

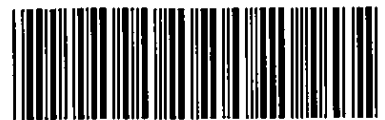
COMPANY NUMBER

2991159

HIGHWAY CAPITAL *plc*

ANNUAL REPORT 2007

THURSDAY



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Chairman's statement

The results for the twelve months ended 28 February 2007 show a loss before tax of £57,975 (2006 £57,127 loss)

The company had cash at bank and in hand of £528,327 at the balance sheet date

At this time we do not consider it appropriate to declare a dividend.

During the year the company has continued to keep expenditure to a minimum in order to preserve cash resources

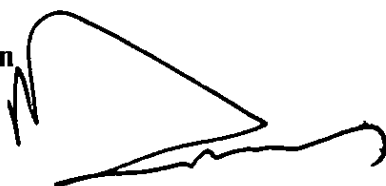
The directors continue, for the time being, to waive the majority of their fees

In the interim statement, I informed shareholders that target companies continue to be identified and evaluated as the board seeks opportunities to maximize the value of the company, unfortunately none of these has proved suitable

Your board will continue to seek a suitable target

A H Drummon
Chairman

12 July 2007

A handwritten signature in black ink, appearing to read 'A H Drummon', written over a horizontal line.

Directors' report

Your directors have pleasure in submitting their report and the audited accounts for the year ended 28 February 2007

Principal activity

The company is a stand-alone "cash shell" and the board is actively seeking to acquire a suitable business

Results

The loss on ordinary activities for the year before taxation was £57,975 (2006 loss £57,127). After taxation and dividends, the deficit of £57,975 (2006 deficit £57,127) has been transferred to reserves. Details of future developments can be found in the Chairman's statement.

Dividends

The directors do not recommend the payment of a final dividend for the year.

Directors

The following directors served during the year to 28 February 2007

A H Drummon (Chairman)

E P Levey

A M Freedman (appointed 4 August 2006, resigned 3 May 2007)

D Wheatley (resigned 11 August 2006)

J T P Roberts (resigned 11 August 2006)

R E Burns (resigned 11 August 2006)

Details of directors' remuneration, service contracts and interests in the ordinary shares of the company are included in the directors' remuneration report on pages 5 and 6.

Mr E P Levey retires by rotation, and offers himself for re-election at the annual general meeting. He does not have a service contract with the company. Following formal performance evaluation, the board believes that the non-executive director has performed effectively and should be re-elected.

Biographies of directors

Howard Drummon, 76, was appointed a non-executive director on 19 July 2000 and became chairman on 11 August 2006. He is a director in Keith, Bayley, Rogers & Co Limited, which, together with its predecessor firm, has been the financial adviser and stockbroker to the company since March 1995. He is also a non-executive director of Resources Investment Trust plc and Maisha plc.

Edward Levey BA(Hons) FCCA, 56, was appointed to the board on 10 March 1995 as Finance Director and company secretary. Under an agreement dated 5 June 2003 his position changed to that of a non-executive director and he continues to act as company secretary. He is currently a director of BrightThings plc and Alvaston Media plc. He has held a number of directorships in manufacturing, engineering and service industry companies during the last 17 years. He began his career with a subsidiary of Hawker Siddeley plc in 1976.

Substantial shareholdings

At 18 June 2007 the company had been notified, in accordance with the Disclosure and Transparency Rules of the Financial Services Authority, of the following notifiable interests in the ordinary share capital of the company:

	Number of Ordinary Shares	Percentage Holding
Galante International Limited	2,261,049	28.45%
Corvus Capital Inc	1,589,200	20.00%
J A M Hemming MP	276,300	3.47%
D Wheatley	396,040	4.98%

Directors' report continued

Fixed assets

There have been no movements in fixed assets during the year

Payment of suppliers

It is the company's policy to pay suppliers in accordance with the terms agreed for each transaction. The average number of creditor days during the period was not more than 60 days

Audit information

The directors are satisfied that the auditors are aware of all information relevant to the audit of the company's accounts for the year to 28 February 2007 and that they have taken all steps that they ought to have taken as directors in order to make them aware of any relevant audit information and to establish that the company's auditors are aware of that information

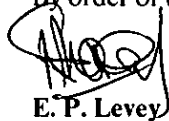
Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Littlestone Martin Glenton be re-appointed as auditors of the company will be put to the annual general meeting

Financial risk management

The company's financial risk management objective is to minimise, as far as possible, the company's exposure to such risk

By order of the board



E. P. Levey
Secretary

12 July 2007

Directors' remuneration report

Introduction

The information included in this report is not subject to audit other than where specifically indicated

Remuneration committee

The remuneration committee consists of the non-executive directors, Howard Drummon and Edward Levey. This committee's primary function is to review the performance of executive directors and senior employees and set their remuneration and other terms of employment. Since the disposal of its trading subsidiary on 24 January 2001, the company has only had one executive director and no senior employees.

