glen group plc

Report and Financial Statements
30 September 2008

Glen Group plc is a provider of integrated telecommunications, IT and ISP solutions serving the SME market. The Group provides a wide range of services to its clients, including telecommunications calls and access, broadband, IT integration and hosted services. It operates across the UK from its headquarters in Edinburgh.

Contents

- Successful sale, as at 31 December 2007, of the Eclectic and inGroup businesses for a net cash consideration of £2.72m.
- Acquisition on 27 June 2008 of Colloquium Limited, one of Scotland's first ISPs, for an all cash consideration of £100,000 excluding deal costs.
- Elimination of all Group debt, amounting to over £800,000.
- Cash resources of over £0.5m available at the year-end.
- Turnover of £1.5m, up 47% compared to last year.
- Gross margin percentage at 35.8% compared to 23.3% last year.
- Administrative expenses reduced.
- Operating loss of £1.07m represents a reduction of 58.5% over last year.
- Overall loss for the year nearly halved from £3.0m in 2007 to £1.63m.
- Strengthened sales team.
- Board successfully restructured.
- New Nominated Adviser and Broker appointed.
- Proposed name change to Pinnacle Telecom Group plc.

Despite the sharp economic downturn, we have continued to make progress, with the results compared to last year showing a 47% lift in turnover to £1.5m and our bottom line losses dramatically reduced by nearly 50%. We are also fortunate to be holding cash, which amounted to over £0.5m at the year-end, having repaid all our borrowings of over £800,000 from the proceeds of the sale of the businesses of Eclectic Group Limited and I G Software Limited. The timing of this sale could not have been better, given the precipitous downturn in the financial services sector, which was the most important focus of the businesses sold.

Telecommunications spending, both fixed and mobile, remains a significant cost to many businesses. Although we have not seen a slowdown in activity at this time, we cannot be certain that we will avoid deterioration through 2009 as the economy continues to weaken. In this climate, we believe that businesses may be more willing to change their telecommunications provider on the basis of price alone, although services and solutions, which can make their businesses more efficient, remain important factors when considering a change. It is our view that, in a downturn, telecommunication services aimed at businesses do not suffer as rapidly as a consumer focused business. We intend to further promote our value for money solutions through our expanding sales channels.

We continue to expand the mix of services and on 27 June 2008 we were pleased to be able to acquire Colloquium Limited ('Colloquium'), at a realistic all-cash price of £100,000, before acquisition costs. Colloquium is one of Scotland's oldest internet service providers, which we have fully integrated into the existing business. We now believe that we have an all-round service capability in the ICT space and remain focused on providing telecommunications-based solutions to the SME market.

Major changes were made during the year to our Board structure. Eric M Hagman, our first Chairman (Non-Executive), stepped down from the Board at the end of May. Peter J Ford, who co-founded the Group, did not put himself up for re-election at the AGM on 9 May 2008, resigning from the Board at that time. Effective 1 June 2008, I moved up into the role of Non-Executive Chairman and handed over the day-to-day running of the business to Alan J Bonner, the MD of our operating subsidiary Pinnacle Telecom, who took on the role of Group CEO. We had welcomed David Hewitt to the Board in late February 2008, but on 1 August he stepped down in favour of John C Anderson, a well known Scottish-based business figure, following our renewed focus on the telecommunications market. Also with effect from 1 June, Alan J Bonner, five significant shareholders and I entered into a memorandum of understanding for the purposes of promoting the development of the Company and its business.

Following the Board changes, we have completely restructured our sales operations and are actively building a dealer channel as an additional route to market, as well as continuing with other direct channels, based on an active sales force. We have materially strengthened our middle management team and our marketing efforts have been sharpened.

In order to recognise that our telecom operations now dominate the Group business, we are proposing at the AGM to change the name of the Company to Pinnacle Telecom Group plc.

On 23 December 2008, we announced the appointment of Zeus Capital Limited as our new Nominated Adviser and Broker and we look forward to working with them in the future.

Small AIM listed businesses are out of fashion and may not return to popularity for some time, perhaps several years. The ongoing costs of the listing remain overwhelming compared to the size of our operating units, and we must "grow into" these costs and beyond in order to pull the Group into profit. We do have an extremely experienced team, but organic growth takes time. Through the efforts of the management team, we have identified a number of possible acquisition targets, but there needs to be more realism from private owners on the valuation of their businesses. Any non-equity financing would need to be externally sourced by the Company.

The Board recognises that the first priority for the year ending 30 September 2009 is organic growth and tight cash management. We believe that the new financial year will, in many respects, be a critically important year for us.

Graham J Duncan MA CA
Chairman
15 January 2009

Introduction
The economic background deteriorated sharply during the second half of the year, and it continues to weaken. Given this dynamic, we are pleased to have lifted our turnover, improved our gross profit, kept our administrative expenses to a modest level and reduced our overall losses. Going forward, we cannot be certain that we have escaped the effects of the worst decline in confidence in living memory, but at this time we do not sense a fall off in turnover. We are, however, keeping a watchful eye on the situation.

Given the fact that the Group is running at a loss, we are putting much of our energy into growing the business organically and, in particular, focusing on increasing our gross profit in absolute terms. The Board believe that the greatest risk to the business is being unable to achieve the levels of gross profit that we need in the time scale which we have planned, without access to further capital. Given the state of the financial markets, we are running the business on the premise that we will not be able to access any additional funds within the 2009 financial year, nor complete any acquisitions which require cash.

Our cash resources are finite. Although we have no debt, and had cash in excess of £0.5m at the year-end, losses will continue to erode our cash resources until our gross profit exceeds our cost base.

Much of our income is recurring – particularly our telecom services revenues – which now make up the majority of our revenue base. Our sales channels have been expanded both during the year and since the year-end, and we now have a range of channels to market, including direct sales using a sales team, call centre sales activity and, more recently, the introduction of a dealer and reseller network. Since the acquisition of Colloquium, an ISP, in late June 2008, we have been able to sell a wider, more rounded, range of solutions to the business market and we continue to package and deliver services which are good value for money. In this climate, we believe that we may see more businesses change providers on the basis of price alone.

As indicated in the Chairman's Statement, we believe that 2009 will be a pivotal year.

1. Turnover
Turnover from the continuing operations, which constitutes our reported turnover, rose a healthy 47% over the year from £1,014,870 to £1,495,267. Turnover from the discontinued operations sold on 31 December 2007 was £1,686,652 for the three-month period to the date of sale. Discontinued operations are shown as a single line item in the consolidated income statement and are more fully explained in the notes to the consolidated financial statements.

2. Gross Profit
The overall gross profit from continuing operations for the full year was £535,966, representing a gross profit to sales percentage of 35.8%. This compares favourably to a gross profit percentage of 23.3% for last year.

The gross profit that can be obtained from our service portfolio varies significantly depending on the sales channel, with top-end margins of 60% available on certain services sold directly to customers by a sales team. By contrast, margins as low as 5% apply for an indirect sale where we only provide wholesale pricing of services to our dealer client, who retains the prime customer relationship. Much of this latter activity was embryonic at the year-end, but is expected to increase in the 2009 year.

3. Operating Loss
In the full year we have incurred an operating loss of £1,068,394 (2007: £2,573,328). In 2007, we decided to expense all our goodwill, and the only intangible asset in our balance sheet represents the written down value of customer bases, a billing system and maintenance contracts acquired. We have expensed £170,244 of our intangibles in the year (2007: £65,741). Last year also saw significant write downs to goodwill and reorganisation costs expensed, which are not repeated this year. Before these adjustments, our operating loss amounted to £898,150, which compares favourably to an equivalent loss of £1,208,061 last year.

As well as the need to expand our gross profit, we also work to keep our administrative costs to modest levels given our continuing need to invest in good people, particularly in sales. During the year we incurred administrative expenses of £1,434,116 (2007: £1,445,020), with the costs of the Parent Company making up approximately 40% of these costs.

4. Discontinued Operations
The sale of the business and assets, including people, of Eclectic Group Limited ('Eclectic') and I G Software Limited was concluded on 31 December 2007. The shares in these companies were retained by the Group, and we were left to ingather all receivables and pay all balance sheet liabilities as they fell due, together with all bank borrowings. The transaction included a mechanism to apportion certain costs between the buyer and the seller, and included a bonus payment to a Director and key managers of Eclectic who transferred to the buyer.

4. Discontinued Operations (continued)
The ‘headline’ price was £3.0m, and the net proceeds of sale were approximately £1.5m after payment of the above named costs, the bonus and the outstanding bank debt. In broad terms, we have been able to match sums received for outstanding receivables with amounts paid for outstanding payables.

Including provisions made in 2007 and the trading results of these companies in the current financial year to the date of sale, we have recorded losses from this sale of £987,889 over the two years to 30 September 2008, with £566,108 of that loss taken in the current year. Given the circumstances and timing of this sale, we are satisfied with the outcome.

5. Balance Sheet
At 30 September 2008, the Group had net assets of £1,155,947. Included in this figure are intangible assets, making up the written down value of customer bases, a billing system and maintenance contracts acquired, of £717,568. We are writing down the value of the customer bases and billing system over five years, and the maintenance contracts over 10 years from the relevant acquisition date.

We also had £879,237 of currents assets (with £545,521 being cash) and £574,870 of current liabilities at 30 September 2008.

The cash balances remain a key performance indicator of the Board.

6. Risks
The key business risks are as undernoted. This list is not exhaustive and should not be taken as being the only risks attached to the business going forward.

Working capital
The Group’s cash resources are finite and there is no banking facility in place. The Directors recognise that the Group must achieve monthly profitability for the business to cover its cost base and remain within its finance resources. The Board seeks to mitigate this risk by carefully managing the cash resources of the Group.

People
As in many businesses, the ability to hire and retain good people is fundamental to the success of the business. Given the current economic climate, such individuals may be less willing to move to a small business than might otherwise be the case in times of prosperity. This includes quality sales personnel. The Board uses its contacts and significant experience in the recruitment and selection of employees.

Bad debts
The customer base is mainly made up of SME customers, who are one of the groups likely to feel the effects of a downturn. Although we have not yet experienced any material lift in bad debt, that does not mean to say that there will not be an increase in 2009. A majority of customers are signed on direct debit, which allows us very quickly to know when a customer defaults and so take appropriate action.

Competition
We pride ourselves in being competitive coupled with having the ability to deliver a solutions-based result that enhances the customer’s business. The deteriorating climate might cause buying decisions to move more in the direction of a price-based sale compared to a value-based sale. As a relatively small business, the Group may not be able to compete on price alone. However, our size is also a strength, as we are able to react very quickly to changing market conditions.

