

Annual Report 2007

Directors' Report and Consolidated Financial Statements

For the year ended
31 December 2007

Registered number 3954744



Contents

Officers and professional advisors	2
Directors' biographies	3
Chairman's statement	4
Directors' report	6
Corporate governance	8
Statement of directors' responsibilities	11
Independent auditor's report to the members of NetPlay TV plc	12
Consolidated income statement	13
Consolidated statement of changes in equity	14
Consolidated balance sheet	15
Company balance sheet	16
Consolidated cash flow statement	17
Notes to the financial statements	18

Officers and professional advisors

Directors:	MJ Higginson NL Halverson GR Whyte DP Mansour GP Stevens AC Lapping	Chairman and Chief Executive Finance Director CEO of SuperCasino.com CEO of Bingos.com Non-Executive Director Non-Executive Director
Company Secretary:	NL Halverson	
Registered office:	76 Church Street Lancaster LA1 1ET	
Auditors:	CLB Coopers Fleet House New Road Lancaster LA1 1EZ	
Registrars:	Capita IRG plc The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	
Bankers:	Barclays Bank plc 27 Soho Square London W1A 4WA	

Directors' biographies

Martin Higginson

Chairman and Chief Executive

Martin is recognised as one of the North West's leading entrepreneurs. He started his first business at the age of 19, a publishing business that he later went on to sell to IPC Magazines Limited. Since then he has started numerous businesses including Megafone, a business he sold to Scottish Power, Monstermob Group plc, a mobile media business that currently employs over 1,000 staff in over 13 countries globally, and Cityblock plc, an alternative student accommodation business.

Nichola Halverson ACMA

Finance Director

Nichola joined NetPlay TV in March 2008. She is an associate member of the Chartered Institute of Management Accountants, has a degree in Accountancy & Finance and an Advanced Diploma in Management Accounting.

Nichola spent the last six years at Monstermob Group plc, an international mobile entertainment group. As Group Financial Controller she worked with Martin Higginson and was responsible for global financial reporting, financial integration post acquisition and working capital management.

Gavin Whyte

CEO of Supercasino.com

Gavin joined NetPlay TV in December 2006 as Chief Operating Officer.

Prior to this Gavin was Managing Director of Rubberduck Media Lab (RDML), a company which he sold to Aspiro in Sweden in September 2006. RDML is a leading supplier of TV to mobile streaming solutions.

Gavin joined RDML from Monstermob Group plc where, as Operations Director, he was responsible for the technical operations of Monstermob including the supervision and continued development of the company's content management platform. Gavin was also responsible for content acquisition, managing relationships with mobile operators, adoption of new technologies and development of new products such as subscription services.

Prior to this Gavin was employed by 3 Net Communications Limited, a subsidiary of Megatel International Management B.V. Megatel was a provider of international and domestic premium rate services. Gavin was responsible for establishing operations in Sweden, the Philippines, Hawaii, Russia and Bulgaria.

Dominic Mansour

CEO of Bingos.com

Dominic joined the board in April 2008 as CEO of Bingos.com.

Dominic was the Managing Director of Bingos.com for the 4 years prior to the acquisition of the business by NetPlay TV. Under Dominic's direction, Bingos.com went from investment to profitability in less than 4 years. More recently, Dominic was responsible for selling the business to NetPlay.

Dominic was previously the Managing Director of GlobalCom London, where during his employment he established the business throughout Europe and the Middle East and launched the company's bingo software product (which was recently sold to 888). Dominic has a degree in Business Studies (Licence IUP-MGE) from the Universite de Savoie, Chambéry, France and a BA (Hons) degree in European Business Studies from Manchester Metropolitan University.

Graham Stevens

Non-Executive Director

Graham is currently Finance Director of Plexus Holdings plc, and until 2002 was Managing Director of and shareholder in The Law Trading Company Limited which was acquired by Beltpacker plc.

Graham has broad experience within both public and private companies including Fii Group plc, Sketchley Group plc, BSM Group Limited and J Sainsbury plc. He is also a Non-Executive Director of NRX Global Corp. a market leader in asset master data management whose customers include AEP, Chevron, Wrigley, and Weyerhaeuser and sits on the audit and remuneration committees.

Andrew Lapping

Non-Executive Director

Having worked for PricewaterhouseCoopers for 12 years, where he specialised in corporate finance and tax planning, Andrew established The Hamilton Portfolio with John Boyle (a well known Scottish entrepreneur) in 1999.

Andrew is a member of The Chartered Institute of Taxation. He is currently Managing Director of The Hamilton Portfolio and is the driving force behind a number of that company's investment projects.

Andrew is a Non-Executive Director of listed companies Aberdeen Growth Opportunities, 2 VCT and Software Radio Technology plc.

Chairman's statement

2007 was a transformational year for the Group, during which we firmly established NetPlay as a serious operator in the gaming industry. NetPlay has made considerable progress since November 2006, when the Group dramatically changed its focus and strategy to build a converged interactive gaming business.

Financial Overview

During the year ended 31 December 2007, Group's turnover for the year was £9.4m (2006: £5.8m[^]) and EBITDA* showed a loss of £1.2m (2006: £0.1m[^]) for continuing operations. Total EBITDA* loss for the year was £1.4m. This was primarily due to significant investment and development of the Group. Non-current assets increased to £7.1m at the end of the period (2006: £6.0m), and as a result cash balances have fallen to £1.3m (2006: £4.2m).

2007 was a year of tremendous growth for our "Live Roulette" business. Bets on this service ended the year with monthly gross bets in December of £17.3m, compared to £3.4m for December in 2006, a year-on-year growth of over 400%.

Review of operations

During 2007, we embarked on a major programme of new product development, as well as customer acquisition and retention initiatives. We acquired two businesses in the period, Abstract Games Limited and the Play Monday draw. Abstract Games Limited, the interactive print company, is now focused on using traditional interactive print media to attract new customers for our bingo and mobile services. The Play Monday SuperDraw business was acquired from Chariot plc in January 2007. This £10m draw now forms a part of our live weekly bingo show. During this period, we also extended our reach on TV, adding both Virgin and Freeview to our Sky Channel 847, giving us access to over 24m TV homes throughout the UK.

2007 saw the launch of our interactive TV bingo show, "Big Box Bingo". To our knowledge this proprietary format is a world first, giving people the opportunity to play "live" bingo from the comfort of their own home. This show was launched in beta format in July of last year and now forms a key part of our fully integrated bingo business, offering the user the chance to play bingo, and its associated games on TV, internet and mobile.

On 22 January 2008, we entered into an agreement with Parlay Entertainment, the world's leading bingo software developer, to extend our "Big Box Bingo" offering. Together with Parlay, we will develop online solutions and incorporate 76 additional web-based games into the offering. A further development will include mobile phone integration, television streaming and the integration of Parlay's software to power the televised bingo game.

Acquisitions and disposals

During March 2008, the Group acquired a mobile quiz game database of 7,600 subscribers from Rubberduck Consulting Limited, a provider of mobile content and services such as ringtones, logos, music and video downloads and trivia quizzes. The consideration for the database was £70,000 and was satisfied by NetPlay TV plc ordinary shares.

The Group completed the acquisition of Bingos.com, for a consideration of €8m on 16 April 2008. Bingos is an established pan-European online bingo operator with over one million registered players. The business, which is based in Majorca, currently operates in the UK, Spain, Italy and Poland. This landmark acquisition enhanced NetPlay's position in the growing interactive bingo market and its ability to offer a truly converged TV, internet and mobile platform to the consumer.

On 6 May 2008, the Group agreed to acquire the Sky Channel 848 from Hollywood TV Ltd for the sum of £475,000. The new channel, which sits next door to the Company's current Sky Channel 847, will be used for the launch of their new service "Live BlackJack". The new service, a first for UK gamers, will be launched before the end of May.

We have now moved into our new office and studio complex in Battersea London, giving us three purpose built TV studios from which to broadcast all of our live shows. We anticipate savings of in excess of £10,000 per month through consolidating all our operations in this one new location. The savings will come into effect from Q2 2008.

Board

The Board was pleased to welcome Nichola Halverson to the Board in March 2008 as our new Group Finance Director. It has also been a pleasure to welcome Dominic Mansour to the Board following the Bingos.com acquisition in April 2008.

Current Trading

We are pleased with trading in the first four months of 2008, reporting an EBITDA* figure of £843,000 for the first four months and with April exceeding £300,000. Furthermore these figures exclude the recently acquired Bingos.com business.

**EBITDA quoted is before exceptional items and share based payments*

^Restated under IFRS

Chairman's statement (continued)

Our "Live Roulette" service is showing particularly good results with gross bets now exceeding £24m per month. Today we have added to the casino gaming offering with the launch of our new unique "Live BlackJack" service. This will be broadcast live on the internet at www.liveroulette.com and Sky Channel 848. Over the past 12 months, we have seen the number of players using the internet increase significantly, growing from nothing when we acquired the business to a proportion now over 90%. Our development programme will continue throughout 2008 as we add further gaming formats.

