

Everfor Diamonds plc

Interim Report

Six Months Ended

30 June 2007

Everfor Diamonds plc

Condensed interim financial statements for the six months ended 30 June 2007

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Contents

2	Chairman's Statement & Review of Operations
4	Consolidated Income Statement
5	Consolidated Balance Sheet
6	Consolidated Cash Flow Statement
7	Consolidated Statement of Recognised Income and Expense
8	Consolidated Statement of Changes in Equity
9	Notes to the Interim Report

Everfor Diamonds plc

Chairman's Statement & Review of Operations

Market sentiment in the first half of 2007 eschewed diamond exploration companies with early-stage exploration projects such as those being undertaken by Everfor, in favour of projects with identified resources. However, a realisation is taking place that there are few, if any, near-production kimberlite projects left to acquire or in which to invest and there has been some movement towards projects targeting alluvial diamonds.

The projected supply-demand imbalance in rough diamonds continues to show that its foundations are based in reality and although alluvial rough diamonds command high prices, they are and will continue to be a relatively scarce, low volume commodity, compared to the rough product from kimberlites.

In recent months there has been some consolidation of diamond exploration companies on AIM, together with the acquisition of, or diversification into, other commodities. These possibilities have and are being explored by Everfor. If and when it is in the Company's best interests to follow either route, appropriate recommendations will be made to our shareholders.

In the meantime, Everfor maintained its kimberlite exploration impetus in the early part of the year with drilling taking place in two of its four licences, although no kimberlites were intersected. In other areas, such as administration, the Company has made efforts to constrain expenditure and preserve funds.

New airborne magnetic anomalies in the Tulomo-Teriberskaya licence are to be tested and results are due imminently from priority samples in both this licence area and from the Varzugskaya property on the White Sea Coast.

No funds have been raised since early 2006 and it will be necessary to seek additional finance to allow us to continue our assertive exploration programmes in the forthcoming 18 months.

REVIEW OF OPERATIONS

Drilling

A warmer than expected winter resulted in drilling not starting until March, when ice thicknesses were finally sufficient to allow vehicle access to the work areas. Drilling began in the Pulongskaya licence in the south east of the Kola Peninsula, on geophysical anomalies in the area known as Blue Lake. Four anomalies were drilled (totalling 141 metres) but no kimberlites were intersected, although the rocks encountered explained the sources of the anomalies.

In Ermakovskaya, 72 holes (totalling 771 metres) were drilled with a lightweight rig, over geophysical magnetic anomalies with expected thin overburden. No kimberlites were intersected.

Drilling was planned in Tulomo-Teriberskaya but had to be postponed when one rig broke through thin ice on a river crossing and had to be recovered. No further drilling has yet taken place.

Airborne Surveying

Results of the 1,750 km² airborne magnetic survey carried out in 2006 in the east of the Tulomo-Teriberskaya licence were received in May.

A total of 86 anomalies were interpreted, of which three are graded as of superior interest, ten as high interest and twenty as requiring further support before follow-up work takes place. The remainder are assessed as being of no further interest as their cause may be cultural (houses, bridges, vehicles or power lines) or formational (discrete extensions of known geological units).

Sample Results

To date, Kimberlite Indicator Mineral examinations have been undertaken on 5,186 of the total of 6,645 samples collected.

Table 1 – Sampling Statistics

Licence	2004 Samples	2005 Samples	2006 Samples	Total	Sample density/km ² (average)
Pulongskaya	917	691	-	1,608	0.50
Varzugskaya	728	468	614	1,810	2.50
Ermakovskaya	856	774	132	1,762	0.88
Tulomo-Teriberskaya	570	584	311	1,465	2.55

Despatch of approximately 500 priority samples (of those remaining) to specialist laboratories was only able to be effected in August 2007 due to a number of changes in export regulations. Results are expected within the next two months.

The chemistries of approximately 1,850 indicator minerals from a total of 475 positive samples have been analysed by electron microprobe. Discrete areas within the Pulongskaya and Tulomo-Teriberskaya licences contain indicator minerals of superior chemical interest indicating the probable presence of diamondiferous kimberlites. Reconnaissance-level sampling (1 sample per 2.5 km²) of Varzugskaya was undertaken in 2006 but no results are yet available and so there is no change in the view that this is a licence which should contain kimberlites. Results from Ermakovskaya do not indicate any areas of elevated interest, although indications are that kimberlites should be present. However, they would be of moderate interest at best with respect to diamond content.

FUTURE WORK

Much of the planned future work depends upon the geographical correlation between samples of superior indicator mineral chemistry and the presence of geophysical anomalies in the up-ice direction. In several locations, this is achievable with the current and expected data but other areas will require further sampling or geophysical surveying. Further drilling will be required to test the anomalies which will be identified as being of interest.