Of course all businesses carry technology risks, the risks of business interruption, the ability to get credit from suppliers on suitable terms and so on. The above is not an exhaustive list, and it should not be taken as such, but it does cover certain key areas which the Board is focusing on at this time.

7. Financing
The Group relies on credit from suppliers on reasonable commercial terms. The main creditors tend to be significant companies, such as BT. The Group does not, at this time, rely on the banking market and is therefore somewhat shielded from the difficulties associated with overdraft and other loan facilities.

From time to time, the Group has taken out leasing for plant and vehicles and will continue to do so when required. The Group owns no property.

The Group’s main credit exposure lies with sums due from customers. Where possible, the main telecom operating company, Pinnacle Telecom plc, seeks to sign customers up on direct debit facilities, which gives us a tighter control over cash flow.

With positive cash balances, we are exposed to a reduction in interest rates, albeit not materially so, as far as the business as a whole is concerned.

8. Consultancy agreement
As announced on 9 May 2008, the Company entered a consultancy agreement with Graham J Duncan, the former Group CEO. In order to assist in lowering the costs of the Company, Graham J Duncan agreed to bring his existing executive service contract to an end on 31 May 2008, without compensation, notwithstanding that it had a one-year notice period. Under the provisions of the Companies Act 2006, the existing consultancy agreement was required to be approved by the shareholders, approval to be secured before signature. Such approval was not obtained at the time and the Company therefore proposes that the existing agreement be discharged and a new agreement entered into for the balance of the original term and on the same terms following shareholders' approval at the Annual General Meeting to be held on 5 March 2009. This is a related party transaction under the terms of the AIM Rules and further details are contained in Note 21.

9. Loss of capital
As the net assets of the Company represent less than half of its called up share capital, the Company is required by statute to convene an Extraordinary General Meeting. Accordingly, the Company will convene an Extraordinary General Meeting to be held immediately following the Annual General Meeting at the same venue. Apart from continuing to pursue their stated strategy of building an integrated telecommunications business, however, the Directors do not consider that any particular steps need or should be taken to deal with the situation at this time.

Alan J Bonner
Chief Executive Officer
15 January 2009

The Board is committed to ensuring that proper standards of corporate governance operate and has established governance procedures and policies that are considered appropriate to the nature and size of the Group.

Directors and the Board

The Board directs the Group's activities in an effective manner through regular monthly Board meetings and monitors performance through timely and relevant reporting procedures. Where it deems it necessary, the Board requests reports on specific areas outwith the normal reporting regime. All Directors have access to advice from the Company Secretary and, if required, independent professionals at the Company's expense. Training is available for new and other Directors as necessary.

The Board at present comprises one Executive and two Non-Executive Directors. The Non-Executive Directors are regarded as independent of management and any business or other relationships which could interfere with the exercise of their independent judgement. The roles of Chairman and Chief Executive are separate appointments and it is Board policy that this will continue.

The Board has established two committees: the audit committee and the remuneration committee. It will also set up a nominations committee when the need arises. Membership of both the audit committee and the remuneration committee is made up of the two Non-Executive Directors. John C Anderson is Chairman of the audit committee and Graham J Duncan of the remuneration committee. A separate report on Directors' remuneration is set out on pages 7 to 9.

Under the Company's articles of association, the nearest number to (but not exceeding) one third of the Board shall retire each year by rotation.

Board attendance, accountability and audit

The Board considers that the annual report presents a balanced and understandable assessment of the Group's performance and prospects. The audit committee has written terms of reference setting out its authority and duties and has meetings, at which the Executive Director also has the right to attend, at least two times a year with the external auditors. The audit committee reviews the independence and objectivity of the external auditors. The committee reviews the nature and amount of the non-audit work undertaken by the auditors to satisfy itself that there is no effect on its independence. The committee is satisfied that Grant Thornton UK LLP are independent.

Going concern

On the basis of a review of cash balances available to the Group together with a review of forecasts and sensitised cash flows, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of signing the financial statements. Beyond the next 12-18 months, the Directors recognise that the Group must achieve monthly profitability for the business to cover its cost base and remain within its finance facilities.

Internal financial control

The Group has established policies covering the key areas of internal financial control and the appropriate procedures, controls, authority levels and reporting requirements which must be applied throughout the Group. The key procedures that have been established in respect of internal financial control are as follows:

- Financial reporting: There is in place a comprehensive system of financial reporting based on the annual budget which the Board approves. The results for the Group as a whole and each business sector are reported monthly, along with an analysis of key variances. Year-end forecasts are updated on a regular basis.
- Investment appraisal: Applications for capital expenditure are made in a format which places emphasis on the commercial and strategic as well as the financial justification. All significant projects require specific Board approval. No system can provide absolute assurance against material misstatement or loss, but the Group's systems are designed to provide reasonable assurance as to the reliability of financial information, ensuring proper control over income and expenditure, assets and liabilities.

Relations with shareholders

The Company values the views of its shareholders and recognises their interest in the Group's strategy and performance, Board membership and quality of management. The AGM will be used to communicate with all shareholder and investor groups, and they are encouraged to participate. The Chairmen of the audit and remuneration committees will be available to answer questions. Separate resolutions are proposed on each issue so that they can be given proper consideration and there is a resolution to receive the annual report and accounts. The Company counts all proxy votes and will indicate the level of proxies lodged on each resolution, after it has been dealt with by a show of hands.

The Group fully complies with AIM Rule 26 and uses its website at www.glengroup.co.uk as a means of providing information to shareholders and other related parties. The Company's annual report and accounts, interim reports and other relevant announcements are now available on this website.

Risk management
The Group is exposed to a variety of financial risks arising from its operating activities which are monitored by the Directors. These are more fully explained in Note 24 to the financial statements.

The committee has given consideration to the Combined Code issued by the Financial Services Authority in framing its remuneration policy. As the Company is admitted to AIM, it is not required to comply with the provisions of Schedule 7(A) of the Companies Act 1985. The following disclosures are voluntary.

Remuneration committee
The remuneration committee determines, on behalf of the Board, the Group's policy for Executive remuneration and the individual remuneration packages for Executive Directors. In setting the Group's remuneration policy, the remuneration committee considers a number of factors, including the following:

- salaries and benefits available to Executive Directors of comparable companies;
- the need to attract and retain Executives of an appropriate calibre; and
- the continued commitment of Executives to the Group's success through appropriate incentive schemes.

The committee meets at least once each year.

Remuneration of the Executive Director
The remuneration package of the Executive Director during the year comprised the following elements:

- **Base salary**

  The remuneration committee sets a base salary to reflect responsibilities and the skill, knowledge and experience of the individual. The Executive Director does not receive a Director's fee.
- **Bonus scheme**

  The Executive Director is eligible to receive a bonus of up to 75% of base salary dependent on individual and group performance relative to the annual budgets. Bonus payments are at the discretion of the remuneration committee.
- **Car allowance and other benefits**

  The Executive Director is entitled to a car allowance. The Company pays private health care for the Executive Director.
- **Pensions**

  There is no pension provision for the Executive Director.

The Executive Director is engaged under a service contract which requires a notice period of 12 months.

Remuneration of Non-Executive Directors
The fees paid to the Non-Executive Directors are determined by the Board and include a basic fee. Due to the size of the Group, no additional fees are paid in respect of committee chairmanships and they are not entitled to receive any bonus or other benefits.

The Non-Executive Chairman has been awarded share options, and he also entered into a three-year consulting contract effective 1 June 2008.

The Non-Executive Chairman has a letter of appointment specifying an initial period of 12 months. Thereafter, the Non-Executive Chairman's letter of appointment is on a three-month rolling basis. The other Non-Executive Director letter of appointment is on a three-month rolling basis.

Directors' remuneration

Details of individual Directors' emoluments for the year are as follows:

	Fees and salaries		Bonus		Pensions		Benefits		Totals	
	2008 £	2007 £	2008 £	2007 £	2008 £	2007 £	2008 £	2007 £	2008 £	2007 £
Non-Executive										
E M Hagman	10,833	20,000	–	–	–	–	978	978	11,811	20,978
P J Ford	8,750	17,000	–	–	–	–	–	–	8,750	17,000
D Hewitt	5,417	–	–	–	–	–	–	–	5,417	–
J C Anderson	1,667	–	–	–	–	–	–	–	1,667	–
G J Duncan	11,667	–	–	–	–	–	290	–	11,957	–
Executive										
G J Duncan	66,083	104,500	41,627	60,000	37,120	11,813	2,978	10,692	147,808	187,005
A Bonner	28,600	–	14,063	–	–	–	1,584	–	44,247	–
Totals	133,017	141,500	55,690	60,000	37,120	11,813	5,830	11,670	231,657	224,983

Notes:

1 *Eric M Hagman resigned from the Board on 31 May 2008.*
2 *Peter J Ford did not seek re-election at the 2008 AGM and resigned from the Board on 9 May 2008.*
3 *David Hewitt was appointed to the Board on 28 February 2008, and resigned on 1 August 2008.*
4 *John C Anderson was appointed to the Board on 1 August 2008.*
5 *Graham J Duncan ceased to be an Executive Director on 31 May 2008, and was appointed Non-Executive Chairman effective 1 June 2008.*
6 *Alan J Bonner was appointed Group CEO and joined the Board on 1 June 2008.*

In addition to his remuneration as Chairman, Graham J Duncan received consulting fees of £20,000 in 2008 (2007: £Nil).

Benefits include the costs of share options issued in accordance with IFRS 2 Share-Based Payments to the Directors as follows:

	2008 £	2007 £
Name of Director		
E M Hagman*	978	978
G J Duncan	290	7,294
A J Bonner	1,584	–
Total	**2,852**	**8,272**

* *Resigned from the Board on 31 May 2008.*

Directors' interests in shares

The interests of the Directors in the ordinary shares of the Company at 30 September 2008 together with their interests at 1 October 2007 (or date of appointment if later) were as follows:

	2008 Number	2007 Number
Name of Director		
A J Bonner	122,727,273	122,727,273
G J Duncan	22,821,314	22,821,314
J C Anderson	–	–

Of the 22,821,314 ordinary shares in which G J Duncan is interested, 4,422,324 (2007: 4,422,324) ordinary shares are registered in the name of Margaret H Duncan, Mr. Duncan's wife, and 5,182,967 (2007: 5,182,967) ordinary shares are registered in the name of Duncan Ventures Limited, an entity in which Mr. and Mrs. Duncan are interested.

