



## Quadnetics Group plc

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

Quadnetics Group plc, a leader in the development, design, integration and control of advanced CCTV and networked video systems, is pleased to report interim results for the six months ended 30 November 2007.

#### Financial Highlights

- Turnover £35.9m (2006: £30.9m)
- Underlying turnover up 7%
- Profit before tax £2.0m (2006: £1.4m)
- Underlying profit\* before tax £1.3m (2006/7: £1.8m)
- Basic EPS 8.8p (2006: 6.6p)
- Underlying\* EPS 6.0p (2006/7: 8.7p)
- Proposed interim dividend 2.5p (2006: 2.0p)
- Net Cash as at 30 November 2007 £7.8m (2006: £6.3m)

#### Quadrant Security Highlights

- Turnover £26.0m (2006: £22.9m)
- Timing issues with orders and delivery schedules have subsided
- Order book up 50% on corresponding period last year

#### Synectics Highlights

- Turnover £10.6m (2006: £8.7m)
- Strong sales to gaming industry in North America
- Initial orders for new digital product range have exceeded expectations

\*Underlying profit represents profit before tax, goodwill reduction in respect of tax losses, and share-based payments charges

**Commenting on the results, Russ Singleton, Chief Executive, said:**

“We are pleased with the progress that Quadnetics has made in the first half of the financial year. These results are in line with our expectations and we hope to continue our momentum into the second half of the year. The demand for our Synectics’ new products is positive and our bid pipelines and order books are healthy and so we expect continued progress in what is an attractive and exciting marketplace for electronic security systems.”

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## Chairman's Statement

### Introduction

The first half of the current financial year was a period of continued good progress in some areas and weaker performance in others. On the positive side, Synectics' sales to the North American gaming security sector enjoyed further strong growth compared to the same period last year. As previously reported, though, progress within our UK systems integration activities was slower than anticipated. Actions were taken quickly to protect margins by reducing the cost base in that area, although the impact of one-time charges means that the benefit of these reduced costs will not show through until the second half.

### Financial Results

Quadnetics' results for the first half were in line with the expectations set out in our trading statement on 28 November 2007.

This is the Company's first set of results reported under IFRS accounting conventions, although the net impact of changes compared with the previously applied UK GAAP has not had a material effect on underlying profits.

Consolidated turnover for the half year was £35.9 million (2006/7: £30.9 million). This increase of just over 16% was flattered by approximately £3 million of additional turnover from low margin capital works performed by sub-contractors in accordance with agreements with our retail managed services clients. Excluding this effect, like-for-like turnover increased by 7.3%. Underlying profits (that is, profits before tax, goodwill reduction in respect of tax losses and share-based payment charges) were £1.3 million (2006/7: £1.8 million). Profit Before Tax was £2.0 million (2006/7: £1.4 million) after benefiting from a credit of £0.8 million in respect of share-based payment charges that the Board believes should be reported separately to avoid obscuring the true operating performance. Underlying earnings per share (after tax) were 6.0 pence (2006/7: 8.7 pence), and basic earnings per share 8.8 pence (2006/7: 6.6 pence).

These results also reflect the significant decline in the US dollar exchange rate, with an impact across the Group estimated to be around £0.2 million for the half year. Subsequent to 30 November, part of the dollar decline has been reversed and, if this position is maintained until our year end, we would expect an exchange gain in the second half.

### Cash Position

Net cash as at 30 November improved to £7.8 million (30 November 2006: £6.3 million; 31 May 2007: £5.6 million), aided by proceeds of £2.1 million from the sale and leaseback of Synectics' headquarters building in Sheffield purchased in March 2007.

### Dividend

An interim dividend of 2.5 pence per share (2006/7: 2.0 pence) will be paid on 14 March to shareholders on the register at 15 February 2008.

### Operating Review

#### Quadrant Security

***The Group's security services division, providing integrated security systems, mobile surveillance and security management support services.***

<b>Turnover</b>	<b>£26m</b>
<b>Operating Profit</b>	<b>£1.3m</b>

Quadrant reported turnover increased to £26.0 million for the period (2006/7: £22.9 million) although, as noted above, almost all of this increase derived from additional capital works for retail managed service clients. Gross profits for the division were essentially flat compared with the first half last year. Underlying operating profits were £1.3 million (2006/7: £1.7 million), including the redundancy costs already mentioned.