Dr Sergey V Kurzin

Executive Chairman
27 September 2007

Everfor Diamonds plc

Condensed consolidated interim income statement for the six months ended 30 June 2007

	Six months ended 30 June 2007 (Unaudited) £'000	Six months ended 30 June 2006 (Unaudited) £'000
Operating expenses	<u>(235)</u>	<u>(465)</u>
Operating loss	(235)	(465)
Finance income	12	21
Finance expenses	-	-
	<u> </u>	<u> </u>
Loss before taxation	(223)	(444)
Taxation	-	-
	<u> </u>	<u> </u>
Net loss for the financial period	(223)	(444)
Attributable to:		
Equity shareholders of the parent	(203)	(423)
Minority interest	<u>(20)</u>	<u>(21)</u>
	<u>(223)</u>	<u>(444)</u>
Loss per share		
Basic and diluted	(0.21)p	(0.51)p

All amounts above relate to continued operations.

Everfor Diamonds plc

Condensed consolidated interim balance sheet at 30 June 2007

	At 30 June 2007 (Unaudited) £'000	At 30 June 2006 (Unaudited) £'000	At 31 December 2006 (Unaudited) £'000
ASSETS			
Non-current assets			
Property, plant and equipment	2	4	4
Intangible assets	3,182	3,407	3,182
Total non-current assets	3,184	3,411	3,186
Current assets			
Trade and other receivables	187	326	193
Cash and cash equivalents	411	1,114	656
Total current assets	598	1,440	849
Total assets	3,782	4,851	4,035
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	61	102	105
Total current liabilities	61	102	105
Total liabilities	61	102	105
Capital and reserves			
Called up share capital	989	989	989
Share premium account	4,111	3,821	4,111
Merger reserve	1,950	1,950	1,950
Foreign currency translation reserve	(4)	197	(6)
Retained earnings	(3,688)	(2,668)	(3,498)
Equity attributable to shareholders of the parent	3,358	4,289	3,546
Minority interests	363	460	384
Total equity and liabilities	3,782	4,851	4,035

Everfor Diamonds plc

Condensed consolidated interim cash flow statement for the six months ended 30 June 2007

	Six months ended 30 June 2007 (Unaudited) £'000	Six months ended 30 June 2006 (Unaudited) £'000
Cash flows from operating activities		
Loss from ordinary activities	(235)	(465)
Adjustments for:		
Depreciation of property, plant and equipment	1	2
Share based payments	13	52
Foreign exchange differences	4	-
Cash flow from operating activity before changes in working capital	(217)	(411)
Increase in trade and other receivables	6	(76)
(Decrease)/increase in trade and other payables	(45)	24
Cash used by operations	(256)	(463)
Interest paid	-	-
Income tax paid	-	-
Net cash used in operating activities	(256)	(463)
Investing activities		
Interest income	12	21
Cash flows from investing activities	12	21
Financing activities		
Issue of ordinary shares (Net of issue cost)	-	1,106
Cash flows from financing activities	-	1,106
(Decrease)/increase in cash	(244)	664
Cash and cash equivalents at 1 January	656	448
Effect of exchange rate changes on cash and cash equivalents	(1)	2
Cash and cash equivalents at end of the period	411	1,114

Everfor Diamonds plc

Condensed consolidated interim statement of recognised income and expense for the six months ended 30 June 2007

	Six months ended 30 June 2007 (Unaudited) £'000	Six months ended 30 June 2006 (Unaudited) £'000
Exchange translation differences on consolidation of Group entities	<u>2</u>	<u>207</u>
Net profit recognised directly in equity	2	207
Loss for the financial period	(223)	(444)
Total recognised income and expense for the financial period	<u>(221)</u>	<u>(237)</u>
Attributable to:		
Equity shareholders of the parent	(200)	(216)
Minority interest	<u>(21)</u>	<u>(21)</u>
	<u>(221)</u>	<u>(237)</u>

Everfor Diamonds plc

Condensed consolidated interim statement of changes in equity for the six months ended 30 June 2007

	Attributable to shareholders of Everfor Diamonds plc	Minority interests	6 months ended 30 June 2007 (Unaudited)	6 months ended 30 June 2006 (Unaudited)	Year ended 31 December 2006 (Unaudited)
	£'000	£'000	£'000	£'000	£'000
Opening balance as restated	3,546	384	3,930	3,808	3,808
Total recognised income for the period	(203)	(21)	(224)	(423)	(1,366)
Issue of shares	-	-	-	1,630	1,630
Share issue costs	-	-	-	(524)	(233)
Employee share options charged to income statement	13	-	13	52	59
Issue of share options	-	-	-	-	-
Movement in foreign currency translation reserve	2	-	2	207	32
Closing balance	3,358	363	3,721	4,750	3,930

1. Accounting policies

Accounting policies adopted under IFRS

These interim financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

The basis of preparation and accounting policies used in preparing the interim accounts for the six months ended 30 June 2007 are set out below. The basis of preparation describes how IFRS has been applied under IFRS 1, the assumptions made by the Group about the Standards and Interpretations expected to be effective, and the policies expected to be adopted, when the Group issues its first complete set of IFRS financial statements for the year ending 31 December 2007.

