

Z GROUP plc

ANNUAL REPORT AND ACCOUNTS

for the year ended

29 February 2008

Company Registration No. 05429800

COMPANY INFORMATION

DIRCECTORS

Jon Claydon (Non-executive Chairman)
Ian Smith (Non-executive Director)
Duncan Neale (Finance Director)
Marcus Yeoman (Executive Director)

COMPANY SECRETARY

Duncan Neale

REGISTERED OFFICE

31 Vernon Street
London W14 0RN

COMPANY NUMBER

5429800

COMPANY WEBSITE

www.zgroupplc.com

AUDITORS

Horwath Clark Whitehill LLP
St Bride's House
10 Salisbury Square
London EC4Y 8EH

BANKERS

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1 Churchill Place
London E14 SHP

Anglo Irish Bank Corporation plc
10 Old Jewry
London EC2R 8DN

NOMINATED ADVISER AND BROKER

John East & Partners Ltd
10 Finsbury Square
London EC2A 1AD

SOLICITORS

Beachcroft LLP
100 Fetter Lane
London EC4A 1BN

REGISTRARS

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Z GROUP plc

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Z GROUP plc

CHAIRMAN'S STATEMENT

I am pleased to present the financial results of Z GROUP plc ("the Company") for the year ended 29 February 2008.

RESULTS

The loss on ordinary activities after taxation for the year amounted to £4,910,515 (2007 – loss £632,269) representing a loss per share of 20.68 pence (2007 – loss 3.12 pence).

EVENTS DURING THE YEAR

With continuing trading losses in the Company's subsidiaries which arose from the commercial failure of the OnShare product combined with the continuing decline in turnover of the principal product, ONSPEED, the Board commenced discussions to sell the operating subsidiaries of the Company to the then joint CEOs and directors of the Company, Jack Bekhor and Jamie True.

It was announced, when the interim results for the year were released on 29 November 2007, that the directors believed that shareholders' interests would be best served by securing a speedy solution to the problems of the Company and that accordingly a deal with the joint CEOs, or any other comparable solution, would be pursued by the Board as a matter of urgency.

On 20 December 2007, the Company entered into an agreement, conditional on shareholder approval, for the sale of CallPal Limited, Net2Roam Limited, Onshare Limited and Turbodial Limited (the "Disposal Companies"), which comprised substantially all of the trading assets of the Company, to the joint CEOs.

The proposed agreement was for a cash consideration of £60,000. The CEOs would remain as part-time executive directors of the Company following Completion, but agreed to waive any remuneration due under their service agreements (other than their entitlement to receive the statutory minimum wage, which cannot legally be waived). The Board also negotiated with the CEOs further potential payments in the event of onward sale of shares and/or assets of the Disposal Companies, which has the potential to yield further sums to the Company where any of the Disposal Companies are sold, or any of the Disposal Companies sell any of their assets, within 15 months of a proposed general meeting of the Company's shareholders.

A circular dated 21 December 2007 was posted to shareholders setting out:

- the background to the sale
- why the directors of the Company considered the sale to be in the best interests of the Company and its shareholders
- the Company's proposed "Investing Strategy" following completion
- the approval of shareholders for the proposals at an extraordinary general meeting of the Company.

The general meeting took place on 7 January 2008, and the resolutions outlined in the circular to shareholders were duly passed. The results of the proxy voting on the resolutions put to shareholders were 11,755,315 of the issued shares (49.51% of the issued share capital) voting in favour of the resolutions and with no shareholders voting against the resolutions.

John Standen, Jonathan Slater and Polly Williams resigned as directors with effect from the date of the general meeting.

Also at this meeting, the shareholders approved the Company's "Investing Strategy" which is to seek high growth, profitable, cash generative businesses in the Technology, Media or Science sectors.

CHANGES IN DIRECTORS AFTER THE YEAR-END

On 18 March 2008, Ian Smith was appointed as a non-executive director of the Company and Marcus Yeoman was appointed as a part-time executive director of the Company. On the same day, Jack Bekhor and Jamie True stepped down as joint CEOs and as executive directors of the Company.

CASH POSITION

The cash position at 29 February 2008 was £1,203,119. The (unaudited) cash position at 27 August 2008, being the last practicable date prior to the publication of this document, was £1,324,682.

PROSPECTS

The directors' objective is to preserve cash resources while actively pursuing potential acquisitions, which are at various stages of discussion at this time. Under the AIM rules the Company's shares would be suspended from trading on AIM if a suitable acquisition has not been made in accordance with the stated investing strategy by 7 January 2009. The directors will keep shareholders informed of any significant developments over the coming months.

JON CLAYDON
Non-executive Chairman
29 August 2008

BOARD OF DIRECTORS

Jon Claydon (Non-executive Chairman)

After completing a law degree at Durham University in 1983, Mr. Claydon worked as a commodity trader for Cargill based in their Geneva office. In 1990 he left to establish the direct marketing and sales promotion agency Claydon Heeley Jones International. In 1998 the agency was acquired for a consideration of £26 million by Omnicom, the world's largest advertising and communications group. Mr. Claydon is now chairman of Claydon Heeley Jones Mason which is presently Campaign Magazine's Direct Marketing Agency of the Year. In 2001 he co-founded Agency Republic which is presently Marketing Magazine's Digital Agency of the Year. Mr. Claydon is currently non-executive Director of the Brussels' public affairs consultancy GPlus Europe.

Duncan Neale (Finance Director and Company Secretary)

Duncan qualified as an ACA with Price Waterhouse in London. He spent the early part of his career as Group Financial Controller at Quantum Energy Derivatives PLC (now part of Corona Energy) in which he played a leading role in the transformation of the business from a small energy broker to the largest independent energy supplier to businesses in the UK. More recently, Duncan assisted on the flotation of IX Europe plc. He joined Z GROUP as a consultant in February 2006 and was formally appointed as Finance Director and Company Secretary in September 2006.

Marcus Yeoman (Executive Director)

Marcus Yeoman has 20 years experience as a director of small companies. He is currently a non-executive director of three AIM listed companies, as well as holding directorships of a number of private companies who have engaged him principally to assist them with their growth strategies. His early career started with the formation of three companies in IT infrastructure and distribution. After a successful exit he moved into small company broking and corporate finance work with Rathbones and Cheviot Capital. In 1999 he led an MBI into a golf products company with external debt and equity funding. He established Springtime Consultants Ltd in 2003, which allows him the opportunity to act as a consultant or non-executive director in the smaller high growth company sector. He has also assisted a number of quoted companies with M&A work.

Ian Smith (Non-executive Director)

Ian joined the board of Xploite plc in April 2003 and is currently its CEO. Ian was previously a regional director for the UK and Ireland division of Foundry Networks, the California-based designer and manufacturer of computer network equipment. A highly experienced IT and communications industry developer of new business, Ian has also held senior sales positions with Dataworkforce, Cisco Systems, Olympic Worldlink and Cable & Wireless. He built Matrix Communications PLC from a standing start and created a £20m gain for shareholders.

Z GROUP plc

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 29 February 2008.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, applied in accordance with the provisions of the Companies Act 1985 and present financial information on the Company only. The comparative figures shown are those of the Company and are not those previously reported on as a group. This is necessary because the Company has no trading subsidiaries at 29 February 2008.