The major operating factor contributing to this first half financial performance was the previously reported slowdown in finalisation of orders and delivery schedules from central government customers in the UK and Middle East. It is encouraging to note that such timing issues have now noticeably abated, with important new orders received in both these areas. In total, the division's firm order book at 30 November was approximately 50% higher than at the corresponding point last year, underpinning expectations for the remainder of the year.

## Synectics

*The Group's security technology division, providing security network products and software, hazardous area systems and high security surveillance technology.*

<b>Turnover</b>	<b>£10.6m</b>
<b>Operating Profit</b>	<b>£0.7m</b>

Synectics grew turnover by 22% to £10.6 million (2006/7: £8.7 million), on which it made an underlying operating profit of £734,000 (2006/7: £649,000). Performance was to a certain extent held back by delays in the launch of Synectics' new digital product range, due primarily to component supply issues that have now been satisfactorily resolved. Initial orders for the first product in the range have exceeded expectations, and customer trials of Synectics' important new mobile surveillance products are now well on track.

Progress in sales to the gaming industry in North America continued to be strong, and the pipeline of orders anticipated in the second half is robust. We invested further to support our strategy of increased proprietary software content in Synectics' sales, and our flagship Synergy system management and control software continues to gain recognition as the premier product available in this growing area.

## Outlook

Quadnetics enjoys the benefit of an attractive and dynamic underlying marketplace for electronic security systems, despite occasional volatility from the timing of major projects. We are confident that our strategy of focusing on specialised, highly demanding applications within the overall market will continue to deliver long term growth and value to shareholders. Overall order books, bid pipelines and the initial market response to Synectics' new products together support an unchanged positive outlook for the second half of this year and beyond.

Nevertheless, the Group's expected results this financial year are weighted even more than usual towards the year end. In light of the inevitable risk this implies, and against an increasingly uncertain worldwide economic background, a note of caution is in order. Quadnetics is profitable, with a strong, ungeared balance sheet and a well-diversified, primarily blue-chip, customer base skewed to sectors of the economy (government high security, gaming, oil and gas, transport, food retailing) that have historically been less exposed to any general downturn. The Board will continue to ensure that the Company's approach gives weight to these strengths, as well as to the exciting opportunities we see to build on the market and technology positions Quadnetics has successfully established over the past few years.

David Coghlan  
6 February 2008

**Consolidated Income Statement**  
**For the half year ended 30 November 2007**

	Notes	Unaudited Half year to 30 Nov 2007 £'000	Unaudited Half year to 30 Nov 2006 £'000	Unaudited Year to 31 May 2007 £'000
<b>Continuing operations</b>				
Revenue	2	35,939	30,935	66,065
Cost of sales		(26,175)	(21,064)	(44,234)
<b>Gross profit</b>		<b>9,764</b>	<b>9,871</b>	<b>21,831</b>
Net operating expenses		(7,865)	(8,620)	(17,651)
<b>Profit from operations</b>				
Excluding goodwill reduction and share-based payments	2	1,235	1,648	5,084
Goodwill reduction in respect of tax losses	7	(141)	(153)	(309)
Share-based payments credit/(charge)	3	805	(244)	(595)
<b>Total profit from operations</b>		<b>1,899</b>	<b>1,251</b>	<b>4,180</b>
Investment income		76	153	233
Finance costs		(5)	(12)	(3)
<b>Profit before tax</b>				
Excluding goodwill reduction and share-based payments		1,306	1,789	5,314
Goodwill reduction in respect of tax losses	7	(141)	(153)	(309)
Share-based payments credit/(charge)	3	805	(244)	(595)
<b>Total profit before tax</b>		<b>1,970</b>	<b>1,392</b>	<b>4,410</b>
Income tax expense	4	(610)	(368)	(1,137)
<b>Profit for the period</b>		<b>1,360</b>	<b>1,024</b>	<b>3,273</b>
Basic and diluted earnings per Ordinary share	6	8.8p	6.6p	21.1p
Underlying basic and diluted earnings per Ordinary share	6	6.0p	8.7p	25.9p