Directors' interests in share options

The interests of the current Directors, and a former Director, in options over the ordinary shares of the Company at 30 September 2008, together with their interests at 1 October 2007 (or date of appointment if later), were as follows:

	1 October 2007	Granted	Lapsed	30 September 2008	Price	Date when exercisable	Expiry date
Name of Director							
E M Hagman*	666,667	–	–	666,667	3.00p	01/12/2005	01/12/2014
A J Bonner	–	54,545,455	–	54,545,455	0.1375p	01/07/2010	01/07/2018
G J Duncan	10,000,000	–	(10,000,000)	–	1.00p	13/02/2009	14/02/2016
G J Duncan	–	10,000,000		10,000,000	0.1375p	01/07/2010	01/07/2018

** Resigned from the Board on 31 May 2008.*

No other Directors have been granted share options in the shares of the Company or other Group companies. The mid-market price of the Company's shares at the end of the financial period was 0.060p, and the range of prices during the period was between 0.275p and 0.060p.

By order of the Board

Graham J Duncan MA CA
Chairman, Remuneration Committee
15 January 2009

DIRECTORS' REPORT

for the year ended 30 September 2008

The Directors present their report on the affairs of the Group, together with the financial statements and auditors' report for the year ended 30 September 2008.

Principal activity
The principal activity of the Group is the provision of IT and telecommunications solutions to businesses within the United Kingdom.

Business review and future developments
A review of the results and development of the business for the year and of future developments in the business is contained within the Chairman's Statement on page 2 and the Business Review on pages 3 to 5. The major key performance indicators that the Directors monitor are turnover, gross margin, total group overheads, cash position and capital expenditure.

Results and dividends
The Group's loss on ordinary activities after taxation was £1,630,930 (2007: £3,005,377). The audited financial statements of the Group are set out on pages 19 to 39. The Directors do not propose a dividend for the year ended 30 September 2008 (2007: £Nil).

Directors and their interests
The present membership of the Board is as follows:

Graham J Duncan, Non-Executive Chairman
Alan J Bonner, Chief Executive Officer
John C Anderson, Non-Executive Director

In accordance with the Company's articles of association, Alan J Bonner and John C Anderson will each offer himself for re-election at the forthcoming Annual General Meeting. Details of Director's interests in the Company's shares during the year, including changes to the make up of the Board during the year, are set out in the report of the Board to the members on Directors' remuneration on pages 7 to 9.

Acquisitions
During the year the Company acquired the entire issued share capital of Colloquium Limited, which provides internet and telecommunications services, mainly in the SME sector. Further details are contained in Note 3 to the consolidated financial statements.

Substantial shareholdings
At 14 January 2009 the following interests in 3% or more of the issued ordinary share capital had been notified to the Company:

	Number of ordinary shares	Percentage held
A J Bonner	122,727,273	10.28
S Patel (1)	75,356,571	6.31
J Alexander (2)	75,356,571	6.31
N Patel	37,677,714	3.16
R Alexander	37,677,714	3.16

Notes:
1 Includes the interests of his wife, N Patel.
2 Includes the interests of his wife, R Alexander.

Share capital
The share capital during the year and the number of ordinary shares reserved for issue are shown in Note 19.1 to the consolidated financial statements.

Employee involvement
All companies use an Intranet system as a source of information on the Group and developments within the Group, including updates on the Group's strategy and details of new products and services provided by the Group. Information about all products and services is also available on the websites of the operating companies.

Employment of disabled persons
Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Appropriate training is arranged for disabled persons, including retraining for alternative work of employees who become disabled, to promote their career development within the organisation.

Supplier payment policy and practice

The Company and its subsidiaries agree the terms of payment when negotiating the terms and conditions for their transactions with their suppliers. Payment is made in compliance with those terms, subject to the terms and conditions of the relevant transaction having been met by the supplier. Trade creditor days of the Group at 30 September 2008, calculated in accordance with the requirements of the Companies Act 1985, were 59 days (2007: 92 days). This represents the ratio, expressed in days, between amounts invoiced to the Company and its subsidiaries in the year by their suppliers and the amounts due, at the year-end, to trade creditors falling due for payment within one year.

Financial risk management and objectives

Details of financial risk management and objectives are contained in Note 24 to the consolidated financial statements.

Financial instruments

The Group's financial instruments comprise cash and other liquid resources together with receivables and payables that arise directly from operations. The main purpose of these instruments is to provide finance for group operations. The financial risk policies and objectives of the Group are detailed in Note 24 to the consolidated financial statements.

Environmental policy

The Group acknowledges the importance of environmental matters and where possible uses environmentally-friendly policies in all its offices such as recycling and energy-efficient practices.

Directors' statement

In so far as the Directors are aware there is no relevant information of which the Company's auditors are unaware and the Directors have taken all reasonable steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985 and a resolution will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Peterkins
Company Secretary
15 January 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law in the United Kingdom requires the Directors to prepare financial statements for each financial year. Under that law, and as required by the AIM rules, the Directors have elected to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. The Directors have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for group financial statements, state whether applicable IFRSs have been followed subject to any material departures disclosed and explained in the financial statements;
- for Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the Group's system of internal financial control, for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the annual report is prepared in accordance with company law in the United Kingdom and includes information required by the rules of the AIM market of the London Stock Exchange.

As far as each of the Directors is aware:

- there is no relevant information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF GLEN GROUP PLC

We have audited the consolidated financial statements (the 'financial statements') of Glen Group plc for the year ended 30 September 2008, which comprise the principal accounting policies, the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in shareholders' equity and notes 1 to 25. These consolidated financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Parent Company financial statements of Glen Group plc for the year ended 30 September 2008.

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 auditors' 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 financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 financial statements give a true and fair view and are 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 financial statements. The information given in the Directors' report includes that specific information presented in the Chairman's Statement and Business Review that is cross referred from the Business Review section of the Directors' report.

In addition we report to you if, in our opinion, we have not received all 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 financial statements. The other information comprises only the Chairman's statement, business review, corporate governance statement, Directors' report, statement of Directors' responsibilities and report of the Board to the members on Directors' remuneration.

We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 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 financial statements.

Opinion

In our opinion:

- the consolidated 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 30 September 2008 and of the Group's loss for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
Edinburgh
15 January 2009

a) Basis of preparation
The consolidated financial statements have been prepared in accordance with applicable International Financial Reporting Standards and IFRIC interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention. The measurement bases and principal accounting policies of the Group are set out below. The principal accounting policies of the Group have remained unchanged from the previous year.

The accounting policies that have been applied in the opening balance sheet have also been applied throughout all periods presented in these financial statements. New standards implemented this year are:

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements-Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, but does bring in other disclosures around trade, loans and other receivables and payables.

IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation does not have any impact on the Group's financial statements.

IFRIC 11, 'Group and Treasury Share Transactions', this interpretation has no impact on the Group's financial statements.

New standards and interpretations currently in issue but not effective for accounting periods commencing on 1 October 2007 are:

- IAS 1 Presentation of Financial Statements (revised 2007) (effective 1 January 2009).
- IAS 23 Borrowing Costs (revised 2007) (effective 1 January 2009).
- Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements-Puttable Financial Instruments and Obligations Arising on Liquidation (effective 1 January 2009).
- IAS 27 Consolidated and Separate Financial Statements (revised 2008) (effective 1 July 2009).
- Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective 1 January 2009).
- Amendments to IFRS 1 First–time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – Costs of Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 January 2009).
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective 1 July 2009).
- Improvements to IFRSs (effective 1 January 2009 other than certain amendments effective 1 July 2009).
- IFRS 3 Business Combinations (Revised 2008) (effective 1 July 2009).
- IFRS 8 Operating Segments (effective 1 January 2009).
- IFRIC 12 Service Concession Arrangements (effective 1 January 2008).
- IFRIC 13 Customer Loyalty Programmes (effective 1 July 2008).
- IFRIC 14, IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008).
- IFRIC 15 Agreements for the Construction of Real Estate (effective 1 January 2009).
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008).
- IFRIC 17 Distributions of Non-Cash Assets to Owners (effective 1 July 2009).

The adoption of IAS 1 will impact disclosure within the financial statements; the adoption of IFRS 3 will impact the basis of accounting for future acquisitions. The adoption of IFRS 8 could have a significant impact on the disclosure segments. The full effects of the remaining standards and interpretations on the Group accounts are not known at this time.

b) Basis of consolidation
The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 30 September 2008. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

b) Basis of consolidation (continued)
Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

c) Goodwill
Goodwill representing the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is capitalised and reviewed annually for impairment. Goodwill is carried at cost less accumulated impairment losses. Refer to Principal Accounting Policy (k) for a description of impairment testing procedures.

d) Revenue and revenue recognition
Revenue represents the value of work performed during the period plus the recognised value of sales in respect of maintenance and support contracts for the respective period, excluding VAT and trade discounts. Revenue from telecommunications services is based on the use of the relevant telecommunication services over the period. Revenue attributable to the maintenance and support of systems is invoiced in accordance with the contract and recognised on a straight-line basis over the support period.

Deferred income arises where services are invoiced in advance of performance. The amount is released to the income statement in subsequent periods with reference to the stage of completion of the transaction at the balance sheet date.

e) Foreign currencies
Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All other exchange differences are dealt with through the income statement.

f) Property, plant and equipment
Property, plant and equipment, which include motor vehicles, are stated at cost, net of depreciation and any provision for impairment. The depreciation policy is contained in Principal Accounting Policy (i).

g) Disposal of assets
The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the income statement. The gain or loss arising from the sale or revaluation of held for sale assets is included in "Loss for the year from discontinued operations" in the income statement. Any revaluation surplus remaining in equity on disposal of the asset is transferred to the profit and loss reserve.

h) Discontinued operations
A discontinued operation is a cash generating unit, or a group of cash generating units, that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

The disclosures for discontinued operations in the current and prior year relate to all operations that have been discontinued by the balance sheet date for the latest period presented.

i) Depreciation
Depreciation is calculated on a straight line basis so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant and equipment – over three years
IT equipment – over three years
Fixtures and fittings and leasehold improvements – over three years
Motor vehicles – over three years

Material residual value estimates are updated as required, but at least annually, whether or not the asset is revalued.

j) Intangible fixed assets
The following items were identified as part of the acquisitions of entities by the Group:

Maintenance contracts – amortised over 10 years
Billing software – amortised over 5 years
Customer base – amortised over 5 years

k) Impairment testing of goodwill, other intangible assets and property, plant and equipment
For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash generating unit level. Goodwill is allocated to those cash generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows.