Following the recent acquisition of Bingos.com, we are currently integrating our existing weekly TV show with their internet format. We feel this along with our mobile quiz games, will make a compelling offering. As noted above current trading is very strong, especially on the mobile quiz gaming front. We expect this growth to continue over the coming year as we cross promote services to the Bingos.com database of over 1 million customers.

There will be costs as we integrate the two businesses, however, we believe this investment will reap significant returns within this financial year.

The Board is confident in the investment made by the Company in 2007 and is pleased to see that these now are starting to bear fruit. We have achieved a lot over the last 16 months, although there is still a tremendous amount to be done. We have firmly established NetPlay TV as a serious contender in the gaming industry.

Outlook

Following a period of heavy investment the Company is now well positioned to reap the benefits and build a sustainable business going forward.

Growth in our Live Roulette business has been exceptional. We anticipate this to continue as we add exciting new games to our casino portfolio. Over the coming weeks, we will expand the current offering and add instant play internet games allowing people to play instant slot machines whilst gaming from the website.

Later this year, we will merge both the "Live Roulette" and "Live BlackJack" internet brands into our new brand, Supercasino.com: the domain name we acquired in November 2007. With the addition of live internet games as well as more "live" formats, we believe the Group is now well positioned to build Supercasino.com into a widely recognised and trusted interactive gaming brand.

The acquisition of Bingos.com will allow us to create a fully converged interactive bingo gaming business. We will be able to offer the user the excitement of a "live" television show plus the flexibility of 24/7 internet bingo, as well as fun mobile quiz games.

Year 2008 will be about establishing solid brands in both the casino and bingo markets as we build strong loyalty through offering the consumer choice and simplicity in their gaming experience.

Investment in a new technical infrastructure will continue as we move all of our services onto one central operating platform. This will allow us to offer the user a seamless interactive gaming experience across TV, internet and mobile, as well as the ability to plug new games into our infrastructure on the fly.

We continue to explore moving our gaming licences to an "offshore" jurisdiction. Our bingo business now operates offshore, although we believe it will be early 2009 before we can consider migrating our casino licence. We believe moving this licence should have a significant positive impact on the profitability of the Company.

Over the coming year, our focus will be on growing the business through organic growth and, if appropriate, further acquisitions. We believe the right acquisition in the right area could accelerate the business considerably and allow us to take vertical single market businesses and extend them into three converged markets with the same product offering, in addition, the right acquisition will offer us the opportunity for significant synergies. Together these benefits will lead to a greater spend per customer, reduced costs and therefore increased profitability.

The Board believe the Group is well positioned to build on its current assets and is extremely positive about the year ahead.

Martin Higginson

Executive Chairman

18 May 2008

Directors' report

The directors present their annual report together with the audited financial statements for the year ended 31 December 2007.

Principal activities

During the year, the Group provided interactive gaming, gambling and mobile telephony services to its customers. These principal activities are the same as at the date of the last Annual Report.

Business review

A review of activities during the year, year end position and commentary on future developments is given in the Chairman's statement.

Details of risks facing the Group and policies to manage these risks can be found in note 22 to the financial statements.

Details of the performance of individual business segments can be found in note 2 to the financial statements.

Results and dividends

The results for the year, showing a loss after taxation of £4,992,000 (2006: profit of £1,831,000), are set out on page 13.

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2007 (2006: no dividend paid).

Political and charitable donations

During the year the Group made donations of £177,000 to UK charities under the operation of the Play Monday lottery which gave a proportion of wagers to charity (2006: £0).

No other charitable donations were made during the period (2006: £0).

Corporate governance

This is the subject of a separate report set out on pages 8 to 10.

Financial instruments

Details of the Group's financial risk management objectives and policies are included in note 22 to the financial statements.

Subsequent events

Details of subsequent events can be seen in note 28 to the financial statements.

Going concern

The directors, having made appropriate enquiries, believe that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group continues to adopt the going concern basis in preparing the financial statements.

Directors

The directors who served during the year and to the date of this report were:

MJ Higginson	
GR Whyte	(appointed 1 February 2007)
NL Halverson	(appointed 5 March 2008)
DP Mansour	(appointed 16 April 2008)
PJ Greene	(resigned 29 February 2008)
GP Stevens	
AC Lapping	(appointed 1 February 2007)
N Montefiore	(resigned 1 February 2007)

Directors' interests in the shares of the Company are disclosed in note 6 to the financial statements.

Directors' report (continued)

Substantial shareholdings and interests

At the date of this report, the Group had been notified that the following had an interest of 3% or more of the issued share capital:

	issued share capital
	%
MJ Higginson	14.32
Hindley Investments Limited*	11.17
Zed Worldwide	11.15
Schroder Investment Management	10.53
Gartmore Investment Management	7.79
Reef Investments	6.11
Hi2 Limited	4.23

*The beneficial shareholders of the shares held by Hindley Investments Limited are MJ Higginson and AC Lapping.

Employee share schemes

Employee equity interest is seen as an integral part of the total remuneration package for employees. A more detailed review of the Group's share schemes is contained in note 25 to the financial statements.

Supplier payment policy

Whilst no formal code is followed, the Group agrees payment terms and conditions with individual suppliers. It is the Group's policy that payments to suppliers are made in accordance with the terms and conditions agreed between the Group and its suppliers, providing that all trading terms and conditions have been complied with.

The Group's and Company's average trade payable days for the year ended 31 December 2007 were 45 days and 30 days respectively (2006: Group: 11 days and Company: 60 days), calculated in accordance with the requirements set down in the Companies Act 1985. This represents the ratio, expressed in days, between the amounts invoiced to the Group by its suppliers in the year and the amounts due, at the year end, to trade payables within one year.

Directors' responsibilities in relation to the Company's auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken steps that ought to have been taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board

MJ Higginson

Director

18 May 2008

Corporate governance

The directors are responsible for the Company's system of corporate governance and support the Principles of Good Governance and the Code of Best Practice (the "2003 FRC Combined Code"). While the Company is not required to comply with the provisions of the Combined Code, it has chosen to make the following voluntary disclosures:

Board

The Board was comprised of two executive and two non-executive directors from the start of the period to 2 February 2007, on which date the composition changed to three executive and two non-executive directors. This was the case until 16 April 2008 when the composition of the board changed to four executive and two non-executive directors. While the non-executive directors are in a minority, the directors feel that this is acceptable given the size of the Group.

Mr Higginson fulfils the combined role of Chairman and Chief Executive. The directors are of the opinion that this is acceptable at the current time, given the size and nature of the Group.

The Board meets regularly throughout the year and all directors have full and timely access to the information necessary to enable them to discharge their duties. There is a scheduled Board meeting every second month and a meeting of the Management Board every month. Additional Board meetings are held as required.

The Board is assisted in the discharge of its duties by the following Board committees:

The Audit Committee

The Audit Committee, which comprises the non-executive directors, is responsible for ensuring that the financial performance of the Group is properly reported on and monitored, and for overseeing the operation of internal financial controls appropriate to the size and operations of the Group. The Audit Committee meets twice a year to review the results, the findings of the auditors, internal control systems and the Group's financial accounting procedures and policies.

Mr Stevens is Chairman of the Committee.

Remuneration Committee

The Remuneration Committee ("the Committee"), which comprises the non-executive directors, has the principal function of agreeing with the Board the framework and policy for the remuneration of the Group's executive management and determining, on behalf of the Board, the remuneration packages of the executive directors.

No member of the Committee has any personal financial interest (other than as a shareholder), conflict of interest arising from cross-directorships or day-to-day involvement in running the business. No director plays a part in any discussion about his own remuneration.

Mr Stevens is Chairman of the Committee.

Remuneration policy and arrangements

The objective of the remuneration policy is to ensure that the executive directors and managers of the Group are provided with appropriate incentives to encourage enhanced performance and are, in a fair and reasonable manner, rewarded for their individual contributions to the success of the Group. Each director is assessed individually so that his remuneration is directly related to his performance over time and so that a proportion of his remuneration is performance related.

There are five main elements of the remuneration package for executive directors: basic salary, performance related annual bonus, long-term incentive arrangements, pension arrangements and other benefits:

(i) Basic salary:

An executive director's basic salary is determined by the Committee before the start of each year and when an individual changes position or responsibility. In deciding appropriate levels, the Committee seeks to be competitive, but fair, using information obtained from both internal and external sources.

Corporate governance (continued)

(ii) Performance related annual bonus:

Performance related annual bonuses are designed to reward contribution and to encourage the achievement of targeted levels of performance over the short term. The maximum annual cash bonuses are set by the Committee and are subject to stretching targets linked to the Group's operating performance in the year.

(iii) Long-term incentive arrangements:

The Company's long term incentive arrangements are intended to encourage directors and other key employees to focus on long term, strategic corporate objectives and to further align the interests of management and shareholders. These arrangements consist of an Enterprise Management Incentive Scheme ("EMI"), an Inland Revenue approved share option scheme, an Inland Revenue unapproved share option scheme and an All Employee Share Option Scheme ("AESOP"). Details of these schemes are outlined in note 25 to the financial statements.