**Consolidated Statement of Recognised Income and Expense**  
**For the half year ended 30 November 2007**

	Unaudited Half year to 30 Nov 2007 £'000	Unaudited Half year to 30 Nov 2006 £'000	Unaudited Year to 31 May 2007 £'000
Profit for the period	1,360	1,024	3,273
Exchange differences on translation of foreign operations	(14)	18	(4)
<b>Total recognised income and expense for the period</b>	<b>1,346</b>	<b>1,042</b>	<b>3,269</b>

**Consolidated Balance Sheet**  
**30 November 2007**

	Unaudited 30 Nov 2007 £'000	Unaudited 30 Nov 2006 £'000	Unaudited 31 May 2007 £'000
<b>Non-current assets</b>			
Property, plant and equipment	2,002	1,799	1,570
Intangible assets	17,246	16,817	16,874
Deferred tax asset	641	813	869
	<b>19,889</b>	19,429	19,313
<b>Current assets</b>			
Property held for resale	-	-	2,056
Inventories	4,718	5,442	5,074
Trade and other receivables	22,765	19,083	20,479
Cash and cash equivalents	7,863	6,309	5,596
	<b>35,346</b>	30,834	33,205
<b>Total assets</b>	<b>55,235</b>	50,263	52,518
<b>Current liabilities</b>			
Trade and other payables	(21,368)	(19,393)	(19,646)
Tax liabilities	(968)	(784)	(1,071)
Current provisions	(329)	(565)	(216)
	<b>(22,665)</b>	(20,742)	(20,933)
<b>Non-current liabilities</b>			
Non-current provisions	(709)	(1,102)	(1,096)
	<b>(709)</b>	(1,102)	(1,096)
<b>Total liabilities</b>	<b>(23,374)</b>	(21,844)	(22,029)
<b>Net assets</b>	<b>31,861</b>	28,419	30,489
<b>Equity attributable to equity holders of parent company</b>			
Called up share capital	3,382	3,366	3,382
Share premium account	14,851	14,621	14,851
Merger reserve	9,565	9,565	9,565
Other reserves	(2,486)	(2,391)	(2,486)
Currency translation reserve	(27)	9	(13)
Retained earnings	6,576	3,249	5,190
<b>Total equity</b>	<b>31,861</b>	28,419	30,489

**Consolidated Cash Flow Statement**  
**For the half year ended 30 November 2007**

	Unaudited Half year to 30 Nov 2007 £'000	Unaudited Half year to 30 Nov 2006 £'000	Unaudited Year to 31 May 2007 £'000
<b>Cash flows from operating activities</b>			
Profit from operations	1,899	1,251	4,180
Depreciation and amortisation charge	391	302	571
Goodwill reduction in respect of tax losses	141	153	309
Loss/(profit) on disposal of non-current assets	10	(1)	20
Share-based payments (credit)/charge	(805)	244	595
<b>Operating cash flows before movement in working capital</b>	<b>1,636</b>	<b>1,949</b>	<b>5,675</b>
Decrease/(increase) in stocks	356	(1,161)	(793)
(Increase)/decrease in debtors	(2,243)	161	(1,357)
Increase/(decrease) in creditors and provisions	2,278	(3,024)	(2,913)
<b>Cash generated from operations</b>	<b>2,027</b>	<b>(2,075)</b>	<b>612</b>
Interest received	76	106	236
Tax paid	(481)	(175)	(712)
<b>Net cash from/(used in) operating activities</b>	<b>1,622</b>	<b>(2,144)</b>	<b>136</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(763)	(332)	(628)
Sale of property, plant and equipment	-	35	472
Capitalised development costs	(484)	(110)	(420)
Purchased software	(163)	(54)	(157)
Sale/(purchase) of property held for resale	2,060	-	(2,056)
<b>Net cash from/(used in) investing activities</b>	<b>650</b>	<b>(461)</b>	<b>(2,789)</b>
<b>Cash flows from financing activities</b>			
Issue of shares	-	6	157
Payment of finance lease liabilities	-	(20)	(20)
Interest paid	(5)	(12)	(3)
Dividends paid	-	-	(825)
<b>Net cash used in financing activities</b>	<b>(5)</b>	<b>(26)</b>	<b>(691)</b>
Net increase/(decrease) in cash and cash equivalents	2,267	(2,631)	(3,344)
Cash and cash equivalents at the beginning of the period	5,596	8,940	8,940
<b>Cash and cash equivalents at the end of the period</b>	<b>7,863</b>	<b>6,309</b>	<b>5,596</b>

## Notes

### 1. Basis of preparation

The AIM Rules require that the next annual consolidated financial statements, for the year ending 31 May 2008, be prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU ("adopted IFRSs").

