

# Interim Results

for the six months ended 31 December 2008

avanticapital



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# 1 Group Review

## Interim Results for the six months ended 31 December 2008

*Avanti Capital Plc, the AIM quoted private equity company, announces interim results for the six months ended 31 December 2008.*

Net asset values (excluding the accounting effect of the consolidation of Eclectic Bars Limited), per Avanti share by category were:

<b>Investments</b>	<b>Carrying value (pence per share)</b>
Espresso	4
mBlox	73
Medcenter	5
Eclectic Bars	97
Others	1
Net current assets including cash	10
<b>Total</b>	<b>190</b>

**Note:**

The total in the above table does not take account of any dilutory effect of the Long Term Incentive Share Scheme options or the carried interest under the investment advisory agreement. Details of the Long Term Incentive Share Scheme options and the carried interest were set out in the Company's 2008 Annual Report.

The interim results are available for inspection on the Company's website ([www.avanticap.com](http://www.avanticap.com)).

10 March 2008

**ENQUIRIES:**

**Avanti Capital Plc**  
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## 2 Company statement

### Interim Results for the six months ended 31 December 2008

#### Results of the Group

As at 31 December 2008, the Group had net assets (excluding the accounting effects of the consolidation of Eclectic Bars Limited) of £14.2 million (2007: £15.8 million) or 177 pence per share (2007: 197 pence per share). It is the view of the board that this basis gives shareholders the most relevant measure of the underlying value of the net assets within the guidelines for the valuation and disclosure of venture capital portfolios.

As at 31 December 2008, the Group had net assets on a consolidated basis of £11.7 million (2007: £13.1 million) or 146 pence per share (2007: 164 pence per share).

In the period to 31 December 2008, the loss before exceptional items, excluding the consolidation of Eclectic Bars Limited, was £6,000 (2007: Loss £942,000). The profit on a consolidated basis was £314,000 (2007: Loss £864,000). The results include an amount of approximately £2.18 million being adjustment to the closing valuation of financial assets held at fair value through profit or loss, which was due the favourable exchange rates of the US currency. The results also include a further provision in the carrying value of the Group's investments of £1.95 million.

All of the above figures have been arrived at after making an adjustment in the provision for the carried interest of £1.092 million or 14 pence per share. The payment of such a carried interest is dependent upon the realisation of the individual assets being at values which are, at least, equal to the values stated in these interim results.

Net asset values (excluding the accounting effect of the consolidation of Eclectic Bars), per Avanti share by category were:

Investments	Carrying value (pence per share)
Espresso	4
mBlox	73
Medcenter	5
Eclectic Bars	97
Others	1
Net current assets including cash	10
<b>Total</b>	<b>190</b>

#### Note:

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#### Portfolio Investments

##### Eclectic Bars

The first six months of trading to 31 December 2008 has produced an impressive set of results. Sales and profits were substantially ahead of last year in total and like for like. Given the general economic environment the management team is to be commended for this performance.

In summary, sales were £5.9 million (2007: £4.7 million), site ebitda £1.5 million (2007: £1.0 million) and company ebitda £0.7 million (2007: £0.1 million). For the first 9 weeks of 2009, trading has continued to be in line with the over achievement seen in the first six months and management is optimistic about the outcome for the full year.

As reported previously, the team continues to search for suitable sites to further roll out the Sakura brand and to open a small number of new Po Na Na bars in selective locations. A number of sites are currently under consideration all of which are at a relatively early stage. In addition, the team continues to search for a suitable bolt on acquisition. As previously stated Eclectic's strategy is to assemble a large portfolio of bars. Management believes that in the current environment there will be opportunities to acquire portfolios which are performing well, from companies that may be experiencing distress due to high levels of debt.

The Group's investment, which is predominantly in the form of a loan, has a book value of £7.8 million. The only other debt outstanding in Eclectic is to Barclays Bank plc and amounts to about £1 million.

As at 31 December 2008, the carrying value of the Group's investment in Eclectic remained unchanged at £7.8 million or 97p per share.

##### Espresso

Espresso has continued to grow its revenue base and expand its range of product offerings to schools in the UK and overseas.