Goodwill and other intangible assets with an indefinite useful life, and those intangible assets not yet available for use, are tested for impairment at least annually. All individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses are credited to the carrying amount of the relevant asset. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

l) Leased assets
In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

m) Inventories
Inventories are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items and the cost is calculated using the FIFO basis.

n) Taxation
Current tax is the tax currently payable based on taxable results for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets. Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity, in which case the related deferred tax is also charged or credited directly to equity.

o) Financial assets
Financial assets are divided into the following categories: loans and receivables. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. All financial assets are initially recognised at fair value, plus transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date.

Interest and other cash flows resulting from holding financial assets are recognised in the income statement when receivable, regardless of how the related carrying amount of financial assets is measured.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Provision against trade receivables is made when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

p) Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

q) Financial liabilities
Financial liabilities are obligations to pay cash or other financial instruments and are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in 'finance cost' in the income statement. Bank loans are raised for support of long-term funding of the Group's operations. They are recognised initially at fair value, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, and direct issue costs are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Dividend distributions payable to equity shareholders are included in 'other short-term financial liabilities' when the dividends are approved in general meeting prior to the balance sheet date.

r) Equity
Equity comprises the following:

'Share capital' represents the nominal value of equity shares.
'Share premium' represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
'Other reserve' represents equity-settled share-based employee remuneration until such share options are exercised.
'Fair Value Adjustment' represents the difference between the market value at the date of issue of shares to satisfy acquisitions and the value agreed with the vendors relating to these acquisitions.
'Profit and loss reserve' represents retained profits and accumulated losses.

s) Employee benefits
- Defined Contribution Pension Plan

  The pension costs charged against profits are the contributions payable to the scheme in respect of the accounting period.

  A defined contribution plan is a pension plan under which the Group pays a fixed contribution into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.
- Share-Based Payment – Equity settled

  All material share-based payment arrangements are recognised in the financial statements. All goods and services received in exchange for the grant of any share-based remuneration are measured at their fair values. Fair values of employee services are indirectly determined by reference to the fair value of the share options awarded. Their value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

  All share-based remuneration is ultimately recognised as an expense in the income statement with a corresponding credit to 'other reserve'.

s) Employee benefits (continued)

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital.

t) Government grants and assistance

Government grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account by equal annual installments over the expected useful lives of the relevant assets.

Government assistance of a revenue nature is credited to the income statement in the same period as the related expenditure.

u) Exceptional items

The Group disclose certain items as exceptional where it is determined their separate disclosure would enable a clearer understanding of the financial statements.

v) Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group's accounting policies

The Group has made one acquisition during the year, being Colloquium Limited. The allocation of fair values to the tangible assets and the identification and valuation of intangible assets affects the goodwill and the assignment of that to the cash generating unit, recognised in respect of the acquisition. Estimates and judgements around the allocation of fair values are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

The key assumptions concerning the future and other sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Intangible assets

Determining whether intangible assets are impaired requires the judgement of whether there is an impairment indicator. Management are satisfied there is no impairment indicator and the loss reported by the Group for the year is not an impairment indicator. Although overall loss making the gross profit for the Group is positive. The loss is due to group operating costs, restructuring costs and the loss making discontinued operations, and not a result of the performance of the intangible assets. The key judgement for the carrying value of intangible assets is the cash flows associated with the intangible assets. Each of the intangible assets held by the Group continues to generate positive cash flows and therefore management are satisfied there is no impairment indicator.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value.

w) Going concern

On the basis of a review of cash balances available to the Group, together with a review of forecasts and sensitised cash flows, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of signing the financial statements. Beyond the next 12-18 months, the Directors recognise that the Group must achieve monthly profitability for the business to cover its cost base and remain within its finance facilities.

x) Disposal group

Assets and liabilities that have been classified as a disposal group indicates that they are available for immediate sale and the disposal is deemed highly probable.

CONSOLIDATED INCOME STATEMENT

for the year ended 30 September 2008

	Notes	Year ended 2008 £	Year ended 2007 £
Revenue	4	1,495,267	1,014,870
Cost of sales		(959,301)	(777,911)
Gross profit		535,966	236,959
Administration expenses		(1,434,116)	(1,445,020)
Operating loss before amortisation, impairment of goodwill and exceptional cost		(898,150)	(1,208,061)
Amortisation of intangibles		(170,244)	(65,741)
Impairment of goodwill		–	(994,111)
Exceptional cost of fundamental reorganisation		–	(305,415)
Operating loss	5	(1,068,394)	(2,573,328)
Interest receivable		4,150	2,771
Interest payable		(2,761)	(12,600)
Finance costs	6	1,389	(9,829)
Loss before tax		(1,067,005)	(2,583,157)
Taxation	20	2,183	(439)
Loss for the year from continuing operations		(1,064,822)	(2,583,596)
Discontinued operations			
Loss for the year from discontinued operations	2.1	(566,108)	(421,781)
Loss for the year		(1,630,930)	(3,005,377)
Loss per share	8		
Loss per share basic and diluted – continuing		(0.09)p	(0.46)p
Loss per share basic and diluted – discontinued		(0.05)p	(0.07)p
Loss per share basic and diluted – total		(0.14)p	(0.53)p

The accompanying accounting policies and notes form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

as at 30 September 2008

	Notes	2008 £	2007 £
Assets			
Non-current assets			
Intangible assets	11	717,568	751,368
Property, plant and equipment	13	134,012	105,132
Total non-current assets		851,580	856,500
Current assets			
Inventories	15	344	22,524
Trade and other receivables	16	333,372	1,729,599
Cash and cash equivalents	17	545,521	157,361
Total current assets		879,237	1,909,484
Assets included in disposal groups		–	2,749,005
Total assets		1,730,817	5,514,989
Short-term borrowings	18	(6,936)	(587,308)
Trade payables	18	(353,698)	(1,234,194)
Other taxes and social security costs	18	(22,759)	(442,776)
Accruals and other payables	18	(191,477)	(384,987)
Total current liabilities		(574,870)	(2,649,265)
Non-current liabilities			
Long-term borrowings	18	–	(65,155)
Total liabilities		(574,870)	(2,714,420)
Net assets		1,155,947	2,800,569
Equity			
Share capital	19	4,807,680	4,807,680
Share premium account	19	3,207,593	3,207,593
Other reserve	19	2,852	16,544
Fair value adjustment	19	(1,064,130)	(1,064,130)
Profit and loss reserve		(5,798,048)	(4,167,118)
Total equity		1,155,947	2,800,569

These financial statements were approved by the Board of Directors on 15 January 2009.

Signed on behalf of the Board of Directors by:

A J Bonner
Chief Executive Officer

The accompanying accounting policies and notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2008

	Share capital £	Share premium £	Shares to be issued £	Other reserve £	Fair value £	Retained earnings £	Total £
At 1 October 2006	3,276,831	860,817	787,500	20,028	(417,221)	(1,161,741)	3,366,214
Loss for the year	–	–	–	–	–	(3,005,377)	(3,005,377)
Recognised directly in equity							
Share issue	1,530,849	–	–	–	(646,909)	–	883,940
Shares to be issued as part of acquisition	–	–	(787,500)	–	–	–	(787,500)
Premium on share issue	–	2,438,401	–	–	–	–	2,438,401
Share-based payments	–	–	–	8,272	–	–	8,272
Lapse of share options	–	–	–	(11,756)	–	–	(11,756)
Expenses incurred on share issue	–	(91,625)	–	–	–	–	(91,625)
Net change directly in equity	1,530,849	2,346,776	(787,500)	(3,484)	(646,909)	–	2,439,732
Total movements	1,530,849	2,346,776	(787,500)	(3,484)	(646,909)	(3,005,377)	(565,645)
Equity at 30 September 2007	4,807,680	3,207,593	–	16,544	(1,064,130)	(4,167,118)	2,800,569
At 1 October 2007	4,807,680	3,207,593	–	16,544	(1,064,130)	(4,167,118)	2,800,569
Loss for the year	–	–	–	–	–	(1,630,930)	(1,630,930)
Recognised directly in equity							
Share-based payments	–	–	–	2,852	–	–	2,852
Lapse of share options	–	–	–	(16,544)	–	–	(16,544)
Net change directly in equity	–	–	–	(13,692)	–	–	(13,692)
Total movements	–	–	–	(13,692)	–	(1,630,930)	(1,644,622)
Equity at 30 September 2008	4,807,680	3,207,593	–	2,852	(1,064,130)	(5,798,048)	1,155,947

The accompanying accounting policies and notes form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 September 2008

	2008 £	2007 £
Cash flows from operating activities		
Operating loss	(1,643,269)	(2,491,961)
Adjustments for:		
Depreciation	59,360	93,778
Amortisation	170,244	65,741
Impairment of goodwill	–	994,110
Release of negative goodwill	–	(9,557)
Other non-cash items	19,396	(3,484)
Payment of corporation tax	(3,253)	(8,712)
Decrease in inventories	22,180	11,228
Decrease in trade and other receivables	1,396,227	331,844
(Decrease)/increase in trade payables, accruals and other creditors	(1,494,631)	70,872
Net cash outflow from operating activities	(1,473,746)	(946,141)
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,850)	(135,220)
Sale of property, plant and equipment	2,360	–
Disposal of subsidiary company	2,635,857	–
Acquisition of subsidiaries	(130,400)	25,292
Net cash used in investing activities	2,497,967	(109,928)
Cash flows from financing activities		
Interest paid	(10,821)	(62,195)
Interest received	20,287	–
Issue of shares	–	1,380,000
Repayment of bank borrowing	(101,403)	(28,716)
Former subsidiary Director’s loan notes less repayments	–	(50,000)
Receipt of finance leases less repayments	(44,242)	34,695
Expenses paid in connection with share issues	–	(91,625)
Net cash used in financing activities	(136,179)	1,182,159
Net increase in cash	888,042	126,090
Cash and bank overdrafts at beginning of period	(349,457)	(475,547)
Cash and bank overdrafts at end of period	538,585	(349,457)
Cash and bank overdrafts comprise:		
Cash and cash equivalents	545,521	157,361
Bank overdrafts	(6,936)	(506,818)
	538,585	(349,457)

1. General information
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

Glen Group plc, a public limited company, is the Group's ultimate Parent Company. It is incorporated in England and Wales. The address of Glen Group plc's registered office is 8-10 New Fetter Lane, London EC4A 1RS. Its principal place of business is Glen House, 6 Straiton View, Straiton Business Parc, Edinburgh EH20 9QZ.