Principal activities

The principal activity of the Company for the year was that of a holding company.

Results for the year and dividends

The Company incurred a loss for the financial year of £4,910,515. The directors are unable to recommend the payment of a dividend.

Review of the Business and Future Developments

A review of business developments and future prospects for the Company are included in the Chairman's Statement.

Principal Business Risks and Uncertainties facing the Company

The Company is currently a "cash shell" and as such, the principal risks include:

- not completing the acquisition of a suitable target within the required timescale
- not being able to raise sufficient funding to acquire a suitable target

The Board currently considers that the above risks are manageable and that the investing strategy will be achieved. The Key Performance Indicator of the Company is to achieve a deal in line with the investing strategy.

Use of financial instruments

The Company's financial risk management objective is to ensure sufficient working capital for the Company to enable it to proceed with its current investing strategy. This is achieved by careful management of the existing cash reserves.

Going Concern

Having made appropriate enquiries, the Directors are satisfied that the Company has adequate resources to continue in operation for the foreseeable future. Accordingly, the financial statements have been prepared on the going concern basis.

Directors

Directors who have served during the year, or have been appointed thereafter, are shown below:

Jack Bekhor	Appointed 20 April 2005, resigned on 18 March 2008
Jon Claydon	Appointed 26 May 2005
Duncan Neale	Appointed 4 September 2006
Jonty Slater	Appointed 6 July 2006, resigned on 7 January 2008
Ian Smith	Appointed 15 June 2005, resigned on 30 July 2007, re-appointed on 18 March 2008
John Standen	Appointed 15 June 2005, resigned on 7 January 2008
Jamie True	Appointed 20 April 2005, resigned on 18 March 2008
Polly Williams	Appointed 6 July 2006, resigned on 7 January 2008
Marcus Yeoman	Appointed on 18 March 2008

Directors' interests in options

Under the rules of the Z GROUP EMI Share Option Plan, the Directors have been granted interests in options over ordinary shares of £0.05 each as follows:

Z GROUP plc

	At 28 February 2007	Number of options issued during the year	Number of options exercised or lapsed during the year	At 29 February 2008	Date from which exercisable	Expiry date	Exercise price (pence)
Jack Bekhor	92,592	-	-	92,592	20 June 2006	20 June 2015	108.0
Duncan Neale	157,480	-	-	157,480	4 September 2007	15 December 2016	63.5
Jamie True	92,952	-	-	92,592	20 June 2006	20 June 2015	108.0

Ian Smith and Marcus Yeoman acquired 2,365,280 and 1,182,640 shares in the Company, respectively, on 5 March 2008, before joining the Board as directors on 18 March 2008. With this exception, there have been no changes in any Directors' interests in shares or options between 29 February 2008 and 29 August 2008.

Employment Policy

It is the policy of the Company to operate a fair employment policy. No employees or job applicants are less favourably treated than another on the grounds of their sex, sexual orientation, age, marital status, religion, race, nationality, ethnic or national origin, colour or disability and all appointments and promotions are determined solely on merit. The Directors encourage employees to be aware of all issues affecting the Company and place considerable emphasis on employees sharing in its success through its employee share option scheme.

Substantial Shareholdings

As at the close of business on 22 August 2008, being the last practicable date prior to the publication of this document, the Company has been advised of the following shareholdings of 3% or more in the issued share capital of Z GROUP plc:

	Number of Shares	Percentage of Issued Share Capital
Jack Bekhor*	3,998,825	16.8%
Jamie True*	3,998,825	16.8%
Ian Smith**	2,388,428	10.1%
Chris Potts**	1,945,180	8.2%
Jon Claydon***	1,345,170	5.7%
Dresdner Kleinwort Securities	855,000	3.6%
Credit Agricole Cheuvreux	714,000	3.0%

* shares held in the name of Clachan Nominees Limited Holdings.

** shares held in the name of Pershing Nominees Limited

*** shares held directly and through Clachan Nominees Limited Holdings

Share capital

There have been no changes in the issued share capital of the Company during the year.

Payment of Suppliers

It is the Company's policy to pay suppliers in accordance with the terms and conditions agreed in advance, providing all trading terms and conditions have been met. All payments are made in the ordinary course of business and the Company expects to pay all supplier debts as they become due.

Trade creditor days based on creditors at 29 February 2008 were 13 (2007: 39) days.

Charitable and political donations

During the year, the Company made no charitable payments (2007: £8,730). There were no donations made for political purposes.

Auditors

The previous auditors, Baker Tilly UK Audit LLP, resigned during the period. Horwath Clark Whitehill LLP was appointed by the Board to replace them.

In accordance with section 384 of the Companies Act 1985 a resolution will be proposed at the forthcoming Annual General Meeting for the appointment of Horwath Clark Whitehill LLP as auditors of the Company.

Horwath Clark Whitehill LLP have expressed their willingness to remain in office.

Statement as to disclosure of information to auditors

The Directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

By order of the Board

Duncan Neale
Company Secretary
29 August 2008

CORPORATE GOVERNANCE REPORT

Z GROUP plc recognises the importance of, and is committed to, high standards of corporate governance. Z GROUP plc, as an AIM company, is not required to comply with the July 2003 Combined Code on Corporate Governance (the "Combined Code"), although it has adopted those Combined Code principles relevant to the size of the Company as set out below.

The Board and its Committees

The Board

There are currently four board members, comprised of two executive Directors and two non-executive Directors. The role of the non-executive Directors is to bring independent judgement to Board deliberations and decisions. The chairman of the Board is a non-executive Director who oversees the board meetings and fields all concerns regarding the executive management of the Company and the performance of the executive Directors. A biography of each Director appears on page 6. As the biographies demonstrate, the Directors have diverse backgrounds and the Board benefits from a wide range of experience. The Board's collective knowledge and skill in business matters helps to ensure that the Board effectively governs the activities of the Company in the best interests of the shareholders.

The Board met regularly throughout the period and is responsible for the overall Company strategy, acquisition and divestment policy, approval of major capital expenditure and consideration of significant financial matters. It reviews the strategic direction of the Company, its annual budget, its progress towards the achievement of this budget and its capital expenditure programmes.

The function of the Chairman is to supervise and manage the Board and to ensure its effective control of the business.

All Board members have access to sufficient information about the business at all times to enable them to fully discharge their duties. Also, procedures exist covering the circumstances under which the Directors may need to obtain independent professional advice.

The Board discusses the schedule of matters prepared for each meeting but otherwise delegates specific responsibilities to its committees as set out below.

Each of the executive Directors is subject to an executive services agreement, each with notice periods of three months. Each of the non-executive Directors is subject to a three month notice period with reappointment or re-election required annually. Z GROUP plc's Articles of Association require Directors to retire from office and submit themselves for re-election on one third rota at each AGM. Duncan Neale will be retiring at the AGM and submitting himself for re-election.

The Committees

Nomination Committee

The Nomination Committee is comprised of Jon Claydon as Chairman, and Marcus Yeoman. The committee oversees the structure and balance of the Board generally and is responsible for screening and proposing candidates for appointment to the Board.