The committee is also responsible for administering any share option scheme or bonus schemes. The only such scheme in place is the Executive Share Option Scheme, which has been approved by the Inland Revenue. Options in respect of 60,000 shares at an exercise price of 50p per share held by ex-employees, expired on 24 January 2002. There are currently no options granted and no directors hold share options.

The remuneration committee determines the company's policy for the remuneration of executive directors, having regard to the Directors' Remuneration Report Regulations 2002 (Schedule 7A of the Companies Act 1985) and The Combined Code on Corporate Governance and its provisions on directors' remuneration.

The remuneration policy

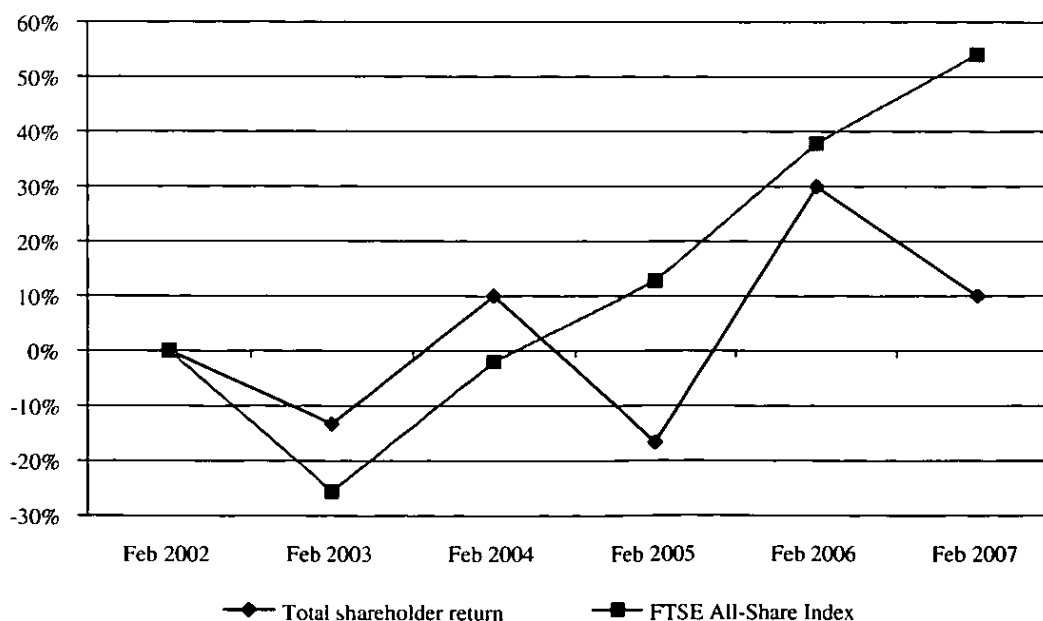
It is the aim of the committee to remunerate executive directors competitively and to reward performance.

Details of the remuneration packages of individual directors are set out below.

There are currently no share options, long term incentive plans, performance bonuses or pension schemes in place.

Performance graph

As required by the Directors' Remuneration Report Regulations 2002, the following table includes a performance graph comparing, over the last five financial years, the Total Shareholder Return of an ordinary share in Highway Capital plc against the Total Shareholder Return of the FTSE All-Share Index. The remuneration committee considers the FTSE All-Share Index to be an appropriate comparator for Total Shareholder Return performance.



Directors' remuneration report continued**Service agreements and terms of appointment**

None of the directors has a service contract with the company

Directors' interests

The directors' interests in the share capital of the company are shown below. All interests are beneficial. Since the year end, A M Freedman has disposed of his shareholding.

	Number of ordinary shares	
	28.2.2007	28.2.2006
A H Drummon	60,000	60,000
E P Levey	10,000	10,000
A M Freedman (through Keelwalk Properties Limited)	2,300,000	—

Directors' emoluments (audited)

Directors' emoluments including amounts payable to third parties in respect of directors' services are comprised as follows:

	Fees	Basic Salary	Compensation Payment	Taxable Benefits	2007 Total	2006 Total
Non-executive directors						
A H Drummon	2,000	—	—	—	2,000	2,000
E P Levey	26,000	—	—	—	26,000	26,000
A M Freedman	1,167	—	—	—	1,167	—
D Wheatley	833	—	—	—	833	2,000
J T P Roberts	833	—	—	—	833	2,000
R E Burns	833	—	—	—	833	2,000
	<u>£31,666</u>	<u>£—</u>	<u>£—</u>	<u>£—</u>	<u>£31,666</u>	<u>£34,000</u>

The non-executive directors have for the time being agreed to waive part of their fees and are currently receiving £500 each per quarter.