The financial statements for the year ended 30 September 2008 were approved by the Board of Directors on 15 January 2009.

2. Disposal group
The disposal group consists of Eclectic Group Limited ('Eclectic') and its wholly owned subsidiary I G Software Limited ('inGroup'). The assets and undertaking of these businesses were sold to Maxima Information Group Limited, a wholly owned subsidiary of Maxima Holdings plc, effective 31 December 2007.

2.1. Income statement

	2008 £	2007 £
Revenue	1,686,652	5,670,935
Expenses	(1,912,537)	(5,641,934)
Exceptional loss on sale of discontinued operations	(340,223)	–
Pre-tax (loss)/profit on discontinued operations	(566,108)	29,001
Income tax expense	–	(782)
Loss recognised on measurement to fair value less costs to sell off disposal group	–	(450,000)
Loss for the year from discontinued activities	(566,108)	(421,781)

2.2. Assets classified in disposal group

Non-current assets		
Goodwill carrying value at 30 September 2007	–	3,134,387
Impairment	–	(450,000)
Property, plant and equipment	–	64,618
	–	2,749,005

2.3. Cash flows attributable to discontinued operations

Net cash inflow/(outflow) from operating activities	(1,624,684)	1,219,004
Net cash provided by/(used in) investing activities	2,479,018	(1,205,109)
Net cash provided by/(used in) financing activities	(94,086)	10,231

3. Acquisitions

3.1. Acquisition of Colloquium Limited

On 27 June 2008, Pinnacle Telecom plc acquired 100% of the share capital of Colloquium Limited, a company registered in Scotland. The total cost of acquisition includes the components stated below. The purchase price of £130,400, including acquisition expenses, was settled in cash. With the exception of intangible assets, no adjustments have been made to the book values of the assets and liabilities at acquisition. The book value of intangible assets at acquisition was nil. This can be analysed as follows:

	£
Assets	
Non-current assets	
Property, plant and equipment	78,430
Intangible assets	136,444
	214,874
Current assets	
Trade and other receivables	37,460
Cash and cash equivalents	14,452
Total current assets	51,912
Total assets	266,786
Liabilities	
Current liabilities	
Trade and other payables	88,156
Other taxes and social security costs	24,714
Other creditors and accruals	23,516
Total current liabilities	136,386
Total non-current liabilities	–
Total liabilities	136,386
Net assets	130,400

Turnover and operating loss of the Company acquired for the post acquisition period were £88,304 and £34,598, respectively. For the period 1 March 2008 to 30 September 2008, the turnover was £237,355 and the operating loss was £102,554.

4. Segment Reporting

4.1. Analysis of revenue

	2008 £	2007 £
By business sector		
Mobile services	168,227	221,939
IT	126,546	423,503
Other telecommunication services	1,200,494	369,428
Continuing operations	1,495,267	1,014,870
IT – discontinued operations	1,686,652	5,670,935
Total revenue	3,181,919	6,685,805

4.1. Analysis of revenue (continued)

	2008 £	2007 £
By destination		
United Kingdom	3,181,919	6,685,805
By origin		
Glen Communications – continuing operations	197,008	638,077
Pinnacle Group	1,298,259	376,793
Eclectic and inGroup – discontinued operations	1,686,652	5,670,935
Total revenue	3,181,919	6,685,805

4.2. Analysis of net loss after tax

	2008 £	2007 £
By business sector		
Mobile services		
Loss from operations before exceptional items	(81,502)	(578,964)
Reorganisation costs	–	(278,843)
Impairment of goodwill	–	(935,314)
Loss from operations after exceptional items	(81,502)	(1,793,121)
IT		
Loss from operations before exceptional items	(33,890)	(124,927)
Reorganisation costs	–	(12,184)
Amortisation	(20,000)	(20,000)
Impairment of goodwill	–	(58,796)
Loss from operations after exceptional items	(53,890)	(215,907)
Other telecommunication services		
(Loss)/profit from operations before exceptional items	(213,202)	49,636
Reorganisation costs	–	(14,388)
Amortisation	(150,244)	(45,741)
Loss from operations after exceptional items	(363,446)	(10,493)
Head office		
Loss from operations	(565,984)	(564,075)
Loss from continuing operations	(1,064,822)	(2,583,596)
IT – discontinued operations	(566,108)	(421,781)
Loss for the year	(1,630,930)	(3,005,377)
By destination – continuing and discontinued operations		
United Kingdom	(1,630,930)	(3,005,377)
By origin		
Glen Group	(565,984)	(564,075)
Glen Communications	(135,392)	(2,009,028)
Pinnacle Group	(363,446)	(10,493)
	(1,064,822)	(2,583,596)
Eclectic and inGroup – discontinued operations	(566,108)	(421,781)
Loss for the year	(1,630,930)	(3,005,377)

4.3. Analysis of assets and liabilities

	Mobile £	IT £	Other telecommunication services £	Discontinued operations £	Total £
By business sector					
Non-current assets					
Intangible assets	–	–	717,568	–	717,568
Property, plant and equipment	22,342	7,078	104,592	–	134,012
Total non-current assets	22,342	7,078	822,160	–	851,580
Current assets					
Inventories	–	344	–	–	344
Trade and other receivables	31,656	42,422	229,821	29,473	333,372
Cash and cash equivalents	35,525	26,866	101,825	381,305	545,521
Total current assets	67,181	69,632	331,646	410,778	879,237
Total assets	89,523	76,710	1,153,806	410,778	1,730,817
Liabilities					
Current liabilities					
Short-term borrowing	–	2,894	3,210	832	6,936
Trade payables	27,291	13,662	296,441	16,304	353,698
Other taxes	(2,301)	9,248	26,089	(10,277)	22,759
Accruals and other payables	10,097	13,654	153,275	14,451	191,477
Total current liabilities	35,087	39,458	479,015	21,310	574,870
Total non-current liabilities	–	–	–	–	–
Total liabilities	35,087	39,458	479,015	21,310	574,870
Net assets	54,436	37,252	674,791	389,468	1,155,947

5. Operating loss

	2008 £	2007 £
Loss from operations is stated after charging:		
Exceptional cost of fundamental reorganisation	–	305,415
Depreciation of owned fixed assets	59,360	93,778
Other operating lease rentals:		
– buildings	70,953	101,670
– office equipment	1,413	14,576
Auditors' remuneration:		
– Company	12,400	13,337
– Group	60,575	46,985
Non-audit fees:		
– Company, tax work and advice	–	600
– Group, review of interim accounts	4,887	3,709
– Group, tax work and advice	4,230	6,114
and after crediting:		
Government grants	–	30,000

In addition, remuneration paid to the auditors in respect of fundraising totalling £Nil (2007: £17,625) has been included within the share premium account.

6. Finance income and finance costs

Finance cost includes all interest-related income and expenses. The following amounts have been included in the income statement line for the reporting periods presented:

	2008 £	2007 £
Interest income resulting from short-term bank deposits	4,150	2,771
Finance income	4,150	2,771
Interest expense resulting from:		
– bank loans	288	5,171
– bank overdrafts and invoice factoring	2,322	7,429
– overdue taxation	151	–
Finance costs	2,761	12,600

7. Employee costs

7.1. Directors and employees

The average number of staff employed by the Group during the financial year amounted to:

	2008 Number	2007 Number
Number of management staff	6	8
Number of operational staff	24	60
Total	30	68

Employee numbers are stated including Directors.

7.2. Employee remuneration

	2008 £	2007 £
Wages and salaries	1,186,710	2,548,256
Share option costs	2,852	8,272
Social security costs	158,368	371,712
Pension – defined contribution plans	51,406	39,701
Total	1,399,336	2,967,941

7.3. Share-based remuneration

In the year ended 30 September 2006 the Company set up an EMI share option scheme as part of the remuneration of senior management. The maximum term of current arrangements under the EMI scheme ends on 1 July 2018. Upon vesting, each option allows the holder to purchase one ordinary share at the pre-agreed option price. All share-based employee remuneration will be settled in equity. The Group has no legal or other obligation to repurchase or settle the options. There are no specific performance criteria attached to the outstanding options other than exceeding the share price attained at the time of exercise. Share options and the exercise price are as follows for the reporting periods presented:

	2008 Number	2008 Weighted average exercise price £	2007 Number	2007 Weighted average exercise price £
Outstanding at 1 October	18,166,667	0.01052	25,666,667	0.01052
Granted	64,545,455	0.001375	–	–
Lapsed	(17,500,000)	–	(7,500,000)	–
Outstanding at 30 September	65,212,122	0.00167	18,166,667	0.01052

7.3. Share-based remuneration (continued)

At 30 September 2008, Glen Group plc has granted the following outstanding share options:

	2008			2007		
	Number	Weighted average exercise price £	Weighted average remaining contractual life Months	Number	Weighted average exercise price £	Weighted average remaining contractual life Months
Earliest exercise date						
2005	666,667	0.03	74	666,667	0.03	86
2010	64,545,455	0.001375	117	17,500,000	0.01	100

In total £2,852 of employee remuneration expense has been included in the consolidated income statement for 2008 (2007: £8,272). The fair value of options granted was calculated using the Black Scholes option pricing model incorporating the following key assumptions:

	2008		2007	
Number of options	64,545,455	666,667	17,500,000	666,667
Volatility	75%	50%	50%	50%
Spot price	£0.001375	£0.03	£0.01	£0.03
Interest rate	4.50%	4.52%	4.13%	4.52%
Dividend yield	0%	0%	0%	0%
Vesting period (years)	3	1	3	1
Option value weighted average exercise price	£0.00869	£0.0147	£0.0117	£0.0147

7.4. Directors

Details of individual Directors' emoluments for the year are as follows:

	Fees		Salaries		Pensions		Benefits		Totals	
	2008 £	2007 £	2008 £	2007 £	2008 £	2007 £	2008 £	2007 £	2008 £	2007 £
Non-Executive										
E M Hagman	10,833	20,000	–	–	–	–	978	978	11,811	20,978
P J Ford	8,750	17,000	–	–	–	–	–	–	8,750	17,000
D Hewitt	5,417	–	–	–	–	–	–	–	5,417	–
J C Anderson	1,667	–	–	–	–	–	–	–	1,667	–
G J Duncan	11,667	–	–	–	–	–	290	–	11,957	–
Executive										
G J Duncan	66,083	104,500	41,627	60,000	37,120	11,813	2,978	10,692	147,808	187,005
A Bonner	28,600	–	14,063	–	–	–	1,584	–	44,247	–
Totals	133,017	141,500	55,690	60,000	37,120	11,813	5,830	11,670	231,657	224,983

Benefits include the costs of share options issued in accordance with IFRS 2 Share-Based Payments to the Directors as follows:

	2008 £	2007 £
Name of Director		
E M Hagman (resigned 31 May 2008)	978	978
G J Duncan	290	7,294
A J Bonner	1,584	–
	2,852	8,272

A J Bonner is the only Executive Director and is therefore the only Director deemed key management.