Remuneration Committee

The Company's Remuneration Committee is comprised of Jon Claydon as Chairman, and Marcus Yeoman. The committee is responsible for reviewing the salary and benefits offered to executive Directors. Specifically, the committee is responsible for determining contract terms, compensatory share options and pension rights. The Board as a whole determines the compensation for all non-executive Directors. Further details regarding the Directors' individual remuneration are set forth in the Remuneration Report on page 12.

Audit Committee

The Audit Committee similarly is comprised of Jon Claydon as Chairman, and Marcus Yeoman. The Audit Committee supervises the Company's external auditors, including appointment and compensation and performs an assessment of their independence. The Audit Committee is also responsible for ensuring the accuracy of the Half-yearly and Annual Reports, as well as compliance with all applicable standards and regulations.

Relations with Shareholders

The Board recognises and understands that it has a fiduciary responsibility to the Company's shareholders. The Directors' Report includes an analysis of the Company's performance and future expectations. The Company's

website (www.zgroupplc.com) allows shareholders access to Company information, such as contact details and information on, and the price of, the Company's shares.

The AGM will also be a platform for the Board to communicate with shareholders and the Directors welcome the attendance and participation of all shareholders. Details of resolutions to be proposed at the AGM on 25 September 2008 can be found in the notice of the meeting on page 34.

Internal Control and Risk Management

The Board requires strict internal control procedures for the Company. Upon the advice of the Board, the executive Directors each assumed responsibility for specific aspects of the Company's operations. The executive Directors also regularly liaise with non-executive Directors regarding accounting practices and legal compliance. The Company and senior accounting staff are all aware of the importance of adhering to the financial and accounting policies of the Company. The Board discusses any relevant changes to accounting policies and, if necessary, discusses the impact of such changes with external financial advisers to facilitate compliance.

Internal Audit

The Board agrees that there should be no internal audit function for the Company at this time considering the size of the Company. However, the Board will keep this matter under review in the event that circumstances warrant an internal audit function for the Company in the future.

Personnel Quality

The Board also oversees recruitment in order to maintain the highest level of competence and integrity. The policy of the Board is to promote competitive compensation and a professional working environment in order to attract the most qualified candidates.

Budgetary Process

The Board approves the annual budget each year. This process allows the Board to identify key performance targets and risks expected during the upcoming year. The Board also considers the agreed budget when considering expenditures throughout the year.

Corporate Social Responsibility

Z GROUP plc is committed to operating to the very highest ethical standards, whether dealing with customers, employees, shareholders or partners.

AGM

The AGM will be held on 25 September 2008, 10:30am at 31 Vernon Street, London W14 0RN.

Approved by the Board

DUNCAN NEALE

Finance Director

29 August 2008

REMUNERATION REPORT

This report provides a summary of the main features of remuneration at the Company.

Remuneration Committee

The Remuneration Committee is described in the report on Corporate Governance on page 10.

Directors' Remuneration Policy

The remuneration packages for Directors and senior managers have been structured so as to fairly compensate them for their contribution to the Company and to encourage them to remain with the Company. The basic components of these packages include:

Basic Salary

The Executive Directors receive an annual salary for their services. These salaries are reviewed annually by the Remuneration Committee. The Non-executive directors currently receive no remuneration.

Share Options

One of the two executive Directors was granted share options upon appointment as a Director. The Board may grant further options as and when it is deemed appropriate.

Pension Arrangements

All staff, executive Directors and senior management are entitled to participate in the stakeholder pension plan established by the Company.

Service Contracts

All service contracts have notice periods of three months.

Bonus Arrangement

The Company operates a discretionary bonus scheme. The Remuneration Committee is entitled to decide whether and for what amount bonuses should be granted to executive Directors.

Table on Directors' Remuneration:

DIRECTORS' REMUNERATION	Salary and fees 2008 £	Redundancy 2008 £	Benefits in kind 2008 £	Total 2008 £	Total 2007 £	Pension contributions 2008 & 2007 £
Executive Directors						
Jack Bekhor	102,768	-	-	102,768	138,000	-
Duncan Neale	96,923	-	-	96,923	44,423	-
Jonathan Slater	54,615	10,500	-	65,115	36,042	-
Jamie True	102,768	-	-	102,768	138,000	-
	<u>357,074</u>	<u>10,500</u>	<u>-</u>	<u>367,574</u>	<u>356,465</u>	<u>-</u>
Non-executive Directors						
Ian Smith	1,500	-	-	1,500	18,000	-
John Standen	37,452	-	-	37,452	40,000	-
Polly Williams	17,051	-	-	17,051	13,051	-
	<u>56,003</u>	<u>-</u>	<u>-</u>	<u>56,003</u>	<u>71,051</u>	<u>-</u>
Total	<u>413,077</u>	<u>10,500</u>	<u>-</u>	<u>423,577</u>	<u>427,516</u>	<u>-</u>

Details of the individual share options held by directors as at 29 February 2008 are summarised in the Directors' Report on page 8.

Approved by the Board

DUNCAN NEALE

Finance Director

29 August 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") and applicable laws. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the Directors are required to:

- a select suitable accounting policies and then apply them consistently;
- b make judgements and estimates that are reasonable and prudent;
- c state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- d prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for taking steps to safeguard the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the ZGROUP plc website; the work carried out by the auditors does not involve the consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF Z GROUP PLC

We have audited the financial statements of Z GROUP plc, which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes.

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's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and IFRSs as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 13.

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 whether the financial statements 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.

In addition, we report to you if, in our opinion, the 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 financial statements. This other information comprises only the Chairman's Statement, the Corporate Governance Report and the Report of the Directors on 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 and 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 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 financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Company's affairs at 29 February 2008 and of the Company's loss for the year then ended and 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.

Horwath Clark Whitehill LLP
Chartered Accountants and Registered Auditors
St Bride's House
10 Salisbury Square
London
EC4Y 8EH

29 August 2008

Z GROUP plc

INCOME STATEMENT

for the year ended 29 February 2008

	Notes	29 February 2008	28 February 2007
		£	£
Share based payments credit / (charge)		383,667	(344,071)
Other administrative expenses		(860,830)	(400,990)
Proceeds on disposal of investments		60,000	-
Write down of investments		(4,638,803)	-
OPERATING LOSS	4	(5,055,966)	(745,061)
Finance income	5	53,404	103,973
Other income		91,231	8,819
LOSS BEFORE INCOME TAX		(4,911,331)	(632,269)
Income tax credit	7	816	-
LOSS FOR THE YEAR		(4,910,515)	(632,269)
LOSS PER SHARE (pence)			
Basic and diluted	8	(20.68)	(3.12)

The accompanying notes form an integral part of the financial statements

Z GROUP plc

BALANCE SHEET as at 29 February 2008

	Notes	29 February 2008 £	28 February 2007 (as restated) £
ASSETS			
Investments	9	-	16,991,305
Property, plant and equipment	10	10,898	137,918
Intangible assets	11	-	2,317
Other receivables	12	117,500	117,500
Non-current assets		128,398	17,249,040
Trade and other receivables	12	374,552	2,762,813
Cash and cash equivalents	13	1,203,824	1,405,766
Current assets		1,578,376	4,168,579
Total assets		1,706,774	21,417,619
EQUITY AND LIABILITIES			
Capital and reserves attributable to equity holders of the Company			
Share capital	16	1,187,294	1,187,294
Share premium account		5,967,758	5,967,758
Share option reserve		700,382	1,084,049
Retained losses		(6,299,194)	(1,388,679)
Total equity		1,556,240	6,850,422
Trade and other payables	14	150,534	14,567,197
Current liabilities		150,534	14,567,197
Total liabilities		150,534	14,567,197
Total equity and liabilities		1,706,774	21,417,619

The accompanying notes form an integral part of the financial statements.

