>	<b>4,412</b>	<b>17</b>	<b>4,429</b>
<u>Current liabilities</u>						
Borrowings	(1,250)	-	(1,250)	(750)	-	(750)
Trade and other payables	(2,472)	-	(2,472)	(1,654)	-	(1,654)
<b>Total current liabilities</b>	<b>(3,722)</b>	<b>-</b>	<b>(3,722)</b>	<b>(2,404)</b>	<b>-</b>	<b>(2,404)</b>
<u>Non-current liabilities</u>						
Borrowings						
Other payables	(27)	-	(27)	(309)	-	(309)
<b>Total non-current liabilities</b>	<b>(27)</b>	<b>-</b>	<b>(27)</b>	<b>(309)</b>	<b>-</b>	<b>(309)</b>
<b>Total liabilities</b>	<b>(3,749)</b>	<b>-</b>	<b>(3,749)</b>	<b>(2,713)</b>	<b>-</b>	<b>(2,713)</b>
<b>Net assets</b>	<b>730</b>	<b>70</b>	<b>800</b>	<b>1,699</b>	<b>17</b>	<b>1,716</b>
<u>Equity</u>						
Called up share capital	160	-	160	206	-	206
Share premium account	800	-	800	1,387	-	1,387
Retained earnings	(230)	70	(160)	106	17	123
<b>Equity holders funds attributable to the parent</b>	<b>730</b>	<b>70</b>	<b>800</b>	<b>1,699</b>	<b>17</b>	<b>1,716</b>

### c) Reconciliation of Equity

	30/06/06 £000	31/12/06 £000
Equity under UK GAAP	730	1,699
Write back of negative goodwill	70	70
Amortisation of customer contracts	-	(53)
	<hr/>	<hr/>
Equity under IFRS	800	1,716
	<hr/>	<hr/>

### Explanatory notes to the UK GAAP to IFRS Reconciliations Income Statement

a. Under UK GAAP, goodwill was amortised over its estimated useful life. Under IFRS3 'Business Combinations', goodwill is not amortised but is subject to annual impairment review. In addition the directors have reviewed the balance of negative goodwill upon transition to IFRS and have chosen to write off this balance of negative goodwill. This has resulted in a credit to the income statement of £70,000 for the six months ended 30 June 2006 and £70,000 for the 209 day period ended 31 December 2006. On transition to EU-adopted IFRS goodwill amortisation under UK GAAP of £21,000 has been reversed and an IFRS amortisation charge of £7,400 in relation to customer contracts has been made.

### Balance Sheet

a. Under EU adopted IFRS an exercise has been undertaken to restate previous acquisitions under IFRS 3 'Business Combinations' which has resulted in the derecognition of goodwill previously arising on business combinations under UK GAAP and the recognition of customer contracts as intangible assets arising from previous acquisitions. These amounts have further increased at 30 June 2007 following the acquisition of Kiddie Rides (UK) Limited.

b. The increase in retained earnings at 30 June 2006 is made up as follows:  
- net adjustments to the income statement of £70,000.

The increase in retained earnings at 31 December 2006 is made up as follows:  
- net adjustments to income statement of £70,000.

There has been no effect on the company's cash flows as a result of the transition to EU-adopted IFRS