In addition to his non-executive director's fee, E P Levey currently receives £2,000 a month under a rolling one-month consultancy agreement.

No pension contributions were made by the company on behalf of its directors.

No director currently has share options, and no share options were granted to or exercised by the directors during the period under review.

Approval by shareholders

At the next annual general meeting of the company a resolution approving this report is to be proposed as an ordinary resolution.

This report was approved by the board on 12 July 2007 and signed on its behalf by

A H. Drummon
(Remuneration Committee Chairman)

Corporate governance

The policy of the board is to manage the affairs of the company in accordance with the 2003 Combined Code on Corporate Governance

Application of principles of good governance

Board of directors

The board currently comprises of the two independent non-executive directors. The articles of association require a third, but not greater than a third, of the directors to retire by rotation each year. During the year the company had a non-executive Chairman, Dominic Wheatley, and a senior independent director, John Roberts, until 11 August 2006. Thereafter, the non-executive Chairman has been Howard Drummon, and the senior independent director has been Edward Levey. Since the disposal of the company's trading subsidiary on 24 January 2001 the company has not had a Chief Executive. The board intends to appoint a Chief Executive when a new business is acquired.

Edward Levey was previously an executive director of the company and in addition to his non-executive director's fee currently has a rolling one-month consultancy agreement with the company. The board regards Edward Levey as fully independent in character and judgement.

There are regular board meetings each year and other meetings are held as required to direct the overall company strategy and operations. Board meetings follow a formal agenda covering matters specifically reserved for decision by the board. These cover key areas of the company's affairs including overall strategy, acquisition policy, approval of budgets, major capital expenditure and significant transactions and financing issues.

The board has delegated certain responsibilities, within defined terms of reference, to the audit committee and the remuneration committee as described below. The appointment of new directors is made by the board as a whole.

During the year ended 28 February 2007, there were 8 formal board meetings, 1 audit committee meeting and 1 remuneration committee meeting. All meetings were fully attended, except for 1 board meeting where Dominic Wheatley, John Roberts and Robert Burns were unable to attend.

The board undertakes a formal annual evaluation of its own performance and that of its committees and individual directors, through discussions and one-to-one reviews with the Chairman and the senior independent director.

Audit committee

The audit committee currently comprises of the two non-executive directors and is headed by Howard Drummon, the Chairman. The committee's terms of reference are in accordance with The Combined Code on Corporate Governance.

The committee reviews the company's financial and accounting policies, interim and final results and annual report prior to their submission to the board, together with management reports on accounting matters and internal control and risk management systems. It reviews the auditors' management letter and considers any financial or other matters raised by both the auditors and employees.

The committee considers the independence of the external auditors and ensures that before any non-audit services are provided by the external auditors, they will not impair the auditors' objectivity and independence. During the year non-audit services totalled £12,400 and covered normal accounting and taxation compliance work, which did not impact on the auditors' objectivity or independence.

The committee has primary responsibility for making recommendations to the board in respect of the appointment, re-appointment and removal of the external auditors.

Corporate governance continued

Remuneration committee

The remuneration committee currently comprises of the two non-executive directors and is headed by Howard Drummon, the Chairman

The committee's primary function is to review the performance of executive directors and senior employees and to set their remuneration and other terms of employment. It is also responsible for administering any share option and bonus schemes

Relations with shareholders

The company encourages two-way communication with both its institutional and private investors and responds quickly to all queries received

Internal controls

The directors are responsible for internal control in the company and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorised use or disposition, for maintaining proper accounting records, and for the reliability of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material error, losses or fraud. In addition, there is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the company

The key procedures that the directors have established are designed to provide effective internal control within the company and are to be regularly reviewed by the board. This is in accordance with The Turnbull Guidance provided by the Institute of Chartered Accountants in England and Wales. Such procedures have been in place throughout the period under review and up to the date of approval of the annual report and accounts

Due to the size of the company, all key decisions are made by the board and the assessment and management of risk is an integral part of the board's decision-making process

The company's organisational structure has clear lines of responsibility and the board continues to review systems to monitor and investigate the major business risks facing the company