Espresso's core offering, namely the provision of its UK primary school service, has reached a market penetration of approximately 10,000 schools in England. The retention rate for this subscription service remains very high at 94% and the revenue for the business is expected to exceed £10 million for the first time in the current financial year ended July 2009. Given the market share already secured, the growth aspirations for this service within the UK are naturally moderating, with their main focus being to maintain the excellent retention rate and to increase average revenue per user through incremental services offerings to the schools.

Clipbank (Espresso Secondary) was launched in autumn 2007 following the acquisition of the Channel 4 Learning business. From a standing start, this product is now subscribed to by over 500 secondary schools, representing approximately 15% of the English government funded schools market. Reaction to this product has been very favourable and there is potential for Clipbank to reach similar penetration levels to those achieved for the primary service, although it will take a number of years for this potential to be fully realised.

Espresso launched its Swedish service in September 2007, in conjunction with Liber (part of Infinitas Learning, formerly Wolters Kluwer Education), who undertake the sales and marketing effort. The product has been well received.

The business continues to perform well and is trading in line with expectations. Profitability in the core Primary sector is strong and this is being used for the investment in developing the Clipbank and International businesses.

Other investors include ProVen VCT, ProVen Growth and Income VCT, Guinness Flight VCT, MeCom Group, Channel 4, ITN and Babcock & Brown.

The Group's investment is carried at a value £0.3 million. This implies an equity value for Espresso of £20 million. Espresso re-financed A loan notes during the period, which resulted in the repayment of the notes held by the Group. As part of this re-financing, ProVen subscribed for new equity shares at an equity value of £25 million.

As at 31 December 2008, the carrying value of the Group's investment in Espresso remains unchanged at 4p per share.

### 3 Company statement continued

## Interim Results for the six months ended 31 December 2008

#### mBlox

mBlox, the world's largest mobile transaction network, delivered over 2.5 billion application-to-person transactions in 2008, a growth of 30% year-on-year. The company cleared and settled for its customers, premium transactions with a retail value of approximately \$500 million a strong result despite significant devaluation in major European currencies.

mBlox exceeded a number of its key performance indicators, including mobile originated and terminated messages (MT). MT messaging growth accelerated in the second half of the year and in December 2008 the total volume of MT messages were up 40% compared to December 2007. Enterprise mobile messaging was responsible for a significant proportion of overall MT growth, as new and innovative uses were deployed.

mBlox is prepared for its next phase of global growth in 2009 recently appointing Andrew Dark as its Chief Executive Officer. Andrew has held a number of senior positions, most recently as Chief Executive for DataCash Group plc where he successfully grew the company organically and through acquisitions. Andrew will use this experience of running a high-performing global business to lead mBlox's exploitation of the growth and M&A opportunities in the global mobile market. Andrew will be responsible for driving mBlox's growth through geographical expansion into major new markets and expanding mBlox's scale and product range.

mBlox has also announced a new office in Italy, spearheaded by Edouard Marciano, to further Italian market growth and help further drive mBlox business growth in 2009. In 2008, mBlox expanded its Sunnyvale HQ facilities and the Global Network Operation Center in Singapore as well as investing \$2 million in technology and operations.

For the second year running, mBlox has been shortlisted for a Global Mobile Award. This year, it has been shortlisted in conjunction with Myxer, for the Best Mobile Music or Video Service, at Mobile World Congress in Barcelona Spain. In 2008, it was shortlisted in the Best Mobile Messaging Service category for its Mobile Business: Financial Services.

Other investors in mBlox include various Silicon Valley venture funds including Norwest Venture Partners, Scale Venture Partners, Novus Ventures, Duff Ackerman Goodrich, Trident Capital and Galleon Capital.

The sector in which mBlox operates has continued to be adversely affected in terms of valuations. Accordingly, the board believes that it is appropriate to make a further provision in the carrying value of the Group's investment. In the absence of any objective data to assess the value, the guidelines issued by the BVCA suggest that provisions should be made in 25% tranches. As a result of a further 25% provision and after taking account of the foreign exchange gain, the carrying value of the Group's investment in mBlox as at 31 December 2008 was £5.86 million or 73p per share.

#### Medcenter

Medcenter is a multinational pharmaceutical marketing company, specialising in innovative solutions that increase drug sales and business effectiveness. Its largest market is Latin America.

Operating with offices in Europe and the Americas, Medcenter works with 50 of the most important international laboratories (with 80 of the most sold products in the global market). Medcenter has a team of highly qualified pharmaceutical marketing professionals ready to respond with creativity to the needs of the pharmaceutical industry, with solutions in the areas of medical education, promotion, market research and marketing. These solutions are designed to strengthen the relationship between the pharmaceutical industry, physicians and patients in order to increase product prescription, market share and sales.