(iv) Pension arrangements:

The Group does not operate a pension scheme for employees; however it does make contributions to personal pension plans.

(v) Other benefits:

Other benefits for executive directors include a private health care scheme.

Service contracts

Mr Higginson has a service agreement, dated 1 December 2006, which is terminable on six months notice by either party.

Mr Whyte has a service agreement, dated 1 February 2007, which is terminable on six months notice by either party.

Mrs Halverson has a service agreement, dated 6 March 2008, which is terminable on six months notice by either party.

Mr Mansour has a service agreement, dated 16 April 2008, which is terminable on six months notice by either party.

In the event of early termination, the directors' contracts provide for compensation up to a maximum of basic salary plus the fair value of benefits to which the directors are contractually entitled for the unexpired portion of the notice period. The Company seeks to apply the principle of mitigation in the payment of compensation on the termination of the service contract of any executive director.

Non-executive directors

All non-executive directors have specific terms of engagement, the dates of which are set out below. There are no provisions for compensation payable in the event of early termination. The non-executive directors are appointed for an initial period of one year, following which the notice period is three months.

Director	Date of engagement letter
Mr GP Stevens	1 August 2003
Mr AC Lapping	1 February 2007

The determination of the non-executive directors' remuneration has been delegated by the Board to the executive directors, within the limits set by the Articles of Association. The fees paid to the non-executive directors in the year, shown in note 6 to the financial statements, are inclusive of the additional work performed for the Company in respect of membership of the board committees. At the 2004 Annual General Meeting, shareholder approval was granted to allow non-executive directors to participate in the Company's non-Inland Revenue approved share option scheme.

Relations with shareholders

The Company is committed to ongoing communication with its shareholders. At the Annual General Meeting, individual shareholders are afforded the opportunity to question the Board.

Corporate governance (continued)

Internal control

The directors are responsible for the system of internal control. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Group's systems are designed to provide the directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

Key elements of the Group's system of internal control are as follows:

- Financial management

Annual budgets are prepared for each business division and for the Group. These budgets are reviewed and agreed by the Board and actual performance is measured against these budgets on a regular basis. Monthly management accounts are prepared, reviewed, analysed and presented to the Board. The Group has in place documented authority levels for approving purchase orders, invoices and all bank transactions.

- Company management

The executive directors meet regularly to monitor and evolve the Group's strategic direction, including product offerings and routes to market. In addition, the chief executive conducts regular management meetings to ensure that the strategy is cascaded throughout the Group's operations and is being acted upon accordingly.

- Risk analysis

The Group maintains a thorough risk register. The Board approves annual updates and appropriate risk mitigating action plans.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and group financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare group financial statements for each financial period. Under that law the directors have elected to prepare the company financial statements in accordance with IFRSs as adopted by the EU.

The Company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the Company and the performance for that period, the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing the group financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations the directors are also responsible for preparing a Directors' Report and a Business Review.

Independent auditor's report to the members of NetPlay TV plc

We have audited the financial statements of NetPlay TV plc for the year ended 31 December 2007 on pages 13 to 44 which comprise the consolidated income statement, the consolidated statement of changes in equity, the consolidated and Company balance sheets, the consolidated cash flow statement and the related notes 1 to 29. These group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the directors' remuneration report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the group financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and whether the part of the directors' remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the group financial statements.

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

We read other information contained in the Annual Report, and consider whether it is consistent with the audited group financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies or material inconsistencies with the group financial statements. Our responsibilities do not extend to any other information outside the annual report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes an examination on a test basis, of evidence relevant to the amounts and disclosures in the group financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its loss for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Parent Company's affairs as at 31 December 2007;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS regulation;
- the information given in the directors' report is consistent with the group financial statements.

CLB Coopers

Fleet House
New Road
Lancaster
LA1 1EZ

18 May 2008

Consolidated income statement

for the year ended 31 December 2007

	<i>Notes</i>	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000 Restated
Revenue	2	9,411	5,837
Cost of sales		(7,788)	(3,677)
Gross profit		1,623	2,160
Administrative expenses		(3,128)	(2,488)
Group operating loss from continuing operations	2	(1,505)	(328)
Exceptional items – impairment of goodwill	13	(2,446)	–
Exceptional items – restructuring costs		(169)	–
Finance income	8	133	171
Finance costs	9	(21)	(7)
Loss before taxation		(4,008)	(164)
Income tax expense	10	(49)	10
Loss from continuing operations		(4,057)	(154)
(Loss)/profit from discontinued operations	3	(935)	1,985
(Loss)/profit for the financial year		(4,992)	1,831
(Loss)/earnings per share			
Basic (p) (continuing operations)	11	(5.89)	(0.25)
Diluted (p) (continuing operations)	11	(5.84)	(0.25)
Basic (p) (total operations)	11	(7.25)	3.00
Diluted (p) (total operations)	11	(7.19)	2.95

The Company has taken advantage of section 230 of the Companies Act 1985 not to publish its own income statement.

The notes on pages 18 to 44 form an integral part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2007

	Share capital £'000	Share premium £'000	Merger reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
As at 1 January 2006	3,013	2,792	(925)	288	1,340	6,508
Restatement as a result of transition to IFRS:						
Goodwill amortisation*	-	-	-	-	307	307
Restated balance as at 1 January 2006	3,013	2,792	(925)	288	1,647	6,815
Exercise of share options	21	6	-	-	-	27
Shares issued for purchase consideration	363	-	1,088	-	-	1,451
Transfer between reserves on sale of subsidiary	-	-	1,154	-	(1,154)	-
Share based payment	-	-	-	272	-	272
Profit for the period	-	-	-	-	1,039	1,039
As at 31 December 2006	3,397	2,798	1,317	560	1,532	9,604
Shares issued for purchase consideration	60	-	140	-	-	200
Shares issued via placing	345	795	-	-	-	1,140
Transfer between reserves**	-	-	-	(415)	415	-
Share based payments charge in period	-	-	-	119	-	119
Investment in own shares	-	-	-	4	-	4
Loss for the period	-	-	-	-	(4,992)	(4,992)
As at 31 December 2007	3,802	3,593	1,457	268	(3,045)	6,075

Other reserves are comprised of the share based payments reserve and holdings in the Company's own shares.

*In accordance with IAS 38: Intangible Assets, goodwill amortisation expensed during 2006 has been added back to retained earnings.

**The transfer between reserves is in relation to share based payments charges for options lapsed during the period.

The notes on pages 18 to 44 form an integral part of these financial statements.

Consolidated balance sheet

at 31 December 2007

	<i>Note</i>	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000 Restated
ASSETS			
Non-current assets			
Goodwill	13	6,463	5,704
Property, plant and equipment	15	384	185
Intangible assets	14	251	–
Deferred tax assets	18	25	85
Total non-current assets		7,123	5,974
Current assets			
Inventories	19	158	–
Trade and other receivables	20	2,798	1,652
Current tax receivable		123	86
Cash and cash equivalents		1,313	4,217
Total current assets		4,392	5,955
TOTAL ASSETS		11,515	11,929
EQUITY AND LIABILITIES			
Share capital	23	3,802	3,397
Share premium		3,593	2,798
Merger reserve		1,457	1,317
Other reserves		268	560
Retained earnings		(3,045)	1,532
Total equity		6,075	9,604
Non-current liabilities			
Deferred tax liabilities	18	–	9
Financial liabilities	22	2,530	–
Total non-current liabilities		2,530	9
Current liabilities			
Financial liabilities	22	970	1,013
Trade and other payables	21	1,720	1,303
Bank overdraft	22	220	–
Total current liabilities		2,910	2,316
TOTAL EQUITY AND LIABILITIES		11,515	11,929

These financial statements were approved by the board of directors and authorised for issue on 18 May 2008 and signed on their behalf by:

MJ Higginson
Director

NL Halverson
Director

The notes on pages 18 to 44 form an integral part of these financial statements.

Company balance sheet

at 31 December 2007

	Note	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000 Restated
ASSETS			
Non-current assets			
Investments	17	7,566	6,483
Property, plant and equipment	16	78	64
Total non-current assets		7,644	6,547
Current assets			
Trade and other receivables	20	5,667	3,026
Current tax recoverable		111	80
Cash and cash equivalents		461	4,145
Total current assets		6,239	7,251
TOTAL ASSETS		13,883	13,798
EQUITY AND LIABILITIES			
Share capital	23	3,802	3,397
Share premium	24	3,593	2,798
Other reserve	24	268	560
Retained earnings	24	(387)	3,239
Total equity		7,276	9,994
Non-current liabilities			
Financial liabilities	22	2,530	-
Deferred tax liabilities	18	-	9
Total non-current liabilities		2,530	9
Current liabilities			
Financial liabilities	22	970	1,013
Trade and other payables	21	3,107	2,782
Total current liabilities		4,077	3,795
TOTAL EQUITY AND LIABILITIES		13,883	13,798

These financial statements were approved by the board of directors and authorised for issue on 18 May 2008 and signed on their behalf by:

MJ Higginson
Director

NL Halverson
Director

The notes on pages 18 to 44 form an integral part of these financial statements.