The board has established control procedures for all key financial areas of the business, which enable the board to maintain full and effective control. These controls include defined procedures for seeking and obtaining approval for major transactions and controls relating to the security of assets. The company operates a comprehensive budgeting and financial reporting system

The directors have reviewed the effectiveness of the company's systems of internal control as they operated during the period under review and consider that there have been no material losses, contingencies or uncertainties caused by weaknesses in internal controls. The directors do not consider that an internal audit function is presently necessary as the company is a "cash shell"

Going concern

After reviewing the company's budget for 2007/2008 and its medium term plans, the directors consider that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts

Corporate governance continued

Statement of compliance

In the opinion of the directors, the company has complied throughout the year ended 28 February 2007 with all relevant provisions set out in Section 1 of the Combined Code on Corporate Governance, except for the items outlined below

Code provision A 1 5 — During the year, the company did not have in place insurance cover in respect of legal action against its directors. However, this has been put in place after the year end

Code provision A 2 1 — Since the disposal of the company's trading subsidiary on 24 January 2001 the company has not had a Chief Executive. The board intends to appoint a Chief Executive when a new business is acquired

Code provision A 4 1 — A nomination committee has not been set up, as the directors consider that it is not appropriate while the company is a "cash shell" without any employees. The board intends to set up a nomination committee when a new business is acquired

Directors' responsibility statement

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those accounts, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts,
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors confirm that they have complied with the above requirements in preparing the accounts

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. They are responsible for the system of internal control, and for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities. The directors are also responsible for ensuring that all information relevant to the audit has been made available to the auditors.

The above statement should be read in conjunction with the statement of the auditors' responsibilities set out on page 11.

Independent auditors' report

to the members of Highway Capital plc

We have audited the accounts of Highway Capital plc for the year ended 28 February 2007 on pages 13 to 21. These accounts have been prepared under the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, the directors' remuneration report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the accounts and the part of the directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the accounts. We also 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 transactions with the company is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited accounts. This other information comprises only the directors' report, the unaudited part of the directors' remuneration report, and the Chairman's statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. 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 accounts and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the company, 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 accounts and the part of the directors' remuneration report to be audited 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 accounts and the part of the directors' remuneration report to be audited.

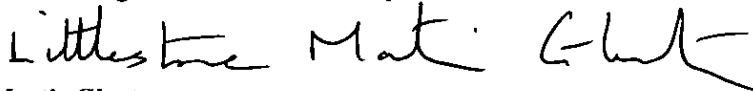
Independent auditors' report continued

Opinion

In our opinion

- The accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 28 February 2007 and of its result for the year then ended
- The accounts and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985
- The information given in the directors' report is consistent with the accounts

Littlestone Martin Glenton
Chartered Accountants and
Registered Auditors



73 Wimpole Street
London W1G 8AZ

12 July 2007

Profit and loss account**Year ended 28 February 2007**

	Notes	2007	2006
Management fees		—	—
Administrative expenses		(78,696)	(80,510)
Operating loss	2	(78,696)	(80,510)
Interest receivable		20,721	23,383
Loss on ordinary activities before taxation		(57,975)	(57,127)
Tax credit on loss on ordinary activities	5	—	—
Loss for the financial year		(57,975)	(57,127)
Basic and diluted loss per share	7	(0.73)p	(0.72)p
Basic and diluted loss per share from continuing operations	7	(0.73)p	(0.72)p

Continuing operations

There are no acquired or discontinued operations in the above two financial periods

Total recognised gains and losses

The company has no recognised gains or losses other than the profit or loss for the above two financial periods

Reconciliation of equity shareholders' funds

	2007	2006
Loss attributable to ordinary shareholders	(57,975)	(57,127)
Dividends	—	—
Net decrease in shareholders' funds	(57,975)	(57,127)
Shareholders' funds at 1 March 2006	567,689	624,816
Shareholder's funds at 28 February 2007	£509,714	£567,689

Balance sheet**At 28 February 2007**

	Notes	2007	2006
Fixed assets			
Investments	8	—	—
Current assets			
Debtors	10	4,038	2,546
Cash at bank and in hand		528,327	590,641
		532,365	593,187
Creditors' amounts falling due within one year	11	(22,651)	(25,498)
Net current assets		509,714	567,689
Net assets		£509,714	£567,689
Capital and reserves			
Share capital	14	158,913	158,913
Share premium	16	295,437	295,437
Profit and loss account	16	55,364	113,339
Total equity shareholders' funds		£509,714	£567,689