Approved and authorised for issue by the Board on 29 August 2008:

Duncan Neale
Finance Director

Z GROUP plc

STATEMENT OF CHANGES IN EQUITY for the year ended 29 February 2008

	Share capital	Share premium	Share based payments reserve	Retained earnings	Total
	£	£	£	£	£
Balance at 1 March 2006, as originally stated	973,529	2,322,461	-	(16,432)	3,279,558
Prior year adjustment: share based payment charge	-	-	739,978	(739,978)	-
Balance at 1 March 2006, as restated	973,529	2,322,461	739,978	(756,410)	3,279,558
Issue of equity on exercise of options	16,659	35,744	-	-	52,403
Issue of equity to purchase the 49% minority interest in Onshare Limited	197,106	3,607,053	-	-	3,804,159
Credit on share issue expenses	-	2,500	-	-	2,500
Share option charge in the year	-	-	344,071	-	344,071
Loss for the period	-	-	-	(632,269)	(632,269)
Total recognised income and expense for the period	213,765	3,645,297	344,071	(632,269)	3,570,864
Balance at 1 March 2007	1,187,294	5,967,758	1,084,049	(1,388,679)	6,850,422
Share option credit in the year	-	-	(383,667)	-	(383,667)
Loss for the period	-	-	-	(4,910,515)	(4,910,515)
Total recognised income and expense for the period	-	-	(383,667)	(4,910,515)	(5,294,182)
Balance at 29 February 2008	1,187,294	5,967,758	700,382	(6,299,194)	1,556,240

The accompanying notes form an integral part of the financial statements.

Z GROUP plc

CASH FLOW STATEMENT

for the year ended 29 February 2008

	Year ended 29 February 2008 £	Year ended 28 February 2007 £
Cash flows from operating activities		
Operating loss	(5,055,966)	(745,061)
Depreciation	32,711	20,587
Amortisation	510	133
Share option expense	(383,667)	344,071
Foreign exchange movement	-	(6,175)
Write down of investments sold in the year	16,991,305	-
Decrease / (Increase) in trade and other receivables	2,388,261	(2,467,983)
(Decrease) / Increase in trade and other payables	(14,417,368)	779,839
Write down of web development costs and domain names	1,807	-
Cash used in operations	(442,407)	(2,074,589)
Interest paid	-	-
Income tax credit	816	-
Net cash (used in) operating activities	(441,591)	(2,074,589)
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,340)	(147,347)
Purchase of other intangible assets	-	(161)
Proceeds from the sale of property, plant and equipment	99,649	-
Interest received	53,404	103,973
Other income	91,231	8,819
Net cash from / (used in) investing activities	238,944	(34,716)
Cash flows from financing activities		
Proceeds from the issue of share capital	-	52,403
Credit on issue of share expenses	-	2,500
Net cash from financing activities	-	54,903
Net (decrease) in cash and cash equivalents	(202,647)	(2,054,402)
Cash and cash equivalents at the beginning of the year	1,405,765	3,460,167
Cash and cash equivalents at the end of the year	1,203,118	1,405,765

The accompanying accounting notes form an integral part of the financial statements

Notes to the financial statements for the year ended 29 February 2008

1 REPORTING ENTITY

Z GROUP plc (the "Company") is a company incorporated and domiciled in England. The Company's registered office is at 31 Vernon Street, London W14 0RN. The financial statements of the Company as at and for the 12 months ended 29 February 2008 comprise the Company only. At 29 February 2008 the Company did not have control of any non-dormant subsidiaries and did not have any interests in associates or jointly controlled entities. As such, and in accordance with s229(5) of the Companies Act 1985, the Company is not required to produce consolidated financial statements.

2 BASIS OF PREPARATION

(a) First time adoption of IFRSs

From 1 March 2007, the Company has adopted International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") in the preparation of the financial statements.

Prior to this accounting period, the Company prepared its audited annual financial statements under United Kingdom Generally Accepted Accounting Principles (UK GAAP). For periods commencing 1 March 2007, the Company is required to prepare its annual consolidated financial statements in accordance with IFRS as adopted by the EU and implemented in the UK. As the financial statements for the year to 29 February 2008 will include comparatives for the year ended 28 February 2007, the Company's date of transition to IFRS is 1 March 2006 and the comparatives need to be restated to IFRS. Accordingly, the financial information for the year to 28 February 2007 has been restated to present the comparative information in accordance with IFRS based on a transition date of 1 March 2006. Note 22 sets out how the Company's previous financial position is affected by the change to IFRS.

As at the date of approval of the financial statements, the following standards and interpretations were in issue but not yet effective:

IFRS 3 (revised) Consolidated financial statements
IFRS 8 Operating Segments
IFRIC 12 Service concession arrangements
IFRIC 13 Customer loyalty programmes
IFRIC 14 IAS19 – The limit on a defined benefit asset, minimum funding requirements and their interaction
IAS 1 (revised) Presentation of financial statements
IAS 23 (revised) Borrowing costs
IAS 27 (revised) Consolidated and separate financial statements

The Directors do not anticipate that the adoption of these standards and interpretations in future reporting periods will have a material impact on the Company's results.

(b) Going concern

The financial statements are presented on a going concern basis. In assessing the Company's ability to continue as a going concern, the directors have taken into consideration all available information relating to the 12 month period from the date of approval of these accounts. In particular the directors have assessed expenditure, budgets and cash flow forecasts of the Company.

The budgets and forecasts have been reflected to reflect the current position of the Company as listed on AIM. The directors are actively seeking an acquisition in line with the Company's Investing Strategy which is to seek high growth, profitable, cash generative businesses in the Technology, Media or Science sectors.

The financial implications of potential transactions and the consequences of not being listed on AIM have not been included in the consideration of the going concern status of the Company at this time.

(c) Critical accounting estimates and judgements

Estimates and judgements 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.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that

Z GROUP plc

Notes to the financial statements for the year ended 29 February 2008 (continued)

have a significant risk of causing a material adjustment to the carrying amounts of asset and liabilities within the next financial year are discussed below.

Share-based payments

The Company issues share-based payments to certain employees. The fair value and the vesting periods use management assumptions in their calculation. While management believes that the assumptions used are appropriate, a change in the assumptions used would impact the results of the Company.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Property Plant and Equipment

Property, plant and equipment are initially recorded at cost of purchase and are depreciated on a straight-line basis over their estimated useful lives, as follows:

Computer equipment	4 years
Office equipment, fixtures and fittings	4 years
Motor vehicles	4 years

(b) Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indications exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates for future cash flows have been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as revaluation increase.

(c) Revenue recognition

Revenue is stated net of Value Added Tax and net of any applicable discounts or rebates.

(d) Share based payments

The Company has applied the requirements of IFRS 2 Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 March 2006.