AIM-listed companies are not required to comply with IAS 34 'Interim Financial Reporting' and accordingly the Company has taken advantage of this exemption.

This interim financial information has been prepared on the basis of the recognition and measurement requirements of adopted IFRSs as at 30 November 2007 that are effective (or available for early adoption) at 31 May 2008, the Group's first annual reporting date at which it is required to use adopted IFRSs. Based on these adopted IFRSs, the directors have applied the accounting policies, as set out below, which they expect to apply when the first annual IFRS financial statements are prepared for the year ending 31 May 2008.

However, the adopted IFRSs that will be effective (or available for early adoption) in the annual financial statements for the year ending 31 May 2008 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period will be determined finally only when the annual financial statements are prepared for the year ending 31 May 2008.

The comparative figures for the financial year ended 31 May 2007 are not taken from the Group's statutory accounts for that financial year. However, the 'UK GAAP as previously reported' figures for that year included in the 'Reconciliations from UK GAAP to IFRS' (Note 7) have been extracted from those accounts, which were prepared under UK Generally Accepted Accounting Principles, have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under section 237 (2) or (3) of the Companies Act 1985.

These consolidated interim financial statements were approved by the Board of Directors on 6 February 2008.

The accounting policies applied by the Group resulting from changes for IFRS are set out below. In all other respects, they are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 May 2007.

#### **Goodwill**

Goodwill arises on the acquisitions of subsidiaries, associates and joint ventures. As part of its transition to IFRS, the Group elected not to restate those business combinations that occurred prior to 1 June 2006. In respect of these acquisitions, goodwill represents the amount recognised under the Group's previous accounting framework (UK GAAP). For acquisitions on or after 1 June 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative, it is recognised immediately in profit or loss.

Goodwill is measured at cost less accumulated impairment losses. The carrying amounts are reviewed at each reporting date to determine whether there is any indication of impairment. Where there is, the recoverable amount is estimated and an impairment loss is recognised if the carrying amount exceeds its recoverable amount.

#### **Employee benefits**

As a result of specific guidance contained in IAS 19 'Employee Benefits', the Group recognises an accrual for untaken holiday pay at the balance sheet date.

#### **Deferred taxation**

Deferred tax is recognised on all taxable temporary differences. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet.

## 2. Segmental analysis

Turnover and underlying operating profit (operating profit before goodwill reduction and share-based payments credit or charge) derives from the Group's two business segments as follows:

	Unaudited Half year to 30 Nov 2007 £'000	Unaudited Half year to 30 Nov 2006 £'000	Unaudited Year to 31 May 2007 £'000
<b>Turnover</b>			
Services	26,016	22,946	46,579
Products and software	10,601	8,687	20,765
Intra-group sales	(678)	(698)	(1,279)
	<b>35,939</b>	30,935	66,065
<b>Underlying profit</b>			
Services	1,328	1,682	4,200
Products and software	734	649	2,456
Central costs	(827)	(683)	(1,572)
	<b>1,235</b>	1,648	5,084

## 3. Share-based payments

The Group issues equity-settled share-based payments and cash-settled share-based payments to certain employees in the form of share options under the Group's share option schemes, and awards under the Quadnetics Group Employee Share Scheme respectively.

Based on the Company's share price as at 30 November 2007, the liability in respect of share-based payments has fallen by £805,000 and accordingly this amount has been credited to the income statement.

## 4. Tax charge

The tax charge for the period is based on the estimated rate of corporation tax that is likely to be effective for the full year to 31 May 2008.

## 5. Dividends

An interim dividend of 2.5p per share (2006/07: 2.0p), totalling approximately £388,000 (2006/07: £300,000) will be paid on 14 March 2008 to shareholders on the register as at 15 February 2008.