Consolidated cash flow statement

for the year ended 31 December 2007

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000 Restated	
Cash flows from operating activities			
Operating loss from continuing operations	2	(1,505)	(328)
Adjustments for:			
Depreciation and amortisation		151	96
Share based payments and similar		123	272
Exceptional items		(169)	-
Exchange gains/losses		-	5
(Increase)/decrease in inventories		(128)	-
(Increase)/decrease in trade and other receivables		(209)	1,198
Decrease in trade and other payables		(776)	(64)
Cash generated from operations		(2,513)	1,179
Interest paid		(241)	-
Income taxes paid		15	(93)
Net cash (used in)/from operating activities		(2,739)	1,086
Cash flows from investing activities			
Acquisition of subsidiary undertakings		(229)	(1,430)
Net cash balances acquired with subsidiary undertakings		66	56
Purchase of property, plant and equipment		(327)	(152)
Purchase of intangible assets		(191)	-
Interest received		133	171
Net cash used in investing activities		(548)	(1,355)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		175	-
Proceeds from the exercise of share options		-	28
Dividends paid to company's shareholders		-	(485)
Net cash from/(used in) financing activities		175	(457)
Cash flows from discontinued operations			
Net cash from operating activities	3	(12)	308
Net cash used in investing activities	3	-	1,437
Net cash flows (used in)/from discontinued operations	3	(12)	1,745
Net (decrease)/increase in cash and cash equivalents		(3,124)	1,019
Cash and cash equivalents at beginning of period		4,217	3,198
Net cash at end of period	22	1,093	4,217

The notes on pages 18 to 44 form an integral part of these financial statements.

Notes to the financial statements

1. Accounting policies

Reporting entity

NetPlay TV plc is a public limited company which is listed on AIM and is incorporated and domiciled in the UK.

The consolidated financial statements of the Company for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

The Group is primarily involved in the provision of interactive gaming, gambling and mobile telephony services.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information of NetPlay TV plc and its subsidiaries.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted for use in the EU. These are the Group's first consolidated financial statements prepared in accordance with IFRS and IFRS 1: First time Adoption of International Financial Reporting Standards has been applied and the comparatives have been restated from UK Generally Accepted Accounting Practice (UK GAAP) to comply with IFRS. Explanations of how the transition to IFRS has effected the reported financial position and financial performance of the Group are provided in note 29.

The financial statements have been prepared on a historical cost basis except where IFRS requires an alternative treatment. The principal variations from the historical cost basis relate to certain financial instruments (IAS 32 and 39), which are measured at fair value.

The Group's principal accounting policies are set out below. These accounting policies have been applied consistently to all periods presented in the consolidated financial statements and in preparing an opening IFRS balance sheet at 1 January 2006 for the purposes of the transition to IFRS.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to the income statement in the period of acquisition.

The profits or losses of subsidiaries are included in the consolidated income statement. The results of those subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions are eliminated on consolidation.

Notes to the financial statements (continued)

1. Accounting policies (continued)

Intangible assets

Goodwill

Positive goodwill arising on the acquisition of subsidiary undertakings, representing the difference between the fair value of the purchase consideration and the fair value of the net assets of the subsidiary undertaking at the date of acquisition, is capitalised and is reviewed annually for impairment.

Other intangible assets

Other intangible assets held by the Group are amortised on a straight-line basis over their anticipated useful economic life and are reviewed annually for impairment. The current amortisation charge is calculated on a 20% straight-line basis.

Note 14 to the financial statements gives details of other intangible assets held by the Group.

Investments

In the Company's accounts, investments in subsidiary undertakings are stated at cost. As permitted by section 133 of the Companies Act 1985, where the merger relief afforded under section 131 of the Companies Act 1985 applies, cost is the aggregate of the nominal value of the relevant number of the Company's shares and the fair value of any other consideration given to acquire the share capital of the subsidiary undertakings. Provision is made where there is an impairment in the value of the investment.

Revenue Recognition

Revenue for the gaming business represents the gross bets less player winnings in the year.

Revenue for the telephony businesses is the aggregate amount of revenue derived from the provision of end user mobile and fixed line telephony services supplied to customers in the ordinary course of business. Revenue from fixed line telephone services is recognised on delivery of the service based on the recorded duration of a call. Revenue from mobile telephony services is recognised upon delivery of media content.

Where the Group provides services as principal, revenue represents the gross revenue in respect of those services. To the extent that the Group provides services as a service provider to third parties, in respect of these services turnover represents the Group's share of the revenue.

Allowance is made, based on historical trends, for undeliverable messages.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Borrowings

Borrowing costs are expensed to the income statement in the period in which they occur.

Property, plant and equipment

All property, plant and equipment is stated in the balance sheet at historical cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged so as to write off the cost over their estimated useful lives using the straight line method of depreciation, as follows:

Computer equipment and software	33 $\frac{1}{3}$ % Straight line
Fixtures and fittings	33 $\frac{1}{3}$ % Straight line

The gain/loss arising on disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is expensed to the income statement for the period.

Notes to the financial statements (continued)

1. Accounting policies (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer all the risks or rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental payments under operating leases are charged to the income statement on a straight-line basis over the term of the lease.

Cash and cash equivalents

Cash and cash equivalents include cash balances held by the Group.

Research and development expenditure

Expenditure on research and development is capitalised where permitted by IFRS, where this is not the case the expenses charged against profits in the year in which it is incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

Deferred tax is recognised between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that the future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax liabilities are recognised where taxable temporary differences arise on investments in subsidiaries except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised. Deferred tax is credited or charged to the income statement, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Pension costs

The Group does not operate a pension scheme for its employees; however it does make contributions to personal pension plans. The amount charged to the income statement represents the contributions payable to the individuals in respect of the accounting period.

Employee share schemes

The difference between consideration receivable from employees for share and share option awards granted under the Group's employee share schemes and the fair market value of the underlying ordinary shares at the date of grant is charged to the income statement as a share compensation expense evenly over the period during which the award vests.

Notes to the financial statements (continued)

1. Accounting policies (continued)

Foreign currency

Transactions in foreign currencies are translated into Sterling at the rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are retranslated into Sterling at the rates prevailing at the balance sheet date. Resultant gains and losses are recognised in the income statement.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Inventories

Inventories are recorded at the lower of cost of purchase and fair value, except where items are deemed to be obsolete, in which case they are expensed through the income statement.

Share based payment

The fair value of services received in return for share options granted is measured by the application of the Black-Scholes option pricing model by reference to the grant date of the options. The resultant costs are expensed over the vesting periods for the awards.

Standards and interpretations

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective. The directors anticipate that the adoption of these standards and interpretations will have no material impact on the Group's financial statements. The directors anticipate that the Group will adopt these standards and interpretations on their effective dates:

- IFRS 8: Operating Segments, issued in November 2006, is effective for periods commencing on or after 1 January 2009.
Interpretations in issue but not considered relevant to the activities of the Group are as follows:
- IFRIC 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities.
- IFRIC 2: Members' Shares in Cooperative Entities and Similar Instruments.
- IFRIC 5: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.
- IFRIC 6: Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.
- IFRIC 7: Applying the Restatement Approach Under IAS 29: Financial Reporting in Hyperinflationary Economies.
- IFRIC 10: Interim Financial Reporting and Impairment, issued in July 2006, is effective for periods commencing on or after 1 November 2006.
- IFRIC 11: Group and Treasury Share Transactions, issued in November 2006, is effective for periods commencing on or after 1 March 2007.
- IFRIC 12: Service Concession Arrangements, issued in November 2006, is effective for periods commencing on or after 1 January 2008.
- IFRIC 13: Customer Loyalty Programmes, effective for accounting periods beginning on or after 1 July 2008.
- IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, effective for accounting periods beginning on or after 1 January 2008.

Notes to the financial statements (continued)

2. Segmental information

During the year, the Group operated two principal classes of business; interactive gaming & competitions, and mobile telephony services.

Almost all of the Group's activities are conducted and based in the UK. There was a small element of non-UK trading, details of which have been omitted as they do not constitute a separately reportable segment.