The Company issues share options to certain employees. These options are measured at fair value at the date of the grant, using the Black-Scholes option-pricing model. The fair value of the options is expensed on a straight-line basis over the vesting period, based on the Company's estimate of when shares will vest, applying the assumptions on a consistent basis with those used in the audited financial statements for the year ended 28 February 2007.

Z GROUP plc

Notes to the financial statements for the year ended 29 February 2008 (continued)

(e) Taxation

Deferred tax assets are recognised only to the extent that it is probable that they will be recovered through sufficient future taxable profit. The carrying amount of deferred tax assets is revalued at each balance sheet date.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

(f) Pensions

The Company operates a stakeholder pension plan for which all employees are eligible. No employee has as yet entered into the scheme.

(g) Business and geographical segments

The directors consider that the Company has no separate business or geographical segments to report on.

4	OPERATING LOSS	Year ended 29 February 2008 £	Year ended 28 February 2007 £
---	----------------	--	--

The Company's operating loss is shown after charging /
(crediting):

Significant items:

Write down on sale of fixed asset investments	4,638,803	-
Share based payments (credit) / charge	(383,667)	344,071
Depreciation	32,711	20,587
Amortisation	510	133
Auditors' remuneration for the audit	12,000	7,850
Other services related to taxation	14,600	12,000

5	FINANCE INCOME	Year ended 29 February 2008 £	Year ended 28 February 2007 £
Bank interest receivable	53,404	103,973	
Finance income	53,404	103,973	

Z GROUP plc

Notes to the financial statements for the year ended 29 February 2008 (continued)

6	STAFF COSTS	Year ended 29 February 2008	Year ended 28 February 2007
	The average monthly number of people (including directors) employed by the Company during the period was:		
	Management and administration	4	3
		4	3
		Year ended 29 February 2008 £	Year ended 28 February 2007 £
	Staff costs for the above persons:		
	Wages and salaries	367,574	356,465
	Social security costs	44,387	42,965
		411,961	399,430

Directors' remuneration

The Directors received total emoluments of £423,577 (2007: £427,516). For further details, please see the Remuneration Report on page 12.

Employee pensions

The Company operates a stakeholder pension plan for which all employees are eligible. No employees have as yet joined the scheme.

Highest paid Director

The highest paid Director had a remuneration package of £102,768 (2007: £138,000).

Share option charge

There was a share option credit of £383,667 (2007 charge: £344,071). The basis of the calculation is outlined in note 17.

Gains on exercise of options

No options were exercised in the year. In the year ended 28 February 2007, option holders that exercised their options in the year made a profit of £177,926, representing the difference between the closing market price on the day of the exercise and the exercise price of the option. This amount includes a profit of £29,400 made by Jonathan Slater who was a director at the time of exercise.

7	INCOME TAX CREDIT	Year ended 29 February 2008	Year ended 28 February 2007
	Factors affecting tax charge for period:		
	The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:	£	£
	Loss on ordinary activities before tax	(4,911,331)	(632,269)

Z GROUP plc

Notes to the financial statements for the year ended 29 February 2008 (continued)

Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2007: 30%)		
	(1,473,399)	(189,681)
Effects of:		
Expenses not deductible for tax purposes	133,326	13,710
Temporary differences in the recognition of profits or losses not recognised for tax purposes	15,507	(17,159)
Losses not recognised for tax purposes	1,439,666	97,469
Adjustment in respect of previous period's income tax	(816)	-
Share based payments not recognised for tax purposes	(115,100)	95,661
Tax credit for the year	(816)	-

The Company has tax losses of approximately £419,000 (2007: £228,000) which, subject to agreement with HM Revenue & Customs, are available to carry forward against future profits of the same trade.

8	LOSS PER SHARE	29 February 2008 No.	28 February 2007 No.
	Weighted average number of shares:		
	For basic earnings per share	23,745,885	20,284,347
	Dilutive effect of share options	-	-
	For diluted earnings per share	23,745,885	20,284,347
	Loss for the year	£(4,910,515)	£(632,269)
	Earnings per share:	pence	pence
	- Basic and diluted	(20.68)	(3.12)

Due to the losses in the above years, there is no dilutive effect from the issue of share options.

9	INVESTMENTS	
	Cost and net book value:	£
	At 1 March 2007	16,991,305
	Book value of investments sold in the year	(16,991,305)
	At 29 February 2008	-

Z GROUP plc

Notes to the financial statements for the year ended 29 February 2008 (continued)

Details of the subsidiary undertaking of the company are as follows:

	Class of share	Proportion held	Nature of business
Z GROUP Investments Limited	Ordinary	100%	Non trading

This subsidiary undertaking is incorporated in England and Wales.

10	PROPERTY, PLANT AND EQUIPMENT	Computer equipment £	Furniture, fittings and equipment £	Total £
	Cost			
	01 March 2006			
		7,589	-	7,589
	Additions			
		4,147	147,085	151,232
	28 February 2007	<u>11,736</u>	<u>147,085</u>	<u>158,821</u>
	Depreciation			
	At 1 March 2006			
		(316)	-	(316)
	Charged in the period			
	At 28 February 2007	<u>(2,250)</u>	<u>(18,337)</u>	<u>(20,587)</u>
		<u>(2,566)</u>	<u>(18,337)</u>	<u>(20,903)</u>
	Cost			
	01 March 2007			
		11,735	147,085	158,820
	Additions			
		5,341	-	5,341
	Disposals			
		<u>(1,371)</u>	<u>(147,085)</u>	<u>(148,456)</u>
	29 February 2008	<u>15,705</u>	<u>-</u>	<u>15,705</u>
	Depreciation			
	At 1 March 2007			
		(2,566)	(18,337)	(20,903)
	Charged in the period			
	Disposals	<u>(2,552)</u>	<u>(30,159)</u>	<u>(32,711)</u>
		<u>311</u>	<u>48,496</u>	<u>48,807</u>
	At 29 February 2008	<u>(4,807)</u>	<u>-</u>	<u>(4,807)</u>
	Net book value			
	29 February 2008	10,898	-	10,898
	28 February 2007	9,170	128,748	137,918
	28 February 2006	7,273	-	7,273

Z GROUP plc

Notes to the financial statements for the year ended 29 February 2008 (continued)

The Company holds no assets under finance leases or hire purchase contracts (2007: none).

The Company assigned its lease on 31 Vernon Street in December 2007, and the fixtures and fittings of the Company were assigned at the same time.

11	INTANGIBLE ASSETS	Web development £	Domain names £	Total £
	Cost			
	01 March 2006	-	-	-
	Additions	2,250	200	2,450
	28 February 2007	<u>2,250</u>	<u>200</u>	<u>2,450</u>
	Depreciation			
	At 1 March 2006	-	-	-
	Charge for period	(94)	(39)	(133)
	At 28 February 2007	<u>(94)</u>	<u>(39)</u>	<u>(133)</u>
	Cost			
	01 March 2007	2,250	200	2,450
	Additions	-	-	-
	Write down	(2,250)	(200)	(2,450)
	29 February 2008	<u>-</u>	<u>-</u>	<u>-</u>
	Depreciation			
	At 1 March 2007	94	39	133
	Charge for period	468	42	510
	Write back	(562)	(81)	(643)
	At 29 February 2008	<u>-</u>	<u>-</u>	<u>-</u>
	Net Book Value			
	29 February 2008	-	-	-
	28 February 2007	2,156	161	2,317
	28 February 2006	-	-	-

Z GROUP plc

Notes to the financial statements for the year ended 29 February 2008 (continued)

12 TRADE AND OTHER RECEIVABLES

	29 February 2008 £	28 February 2007 £
Non-current		
Other debtors	117,500	117,500
Current		
Trade receivables	10,287	-
Prepayments	23,765	34,088
Amounts due from subsidiaries	-	2,575,821
Amounts due from related parties (Note 19)	328,534	-
Other debtors	11,966	152,904
	<u>374,552</u>	<u>2,762,813</u>

The carrying value of trade and other receivables is consistent with their book values. Trade and other receivables are unsecured.