## 6. Earnings per share

Earnings per Ordinary share are as follows:

	Unaudited Half year to 30 Nov 2007	Unaudited Half year to 30 Nov 2006	Unaudited Year to 31 May 2007	Unaudited Half year to 30 Nov 2007	Unaudited Half year to 30 Nov 2006	Unaudited Year to 31 May 2007
	£'000	£'000	£'000	p	p	p
Basic earnings	1,360	1,024	3,273	8.8	6.6	21.1
Goodwill reduction	141	153	309	0.9	1.0	2.0
Share based payments (credit)/charge	(805)	244	595	(5.2)	1.6	3.8
Impact of share-based payments (credit)/charge on tax charge for the period	242	(73)	(165)	1.5	(0.5)	(1.0)
Underlying earnings	938	1,348	4,012	6.0	8.7	25.9
Basic earnings – diluted	1,360	1,024	3,273	8.8	6.6	21.1
Underlying earnings – diluted	938	1,348	4,012	6.0	8.7	25.9
				'000	'000	'000
Weighted average number of ordinary shares – basic calculation				15,530	15,479	15,495
Dilutive potential ordinary shares arising from share options				13	6	9
Weighted average number of ordinary shares – diluted calculation				15,543	15,485	15,504

## 7. Reconciliations from UK GAAP to IFRS

Restated income statement For the six months ended 30 November 2006	UK GAAP as previously reported £'000	Presentation adjustments £'000	Measurement and recognition adjustments £'000	Restated in accordance with IFRS £'000
<b>Continuing operations</b>				
Revenue	30,935	-	-	30,935
Cost of sales	(21,064)	-	-	(21,064)
<b>Gross profit</b>	<b>9,871</b>	<b>-</b>	<b>-</b>	<b>9,871</b>
Net operating expenses	(8,949)	-	329	(8,620)
<b>Profit from operations</b>				
Excluding goodwill amortisation, goodwill reduction and share-based payments	1,622	-	26 <sup>(7)</sup>	1,648
Goodwill amortisation	(456)	-	456 <sup>(8)</sup>	-
Goodwill reduction in respect of tax losses	-	-	(153) <sup>(9)</sup>	(153)
Share-based payments charge	(244)	-	-	(244)
<b>Total profit from operations</b>	<b>922</b>	<b>-</b>	<b>329</b>	<b>1,251</b>
Investment income	141	12 <sup>(1)</sup>	-	153
Finance costs	-	(12) <sup>(1)</sup>	-	(12)
<b>Profit before tax</b>				
Excluding goodwill amortisation, goodwill reduction and share-based payments	1,763	-	26 <sup>(7)</sup>	1,789
Goodwill amortisation	(456)	-	456 <sup>(8)</sup>	-
Goodwill reduction in respect of tax losses	-	-	(153) <sup>(9)</sup>	(153)
Share-based payments charge	(244)	-	-	(244)
<b>Total profit before tax</b>	<b>1,063</b>	<b>-</b>	<b>329</b>	<b>1,392</b>
Income tax expense	(350)	-	(18) <sup>(10)</sup>	(368)
<b>Profit for the period</b>	<b>713</b>	<b>-</b>	<b>311</b>	<b>1,024</b>

### IFRS transition adjustments

#### *Presentation adjustments*

- (1) separate disclosure of interest payable on the face of the income statement
- (2) reclassification of purchased software as an intangible asset
- (3) reclassification of deferred tax asset as a Non-current asset
- (4) separate disclosure of tax liabilities on the face of the balance sheet
- (5) split of provisions into Current and Non-current liabilities
- (6) reclassification of currency translation adjustment to a separate reserve

#### *Measurement and recognition adjustments*

- (7) accrual for untaken holiday pay
- (8) removal of UK GAAP goodwill amortisation
- (9) goodwill reduction in respect of tax losses acquired as part of a business combination that were not initially recognised.
- (10) deferred tax on holiday pay accrual, on the reversal of the amortisation of goodwill arising on a trade and asset purchase and on the depreciation of short leasehold improvements acquired as part of a business combination.

The cash flow statement has been re-presented to conform with IFRS presentation requirements. There has been no impact on cash and the Group continues to reconcile to the same cash and cash equivalents balance.