The segmental analysis for the Group in 2007 is as follows:

Segmental analysis	Interactive games and competitions 2007 £'000	Mobile telephony 2007 £'000	Fixed line telephony 2007 £'000	Central costs 2007 £'000	Total 2007 £'000
Revenue					
Continuing operations	7,270	2,141	-	-	9,411
Discontinued operations	-	663	-	-	663
	7,270	2,804	-	-	10,074
Operating profit/(loss)					
Continuing operations	(756)	555	-	(1,304)	(1,505)
Discontinued operations	-	(167)	-	-	(167)
	(756)	388	-	(1,304)	(1,672)
Other disclosures					
<i>Continuing operations</i>					
Finance income	20	5	-	108	133
Finance costs	-	-	-	(21)	(21)
Impairment of goodwill	-	(2,446)	-	-	(2,446)
Restructuring costs	-	(169)	-	-	(169)
<i>Discontinued operations</i>					
Impairment of goodwill	-	(712)	-	-	(712)
Restructuring costs	-	(106)	-	-	(106)
Loss before income tax	(736)	(3,040)	-	(1,217)	(4,993)
Income tax expense					
Continuing operations	13	(116)	-	54	(49)
Discontinued operations	-	50	-	-	50
Loss for the year	(723)	(3,106)	-	(1,163)	(4,992)

Notes to the financial statements (continued)

2. Segmental information (continued)

Segmental analysis	Interactive games and competitions 2007 £'000	Mobile telephony 2007 £'000	Fixed line telephony 2007 £'000	Central costs 2007 £'000	Total 2007 £'000
Assets					
<i>Continuing operations</i>					
Goodwill	6,463	-	-	-	6,463
Property, plant and equipment	284	22	-	78	384
Intangible assets	251	-	-	-	251
Deferred tax assets	-	25	-	-	25
Inventories	158	-	-	-	158
Trade and other receivables	1,276	201	-	1,298	2,775
Current tax recoverable	7	5	-	111	123
Cash and cash equivalents	821	26	-	461	1,308
	9,260	279	-	1,948	11,487
<i>Discontinued operations</i>					
Trade and other receivables	-	23	-	-	23
Cash and cash equivalents	-	5	-	-	5
	-	28	-	-	28
Total assets	9,260	307	-	1,948	11,515
Liabilities					
<i>Continuing operations</i>					
Financial liabilities	3,500	-	-	-	3,500
Trade and other payables	1,278	141	-	223	1,642
Bank overdraft	220	-	-	-	220
	4,998	141	-	223	5,362
<i>Discontinued operations</i>					
Trade and other payables	-	78	-	-	78
	-	78	-	-	78
Total liabilities	4,998	219	-	223	5,440
Net assets					
Continuing operations	4,262	138	-	1,725	6,125
Discontinued operations	-	(50)	-	-	(50)
	4,262	88	-	1,725	6,075

Notes to the financial statements (continued)

2. Segmental information (continued)

The segmental analysis for the Group in 2006 is as follows:

Segmental analysis	Interactive games and competitions 2006 £'000	Mobile telephony 2006 £'000	Fixed line telephony 2006 £'000	Central costs 2006 £'000	Total 2006 £'000
Revenue					
Continuing operations	95	5,742	-	-	5,837
Discontinued operations	-	-	6,787	-	6,787
	95	5,742	6,787	-	12,624
Operating profit/(loss)					
Continuing operations	(51)	113	-	(390)	(328)
Discontinued operations	-	-	724	-	724
	(51)	113	724	(390)	396
Other disclosures					
<i>Continuing operations</i>					
Finance income	-	-	-	171	171
Finance costs	-	-	-	(7)	(7)
<i>Discontinued operations</i>					
Finance income	-	-	4	-	4
Profit on sale of subsidiary	-	-	1,452	-	1,452
(Loss)/profit before income tax	(51)	113	2,180	(226)	2,016
Income tax expense					
Continuing operations	-	17	-	(7)	10
Discontinued operations	-	-	(195)	-	(195)
(Loss)/profit for the year	(51)	130	1,985	(233)	1,831

Notes to the financial statements (continued)

2. Segmental information (continued)

Segmental analysis	Interactive games and competitions 2006 £'000	Mobile telephony 2006 £'000	Fixed line telephony 2006 £'000	Central costs 2006 £'000	Total 2006 £'000
Assets					
<i>Continuing operations</i>					
Goodwill	2,546	3,158	-	-	5,704
Property, plant and equipment	38	83	-	64	185
Deferred tax assets	-	85	-	-	85
Trade and other receivables	167	919	-	566	1,652
Current tax recoverable	-	86	-	-	86
Cash and cash equivalents	-	72	-	4,145	4,217
Total assets	2,751	4,403	-	4,775	11,929
Liabilities					
<i>Continuing operations</i>					
Financial liabilities	-	-	-	1,013	1,013
Trade and other payables	161	666	-	476	1,303
Deferred tax liabilities	-	-	-	9	9
Total liabilities	161	666	-	1,498	2,325
Net assets					
Continuing operations	2,590	3,737	-	3,277	9,604
Discontinued operations	-	-	-	-	-
	2,590	3,737	-	3,277	9,604

Notes to the financial statements (continued)

3. Discontinued operations

Included within the income statement are the following items within discontinued operations:

	2007	2006
	£'000	£'000
Revenue	663	6,787
Cost of sales	(645)	(4,043)
Gross profit	18	2,744
Administrative expenses	(185)	(2,020)
Operating (loss)/profit	(167)	724
(Loss)/profit on termination of discontinued operations	(27)	1,452
Finance income	-	4
Impairment of goodwill	(712)	-
Exceptional items: loss on disposal of discontinued operations	(79)	-
(Loss)/profit before tax	(985)	2,180
Income tax expense	50	(195)
(Loss)/profit for the period	(935)	1,985

Included within the cash flow statement are the following items within discontinued operations:

	2007	2006
	£'000	£'000
Operating profit	(167)	724
Adjusted for:		
Depreciation	5	24
Exceptional items	(27)	-
Loss on disposal of property, plant and equipment	8	-
Movement in receivables	23	(521)
Movement in payables	(74)	340
Corporation tax recovered/(paid)	220	(259)
Net cash flows from operating activities	(12)	308
Finance income	-	4
Purchase of property, plant and equipment	-	64
Proceeds of sales of property, plant and equipment	12	-
Proceeds on disposal of subsidiaries	-	1,369
Net cash balances disposed of with subsidiary undertaking	(12)	-
Net cash flows from investing activities	-	1,437
Total cash flows from discontinued operations	(12)	1,745

Notes to the financial statements (continued)

4. EBITDA analysis

	Continuing operations 2007 £'000	Discontinued operations 2007 £'000	Total 2007 £'000
Operating loss for the period (prior to exceptional items)	(1,505)	(167)	(1,672)
Add back: depreciation of tangible assets	105	6	111
Add back: amortisation of intangible assets	45	-	45
Add back: share based payments charge	119	-	119
	<u>(1,236)</u>	<u>(161)</u>	<u>(1,397)</u>
	Continuing operations 2006 £'000	Discontinued operations 2006 £'000	Total 2006 £'000
Operating (loss)/profit for the period (excluding exceptional items)	(328)	724	396
Add back: depreciation of tangible assets	121	-	121
Add back: share based payments charge	271	-	271
	<u>64</u>	<u>724</u>	<u>788</u>

5. Loss before taxation

	2007 £'000	2006 £'000
<i>Loss on ordinary activities before taxation is stated after charging:</i>		
Depreciation on owned tangible fixed assets	111	121
Amortisation of intangible fixed assets	45	-
Share based payments	119	75
Operating lease rentals: land and buildings	84	76
Auditors' remuneration:		
Group audit fees	61	26
Non audit fees: taxation	9	6
	<u>9</u>	<u>6</u>

In accordance with IFRS 2: Share Based Payments, a charge of £119,000 in respect of the fair value of share options granted has been included within administrative expenses. The 2006 comparatives have been restated to reflect a cost of £75,000. This together with the prior year charges of £219,000 has been charged to the income statement and credited to other reserves by way of a prior year adjustment.

The share option valuation model assumed volatility of 67% based on historic volatility, a dividend yield of 0%, an expected life of 3 years and a risk free rate of 4.5%. There were 7,037,326 options granted in 2007 (2006: no options were granted).

Auditors' remuneration in respect of the Company was £11,000 (2006: £3,000).

Notes to the financial statements (continued)

6. Directors' and employees

Directors' emoluments for the year ended 31 December 2007:

	Salary and fees 2007 £'000	Bonus 2007 £'000	Benefits 2007 £'000	Pension 2007 £'000	Total emoluments 2007 £'000	Total emoluments 2006 £'000
Executive						
MJ Higginson	163	-	-	-	163	12
PJ Greene	90	10	7	9	116	118
GR Whyte*	90	-	-	5	95	-
WG Robson	-	-	-	-	-	194
MA Spencer	-	-	-	-	-	186
Non-executive						
GP Stevens	20	-	-	-	20	20
AC Lapping*	18	-	-	-	18	-
N Montefiore	1	-	-	-	1	15
	382	10	7	14	413	545

*From date of appointment

Directors' shareholdings

The directors' beneficial interests in the ordinary share capital of the Company were:

	Ordinary shares of 5p each Interest at 31 December 2007 Number	Interest at 31 December 2006 Number
MJ Higginson**	17,034,500	8,315,000
PJ Greene	25,000	-
GR Whyte	300,000	-
GP Stevens	75,000	25,000
AC Lapping**	16,138,500	8,315,000

**A company which MJ Higginson and AC Lapping both have an interest in, Hindley Investments Limited, holds 13,271,000 (2006: 8,315,000) ordinary shares in the Company.