13 CASH AND CASH EQUIVALENTS	29 February 2008 £	29 February 2008 Fixed interest rate thereon	28 February 2007 £	28 February 2007 Weighted variable interest rate thereon
Current account	43,614	0.00%	9,876	0.00%
Deposit accounts	1,160,210	5.65%	1,395,890	3.91%
	<u>1,203,824</u>		<u>1,405,766</u>	

14 TRADE AND OTHER PAYABLES

Amounts falling due within one year	29 February 2008 £	28 February 2007 £
Bank overdraft	705	-
Trade creditors	22,171	94,052
Amounts due to subsidiaries	70,000	14,337,876
Corporation tax	-	111,678
Other taxation and social security	7,054	11,608
Accruals and deferred income	38,638	11,983
Provisions	11,966	-
	<u>150,534</u>	<u>14,567,197</u>

The carrying value of trade and other payables is consistent with their book values. Trade and other payables are unsecured. It is the Company's policy to settle trade and other payables within normal credit terms.

Z GROUP plc

Notes to the financial statements for the year ended 29 February 2008 (continued)

15 FINANCIAL RISK MANAGEMENT

The main risks arising from the Company's financial instruments are credit risk, interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised as follows.

Credit risk

Credit risk arises from deposits with banks, as well as credit exposure to companies. For banks, only independently rated parties with a minimum rating of "A" are accepted. Customer risk is minimal as the Company currently has no trade.

Interest rate risk

The Company's policy on managing its exposure to interest rate change is agreed at Board level and reviewed on an ongoing basis. At the year end there was a small overdraft with a variable rate of interest at LIBOR plus 2%.

Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility. The Company's policy is to manage working capital so as to ensure that liquidity is maintained so as to meet peak funding requirements.

Foreign currency risk

As at 29 February 2008, there was no FX currency exposure.

Borrowing facilities

The Company has not arranged a borrowing facility as at the balance sheet date.

16 SHARE CAPITAL AND RESERVES	29 February 2008	28 February 2007
	£	£
Authorised		
100,000,000 ordinary shares of £0.05 each	5,000,000	5,000,000
	<hr/>	<hr/>
	5,000,000	5,000,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
	29 February 2008	28 February 2007
	£	£
At 1 March	1,187,294	973,529
Subscriber shares	-	-
Issue of additional shares:		
Share for share agreement	-	-
AIM listing	-	-
Allotted under share option scheme (333,172 shares)	-	16,659
Allotted on acquisition of the 49% minority interest in Onshare Limited (3,942,134 shares)	-	197,106
	<hr/>	<hr/>
At 29 February	1,187,294	1,187,294
	<hr/>	<hr/>

Z GROUP plc

Notes to the financial statements for the year ended 29 February 2008 (continued)

Reserve	Description and purpose
Share premium	Amounts subscribed for share capital in excess of nominal value
Share option reserve	Amounts arising from the requirement to expense the fair value of share options in accordance with IFRS2 Share-based Payments.
Retained losses	Cumulative net losses recognised in the consolidated income statement.

17 SHARE BASED PAYMENTS

Share Option Plans

The Z GROUP plc EMI Share Option Plan and the Z GROUP plc Executive Unapproved Share Option Plan were both introduced in June 2005. Under the schemes the board of Directors of Z GROUP plc can grant options over shares in the Company to Directors and employees of the Company. Options are typically granted at a fixed price equal to the market price of the shares under option at the date of grant, although some options granted around the time of the flotation of the Company were at a discount to the market price. The contractual life of the option is 10 years. Awards under the scheme are reserved for employees who are deemed to be critical to the future success of the Company. The vesting period of the options typically is for one year or three years. Exercise of an option is subject to continued employment. The differences between the two schemes are relatively minor, the main difference residing in the definition of an eligible employee. Under the EMI scheme an employee must be a full-time employee, whereas part-time employees can become members of the unapproved scheme. Options issued under both schemes were valued using the Black-Scholes option-pricing model. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	21 June 2005	21 June 2005	21 June 2005	21 June 2005
Share price at grant date	108.0p	108.0p	108.0p	108.0p
Exercise price	108.0p	55.0p	22.0p	5.0p
Number of option holders	3	1	1	1
Share options granted	199,072	43,295	135,510	420,200
Vesting period (years)	1.0	1.0	1.0	1.0
Expected volatility	37.1%	37.1%	37.1%	37.1%
Option life (years)	10	10	10	10
Expected life (years)	3.1	2.7	5	3.0
Risk Free rate	4.9%	4.9%	4.9%	4.9%
Expected dividends expressed as a dividend yield	0%	0%	0%	0%
Fair value per option	33.9p	61.7p	90.8p	103.7p
Grant date	15 December 2007	15 December 2007		
Share price at grant date	63.5p	63.5p		
Exercise price	63.5p	63.5p		
Number of option holders	1	1		
Share options granted	47,244	157,480		
Vesting period (years)	0.5	0.7		
Expected volatility	47.2%	47.2%		
Option life (years)	10	10		
Expected life (years)	3.0	3.0		
Risk Free rate	4.9%	4.9%		
Expected dividends expressed as a dividend yield	0%	0%		
Fair value per option	23.3p	23.3p		

Z GROUP plc

Notes to the financial statements for the year ended 29 February 2008 (continued)

The expected volatility is based on the historic volatility from 21 June 2005, the date Z GROUP plc was admitted onto AIM, to the date of the grant concerned. The expected volatility of options granted at the date of the float was derived by taking an average of historic share price volatility of a listed technology company of equivalent size to Z GROUP plc and Z GROUP plc's subsequent share price volatility.

A reconciliation of option movements over the year to 29 February 2008 follows:

	2008	2008	2007	2007
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 March	1,341,128	53.2p	1,532,655	48.4p
Granted	-	-	254,724	63.5p
Forfeited	(338,527)	86.8p	(113,079)	121.8p
Exercised	-	-	(333,172)	15.7p
Outstanding at 29 February	1,002,601	41.8p	1,341,128	53.2p
Exercisable at 29 February	-	-	-	-

The total credit in the Income Statement is £383,667 (2007 charge: £344,071). A net credit has resulted from the reversal of previous charges, the reversal arising from the forfeiture of options when the Company sold its operating subsidiaries in January 2008, as continued employment is a pre-condition of holding options in the Company.