8. Total and continuing loss per share

	2008 £	2007 £
Loss attributable to ordinary shareholders – continuing operations	1,064,822	2,583,596
Loss attributable to ordinary shareholders – discontinued operations	566,108	421,781
Loss attributable to ordinary shareholders	1,630,930	3,005,377

	Number	Number
Weighted average number of ordinary shares in issue	1,194,099,804	567,346,340
Loss per share (pence) – continuing operations	0.09	0.46
Loss per share (pence) – discontinued operations	0.05	0.07
Loss per share (pence) – total	0.14	0.53

Both the basic and diluted earnings per share have been calculated using the net loss after taxation attributable to the shareholders of Glen Group plc as the numerator.

The weighted average number of outstanding shares used for basic earnings per share amounted to 1,194,099,804 shares (2007: 567,346,340).

Due to the losses incurred by the Group the share options are anti-dilutive.

9. Goodwill

The net carrying amount of goodwill can be analysed as follows:

	2008 £	2007 £
Gross carrying amount	994,110	994,110
Accumulated impairment losses	(994,110)	(994,110)
Carrying amount at 30 September	–	–

Changes in the net carrying amount can be analysed as follows:

Carrying amount at 1 October	–	3,562,740
Additions:		
Explore IT Limited	–	1,762
IG Software Limited	–	563,994
Transfer of goodwill to disposal group (Note 2)	–	(3,134,386)
Carrying amount at 30 September	–	994,110
Impairment loss on Glen Communications Limited	–	(916,337)
Impairment loss on Explore IT Limited	–	(58,796)
Impairment loss on Soluis IT Limited	–	(18,977)
	–	(994,110)

10. Impairment of goodwill

In 2007, goodwill was allocated for impairment testing purposes to seven cash-generating units, all in the United Kingdom. The carrying amount of goodwill allocated to Glen Communications Limited, Explore IT Limited and Soluis IT Limited was fully written off during 2007 in light of the trading results for each entity.

11. Intangible assets

The following intangible assets arose on the acquisition of Pinnacle Telecom plc, Explore IT Limited and Colloquium Limited:

	2008 £	2007 £
Maintenance contracts	100,000	100,000
Pinnacle Telecom plc – billing system	150,000	150,000
Pinnacle Telecom plc – customer base	443,163	443,163
Sports Club Telecom Limited – customer base	123,946	123,946
Colloquium Limited – customer base	136,444	–
	953,553	817,109
Amortisation to date		
Maintenance contracts	40,000	20,000
Pinnacle Telecom plc – billing system	40,000	10,000
Pinnacle Telecom plc – customer base	118,177	29,544
Sports Club Telecom Limited – customer base	30,986	6,197
Colloquium Limited – customer base	6,822	–
	235,985	65,741
Carrying amount at 30 September	717,568	751,368
Net intangible assets at 1 October	751,368	100,000
Intangible asset additions	136,444	717,109
Amortisation in period	(170,244)	(65,741)
Impairment	–	–
Net intangible assets at 30 September	717,568	751,368

Maintenance contracts of £100,000 relate to maintenance contracts obtained as part of the acquisition of Explore IT Limited on 4 September 2006. The Group's policy is to amortise the maintenance contracts over the expected life of the contracts.

Included as part of the acquisition of Pinnacle Telecom plc on 7 June 2007 the custom billing system was obtained and has been valued at £150,000. The Group's policy is to amortise the billing system over 5 years. Customer bases obtained as part of the acquisitions of Pinnacle Telecom plc, £443,163, Sports Club Telecom Limited, £123,946, and Colloquium Limited, £136,444, are being amortised over 5 years.

The intangible assets relate to customer lists and maintenance contracts, which continue to be cash flow generative and hence no indication of impairment arises.

12. Group investments

The Group's principal subsidiary undertakings are as follows:

	Country of incorporation	Class of share capital	Ownership % by the Group at 30 Sep 2008	Nature of business
Subsidiary undertakings				
Glen Communications Limited	Scotland	Ordinary	100	Telecommunications
Explore IT Limited	England and Wales	Ordinary	100	IT services
Pinnacle Technology Consulting Limited (1)	Scotland	Ordinary	100	IT consultancy
I G Software Limited	England and Wales	Ordinary	100	IT consultancy
Pinnacle Telecom plc	Scotland	Ordinary/Preference	100	Telecommunications
Pinnacle Mobile Limited	England and Wales	Ordinary	100	Telecommunications
Sports Club Telecom Limited	Scotland	Ordinary	100	Telecommunications
Straiton Group Management Limited (2)	Scotland	Ordinary	100	Holding company
Pinnacle Group Limited	Scotland	Ordinary	100	Holding company
Colloquium Limited	Scotland	Ordinary/Preference	100	ISP and telecommunications

Notes:

1 *Formerly Eclectic Group Limited.*
2 *Formerly Eclectic Holdings Limited.*

13. Property, plant and equipment

	IT equipment £	Fixtures and fittings and leasehold improvements £	Plant, machinery and motor vehicles £	Total £
Gross carrying amount	312,662	61,520	6,538	380,720
Accumulated depreciation	216,895	48,987	2,171	268,053
Carrying amount at 1 October 2006	95,767	12,533	4,367	112,667
Gross carrying amount	188,830	105,165	9,130	303,125
Accumulated depreciation	115,235	76,897	5,861	197,993
Carrying amount at 30 September 2007	73,595	28,268	3,269	105,132
Gross carrying amount	476,990	117,336	27,020	621,346
Accumulated depreciation	379,405	84,252	23,677	487,334
Carrying amount at 30 September 2008	97,585	33,084	3,343	134,012

The carrying amounts of property, plant and equipment for the periods presented in the consolidated financial statements as at 30 September 2008 are reconciled as follows:

	IT equipment £	Fixtures and fittings and leasehold improvements £	Plant, machinery and motor vehicles £	Total £
Cost				
At 1 October 2007	188,830	105,165	9,130	303,125
Additions	8,425	1,425	–	9,850
Additions by acquisition	60,268	17,548	2,409	80,225
Disposals	(2,360)	–	–	(2,360)
At 30 September 2008	255,163	124,138	11,539	390,840
Cost				
At 1 October 2006	312,662	61,520	6,538	380,720
Additions	115,886	17,654	1,074	134,614
Additions by acquisition	60,229	25,991	1,518	87,738
Disposals	(299,947)	–	–	(299,947)
At 30 September 2007	188,830	105,165	9,130	303,125

13. Property, plant and equipment (continued)

	IT equipment £	Fixtures and fittings and leasehold improvements £	Plant, machinery and motor vehicles £	Total £
Depreciation				
At 1 October 2007	115,235	76,897	5,861	197,993
Charge for year	44,279	12,746	2,335	59,360
Disposal	(525)	–	–	(525)
At 30 September 2008	158,989	89,643	8,196	256,828
At 1 October 2006	216,895	48,987	2,171	268,053
Charge for year	73,439	18,050	2,289	93,778
Acquisition	60,230	9,860	1,401	71,491
Transfer to disposal group	(235,329)	–	–	(235,329)
At 30 September 2007	115,235	76,897	5,861	197,993
Net book value at 30 September 2008	96,174	34,495	3,343	134,012
Net book value at 30 September 2007	73,595	28,268	3,269	105,132

All depreciation is included in 'Administration Expenses' in the income statement.

14. Leases

14.1. Finance leases

Glen Group plc had finance leases which related to the Group's computer equipment. The net carrying amount of the assets held under the leases is £Nil (2007: £40,392). The assets are included under IT Equipment.

Future minimum lease payments as at 30 September 2008:

	Within 1 year £	1 to 5 years £	More than 5 years £	Total £
Lease payments	–	–	–	–
Future minimum lease payments as at 30 September 2007:	21,082	23,160	–	44,242

14.2. Operating leases

The Group's minimum operating lease payments are as follows:

	Within 1 year £	1 to 5 years £	More than 5 years £	Total £
As at 30 September 2008	44,700	73,650	–	118,350
As at 30 September 2007	73,290	133,150	–	206,440

Lease payments recognised as an expense during the year amounted to £70,953 (2007: £199,484). No sublease income is expected as all assets held under lease agreements are used exclusively by the Group.

14.2. Operating leases (continued)

The terms left on the non-cancellable leases can be summarised as follows:

	Rented since	Non-cancellable term left
Property		
6 Straiton View, Loanhead, Edinburgh	2006	38 months
101 Abercorn Street, Paisley, Glasgow	1995	6 months

Operating leases do not contain any contingent rent clauses. None of the operating lease agreements contain renewal of purchase options or escalation clauses or any restrictions regarding dividends, further leasing or additional debt.

15. Inventories

	2008 £	2007 £
Consumables	344	22,524
Inventories	344	22,524

16. Trade and other receivables

	2008 £	2007 £
Trade receivables	268,995	1,215,206
Other receivables	–	103,763
Prepayments and accrued income	64,377	410,630
	333,372	1,729,599

Trade debtors at the balance sheet date comprise amounts receivable from the provision of IT and telecommunications services.

The average credit period taken on the provision of these services is 31 days (2007: 78 days). Trade receivables are stated net of an impairment for estimated irrecoverable amounts of £91,888 (2007: £212,796). This impairment has been determined by reference to known issues. Write offs are made when the irrecoverable amount becomes certain. The carrying value of trade and other receivables approximates to their fair value.

At 30 September 2008 trade receivables amounting to £155,756 (2007: £665,794) were past due but not impaired.

	2008 £	2007 £
The age of trade receivables not impaired is as follows:		
Not past due (less than 30 days)	113,239	549,412
30 – 59 days	26,432	325,744
60 – 89 days	21,041	87,447
90 – 119 days	12,746	80,575
120 days +	95,537	172,028
	268,995	1,215,206

Credit risk

The Group's main risk relates to trade receivables which are stated net of the provisions above. No collateral is held as security against these debtors and the carrying value represents the fair value. The Group does not identify specific concentrations of credit risk with regards to trade and other receivables, as the amounts recognised represent a large number of receivables from various customers.