Basis of preparation

The financial information for the six months ended 30 June 2007, six months ended 30 June 2006 and the year ended 31 December 2006 is unaudited and within the meaning of section 240 of the Companies Act 1985, such accounts do not constitute full statutory accounts of the Group.

The accounting policies which follow set out those policies which are expected to apply in preparing the financial statements for the year ended 31 December 2007. These policies have been followed in producing these interim statements.

The Group 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, except for financial assets, which are carried at fair value.

The comparative figures for the financial year ended 31 December 2006 are not the statutory financial statements of Everfor Diamonds plc for that financial year. Those financial statements, which were prepared under UK Generally Accepted Accounting Principles, have been reported on the Company'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.

Significant accounting judgements and estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. These judgements and estimates are based on managements' best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimations is contained in the accounting policies and accompanying notes to the financial statements.

Basis of consolidation

The consolidated financial statements incorporate the results of Everfor Diamonds plc and its subsidiaries as at 30 June 2007.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated.

Minority interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Group and is presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement, except for differences on monetary assets and liabilities that form part of the Group's net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The income statement results of individual Group companies with functional currencies other than sterling are translated into sterling at the average rates of exchange during the period and the balance sheet translated at the rate of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of such subsidiary undertakings are taken to reserves. On disposal of such entities, the deferred cumulative amount recognised in equity relating to that particular operation is recognised in the income statement.

All other differences are taken to the income statement with the exception of differences on foreign currency borrowings, which, to the extent that they are used to finance or provide a hedge against foreign equity investments, are taken directly to reserves to the extent of the exchange difference arising on the net investment in these enterprises. Tax charges or credits that are directly and solely attributable to such exchange differences are also taken to reserves.

Business combinations

Business combinations are accounted for under IFRS 3 using the purchase method. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the balance sheet as goodwill and is regularly reviewed for impairment. To the extent that the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised immediately in the income statement.

Exploration and evaluation expenditure

Initial exploration and evaluation expenditure incurred in relation to project areas to which the Group's licences and rights relate are charged to profit and loss in the period in which they are incurred. When a project reaches a stage whereby a positive assessment of its technical feasibility and economic viability can be reasonably determined, such as the result of a pre feasibility study, then to the extent that they are recoverable, all further exploration and development costs are carried forward as a mine development asset in the balance sheet and is classified as intangible or property, plant or equipment according to their nature.

Mining rights and other intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

The Group's intangibles assets are amortised systematically over the useful life of the related asset or mine on a unit of production basis.

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Property, plant and equipment

Property, plant and equipment, is stated at cost less depreciation and impairment losses. Cost includes the purchase price plus any directly attributable costs to bring the asset into working condition and location for its intended use.

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost of each asset over its useful life.

- Plant, machinery and vehicles – 3 to 5 years
- Office equipment and furniture – 1 to 5 years

Mine development assets are depreciated over the life of the mine on a unit of production basis using estimated economically recoverable reserves.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged to the income statement on a straight line basis over the term of the lease.

Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal the depreciation or amortisation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Financial instruments

Financial assets and liabilities are initially recognised at cost, which is the fair value of consideration given or received, respectively, including, or net of, any transaction costs incurred.

The Group classifies financial assets depending upon the intent of management at the time of the purchase. Investments may be classified as loans and receivables; held-to-maturity investments; available-for-sale financial assets; financial assets at fair value through profit or loss, as appropriate.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available-for-sale. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets classified as held for trading, derivatives, and other assets designated as such on inception. Assets are carried in the balance sheet at fair value with gains and losses recognised in the income statement.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as such or are not classified in any of the other three financial asset categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Fair values

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis and pricing models. Otherwise assets are carried at cost.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less or are otherwise readily convertible to cash.

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.

Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost using the effective interest rate method. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Income taxes

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

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

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charge to equity. Otherwise income tax is recognised in the income statement.