As reported in our last Annual Report, a major development took place in December 2007 when the company entered into a joint venture with WebMD (Nasdaq:WBMD). WebMD only operates within the US and enjoys a 90% market share of the online medical education market in US. This collaboration is now fully operational and its results have exceeded the expectations of both parties.

Medcenter has traded during the period in line with its internal forecasts.

As at 31 December 2008, the carrying value of the Group's investment in Medcenter was 5 pence per share.

#### Others

In relation to the remainder of the legacy investments in the Group's portfolio, the Board continues to seek ways of maximising value to the Group. As at 31 December 2008, the aggregate carrying value of these investments was £139,000.

As reported as at 30 June 2008, an amount of €32,000 has been received in relation to the Group's investment in NetFractal SA, one of the legacy investments. An additional amount is expected to be received in 2010 of up to a further £175,000.

**J M Fellerman**

**R H Kleiner**

10 March 2009

## 4 Consolidated income statement for the six months ended 31 December 2008

	Notes	Unaudited 6 months ended 31 Dec 2008 £000	Unaudited 6 months ended 31 Dec 2007 £000	Audited 12 months ended 30 Jun 2008 £000
<b>Revenue</b>	3	5,982	4,970	10,138
Cost of sales		(1,013)	(804)	(1,677)
<b>Gross profit</b>		4,969	4,166	8,461
Administrative expenses – others		(4,794)	(4,137)	(7,977)
<b>Operating profit (pre-exceptional items)</b>		175	29	484
Administrative expenses – exceptional	5	(28)	(161)	(243)
<b>Operating profit/(loss) (post-exceptional items)</b>		147	(132)	241
Other income		–	57	–
<b>Operating profit/(loss)</b>		147	(75)	241
Foreign exchange gain on financial assets		2,181	74	–
Loss on disposal of tangible assets		(21)	–	(1)
Finance revenue		10	70	91
Finance cost		(2,003)	(933)	(2,966)
<b>Profit/(loss) on ordinary activities before taxation</b>		314	(864)	(2,635)
Taxation		–	–	–
Minority interest		–	–	–
<b>Profit/(loss) for the period</b>		314	(864)	(2,635)
<b>Profit/(loss) per share – basic and diluted</b>	4	3.91p	(10.77)p	(32.84)p

## 5 Consolidated balance sheet at 31 December 2008

	Unaudited 6 months ended 31 Dec 2008 £000	Unaudited 6 months ended 31 Dec 2007 £000	Audited 12 months ended 30 Jun 2008 £000
<b>Assets</b>			
<i>Non current assets</i>			
Goodwill	4,454	4,454	4,454
Property, plant & equipment	2,158	1,176	2,088
Financial assets held at fair value through income statement	6,704	8,560	6,477
	<b>13,316</b>	<b>14,190</b>	<b>13,019</b>
<i>Current Assets</i>			
Inventories	165	126	129
Trade and other receivables	1,212	1,043	1,102
Cash and cash equivalents	872	1,044	1,084
	<b>2,249</b>	<b>2,213</b>	<b>2,315</b>
<b>Total Assets</b>	<b>15,565</b>	<b>16,403</b>	<b>15,334</b>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Financial liabilities	(446)	(513)	(724)
Trade and other payables	(1,332)	(1,056)	(1,257)
	<b>(1,778)</b>	<b>(1,569)</b>	<b>(1,981)</b>
<i>Non-current liabilities</i>			
Financial liabilities	(1,000)	(3)	(977)
Provisions	(1,092)	(1,679)	(995)
	<b>(2,092)</b>	<b>(1,682)</b>	<b>(1,972)</b>
<b>Total Liabilities</b>	<b>(3,870)</b>	<b>(3,251)</b>	<b>(3,953)</b>
<b>Net Assets</b>	<b>11,695</b>	<b>13,152</b>	<b>11,381</b>
<b>Equity</b>			
Issued share capital	4,815	4,815	4,815
Capital redemption reserve	1,409	1,409	1,409
Other reserve	2,045	2,045	2,045
Retained earnings	3,426	4,883	3,112
<b>Total equity</b>	<b>11,695</b>	<b>13,152</b>	<b>11,381</b>