17. Cash and cash equivalents

Cash and cash equivalents include the following components:

	2008 £	2007 £
Cash at bank and in hand	545,521	157,361

Cash balances are held with a small number of counter parties. The majority of bank accounts are held with Royal Bank of Scotland plc.

18.1. Trade and other payables

	2008 £	2007 £
Bank overdrafts	5,336	506,818
Bank loans	1,600	101,403
Finance lease liability	–	44,242
	6,936	652,463
Less non-current portion of bank loans	–	(41,995)
Less non-current portion of finance leases	–	(23,160)
Short-term borrowings	6,936	587,308
Trade payables	353,698	1,234,194
Accruals and other payables	191,477	384,987
Other taxes and social security costs	22,759	442,776
Trade and other payables	574,870	2,649,265

Note 14.1 contains further information on the finance lease liability.

The fair values of the trade and other payables has not been disclosed as due to their short duration, management considers the carrying amounts recognised in the balance sheet to be a reasonable approximation of their fair value.

18.2. Long-term borrowings

	2008 £	2007 £
Bank loans	–	41,995
Finance leasing liability – long-term element	–	23,160
Long-term financial liabilities	–	65,155

All bank loans and finance leases were repaid in full during the year.

19. Share capital and reserves

19.1. Share capital

The share capital of Glen Group plc consists of ordinary shares with a par value of £0.001 and deferred shares with a par value of £0.009. All ordinary shares are equally eligible to receive dividends and the repayment of capital, and represent one vote at the shareholders' meeting of Glen Group plc. The deferred shares carry no voting rights and are not eligible to receive dividends or repayment of capital.

	2008 £	2007 £
Shares issued and fully paid		
– beginning of year	4,807,680	3,276,831
– issued during year	–	1,530,849
Shares issued and fully paid	4,807,680	4,807,680
Shares authorised for share-based payments	1,192,320	1,192,320
Total equity shares authorised at 30 September	6,000,000	6,000,000

The authorised and issued share capital can be summarised as follows:

	2008 £	2007 £
Total equity shares authorised		
2,386,420,000 Ordinary shares of £0.001 each	2,386,420	2,386,420
401,508,895 Deferred shares of £0.009 each	3,613,580	3,613,580
	6,000,000	6,000,000
Shares issued and fully paid		
1,194,099,804 Ordinary shares of £0.001 each	1,194,100	1,194,100
401,508,895 Deferred shares of £0.009 each	3,613,580	3,613,580
	4,807,680	4,807,680

19.2. Share premium

	2008 £	2007 £
Balance brought forward	3,207,593	860,817
Premium on shares issued	–	2,438,401
Share issue expenses	–	(91,625)
Balance carried forward	3,207,593	3,207,593

19.3. Profit and loss reserve

	2008 £	2007 £
Profit and loss account at 1 October 2007	(4,167,118)	(1,161,741)
Loss for the year	(1,630,930)	(3,005,377)
Profit and loss account at 30 September 2008	(5,798,048)	(4,167,118)

19.4. Other reserve

The other reserve represents amounts transferred in respect of share-based remuneration.

19.5. Fair value adjustment

The market value of the shares issued in respect of the acquisitions of Pinnacle Group companies and IG Software Limited differs from the value agreed with the vendors. The amount reflects the difference between the price negotiated with the seller and the mid-market price at the date of the transaction.

The difference in value has been credited to goodwill as follows:

	2008 £	2007 £
Balance brought forward	1,064,130	417,221
Pinnacle Telecom plc	–	92,045
Sports Club Telecom Limited	–	3,864
Pinnacle Mobile Limited	–	1,000
IG Software Limited	–	550,000
Balance carried forward	1,064,130	1,064,130

20. Income tax expenses

The tax charge represents:

	2008 £	2007 £
UK corporation tax on profits of the period	535	2,291
Total current tax	535	2,291
Adjustment for prior year taxation	(2,718)	(1,852)
Deferred tax: origination and reversal of timing differences	–	–
Tax charge	(2,183)	439

20. Income tax expenses (continued)
The relationship between expected tax expense based on the effective tax rate of Glen Group plc at 28% (2007: 30%) and the tax expense actually recognised in the income statement can be reconciled as follows:

	2008 £	2007 £
Result for the year before tax	(1,633,113)	(3,004,938)
Tax rate	28%	30%
Expected tax expenses	(457,272)	(901,481)
Adjustment for non-deductible expenses	553,619	177,120
Small companies relief	–	(1,768)
Depreciation in excess of capital allowances	2,842	(3,693)
Utilisation of tax losses	(53,680)	(29,926)
Chargeable gains	57,818	–
Tax losses carried forward	24,585	458,327
Impairment of goodwill	–	298,233
Adjustments on consolidation – pre-acquisition losses etc	(129,397)	5,699
Prior year adjustments	(2,718)	(1,852)
Other short-term timing differences	2,020	(220)
Actual tax expense net	(2,183)	439

The Group has unrecognised deferred tax assets in respect of tax losses carried forward totalling £248,220 (2007: £820,578). The Group has not yet provided deferred tax liabilities in respect of intangible assets totalling £200,919 (2007: £201,401).

21. Related party transactions
The following related party transactions occurred during the year:

- In connection with the sale of the assets and business of Eclectic Group Limited on 31 December 2007, that company paid a bonus of £191,000 to John Nicoll, its Managing Director.
- Graham J Duncan, the former group CEO, became Non-Executive Chairman with effect from 1 June 2008 and entered into a letter of appointment for an initial period of one year with a three-month rolling notice period thereafter. Separately, he entered into a consulting agreement to provide a package of services to Glen over a period of three years, covering certain financial and M&A work. Under the terms of the consultancy agreement Graham J Duncan is entitled to a consultancy fee of £60,000 during the first year of the agreement and £50,000 per annum in subsequent years, paid monthly in arrears. He is also entitled to a transaction fee of 4% of the gross value of any corporate transactions entered into by the Company less the relevant legal fees and after a deduction of the sum of £15,000 in any single year. All payments made are processed through payroll and suffer PAYE and NIC deductions. In order to assist in lowering the costs of the Company Graham J Duncan agreed to bring his existing executive service contract to an end on 31 May 2008, without compensation, notwithstanding that it had a one-year notice period.

  The entering into the consultancy agreement is a related party transaction under the AIM Rules. As such the Directors, other than Graham J Duncan, consider, having consulted with the Company's nominated adviser (Zeus Capital Limited), that the terms of the transaction are fair and reasonable insofar as shareholders are concerned.

There are no other related party transactions recorded during the year to 30 September 2008 or to 30 September 2007.

22. Contingent liabilities
There were no contingent liabilities at 30 September 2008 or 30 September 2007.

23. Capital commitments
There were no capital commitments at 30 September 2008 or 30 September 2007.

24. Risk management
The Group finances its activities through equity and bank funds. No speculative treasury transactions are undertaken and during the last two years no derivative contracts were entered into. Financial assets and liabilities include those assets and liabilities of a financial nature, namely cash, investments and borrowings.

The Group is exposed to a variety of financial risks arising from its operating activities, which are monitored by the Directors.

24.1. Cash and liquidity risk
The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

The Group policy throughout the year has been to ensure continuity of funding by a combination of equity funding and available bank facilities.

24.2. Interest rate risk
The interest rate on the Group's cash at bank is determined by reference to the bank rate.

At 30 September 2008, the Group had no committed overdraft facilities (2007: £50,000), invoice discounting facilities (2007: £1,000,000) or other bank borrowing.

24.3. Capital risk management
The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the returns to shareholders through the organisation of cash, debt and equity balances. The capital structure of the Group consists of cash and cash equivalents, debt and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the statement of changes in equity on page 21.

24.4. Credit risk
The Group's policy is to monitor trade and other receivables and avoid significant concentrations of credit risk. The principal credit risk arises from trade receivables. Aged receivables reports are reviewed monthly and any balances greater than 60 days are reported to the CEO. The credit control function follows a policy of sending reminder letters that start once an invoice is over 30 days overdue. These culminate in a legal letter with the threat of legal action. In a limited number of cases, legal action has been pursued.

An aged analysis of receivables is shown in Note 16 to the financial statements.

24.5. Risk Management Analysis
The information below provides an analysis of the financial assets and liabilities within the scope of IAS 39 Financial Instruments: Recognition and Measurement, required by IFRS 7 Financial Instruments: Disclosure.

An analysis of the principal balance sheet sums, relevant to an analysis of risk management, is as follows:

	Loans and receivables £	Non-financial assets £	Balance Sheet total £
2008			
Trade and other receivables	333,372	–	333,372
Other current assets	344	–	344
Cash and cash equivalents	545,521	–	545,521
	879,237	–	879,237

	Loans and receivables £	Non-financial assets £	Balance Sheet total £
2007			
Trade and other receivables	1,729,599	–	1,729,599
Other current assets	22,524	–	22,524
Cash and cash equivalents	157,361	–	157,361
	1,909,484	–	1,909,484

24.5. Risk Management Analysis (continued)

	Other financial liabilities at amortised cost £	Liabilities not within scope of IAS 39 £	Balance Sheet Total £
2008			
Trade and other payables	567,934	5,336	573,270
Long-term borrowings – current position	–	1,600	1,600
Finance lease liability – current	–	–	–
Long-term borrowings – non-current	–	–	–
Finance lease liability – non-current	–	–	–
	567,934	6,936	574,870

	Other financial liabilities at amortised cost £	Liabilities not within scope of IAS 39 £	Balance Sheet Total £
2007			
Trade and other payables	2,061,957	506,818	2,568,775
Long-term borrowings – current position	–	59,408	59,408
Finance lease liability – current	–	21,082	21,082
Long-term borrowings – non-current	–	41,995	41,995
Finance lease liability – non-current	–	23,160	23,160
	2,061,957	652,463	2,714,420

	0 to 60 days £	61 days to 6 months £	6 months to 12 months £	12 months to 2 years £	2 years to 5 years £	Total £
2008						
Trade payables	132,431	138,392	1,476	81,399	–	353,698
Long-term borrowings	–	–	–	–	1,600	1,600
Finance lease liabilities	–	–	–	–	–	–
	132,431	138,392	1,476	81,399	1,600	355,298

	0 to 60 days £	61 days to 6 months £	6 months to 12 months £	12 months to 2 years £	2 years to 5 years £	Total £
2007						
Trade payables	791,733	376,914	65,547	–	–	1,234,194
Long-term borrowings	–	–	–	41,995	44,800	86,795
Finance lease liabilities	–	–	38,577	5,665	–	44,242
	791,733	376,914	104,124	47,660	44,800	1,365,231

25. Ultimate controlling party

There is no ultimate controlling party.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF GLEN GROUP PLC (PARENT COMPANY)

We have audited the Parent Company financial statements for the year ended 30 September 2008, which comprise the principal accounting policies, the balance sheet and Notes 1 to 14. These Parent Company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the consolidated financial statements of Glen Group plc for the year ended 30 September 2008.