18 COMMITMENTS UNDER OPERATING LEASES

Future minimum lease payments under non-cancellable operating leases were:

	29 February 08	28 February 07
	£	£
Land and buildings		
Expiring in less than one year	1,875	-
Expiring between one and two years	-	-
Expiring between two and five years	-	200,000
	<hr/>	<hr/>
	1,875	200,000
	<hr/>	<hr/>

The 10 year lease of the premises occupied by the Company at 31 Vernon Street, London W14 0RN - entered into on 18 July 2006, at a cost of £200,000 plus VAT per annum and which has a break clause exercisable on its fifth anniversary - was assigned to a third party, Karmarama LLP.

The Company sub rents space at 31 Vernon Street from Turbodial Limited, a tenant of Karmarama LLP. The rental cost is £7,500 per annum, with a rolling 3 month break clause.

Z GROUP plc

Notes to the financial statements for the year ended 29 February 2008 (continued)

19 RELATED PARTY TRANSACTIONS

The only key management personnel of the Company are the Directors. Details of the compensation of the key management personnel, as required by IAS 24 "Related Party Disclosures", are disclosed in the Remuneration Report on page 12.

During the year Directors fees of £1,500 (2007: £18,000) were paid to Computer Marketing Services Limited of which Ian Smith is a Director and controlling shareholder. During the year Directors fees of £37,452 (2007: £40,000) were paid to Standen Consult Limited of which John Standen is a Director and controlling shareholder.

As detailed in the Chairman's Statement on page 4, Jack Bekhor and Jamie True purchased the trading subsidiaries of the Company on 7 January 2008 (the "MBO"). Jack Bekhor and Jamie True remain related parties of the Company in their capacity as significant shareholders of the Company. A summary follows of the movements in the debt due to and from these related parties up to 29 February 2008:

	Year ended 29 February 2008	Year ended 28 February 2007
	£	£
Opening debt due from / (to) related parties	590,447	(987,181)
Cash forwarded by the Company to the related parties	4,512,109	1,877,894
Cash forwarded by the related parties to the Company	(4,757,361)	(817,698)
Other re-charges from the related parties	332,552	517,432
Other re-charges from the Company	(20,205)	-
Loan waiver to ex-subsiidiary	(329,008)	-
Closing debt due from related parties	328,534	590,447

It is anticipated that this closing debt of £328,534 will be paid to the Company when R&D tax credits estimated at £328,534 are received by Net2Roam Limited and OnShare Limited, as these credits are due to the Company under the terms of the MBO agreement.

20 CAPITAL MANAGEMENT

The capital management objective of the Company is to safeguard its ability to continue as a going concern while maintaining its AIM listing. As the Company does not trade currently, the directors intend to preserve existing cash reserves by minimising expenditure, whilst at the same time looking for a possible transaction with a trading entity.

The directors believe that this is the best way of providing future returns for shareholders.

21 CAPITAL COMMITMENTS

The Company had no capital commitments at 29 February 2008.

Z GROUP plc

Notes to the financial statements for the year ended 29 February 2008 (continued)

22 EXPLANATION OF TRANSITION TO ADOPTED IFRS'S

The Company's financial statements for the year ended 28 February 2008 will be the first financial statements that comply with International Financial Reporting Standards (IFRS). The Company's financial statements prior to and including 28 February 2007 had been prepared in accordance with Generally Accepted Accounting Principles in the United Kingdom (UK GAAP).

As required by IFRS 1, the impact of the transition from UK GAAP to IFRS is explained below. The accounting policies set out above have been applied consistently to all periods presented in this interim financial information and in preparing an opening IFRS balance sheet at 1 March 2006 for the purposes of transition to IFRS.

IAS 1 – Presentation of Financial Statements. The form and presentation in the UK GAAP financial statements has been changed to be in compliance with IAS 1.

IAS 7 – Cash Flow Statements. The IFRS Cash Flow Statement, prepared under IAS 7, presents cash flows in three categories: cash flows from operating activities, cash flows from investing activities and cash flows from financing activities. Other than the reclassification of cash flow into the new disclosure categories, there are no significant differences between the Company's Cash Flow Statement under UK GAAP and IFRS. Consequently, no cash flow reconciliations are provided. Purchases of tangible fixed assets under UK GAAP have been reclassified to purchases of intangible assets and purchases of property, plant and equipment under IFRS.

There is no change to the reported losses in the year ended 28 February 2007 as a result of the transition to IFRS.

Reconciliation of Balance Sheet at 1 March 2006

	Notes	1 March 2006 (UKGAAP) £	Transition to IFRS £	1 March 2006 (as restated) £
ASSETS				
Investments		13,187,145	-	13,187,145
Property, plant and equipment	1	7,273	-	7,273
Other intangible assets	1	-	-	-
Non-current assets		13,194,418	-	13,194,418
Trade and other receivables		412,327		412,327
Cash and cash equivalents		3,460,168		3,460,168
Current assets		3,872,495	-	3,872,495
Total assets		17,066,913	-	17,066,913
EQUITY AND LIABILITIES				
Capital and reserves attributable to equity holders of the Company				
Share capital		973,529	-	973,529
Share premium account		2,322,461	-	2,322,461
Share option reserve		739,978	-	739,978

Z GROUP plc

Notes to the financial statements for the year ended 29 February 2008 (continued)

Retained losses	(756,413)	-	(756,413)
Total equity	3,279,555	-	3,279,555
Trade and other payables	13,786,542	-	13,786,542
Short-term provisions	816	-	816
Current liabilities	13,787,358	-	13,787,358
Total liabilities	13,787,358	-	13,787,358
Total equity and liabilities	17,066,913	-	17,066,913

Reconciliation of Balance Sheet at 28 February 2007

	Notes	28 February 2007 (UKGAAP) £	Transition to IFRS £	28 February 2007 (as restated) £
ASSETS				
Investments		16,991,305	-	16,991,305
Property, plant and equipment	1	140,074	(2,156)	137,918
Other intangible assets	1	161	2,156	2,317
Other receivables		117,500		117,500
Non-current assets		17,249,040	-	17,249,040
Trade and other receivables		2,762,813	-	2,762,813
Cash and cash equivalents		1,405,766	-	1,405,766
Current assets		4,168,579	-	4,168,579
Total assets		21,417,619	-	21,417,619
EQUITY AND LIABILITIES				
Capital and reserves attributable to equity holders of the Company				
Share capital		1,187,294	-	1,187,294
Share premium account		5,967,758	-	5,967,758
Share option reserve		1,084,049	-	1,084,049
Retained losses		(1,388,679)	-	(1,388,679)
Total equity		6,850,422	-	6,850,422
Trade and other payables		14,567,197	-	14,567,197

Z GROUP plc

Notes to the financial statements for the year ended 29 February 2008 (continued)

Short-term provisions	-	-	-
Current liabilities	14,567,197	-	14,567,197
Total liabilities	14,567,197	-	14,567,197
Total equity and liabilities	21,417,619	-	21,417,619

Notes to the reconciliation of Balance Sheets

Classification of website costs

Website development cost is included within intangibles under IFRS rather than tangible assets as is the norm under UK GAAP. The effect of this is to reclassify website development cost of £2,156 at February 2007 from tangible assets to intangible assets. Total net assets remain unchanged by this adjustment. There is no adjustment at March 2006, because no website development costs had been incurred up to that date.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting ("**Meeting**") of Z GROUP plc ("**Company**") will be held at Z GROUP plc, 31 Vernon Street, London W14 0RN on 25 September 2008 at 10:30am to transact the following business:

ORDINARY RESOLUTIONS

1. THAT the Directors' Report and Accounts for the period ended 29 February 2008, together with the Auditors' Report thereon, be received and adopted.
2. THAT Duncan John Neale, who retires in accordance with the Company's articles of association and, who being eligible, offers himself for re-election, be re-elected as a Director.
3. THAT Horwath Clark Whitehill LLP be re-appointed as auditors of the Company from the conclusion of this Meeting until the conclusion of the next annual general meeting at which accounts are laid before the shareholders in accordance with the provisions of the Companies Act 2006 and their remuneration be fixed by the Board.
4. THAT the directors of the Company be and are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "Act") (in substitution for all existing authorities under the said section 80) to exercise all the powers of the Company to allot relevant securities (within the meaning of the said section 80) up to an aggregate nominal value of £445,894.70 provided that this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution and provided further that the Company may before such expiry make any offers or agreements which would or might require relevant securities to be allotted after such expiry.

SPECIAL RESOLUTIONS

- 5 THAT the directors of the Company be and are hereby empowered pursuant to section 95(1) of the Act to allot equity securities (within the meaning of section 94(2) of the Act) for cash as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
 - 5.1 the allotment of equity securities in connection with a rights issue in favour of the holders of ordinary shares (notwithstanding that, by reason of such exclusions or other arrangements as the directors may deem necessary or desirable to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory, the equity securities to be issued are not offered to all such holders in proportion to the number of ordinary shares held by each of them); and
 - 5.2 the allotment (otherwise than pursuant to paragraph 5.1 above) of equity securities up to an aggregate nominal value of £118,729,

and shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution, save that the Company may before such expiry make any offers or agreements which would or might require equity securities to be allotted after such expiry.

By order of the Board

DUNCAN NEALE
Company Secretary
Z GROUP plc
31 Vernon Street
London W14 0RN
29 August 2008

Notes to the Notice of the Annual General Meeting

Appointment of proxies

1. Holders of ordinary shares, or their duly appointed representatives, are entitled to attend and vote at the AGM. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and speak and vote on their behalf at the meeting. A shareholder can appoint the Chairman of the meeting or anyone else to be his/her proxy at the meeting. A proxy need not be a shareholder. More than one proxy can be appointed in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different ordinary share or shares held by that shareholder. To appoint more than one proxy, the Proxy Form should be photocopied and completed for each proxy holder. The proxy holder's name should be written on the Proxy Form together with the number of shares in relation to which the proxy is authorised to act. The box on the Proxy Form must also be ticked to indicate that the proxy instruction is one of multiple instructions being given. All Proxy Forms must be signed and, to be effective, must be lodged with the company's registrar so as to arrive not later than 48 hours before the time of the meeting, or in the case of an adjournment 48 hours before the adjourned time.
2. The return of a completed Proxy Form will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.

Appointment of proxy using hard copy proxy form

3. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

Changing proxy instructions

4. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact the Company's registrars, Capita Registrars, at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

5. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's registrars, Capita Registrars, at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by the Company no later than forty-eight hours before the time of the Meeting.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Communication

6. Except as provided above, members who have general queries about the Meeting should contact the company secretary [using email address duncan@zgroupplc.com] (no other methods of communication will be accepted).

You may not use any electronic address provided either:

- in this notice of annual general meeting; or
- any related documents (including the proxy form),

to communicate with the Company for any purposes other than those expressly stated.

**Z GROUP PLC ("Company")
ANNUAL GENERAL MEETING
PROXY FORM**

NAME OF SHAREHOLDER.....

ADDRESS OF SHAREHOLDER.....

Before completing this form, please read the explanatory notes below.

I/We being a member of the Company appoint the Chairman of the meeting or (see note 3)

--

as my/our proxy to attend, speak and vote on my/our behalf at the annual general meeting ("**Meeting**") of the Company to be held on 25 September 2008 at 10:30am and at any adjournment of the Meeting.

I/We direct my/our proxy to vote on the following resolutions as I/we have indicated by marking the appropriate box with an 'X'. If no indication is given, my/our proxy will vote or abstain from voting at his or her discretion and I/we authorise my/our proxy to vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is properly put before the Meeting.

RESOLUTIONS	For	Against
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ORDINARY

- | | | |
|---|--------------------------|--------------------------|
| 1. THAT the Directors' Report and Accounts for the period ended 28 February 2007, together with the Auditors' Report thereon, be received and adopted. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. THAT Duncan John Neale, who retires in accordance with the Company's articles of association and, who being eligible, offers himself for re-election, be re-elected as a Director. | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. THAT Horwath Clark Whitehill LLP be re-appointed as auditors of the Company from the conclusion of this Meeting until the conclusion of the next annual general meeting at which accounts are laid before the shareholders in accordance with the provisions of the Companies Act 2006 and their remuneration be fixed by the Board. | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. THAT the directors of the Company be and are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the " Act ") (in substitution for all existing authorities under the said section 80) to exercise all the powers of the Company to allot relevant securities (within the meaning of the said section 80) up to an aggregate nominal value of £445,894.70 provided that this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution and provided further that the Company may before such expiry make any offers or agreements which would or might require relevant securities to be allotted after such expiry. | <input type="checkbox"/> | <input type="checkbox"/> |

SPECIAL

5. THAT the directors of the Company be and are hereby empowered pursuant to section 95(1) of the Act to allot equity securities (within the meaning of section 94(2) of the Act) for cash as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

5.1 the allotment of equity securities in connection with a rights issue in favour of the holders of ordinary shares (notwithstanding that, by reason of such exclusions or other arrangements as the directors may deem necessary or desirable to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory, the equity securities to be issued are not offered to all such holders in proportion to the number of ordinary shares held by each of them); and

5.2 the allotment (otherwise than pursuant to paragraph 5.1 above) of equity securities up to an aggregate nominal value of £118,729,

and shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution, save that the Company may before such expiry make any offers or agreements which would or might require equity securities to be allotted after such expiry.

Signature	Date

Notes to the proxy form

1. As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. You can only appoint a proxy using the procedures set out in these notes.
2. Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.
3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. To appoint as your proxy a person other than the Chairman of the Meeting, insert their full name in the box. If you sign and return this proxy form with no name inserted in the box, the Chairman of the Meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the Meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need

to appoint someone other than the Chairman and give them the relevant instructions directly.

4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, complete one proxy form for each proxy appointed, specifying in each case the number of your shares over which that proxy has voting rights.
5. To direct your proxy how to vote on the resolutions mark the appropriate box with an 'X'. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.
6. To appoint a proxy using this form, the form must be:
 - completed and signed;
 - sent or delivered to the Company's registrars, Capita Registrars, at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
 - received by the Company's registrars no later than forty-eight hours before the time of the Meeting.
7. Any power of attorney or any other authority under which this proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
8. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
9. For details of how to change your proxy instructions or revoke your proxy appointment see the notes to the notice of meeting.
10. You may not use any electronic address provided in this proxy form to communicate with the Company for any purposes other than those expressly stated.