Approved by the board on 10 March 2009

Richard Kleiner  
Julian Fellerman

## 6 Consolidated statement of cash flows for the period ended 31 December 2008

	Unaudited 6 months ended 31 Dec 2008 £000	Unaudited 6 months ended 31 Dec 2007 £000	Audited 12 months ended 30 Jun 2008 £000
<b>Operating activities</b>			
Profit/(loss) before taxation from operations	314	(864)	(2,635)
Depreciation and impairment of property, plant and equipment	186	152	352
(Gain)/loss on financial assets at fair value through profit or loss	(227)	913	2,906
Provision against fixed asset held at fair value through profit or loss	–	(74)	3
Loss on disposal of property, plant and equipment	21	–	–
Increase/(decrease) in provision for carried interest	97	(140)	(824)
(Increase)/decrease in inventories	(36)	(46)	(49)
(Increase) in trade and other receivables	(110)	(76)	(137)
Increase/(decrease) in trade and other payables	75	(88)	105
<b>Net cash from operating activities</b>	<b>320</b>	<b>(223)</b>	<b>(279)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant & equipment	(277)	(457)	(1,575)
Purchase of investments	–	(128)	(128)
Proceeds from sale of property, plant & equipment	–	–	4
Receipts from sales of fixed asset investments	–	3	21
<b>Net cash flows used in investing activities</b>	<b>(277)</b>	<b>(582)</b>	<b>(1,678)</b>
<b>Financial activities</b>			
Increase in bank overdrafts	(254)	–	256
Decrease in short term borrowings	–	–	242
(Decrease)/increase in long term borrowings	(44)	–	820
Capital element on finance lease rental payments	43	–	266
<b>Net cash generated from financing activities</b>	<b>(255)</b>	<b>–</b>	<b>1,584</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(212)</b>	<b>(805)</b>	<b>(373)</b>
Cash and cash equivalents at start of period	1,084	1,340	1,457
<b>Cash and cash equivalents at end of period</b>	<b>872</b>	<b>535</b>	<b>1,084</b>

## 7 Statement of changes in equity (unaudited)

	Share Capital £000	Merger Reserve £000	Capital Redemption Reserve £000	Minority Interest £000	Retained Earnings £000	Totals £000
At 1 July 2008	4,815	2,045	1,409	—	3,112	11,381
Profit for the period	—	—	—	—	314	314
At 31 December 2008	4,815	2,045	1,409	—	3,426	11,695

## 8 Notes to the accounts

### 1. Basis of preparation of interim financial information

The financial information for the 6 months ended 31 December 2007 and 31 December 2008 does not constitute statutory accounts for the purposes of S240 of the Companies Act 1985 and has not been audited.

The interim financial statements of the Group for the six months ended 31 December 2008 have been prepared in accordance with the principal accounting policies set out in Appendix 1 – these policies have been consistently applied to all periods presented. The interim financial statements have been prepared in accordance with those IFRS standards, as adopted by the EU, and IFRIC Interpretations issued and effective as at the time of issuing these interim financial statements. The IFRS standards and IFRIC Interpretations that were applicable at 30 June 2008, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial statements.

### 2. Accounting policies

The accounting policies used in the preparation of the financial information for the 6 months ended 31 December 2008 are the IFRS accounting principles as applied to the Group's first IFRS financial statements for the year ended 30 June 2008.

### 3. Segmental information

	Unaudited 6 months ended 31 Dec 2008 £000	Unaudited 6 months ended 31 Dec 2007 £000	Audited 12 months ended 30 Jun 2008 £000
Revenue by products and services			
Bars and nightclubs	5,957	4,970	10,138
Other income	25	–	–
	<b>5,982</b>	<b>4,970</b>	<b>12,607</b>

### 4. Earnings per share

	Unaudited 6 months ended 31 Dec 2008 £000	Unaudited 6 months ended 31 Dec 2007 £000	Audited 12 months ended 30 Jun 2008 £000
Profit/(loss) for the period	314	(864)	(2,635)
Basic weighted and diluted number of shares	8,025,752	8,025,752	8,025,752
Earnings per share (pence) – Basic and diluted	3.91	(10.77)	(32.84)