Notes to the financial statements (continued)

6. Directors' and employees (continued)

Directors' interests in long-term incentive plans

The directors' interests in share options, over ordinary shares in the company, were as follows:

	Ordinary shares of 5p each			Shares at end of year Number	Exercise price Pence	Exercise periods
	Shares at beginning of year Number	Issued during the year Number	Rescinded during the year Number			
MJ Higginson	-	1,700,000	-	1,700,000	23.25	30 April 2010 to 29 April 2017
	-	1,700,000	-	1,700,000		
GR Whyte	-	1,200,000	-	1,200,000	23.25	30 April 2010 to 29 April 2017
	-	1,200,000	-	1,200,000		
PJ Greene	373,018	-	(373,018)	-	32.17	26 May 2007 to 25 May 2014
	408,351	-	(408,351)	-	60.83	2 April 2008 to 1 April 2018
	-	1,200,000	-	1,200,000	23.25	30 April 2010 to 29 April 2017
	781,369	1,200,000	(781,369)	1,200,000		
GP Stevens	100,000	-	(100,000)	-	32.17	26 May 2007 to 25 May 2014
	98,636	-	(98,636)	-	60.83	2 April 2008 to 1 April 2018
	-	250,000	-	250,000	23.25	30 April 2010 to 29 April 2017
	198,636	250,000	(198,636)	250,000		
AC Lapping	-	250,000	-	250,000	23.25	30 April 2010 to 29 April 2017
	-	250,000	-	250,000		
	980,005	4,600,000	(980,005)	4,600,000		

The options were granted in accordance with the terms and conditions laid out in the Company Share Option Scheme rules.

The market price of the NetPlay TV plc ordinary shares at 31 December 2007 was 16.75p and the range during the financial year was from 15.75p to 46.25p.

Notes to the financial statements (continued)

7. Staff numbers and cost

The average number of persons, including executive directors, during the period was:

	Group		Company	
	2007 Number	2006 Number	2007 Number	2006 Number
Administrative staff	<u>31</u>	<u>52</u>	<u>8</u>	<u>8</u>

The aggregate payroll costs of these persons were as follows:

	Group		Company	
	2007 Number	2006 Number	2007 Number	2006 Number
Wages and salaries	1,510	1,748	566	591
Social security costs	136	196	41	67
Pension contributions	42	73	21	52
	<u>1,688</u>	<u>2,017</u>	<u>628</u>	<u>710</u>

8. Finance income

	2007 £'000	2006 £'000
Bank interest	<u>133</u>	<u>175</u>

9. Finance costs

	2007 £'000	2006 £'000
Loan note interest	<u>21</u>	<u>7</u>

On 20 September 2006, the Company issued loan notes totalling £450,000 in settlement of the deferred purchase consideration in respect of the acquisition of Mobileworkflow Limited. The loan notes bear interest at the base rate of Barclays Bank plc plus 1%.

Notes to the financial statements (continued)

10. Income tax expense

	2007	2006
	£'000	£'000
Current tax		
– UK corporation tax on (loss)/profit for the year	(9)	249
– adjustment in respect of prior years	(43)	(93)
Total current tax (charge)/credit	(52)	156
Deferred tax (note 18)	51	29
Total tax charge for the group	(1)	185

The total tax for the period relating to continuing operations equates to a charge of £49,000 (2006: £10,000 credit). A credit of £50,000 relates to discontinued operations (2006: £195,000 charge).

Factors affecting the tax expense for the year

The tax assessed in the period is lower (2006: lower) than the standard rate of corporation tax in the UK of 30% (2006: 30%).

The differences are explained below:

	2007	2006
	£'000	£'000
		Restated
(Loss)/profit on ordinary activities before taxation	(4,993)	2,016
Tax at the UK corporation tax rate (30%)	(1,498)	605
Effects of:		
Expenses not (chargeable)/deductible for tax purposes	(123)	124
Impairment of goodwill	947	–
Gain on sale of subsidiary not chargeable to tax	–	(436)
Timing differences	(62)	(22)
Utilisation of tax losses	11	(20)
Tax rate differences	(6)	(2)
Adjustment in respect of prior years	(43)	(93)
Unrelieved losses carried forward	722	–
Current tax charge for the year	(52)	156

Notes to the financial statements (continued)

11. Earnings per share

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000 Restated
(Loss)/profit attributable to shareholders		
Continuing operations	(4,057)	(154)
Discontinued operations	(935)	1,985
	(4,992)	1,831
	Number of shares	Number of shares
Weighted average numbers of shares in issue	68,869,873	61,066,661
Dilution effects of share options	391,905	858,818
Dilution effect of employee share schemes	131,025	193,205
Diluted weighted average number of shares in issue	69,392,803	62,118,684
	Pence per share	Pence per share
Basic earnings per share		
Continuing operations	(5.89)	(0.25)
Discontinued operations	(1.36)	3.25
	(7.25)	3.00
	Pence per share	Pence per share
Diluted earnings per share		
Continuing operations	(5.84)	(0.25)
Discontinued operations	(1.35)	3.20
	(7.19)	2.95

Basic earnings per share is calculated on the results attributable to ordinary shares divided by the weighted average number of shares in issue during the year excluding those held by NetPlay TV Trustees Limited which are treated as cancelled.

Diluted earnings per share calculations include additional shares to reflect the dilutive effect of employee share schemes and share option schemes.

12. Profit for the year

As permitted by section 230 of the Companies Act 1985, the parent Company's income statement has not been included in these financial statements. The parent Company's loss after tax for the year was £4,041,000 (2006: £3,595,000 profit).

Notes to the financial statements (continued)

13. Intangible assets – goodwill

	2007 £'000 Restated
Cost	
As at 1 January 2007	5,704
Additions	3,917
Impairment: continuing operations	(2,446)
Impairment: discontinued operations	(712)
As at 31 December 2007	6,463

On 23 February 2007, the Company acquired the entire share capital of Abstract Games Limited for initial cash consideration of £123,000 and £173,000 in repayment of outstanding directors' loans. The acquisition is subject to deferred consideration which is to be calculated based on the performance of the business in the 24 months from the acquisition date. This deferred consideration is capped at £3,500,000.

Following an impairment review of investments, as permitted under IFRS, the directors made the decision to fully impair the investments in MChex Limited and Mobileworkflow Limited based on the anticipated value of future contributions to the Group by the two entities. Both MChex and Mobileworkflow operate in the mobile telephony segment of the Group's activities.

The assets and liabilities acquired at the dates of acquisition and their provisional fair values (equal to book value) were as follows:

	Abstract Games £'000
Non-current assets	108
Inventories	30
Trade and other receivables	27
Cash	66
Trade and other payables	(220)
Net assets acquired	11
Goodwill arising on investment	3,898
Cost of investment	3,909
Less: shares issued as consideration	(200)
Less: deferred consideration	(3,500)
Less: cost of investment	(82)
Add: settlement of directors' loans	173
Cash outflow on acquisitions	300

The £300,000 cash outflow relates to the acquisition of Abstract Games Limited, the payment was comprised of £127,000 for purchase consideration and a £173,000 repayment of loans made to the business by the vendors.

Notes to the financial statements (continued)

13. Intangible assets – goodwill (continued)

The results of Abstract Games Limited prior to acquisition (from 18 September 2006 to 22 February 2007) were as follows:

	£'000
Revenue	369
Operating profit	11
Profit before tax	11
Profit after tax	<u>11</u>

The combined loss of the Group if the acquisition of Abstract Games Limited had occurred at the beginning of the period would be £4,981,000.

14. Intangible assets – other

	Intangible assets £'000
Cost	
Acquired with subsidiary undertakings	105
Additions in the period	<u>191</u>
As at 31 December 2007	<u>296</u>
Amortisation	
Charge in the period	<u>45</u>
As at 31 December 2007	<u>45</u>
Net book value	
As at 31 December 2007	<u>251</u>
As at 31 December 2006	<u>-</u>

On 18 January 2007 the Group acquired the assets of the Play Monday lottery from Chariot (UK) plc for £179,000 including deal costs.

During the period the Group also purchased the rights to the liveroulette.com domain name for £12,000.

On 23 February 2007 the Company acquired Abstract Games Limited, which held an intangible asset of £105,000 purchased goodwill relating to a trading name and customer database purchased prior to its acquisition by NetPlay TV plc.