Restated income statement For the year ended 31 May 2007	UK GAAP as previously reported £'000	Presentation adjustments £'000	Measurement and recognition adjustments £'000	Restated in accordance with IFRS £'000
<b>Continuing operations</b>				
Revenue	66,065	-	-	66,065
Cost of sales	(44,234)	-	-	(44,234)
<b>Gross profit</b>	<b>21,831</b>	<b>-</b>	<b>-</b>	<b>21,831</b>
Net operating expenses	(18,242)	-	591	(17,651)
<b>Profit from operations</b>				
Excluding goodwill amortisation, goodwill reduction and share-based payments	5,095	-	(11) <sup>(7)</sup>	5,084
Goodwill amortisation	(911)	-	911 <sup>(8)</sup>	-
Goodwill reduction in respect of tax losses	-	-	(309) <sup>(9)</sup>	(309)
Share-based payments charge	(595)	-	-	(595)
<b>Total profit from operations</b>	<b>3,589</b>	<b>-</b>	<b>591</b>	<b>4,180</b>
Investment income	230	3 <sup>(1)</sup>	-	233
Finance costs	-	(3) <sup>(1)</sup>	-	(3)
<b>Profit before tax</b>				
Excluding goodwill amortisation, goodwill reduction and share-based payments	5,325	-	(11) <sup>(7)</sup>	5,314
Goodwill amortisation	(911)	-	911 <sup>(8)</sup>	-
Goodwill reduction in respect of tax losses	-	-	(309) <sup>(9)</sup>	(309)
Share-based payments charge	(595)	-	-	(595)
<b>Total profit before tax</b>	<b>3,819</b>	<b>-</b>	<b>591</b>	<b>4,410</b>
Income tax expense	(1,117)	-	(20) <sup>(10)</sup>	(1,137)
<b>Profit for the period</b>	<b>2,702</b>	<b>-</b>	<b>571</b>	<b>3,273</b>

Restated balance sheet At the date of transition (being 1 June 2006)	UK GAAP as previously reported £'000	Presentation adjustments £'000	Measurement and recognition adjustments £'000	Restated in accordance with IFRS
<b>Non-current assets</b>				
Property, plant and equipment	2,049	(295) <sup>(2)</sup>	-	1,754
Intangible assets	16,925	295 <sup>(2)</sup>	(282) <sup>(9)</sup>	16,938
Deferred tax asset	-	901 <sup>(3)</sup>	(140) <sup>(10)</sup>	761
	18,974	901	(422)	19,453
<b>Current assets</b>				
Property held for resale	-	-	-	-
Inventories	4,281	-	-	4,281
Trade and other receivables	19,990	(901) <sup>(3)</sup>	-	19,089
Cash and cash equivalents	8,940	-	-	8,940
	33,211	(901)	-	32,310
<b>Total assets</b>	<b>52,185</b>	<b>-</b>	<b>(422)</b>	<b>51,763</b>
<b>Current liabilities</b>				
Trade and other payables	(22,046)	536 <sup>(4)</sup>	(119) <sup>(7)</sup>	(21,629)
Tax liabilities	-	(536) <sup>(4)</sup>	-	(536)
Current provisions	-	(509) <sup>(5)</sup>	-	(509)
	(22,046)	(509)	(119)	(22,674)
<b>Non-current liabilities</b>				
Non-current provisions	(1,763)	509 <sup>(5)</sup>	-	(1,254)
	(1,763)	509	-	(1,254)
<b>Total liabilities</b>	<b>(23,809)</b>	<b>-</b>	<b>(119)</b>	<b>(23,928)</b>
<b>Net assets</b>	<b>28,376</b>	<b>-</b>	<b>(541)</b>	<b>27,835</b>
<b>Equity attributable to equity holders of parent company</b>				
Called up share capital	3,263	-	-	3,263
Share premium account	13,634	-	-	13,634
Merger reserve	9,565	-	-	9,565
Other reserves	(1,307)	-	-	(1,307)
Currency translation reserve	-	(9) <sup>(6)</sup>	-	(9)
Retained earnings	3,221	9 <sup>(6)</sup>	(541)	2,689
<b>Total equity</b>	<b>28,376</b>	<b>-</b>	<b>(541)</b>	<b>27,835</b>