### 5. Exceptional items

	Unaudited 6 months ended 31 Dec 2008 £000	Unaudited 6 months ended 31 Dec 2007 £000	Audited 12 months ended 30 Jun 2008 £000
Provision for impairment of fixed asset investments	–	2	2
Deal and merger costs:			
– Redundancy costs	16	–	10
– Cost of abortive deals	5	70	93
– Others	1	–	–
Restructuring charges	6	89	138
	<b>28</b>	<b>161</b>	<b>243</b>

## 9 Notes to the accounts continued

### 6. Pro-forma information

The Accounting Standards require the Group to consolidate Eclectic Bars Limited. Shareholders may find it useful to see the separate trading results and net assets of Avanti Capital plc and Eclectic Bars Limited as shown in this pro-forma.

The adjustments shown within the pro-forma financial information enables a reconciliation to be made to the consolidated interim results which comprise the usual consolidation items including fees and interest charged by the Group to Eclectic Bars Limited and the inclusion within the pro-forma Profit and Loss, of EBITDA for Eclectic Bars Limited for the 26 weeks period ended 28 December 2008.

	Avanti Capital plc £000	Eclectic Bars Limited £000	Adjustments £000	Group Total £000
<b>Income Statement</b>				
Revenue	78	5,957	(53)	5,982
Less: cost of sales	–	(1,013)	–	(1,013)
Gross profit	78	4,944	(53)	4,969
Operating expenses	(424)	(4,258)	53	(4,629)
EBITDA	(346)	686	–	340
Foreign exchange gain/(loss) on financial assets	2,181	–	–	2,181
Depreciation	(2)	(184)	–	(186)
Finance cost	(1,954)	(154)	105	(2,003)
Finance revenue	115	–	(105)	10
Profit on ordinary activities before Taxation and exceptional items	(6)	348	–	342
Exceptional items – other	–	(28)	–	(28)
Profit on ordinary activities before taxation	(6)	320	–	314
Taxation	–	–	–	–
Profit on ordinary activities after taxation	(6)	320	–	314
Minority interest	–	–	–	–
Profit for the period after minority interest	(6)	320	–	314
<b>Assets</b>				
<b>Non-current assets</b>				
Goodwill	–	6,476	(2,022)	4,454
Property, plant & equipment	8	2,150	–	2,158
Financial assets held at fair values through income statement	14,532	–	(7,828)	6,704
	14,540	8,626	(9,850)	13,316
<b>Current assets</b>				
Inventories	–	165	–	165
Trade & other receivables	144	1,067	–	1,211
Cash and cash equivalents	647	225	–	872
	791	1,457	–	2,248
<b>Current liabilities</b>				
Bank loans & overdrafts	–	361	–	361
Finance leases	–	85	–	85
Trade & other payables	64	1,268	–	1,332
	64	1,714	–	1,778
Net current assets/(liabilities)	727	(257)	–	470
Total assets less current liabilities	15,267	8,369	(9,850)	13,786
<b>Creditors: amounts falling due after one year</b>				
Shareholders' loan	–	(7,828)	7,828	–
Finance leases	–	(224)	–	(224)
Bank loans	–	(776)	–	(776)
Provisions	(1,092)	–	–	(1,092)
Net assets	14,175	(459)	(2,022)	11,694
<b>Represented by:</b>				
Called up share capital	4,815	–	–	4,815
Capital redemption reserve	1,409	–	–	1,409
Other reserve	2,045	–	–	2,045
Profit & loss accounts	5,906	(459)	(2,022)	3,425
Shareholders' funds	14,175	(459)	(2,022)	11,694

Copies of this Announcement will be available, free of charge, from the Company's office at 25 Harley Street, London, W1G 9BR for a period of 1 month from the date of this Announcement. A copy of this Announcement will also be available on the Company's website at [www.avanticap.com](http://www.avanticap.com).

# 10 Appendix 1

## Summary of significant accounting policies

### Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the six month period ended 31 December 2008.

The financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The financial statements have been prepared under the historical cost convention as modified by certain financial instruments.

### Basis of consolidation

The consolidated financial statements include the financial statements of Avanti Capital plc and the entities it controls (its subsidiaries) for the periods reported.

For the purposes of preparing these consolidated accounts, subsidiaries are those entities controlled by the Group. 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 and is achieved through direct or indirect ownership of voting rights, by way of contractual agreement.

### Foreign currency translation

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange at the balance sheet date. All differences are taken to the income statement.

### Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and impairment charged subsequent to the date of revaluation. Such cost includes the cost of replacing part of the plant and equipment when the cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are met. All major repairs and maintenance costs are recognised in the income statement as incurred.

Depreciation is calculated on a straight line basis over the useful life of the asset as follows:

Leasehold improvements	– 4 years
Furniture and fittings	– 4 years
IT equipment	– 3 years
Motor vehicles	– 3 to 5 years

### Investments and other financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Group currently holds no held-to-maturity or available for sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs.

The Group determines the classifications of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date the Group commits to purchase or sell the asset. Regular way purchases or sales of financial assets that require delivery of assets within the period are generally established by regulation or convention in the market place.

### Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit and loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains and losses on investments held for trading are recognised in the income statement.

Financial assets, comprising equity shares and share options, are valued in accordance with the “Guidelines for the valuation and disclosure of venture capital portfolios” published by the British Venture Capital Association on the following basis:

- a) Early stage investments: these are investments in immature companies, including seed, start-up and early stage investments. Such investments are valued at a 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;
- b) Development stage investments: such investments are in mature companies having a maintainable trend of sustainable revenue and from which an exit, by way of flotation or trade sale, can be reasonably foreseen. An investment of this stage is periodically re-valued by reference to open market value. Valuation will usually be by one of four methods as indicated below:
  - 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 significant investment is made involving a new investor;
  - iii. On an earnings basis, but not until at least a period since the investment was made, by applying a discounted price/earnings ratio to profit after taxation, either before or after interest; or
  - iv. On a net asset basis, again applying a discount to reflect the illiquidity of the investment.
- c) Quoted investments: such investments are valued using the quoted market price, discounted if the shares are subject to any particular restrictions or are significant in relation to the issued share capital of a small quoted company.

A review of impairment in value is undertaken by reference to funding, investment or offers in progress after the balance sheet date.

### Loans and receivables

Loans and receivables are non-derivative financial assets with a fixed or determinable payment that are not quoted in an active market. After initial measurement loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

# 11 Appendix 1 continued

## Summary of significant accounting policies

### Impairment of financial assets

The Group assess at each balance sheet date whether a financial asset or group of financial assets is impaired.

### Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of allowance account. The amount of the loss shall be recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the income statement.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all the amounts due under the original terms of the invoice. The carrying amount of the receivables is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectable.

### Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models.

### Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes all cost incurred in bringing each product to its present location and condition as follows:

- Consumables and goods for resale – purchase cost on first in first out basis

### Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise cash at bank and short term deposits with an original entity for 3 months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### Financial liabilities

#### Interest bearing loan and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

### Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increased in the provision due to the passage of time is recognised as a finance cost.

### Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risk and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the leased liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the income statement.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease rentals are charged to the income statement on an accrual basis over the term of the lease.

### Revenue recognition

Revenue is recognised to the extent that it probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and Value Added Taxes.

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Interest income is recognised as interest accrues (using the effective interest rate).

## 12 Appendix 1 continued

### Summary of significant accounting policies

#### Taxes

##### Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary difference associated with an investments in subsidiaries, associates and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax income assets is review at each balance sheet date and reduced to the extent that it is no longer probable that sufficient to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that the future taxable profit will allow the deferred tax asset to be recovered.

# 13 Independent review report to Avanti Capital plc

## Introduction

We have been instructed by the company to review the financial information for the six months ended 31 December 2008, which comprises the Consolidated income statement, the Consolidated statement of changes in equity, the Consolidated balance sheet and the Consolidated cash flow statement and the related notes 1 to 5. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely by the Company in accordance with the guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

## Directors' responsibilities

The Interim Report is the responsibility of and has been approved by the directors. The directors are responsible for preparing the Interim Report in accordance with the AIM Rules issued by the London Stock Exchange which require that it is presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such accounts.

The condensed set of financial statements included in this Interim Report has been prepared in accordance with the basis of preparation outlined in Note 1 and with the AIM Rules issued by the London Stock Exchange.

## Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Interim Report based on our review.

## Scope of review

We conducted our review in accordance with the International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report to 31 December 2008 is not prepared, in all material respects, in accordance with the basis of preparation outlined in Note 1 and in accordance with the AIM Rules issued by the London Stock Exchange.

Ernst & Young LLP  
London

10 March 2009



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