Rehabilitation obligations

Rehabilitation obligations include future estimated costs of closure and restoration in returning disturbed areas to their original state. Estimated rehabilitation obligations are provided for in the accounting period when the obligation arising from the related disturbance occurs and is based on the net present value of estimated future costs. The unwinding of the discount is included in finance costs. At the time of establishing the provision, a corresponding asset is capitalised, where it gives rise to a future benefit, and is depreciated over the future production from the mine to which it relates.

The provision is reviewed on an annual basis for changes to obligations and discount rates that effect cost estimates or life of operations. The cost of the related asset is adjusted for such changes in the provision and the adjusted cost of the asst is depreciated prospectively.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Finance income and expense

Finance income comprises interest income on funds invested and foreign exchange gains. Interest income is recognised as it accrues, calculated in accordance with the effective interest rate method.

Finance costs comprise interest expense on borrowings, the accumulation of interest on provisions and foreign exchange losses. All interest and other costs incurred in connection with borrowings are expensed as incurred as part of finance costs.

Share-based payments

The cost of equity-settled transactions with suppliers of goods and services is measured by reference to the fair value of the good or service received, unless that fair value cannot be estimated reliably. The fair value of the good or service received is recognised as an expense as the Group receives the good or service. The cost of equity-settled transactions with employees, and transactions with suppliers where fair value cannot be estimated reliably, is measured by reference to the fair value of the equity instrument. The fair value of equity-settled transactions with employees is recognised as an expense over the vesting period. The fair value of the equity instrument is determined at the date of grant, taking into account market based vesting conditions. The fair value is determined using an option pricing model.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

New standards and interpretations not applied

The IASB and IFRIC have issued the following standards and interpretations which are effective for reporting periods beginning after the date of these financial statements:

<i>International Accounting Standards (IAS/IFRS)</i>	<i>Effective date</i>
• IFRS 7 - Financial Instruments	1 January 2007
• IAS 1 - Amendment – Presentation of financial statements: capital disclosures	1 January 2007
<i>International Financial Reporting Interpretations Committee (IFRIC)</i>	<i>Effective date</i>
• IFRIC 7 - Applying the restatement approach under IAS 29, 'Financial reporting in hyperinflationary economies'	1 January 2007
• IFRIC 8 - Scope of IFRS 2 (Share Based Payments)	1 January 2007
• IFRIC 9 - Reassessment of embedded derivatives	1 January 2007
• IFRIC 10 - Interim financial reporting and impairment	1 January 2007

The adoption of these amendments did not affect the Group results of operations or financial positions.

* These have not been endorsed by the EU.

The IASB and IFRIC have issued the following standards and interpretations which are effective for reporting periods beginning after the date of these financial statements:

<i>International Accounting Standards (IAS/IFRS)</i>	<i>Effective date</i>
• IAS 24 - Amendment – Borrowing costs	1 January 2009
• IFRS 8 - Operating segments	1 January 2009
<i>International Financial Reporting Interpretations Committee (IFRIC)</i>	<i>Effective date</i>
• IFRIC 11*- (IFRS 2) Group and treasury share transactions	1 January 2008
• IFRIC 12*- Service concession arrangements	1 January 2008

* These have not been endorsed by the EU. The group is evaluating the impact of the above pronouncements but they are not expected to be material to the Group's earnings or to shareholders' funds.

2. Loss per share

The basic loss per share is calculated on the loss attributable to equity shareholders of the parent and on ordinary shares being the weighted average number of ordinary shares on issue during the period. The diluted loss per share is calculated on the loss attributable to equity shareholders and on the weighted average diluted number of ordinary shares during the period.

	30 June 2007	30 June 2006
(Loss) per share – basic and diluted	(0.21)p	(0.51)p
	£'000	£'000
(Loss) attributable to equity shareholders of the parent	(203)	(423)
	Number	Number
Weighted average number of ordinary shares at 30 June	98,854,291	82,417,192

Diluted loss per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

3. Transition to IFRS

The consolidated financial information for the six months ended 30 June 2007 and the year ended 31 December 2006 and the opening balance sheet at 1 January 2006 have been prepared in accordance with International Financial Reporting Standards (IFRS) for the first time.

The Group's transition date to IFRS is 1 January 2006. The rules for first-time adopting of IFRS are set out in IFRS1 "First time adoption of international reporting standards". In preparing the IFRS financial information, these transition rules have been applied to the amounts reported previously under generally accepted accounting principles in the United Kingdom (UK GAAP). IFRS1 generally requires full retrospective application of the Standards and Interpretations in force at the first reporting date. However IFRS1 allows certain exemptions in the application of particular Standards to prior periods in order to assist companies with the transition process.

The transition from UK GAAP to IFRS has no effect on the Group's financial results, balance sheet or reported cash flows. The IFRS Income statement, balance sheet and cash flow statements are presented in different format from that required under UK GAAP.