Restated balance sheet At 30 November 2006	UK GAAP as previously reported £'000	Presentation adjustments £'000	Measurement and recognition adjustments £'000	Restated in accordance with IFRS
<b>Non-current assets</b>				
Property, plant and equipment	2,098	(299) <sup>(2)</sup>	-	1,799
Intangible assets	16,497	299 <sup>(2)</sup>	21 <sup>(8), (9)</sup>	16,817
Deferred tax asset	-	971 <sup>(3)</sup>	(158) <sup>(10)</sup>	813
	18,595	971	(137)	19,429
<b>Current assets</b>				
Property held for resale	-	-	-	-
Inventories	5,442	-	-	5,442
Trade and other receivables	20,054	(971) <sup>(3)</sup>	-	19,083
Cash and cash equivalents	6,309	-	-	6,309
	31,805	(971)	-	30,834
<b>Total assets</b>	50,400	-	(137)	50,263
<b>Current liabilities</b>				
Trade and other payables	(20,084)	784 <sup>(4)</sup>	(93) <sup>(7)</sup>	(19,393)
Tax liabilities	-	(784) <sup>(4)</sup>	-	(784)
Current provisions	-	(468) <sup>(5)</sup>	-	(468)
	(20,084)	(468)	(93)	(20,645)
<b>Non-current liabilities</b>				
Non-current provisions	(1,667)	468 <sup>(5)</sup>	-	(1,199)
	(1,667)	468	-	(1,199)
<b>Total liabilities</b>	(21,751)	-	(93)	(21,844)
<b>Net assets</b>	28,649	-	(230)	28,419
<b>Equity attributable to equity holders of parent company</b>				
Called up share capital	3,366	-	-	3,366
Share premium account	14,621	-	-	14,621
Merger reserve	9,565	-	-	9,565
Other reserves	(2,391)	-	-	(2,391)
Currency translation reserve	-	9 <sup>(6)</sup>	-	9
Retained earnings	3,488	(9) <sup>(6)</sup>	(230)	3,249
<b>Total equity</b>	28,649	-	(230)	28,419

Restated balance sheet At 31 May 2007	UK GAAP as previously reported £'000	Presentation adjustments £'000	Measurement and recognition adjustments £'000	Restated in accordance with IFRS
<b>Non-current assets</b>				
Property, plant and equipment	1,780	(210) <sup>(2)</sup>	-	1,570
Intangible assets	16,344	210 <sup>(2)</sup>	320 <sup>(8), (9)</sup>	16,874
Deferred tax asset	-	1,029 <sup>(3)</sup>	(160) <sup>(10)</sup>	869
	18,124	1,029	160	19,313
<b>Current assets</b>				
Property held for resale	2,056	-	-	2,056
Inventories	5,074	-	-	5,074
Trade and other receivables	21,508	(1,029) <sup>(3)</sup>	-	20,479
Cash and cash equivalents	5,596	-	-	5,596
	34,234	(1,029)	-	33,205
<b>Total assets</b>	52,358	-	160	52,518
<b>Current liabilities</b>				
Trade and other payables	(20,587)	1,071 <sup>(4)</sup>	(130) <sup>(7)</sup>	(19,646)
Tax liabilities	-	(1,071) <sup>(4)</sup>	-	(1,071)
Current provisions	-	(456) <sup>(5)</sup>	-	(456)
	(20,587)	(456)	(130)	(21,173)
<b>Non-current liabilities</b>				
Non-current provisions	(1,312)	456 <sup>(5)</sup>	-	(856)
	(1,312)	456	-	(856)
<b>Total liabilities</b>	(21,899)	-	(130)	(22,029)
<b>Net assets</b>	30,459	-	30	30,489
<b>Equity attributable to equity holders of parent company</b>				
Called up share capital	3,382	-	-	3,382
Share premium account	14,851	-	-	14,851
Merger reserve	9,565	-	-	9,565
Other reserves	(2,486)	-	-	(2,486)
Currency translation reserve	-	(13) <sup>(6)</sup>	-	(13)
Retained earnings	5,147	13 <sup>(6)</sup>	30	5,190
<b>Total equity</b>	30,459	-	30	30,489

8. Copies of this statement will be sent to shareholders and will be available on the Group's website ([www.quadnetics.com](http://www.quadnetics.com)) and from Quadnetics Group plc, Haydon House, 5 Alcester Road, Studley, Warwickshire B80 7AN.

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