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 auditors' 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 the Directors and auditors

The Directors' responsibilities for preparing the annual report and the Parent Company financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 Parent Company financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the Directors' report is consistent with the Parent Company financial statements. The information given in the Directors' report includes that specific information presented in the Chairman's statement and the business review that is cross referred from the business review section of the Directors' report.

In addition we report to you if, in our opinion, the Parent Company has not kept proper accounting records, if we have not received all 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 Parent Company financial statements. This other information comprises only the Chairman's statement, the business review, corporate governance statement, Directors' report, statement of Directors' responsibilities and report of the Board to the members on Directors' remuneration. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Parent Company financial statements. Our responsibilities do not extend to any other information.

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 examination, on a test basis, of evidence relevant to the amounts and disclosures in the Parent Company financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Parent Company financial statements, and of whether the accounting policies are appropriate to the Company'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 Parent Company 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 Parent Company financial statements.

Opinion

In our opinion:

- the Parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Parent Company's affairs as at 30 September 2008;
- the Parent Company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
Edinburgh
15 January 2009

BALANCE SHEET (PARENT COMPANY)

as at 30 September 2008

	Notes	2008 £	2007 £
Fixed assets			
Tangible assets	4	1,890	3,945
Investments	5	1,574,385	3,447,992
		1,576,275	3,451,937
Current assets			
Debtors	6	1,463,013	2,604,647
Cash at bank and in hand		28,473	80,095
		1,491,486	2,684,742
Creditors: amounts falling due within one year	7	(847,684)	(1,014,919)
Net current assets		643,802	1,669,823
Total assets less current liabilities		2,220,077	5,121,760
Creditors: amounts falling due after more than one year	8	–	(1,600)
		2,220,077	5,120,160
Capital and reserves			
Called up share capital	10	4,807,680	4,807,680
Share premium account	11	3,207,593	3,207,593
Profit and loss account	11	(5,795,196)	(2,895,113)
Shareholders' funds	12	2,220,077	5,120,160

Approved by the Board and authorised for issue on 15 January 2009.

A J Bonner
Director

The accompanying accounting policies and notes form part of these financial statements.

1. Accounting policies

1.1. Accounting convention
The financial statements are prepared under the historical cost convention.

1.2. Profit and loss account and cash flow statement
The Parent Company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account and cash flow statement in the financial statements. The Parent Company's loss for the year was £2,900,083 (2007: £2,923,431).

1.3. Compliance with accounting standards
The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.4. Tangible fixed assets and depreciation
Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computer equipment – straight line over 3 years.

1.5. Investments
Fixed asset investments are stated at cost less provision for diminution in value.

1.6. Pensions
The Company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.7. Deferred taxation
Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

2. Auditor remuneration

	2008 £	2007 £
Fees payable to the Company's auditor for the audit of the Company's annual accounts	12,400	13,337
Taxation work and other general advice	–	22,677

3. Taxation

	2008 £	2007 £
Adjustment for prior years	66	(66)
Current tax charge	66	(66)
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(2,461,010)	(2,923,497)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28% (2007: 30%)	(689,083)	(877,049)
Effects of:		
Multi-deductible expenses	548,772	821,321
Depreciation in excess of capital allowances	351	78
Tax losses utilised	(51,420)	55,650
Group relief surrendered	333	–
Adjustments to previous periods	66	(66)
Chargeable gains	191,047	–
	689,149	876,983
Current tax charge	66	(66)

4. Tangible fixed assets

	Plant and machinery £
Cost	
At 1 October 2007 and at 30 September 2008	6,165
Depreciation	
At 1 October 2007	2,220
Charge for the year	2,055
At 30 September 2008	4,275
Net book value	
At 30 September 2008	1,890
At 30 September 2007	3,945

5. Fixed asset investments

	Shares in subsidiary undertakings £
Cost	
At 1 October 2007	5,447,992
Additions	3,200
At 30 September 2008	5,451,192
Provisions for diminution in value	
At 1 October 2007	2,000,000
Charge for the year	1,876,807
At 30 September 2008	3,876,807
Net book value	
At 30 September 2008	1,574,385
At 30 September 2007	3,447,992

Holdings of more than 20%

The Company holds, directly or indirectly, more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
Subsidiary undertakings			
Glen Communications Limited	Scotland	Ordinary	100
Explore IT Limited	England and Wales	Ordinary	100
Pinnacle Technology Consulting Limited (1)	Scotland	Ordinary	100
I G Software Limited	England and Wales	Ordinary	100
Pinnacle Telecom plc	Scotland	Ordinary/Preference	100
Pinnacle Mobile Limited	England and Wales	Ordinary	100
Sports Club Telecom Limited	Scotland	Ordinary	100
Straiton Group Management Limited (2)	Scotland	Ordinary	100
Pinnacle Group Limited	Scotland	Ordinary	100
Colloquium Limited	Scotland	Ordinary/Preference	100
Pinnacle Telecom Group Limited	Scotland	Ordinary	100
ICT Investments Limited	Scotland	Ordinary	100
Pinnacle ICT Limited	England and Wales	Ordinary	100
Pinnacle Data Limited	England and Wales	Ordinary	100
Straiton Resourcing Limited	Scotland	Ordinary	100
Straiton Learning Services Limited	Scotland	Ordinary	100

Notes:

1 *Formerly Eclectic Group Limited.*
2 *Formerly Eclectic Holdings Limited.*

5. Fixed asset investments (continued)

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Principal activity	Capital and reserves 2008 £	Profit/(loss) for the year 2008 £
Glen Communications Limited	Telecommunications	(1,673,961)	(81,621)
Explore IT Limited	IT services	(189,428)	(36,729)
Pinnacle Technology Consulting Limited (1)	IT consultancy	804,435	752,443
I G Software Limited	IT consultancy	265,977	2,964
Pinnacle Telecom plc	Telecommunications	(105,852)	(171,345)
Pinnacle Mobile Limited	Telecommunications	(15,391)	(28,704)
Sports Club Telecom Limited	Telecommunications	26,597	33,168
Straiton Group Management Limited (2)	Holding company	(176,203)	–
Pinnacle Group Limited	Holding company	460,000	–
Colloquium Limited	ISP and telecommunications	(49,293)	(102,161)
Pinnacle Telecom Group Limited	Dormant	2	–
ICT Investments Limited	Dormant	24,522	–
Pinnacle ICT Limited	Dormant	2	–
Pinnacle Data Limited	Dormant	2	–
Straiton Resourcing Limited	Dormant	2	–
Straiton Learning Services Limited	Dormant	2	–

Notes:

1 *Formerly Eclectic Group Limited.*
2 *Formerly Eclectic Holdings Limited.*

6. Debtors

	2008 £	2007 £
Amounts owed by subsidiary undertakings	1,432,719	2,542,226
Other debtors	11,787	45,932
Prepayments and accrued income	18,507	16,489
	1,463,013	2,604,647

7. Creditors: amounts falling due within one year

	2008 £	2007 £
Bank loans and overdrafts	1,600	2,400
Trade creditors	68,970	149,361
Amounts owed to subsidiary undertakings	–	23,518
Corporation tax	66	–
Other taxes and social security costs	7,621	44,165
Other creditors	13,750	–
Accruals and deferred income	755,677	795,475
	847,684	1,014,919
Debt due in one year or less	1,600	2,400

8. Creditors: amounts falling due after more than one year

	2008 £	2007 £
Bank loans	–	1,600
Analysis of loans		
Wholly repayable within five years	1,600	4,000
	1,600	4,000
Included in current liabilities	(1,600)	(2,400)
	–	1,600
Loan maturity analysis		
In more than one year but not more than two years	–	1,600

9. Pension and other post-retirement benefit commitments

	2008 £	2007 £
Defined contribution		
Contributions payable by the Company for the year	37,120	13,922

10. Share capital

	2008 £	2007 £
Authorised		
2,386,420,000 Ordinary shares of £0.001 each	2,386,420	2,386,420
401,508,895 Deferred shares of £0.009 each	3,613,580	3,613,580
	6,000,000	6,000,000
Allotted, called up and fully paid		
1,194,099,804 Ordinary shares of £0.001 each	1,194,100	1,194,100
401,508,895 Deferred shares of £0.009 each	3,613,580	3,613,580
	4,807,680	4,807,680

11. Statement of movements on reserves

	Share premium account £	Profit and loss account £
Balance at 1 October 2007	3,207,593	(2,895,113)
Loss for the year	–	(2,900,083)
Balance at 30 September 2008	3,207,593	(5,795,196)

12. Reconciliation of movements in shareholders' funds

	2008 £	2007 £
Loss for the financial year	(2,900,083)	(2,923,431)
Proceeds from issue of shares	–	7,582,830
Transfer (from)/to shares to be issued reserve	–	(4,401,080)
Cost of share issue written off to share premium account	–	(91,625)
Net (depletion in)/addition to shareholders' funds	(2,900,083)	166,694
Opening shareholders' funds	5,120,160	4,953,466
Closing shareholders' funds	2,220,077	5,120,160

13. Directors' emoluments

	2008 £	2007 £
Emoluments for qualifying services	208,705	200,941
Company pension contributions to money purchase schemes	37,120	13,922
	245,825	214,863

The number of Directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2007: 1).

Emoluments disclosed above include the following amounts paid to the highest paid Director:

	2008 £	2007 £
Emoluments for qualifying services	139,376	165,500
Company pension contributions to money purchase schemes	37,120	13,922

14. Employees
Number of employees
The average monthly number of employees (including Directors) during the year was:

	2008 Number	2007 Number
Management	3	3
Administration	1	3
	4	6

	2008 £	2007 £
Employment costs		
Wages and salaries	220,417	281,798
Social security costs	28,183	29,492
Other pension costs	42,539	18,113
	291,139	329,403

NOTES

NOTES

DIRECTORS, SECRETARY AND ADVISERS

Directors
Graham J Duncan, Non-Executive Chairman
Alan J Bonner, Chief Executive Officer
John C Anderson, Non-Executive Director

Secretary
Peterkins
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