Notes to the financial statements (continued)

15. Property, plant and equipment – Group

	Computer equipment £'000	Fixtures & fittings £'000	Total £'000
Cost			
As at 1 January 2006	1,371	107	1,478
Acquired with subsidiary undertakings	27	–	27
Disposed with subsidiary undertakings	(835)	(24)	(859)
Additions in the period	75	13	88
As at 31 December 2006	638	96	734
Acquired with subsidiary undertakings	–	3	3
Disposed with subsidiary undertakings	(1)	–	(1)
Additions in the period	320	19	339
Disposals in the period	(65)	–	(65)
As at 31 December 2007	892	118	1,010
Depreciation			
As at 1 January 2006	1,218	21	1,239
Disposed with subsidiary undertakings	(788)	(23)	(811)
Charge in the period	89	32	121
As at 31 December 2006	519	30	549
Charge in the period	78	33	111
Disposals in the period	(34)	–	(34)
As at 31 December 2007	563	63	626
Net book value			
As at 31 December 2007	329	55	384
As at 31 December 2006	119	66	185

16. Property, plant and equipment – Company

	Computer equipment £'000	Fixtures & fittings £'000	Total £'000
Cost			
As at 1 January 2006	–	–	–
Additions in the period	4	91	95
As at 31 December 2006	4	91	95
Additions in the period	31	17	48
As at 31 December 2007	35	108	143
Depreciation			
As at 1 January 2006	–	–	–
Charge in the period	1	30	31
As at 31 December 2006	1	30	31
Charge in the period	4	30	34
As at 31 December 2007	5	60	65
Net book value			
As at 31 December 2007	30	48	78
As at 31 December 2006	3	61	64

Notes to the financial statements (continued)

17 Non-current asset investments – Company

	2007 £'000	2006 £'000
Shares in subsidiary undertakings		
As at 1 January 2007	6,483	9,127
Additions	3,772	1,605
Impairment	(2,633)	(2,200)
Disposals	(56)	(2,049)
As at 31 December 2007	7,566	6,483

On 23 February 2007, the Company acquired Abstract Games Limited (see note 13). As permitted by Section 131 of the Companies Act 1985, the Company has recorded the shares issued as consideration at their nominal value.

The investment in Mobileworkflow Limited has been impaired so to equal the value of net assets held by the entity. The investment in MChex Holdings Limited has been fully impaired.

During the period, the Company disposed of Pan-American Mobile Inc. No consideration was received in relation to this disposal. At disposal, Pan-American Mobile Inc. held the following assets:

	£'000
Non-current assets	1
Trade and other receivables	33
Cash	12
Trade and other creditors	(5)
Net assets at disposal	41

The Company has investments in the ordinary shares of the following subsidiary undertakings, all of which are incorporated in England and Wales, unless otherwise stated, and are included in the consolidation:

	Principal activity	Shareholding
NetPlay TV Services Limited	TV and online gambling	100%
NetPlay TV (UK) Limited	TV and online gambling	100%
NetPlay TV Broadcasting Limited	TV broadcasting	100%
Abstract Games Limited	Premium charged competitions	100%
NetPlay TV Mobile Limited	Premium charged telephony services	100%
Mobileworkflow Limited	Premium charged telephony services	100%
NetPlay TV Trustees Limited	Trust for employee share schemes	100%
MChex Holdings Limited	Intermediate holding company	100%
GB Promotions Limited	Dormant	100%
Stream Telecommunications Limited	Dormant	100%
NetPlay TV Leisure Limited	Dormant	100%
NetPlay TV Gaming Limited	Dormant	100%

MChex Limited, whose principal activity is delivery of premium charged telephony services, is a wholly-owned subsidiary of MChex Holdings Limited.

Notes to the financial statements (continued)

18 Deferred tax

	Accelerated capital allowances £'000	Total £'000
As at 1 January 2006	136	136
Charges to the income statement	(60)	(60)
Charges to equity	-	-
As at 1 January 2007	76	76
Charges to the income statement	(51)	(51)
Charges to equity	-	-
As at 31 December 2007	25	25

Certain deferred tax assets and liabilities have been offset in accordance with IAS 12 'Income taxes'. The following is an analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2007 £'000	2006 £'000
Deferred tax assets	25	85
Deferred tax liabilities	-	(9)
	25	76

Deferred tax assets are recognised in relation to the following profit-making subsidiaries; NetPlay TV Mobile Limited, Mobileworkflow Limited and Abstract Games Limited.

At the balance sheet date the Group had unused tax losses of £892,000 (2006: £797,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses on the basis of future expected profitability. Temporary differences arising in connection with interests in subsidiaries are not significant.

19 Inventories

	2007 £'000	2006 £'000
Finished goods	158	-

20 Trade and other receivables

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Trade receivables	726	617	-	15
Amounts due from group companies	-	-	4,342	2,460
Prepayments and accrued income	940	411	192	51
Other receivables	1,132	624	1,133	500
	2,798	1,652	5,667	3,026

Notes to the financial statements (continued)

21 Trade and other payables

	Group	Group	Company	Company
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Trade payables	1,052	339	55	109
Amounts due to group companies	-	-	2,859	2,307
Other taxes and social security	50	118	43	253
Accruals and deferred income	362	846	148	113
Other payables	256	-	2	-
	1,720	1,303	3,107	2,782

22 Financial instruments and risk management

Treasury management

The Group's financial instruments comprise cash, along with various items, such as trade receivables and payables. The Group's policy does not permit entering into speculative trading of financial instruments and this policy has been applied throughout the year.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and market risk. The board reviews and agrees policies for managing these risks and the policies adopted have been applied throughout the year and since the year end.

Liquidity risk

The Group has historically financed its operations through new equity and retained profits. The Group has continued with its policy of ensuring that there are sufficient funds available to meet the expected funding requirements of the Group's operations and investment opportunities. The Group monitors its liquidity position through cash flow forecasting.

Credit risk

Amounts deposited with banks and other financial institutions give rise to credit risk. This risk is managed by limiting the aggregate amount of exposure to any such institution by reference to their rating and by regular review of these ratings. The possibility of material loss in this way is considered unlikely.

Market risk

Foreign currency risk

The Group's net assets are at present all denominated in Sterling and therefore the current exposures to foreign currency risks are in relation to transaction exchange risk and translation risk. The Board regularly reviews this balance sheet exposure. The volume of foreign currency transactions is not significant to the Group at present.

Interest rate risks

The Group currently has positive cash balances and as such does not see interest rate risk as a significant issue at the present time. The Board will regularly review this position and amend their approach where appropriate.

Other risks

There are risks in the market in which the Group operates within, these are detailed below along with the procedures implemented in order to mitigate these risks.

Compliance with gambling and TV broadcasting regulations is fundamental to the Group's success. In order to ensure that the requirements of the regulations are met, the Group has a number of staff monitoring the regulations on a regular basis. The group also uses the services of a specialist legal advisor in the field and regular consultations are conducted to ensure that the group is up to date on regulations in the field.

The Group also sees a potential risk of fraud, resulting from customers using counterfeit payment methods and also money laundering. In order to mitigate this risk the Group has a dedicated in-house team which monitors unusual customer behaviour so to identify fraudulent activity.

Financial assets and liabilities

As permitted by IFRS short term trade receivables and payables arising directly from the Group's operations are excluded from the following disclosures.

Notes to the financial statements (continued)

22 Financial instruments and risk management (continued)

Financial assets

Group cash balances as at 31 December 2007 are shown in the table below:

	2007	2006
	£'000	£'000
Sterling cash balances	1,313	4,217
Overdraft	(220)	–
Net cash balances	1,093	4,217

Financial liabilities

The Company has financial liabilities in respect of the Abstract Games Limited acquisition. Deferred purchase consideration is payable based on the performance of the business in the two years immediately following the acquisition, which took place on 23 February 2007. This deferred consideration is capped at £3,500,000. Based on current estimates of Abstract Games Limited's performance, the directors have provided for the maximum consideration payable; £970,000 being a current liability and £2,530,000 being a non-current liability.

Maturity of financial liabilities

The overdraft and deferred purchase consideration as held by the Group are repayable under the following timescales:

	2007	2006
	£'000	£'000
<i>Overdraft</i>		
Less than 1 year	220	–
<i>Deferred purchase consideration</i>		
Less than 1 year	970	1,013
2 – 5 years	2,530	–

23 Share capital

	2007	2006
	£'000	£'000
Authorised		
200,000,000 ordinary shares of 5p each	10,000	10,000
Allotted, called up and fully paid		
76,039,958 (2006: 67,931,786) ordinary shares of 5p	3,802	3,397

On 23 February 2007 the Company issued 1,196,172 ordinary shares of 5p each at a price of 16.72p per share as part consideration for the acquisition of Abstract Games Limited.

On 28 December 2007 the Company issued 6,912,000 ordinary shares of 5p each at a price of 16.5p per share for cash consideration.

Notes to the financial statements (continued)

23 Share capital (continued)

Options to subscribe under various schemes for ordinary shares of 5p, including those noted in directors' interests in note 6, are shown in the table below:

Date of grant	Exercise price per share Pence	Exercise period	2007 Number	2006 Number
1 September 2003	10.00	02/09/2006 – 01/09/2013	12,000	57,000
25 May 2004	32.17	26/05/2007 – 25/05/2014	-	473,018
17 September 2004	37.50	18/09/2007 – 17/09/2014	-	300,000
1 April 2005	60.83	02/04/2008 – 01/04/2018	-	813,416
26 April 2007	22.50	26/04/2010 – 25/04/2017	24,000	-
30 April 2007	23.25	30/04/2010 – 29/04/2017	6,624,214	-
1 May 2007	23.92	01/05/2010 – 30/04/2017	35,000	-
1 June 2007	30.67	01/06/2010 – 31/05/2017	82,000	-
31 October 2007	23.75	31/10/2010 – 30/10/2017	90,000	-
			6,867,214	1,643,434

The table below gives a reconciliation of the opening balance to the closing balance of these options:

	Number
As at 1 January 2007	1,643,434
Options issued in the period	7,037,326
Options replaced	(980,005)
Options rescinded	(833,541)
As at 31 December 2007	6,867,214

The weighted average exercise price at 31 December 2007 was 23.32 pence (2006: 46.56 pence).

Further details of the share option schemes can be found in note 25.

24 Reserves – Company

	Share premium account £'000	Other reserve £'000	Retained earnings £'000
Balance at the beginning of the period	2,798	560	3,239
Issue of share capital	795	-	-
Loss for the period	-	-	(4,041)
Transfer between reserves (see below)	-	(415)	415
Share based payment charge	-	119	-
Movement in investment in own shares	-	4	-
Balance at the end of the period	3,593	268	(387)

The transfer between reserves is in relation to share based payment charges for options lapsed during the period.

Notes to the financial statements (continued)

25 Employee share schemes

The Group has four employee share schemes – the 2000 All Employee Share Ownership Plan (“AESOP”), the 2000 Enterprise Management Incentive Scheme (“EMI”), the 2000 Approved Executive Share Ownership Scheme (“ASOS”) and the 2000 Unapproved Share Ownership Scheme (“USOS”). To date, the Group has granted options under the AESOP and EMI schemes.

AESOP

The AESOP holds shares in trust on behalf of employees. Subject to the satisfaction of any performance condition and the continuous employment of the beneficiary, access to shares occurs three years from the date of grant, unless there is a change in control of the Company when access may occur earlier.

The Company can give up to £3,000 worth of free shares per year to each eligible employee. Eligible employees can buy ‘partnership shares’ by way of deduction from their salary, up to a maximum of £1,500 per annum (or, if lower, 10% of their salary). If the directors decide to offer partnership shares they may also offer up to 2 free matching shares for each partnership share held by participants. Any dividends paid on free shares, matching shares or partnership shares will be used to purchase ‘dividend shares’.

On termination of employment shares must be transferred to employees and employees must take their shares out of the AESOP.

A summary of activity in shares issued through AESOP is shown below:

	2007	2006
	Number	Number
At the beginning of the year	150,743	242,276
Movement in the period	(50,810)	(91,533)
At the end of the year	<u>99,933</u>	<u>150,743</u>

During 2007, employees acquired rights over 50,810 shares, those shares having vested on the third anniversary of the date of grant.

The market value of the shares held by the AESOP at 31 December 2007 was £16,739.

EMI

Options to acquire Ordinary Shares under the EMI may be granted up to a maximum of £3,000,000 (based on the market value of the shares placed under option at the date of the grant).

The determination of the number of options granted to employees is at the discretion of the remuneration committee.

No consideration is payable for the grant of an option and options are not transferable or assignable. Cash consideration is paid to the Company by the employee at the point that the share options are exercised. The price paid for share options by employees is determined at the time of grant, and is normally equal to the mid-market share price on the date that the option is granted.

An option is normally exercisable between the 3rd and 10th anniversaries of the date of grant. All options normally lapse if the option holder ceases to be employed by the Group, though at the discretion of the Company and depending upon the circumstances in which the employment has ended, some individuals may be permitted to retain options after they leave employment for 6 months, or an alternative timescale if agreed by the remuneration committee.

Notes to the financial statements (continued)

26 Financial commitments

The Group and Company had annual commitments under non-cancellable operating leases on land and buildings expiring as follows:

	2007	2006
	£'000	£'000
Within two to five years	240	–
After five years	64	76
	<u><u> </u></u>	<u><u> </u></u>

The Group and Company had no capital commitments as at 31 December 2007 (2006: *Nil*).

27 Related party transactions

The following related party transactions took place during the period:

MJ Higginson, a director, has the trading name Hay Carr Consulting. During the year the company paid Hay Carr Consulting £168,464 (2006: £23,332) in respect of MJ Higginson's remuneration as Group Chairman and Chief Executive. All amounts were paid during the year (2006: £13,708 payable at the balance sheet date).

In addition, MJ Higginson is a director of M Capital Management Limited. During the year the Company paid £98,349 (2006: £0) for creative/marketing services and for the recharge of office rental costs. At the balance sheet date the company owed £11,590 (2006: £0) to M Capital Management Limited.

GP Stevens is a Non-Executive Director. During the year he invoiced the company £21,677 (2006: £26,944) in respect of his remuneration as a Non-Executive Director. All amounts were paid during the year (2006: all amounts were paid during the year).

The Company conducted various transactions with its subsidiaries during the period where items were reallocated between the members of the Group. The table below summarises the movements in these balances:

Receivables

	31 December	31 December	Period
	2007	2006	change
	£'000	£'000	£'000
NetPlay TV Mobile Limited	2,051	2,059	(8)
Mobileworkflow Limited	356	321	35
GB Promotions Limited	–	53	(53)
Abstract Games Limited	222	–	222
NetPlay TV Services Limited	841	23	818
NetPlay TV (UK) Limited	355	–	355
NetPlay TV Broadcasting Limited	517	4	513
	<u><u>4,342</u></u>	<u><u>2,460</u></u>	<u><u>1,882</u></u>

Payables

	31 December	31 December	Period
	2007	2006	change
	£'000	£'000	£'000
MChex Limited	2,859	2,307	552
	<u><u>2,859</u></u>	<u><u>2,307</u></u>	<u><u>552</u></u>

Notes to the financial statements (continued)

28 Subsequent events

On 5 March 2008, PJ Greene resigned as director of the Company. On the same date NL Halverson was appointed a director of the Company.

On 10 March 2008, the Company acquired a database of 7,600 subscribers from Rubberduck Consulting Limited, a company of which GR Whyte is a director. Consideration for the purchase was satisfied by 428,135 new ordinary shares issued at a price of 16.35 pence each.

On 16 April 2008, the Company acquired the entire share capital of Quantum Factory S.L and assets of the Bingos.com online bingo business. On the same date DP Mansour joined the Company as a director. Consideration for the purchase was satisfied by €8,000,000 cash.

The cash used to acquire the Bingos.com business was raised via the issue of 40,000,000 new ordinary shares at a price of 15 pence each, which was approved by the Company's shareholders at the EGM held on 14 April 2008.

On 6 May 2008, the Company acquired Sky channel 848 from Hollywood TV Limited. Purchase consideration was £475,000, satisfied by way of 2,375,000 new ordinary shares issued at 20 pence each.

On 27 May 2008, the Company acquired the database of Pitch Entertainment Limited, a TV gaming company, for £125,000. The database comprises 3,500 who have previously demonstrated their desire to deposit funds and play TV roulette.

29 Transition to IFRS

This is the first year that the Company has presented its financial statements under IFRS. The last set of annual financial statements were for the year ended 31 December 2006, and the date of transition was therefore 1 January 2006. In accordance with IFRS 1: First-time Adoption of International Financial Reporting Standards, a full reconciliation of changes is shown below:

Income statement reconciliation for the year ended 31 December 2006

The income statement as prepared under UK GAAP for the year ended 31 December 2006 was not required to be adjusted in order for the group to comply with IFRS.

Consolidated balance sheet reconciliation as at 1 January 2006

The balance sheet as prepared under UK GAAP as at 1 January 2006 was not required to be adjusted in order to comply with IFRS. Goodwill was frozen at this date, as permitted by IFRS 1.

Notes to the financial statements (continued)

29 Transition to IFRS (continued)

	UK GAAP £'000	IAS 38: Intangible Assets £'000	IFRS £'000
ASSETS			
Non-current assets			
Property, Plant and Equipment	185	–	185
Intangible assets	5,397	307	5,704
Deferred tax assets	85	–	85
Total non-current assets	5,667	307	5,974
Current assets			
Trade and other receivables	1,652	–	1,652
Current tax recoverable	86	–	86
Cash and cash equivalents	4,217	–	4,217
Total current assets	5,955	–	5,955
TOTAL ASSETS	11,622	307	11,929
EQUITY AND LIABILITIES			
Share capital	3,397	–	3,397
Share premium	2,798	–	2,798
Merger Reserve	1,317	–	1,317
Other reserves	560	–	560
Retained Earnings	1,225	307	1,532
Total equity	9,297	307	9,604
Non-current liabilities			
Deferred tax liabilities	9	–	9
Total non-current liabilities	9	–	9
Current liabilities			
Financial liabilities	1,013	–	1,013
Trade and other payables	1,303	–	1,303
Total current liabilities	2,316	–	2,316
TOTAL EQUITY AND LIABILITIES	11,622	307	11,929

The principal differences between UK GAAP and IFRS reporting are as follows. The IFRS accounting policies are shown in more detail in note 1.

Intangibles – IAS 38

Under UK GAAP, goodwill was capitalised and amortised over its useful economic life. Under IFRS, goodwill is subject to an annual impairment review but goodwill not permitted. The 2006 goodwill amortisation charge has therefore been reversed. IFRS 1 allows previously recognised goodwill to be frozen at 1 January 2006, and this option has been taken by the group.



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