Approved by the board on 12 July 2007



A. H. Drummon (Chairman)

Cash flow statement**Year ended 28 February 2007**

	Notes	2007	2006
Net cash outflow from operating activities	20(a)	(83,035)	(78,682)
Returns on investments and servicing of finance			
Interest received		20,721	23,383
Net cash inflow from returns on investments and servicing of finance		20,721	23,383
Taxation			
Corporation tax		—	—
Equity dividends paid		—	—
Decrease in cash	20(b)	£(62,314)	£(55,299)

Notes to the accounts

Year ended 28 February 2007

1. Accounting policies

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards

Highway Capital plc does not prepare consolidated accounts and the directors have therefore continued to prepare its accounts in accordance with UK rather than international accounting standards, as permitted under EC Regulation 1606/2002

Consolidation

Highway Capital plc disposed of its two subsidiary undertakings, Superframe Limited and Retail Rescue Limited, on 24 January 2001. At 28 February 2007, it was a stand-alone company and is therefore not required to prepare consolidated accounts. The accounts relate only to the company itself.

Depreciation

Depreciation is provided on all fixed assets at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life.

Stocks and work-in-progress

Stocks and work-in-progress are stated at the lower of cost and net realisable value.

Deferred taxation

Deferred tax is provided in full at appropriate rates in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes, if those timing differences are not permanent and have originated but not reversed by the balance sheet date. The deferred tax balance has not been discounted.

Finance leases and hire purchase commitments

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their useful economic lives.

The interest element is charged to profit and loss account on a straight line basis over the period of the finance leases or hire purchase contracts.

Rentals paid under operating leases are charged to income on a straight line basis over the lease period.

Foreign currencies

Profit and loss account transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Turnover

Turnover represents management fees receivable.

Notes to the accounts continued**Year ended 28 February 2007****2. Operating loss**

This is stated after charging

	2007	2006
	£	£
Directors' remuneration — Salaries and fees	31,666	34,000
Auditors' remuneration — Audit services	7,750	7,750
— Other services	12,400	12,450
	<u>51,816</u>	<u>54,200</u>

3. Employees

The average number of employees during the year was made up as follows

	2007	2006
Directors	4	5
Other	—	—
	<u>4</u>	<u>5</u>

Employee costs including directors during the year amounted to

	£	£
Salaries and fees	31,666	34,000
	<u>£31,666</u>	<u>£34,000</u>

4. Directors' remuneration

Information relating to directors' emoluments is included in the directors' remuneration report on pages 5 and 6

5. Taxation

	2007	2006
Based on the loss for the year		
U K corporation tax at 19% (2006 19%)	—	—
Under/(over) provision in previous years	—	—
	<u>£—</u>	<u>£—</u>

Factors affecting the tax charge/(credit) for the year

Loss on ordinary activities before taxation	<u>£(57,975)</u>	<u>£(57,127)</u>
Loss on ordinary activities before taxation multiplied by the small company rate of UK corporation tax of 19% (2006 19%)	<u>£(11,015)</u>	<u>£(10,854)</u>
Effects of		
Current period tax losses not utilised	11,015	10,854
Adjustments to tax charge in respect of previous periods	—	—
	<u>£11,015</u>	<u>£10,854</u>
Current tax charge/(credit)	<u>£—</u>	<u>£—</u>

The company has estimated losses of £505,000 (2006 £447,000) that may be available for carry forward against future profits, and estimated capital losses of £1,460,000 (2006 £1,460,000) that may be available for carry forward against future chargeable gains. No deferred tax asset has been recognised in the accounts in respect of these unrelieved losses.

Notes to the accounts continued**Year ended 28 February 2007****6. Dividends**

	2007	2006
Interim paid nil per share (2006 nil)	—	—
	<u>£—</u>	<u>£—</u>

7. Loss per share

The loss per ordinary share calculation has been based on the loss attributable to ordinary shareholders of £57,975 (2006 loss £57,127), divided by 7,945,638 (2006 7,945,638), being the weighted average number of ordinary shares in issue during the year. The basic and the diluted loss per ordinary share are the same.

There are no discontinued operations in either period and, therefore, the basic and the diluted loss per ordinary share from continuing operations are the same as the basic and the diluted loss per ordinary share.

8. Investments

On 24 January 2001, the company disposed of its trading subsidiary Superframe Limited and its dormant subsidiary Retail Rescue Limited.

9. Capital commitments

At 28 February 2007 the company had no capital commitments.

10. Debtors

	2007	2006
Other debtors	761	832
Prepayments	3,277	1,714
	<u>£4,038</u>	<u>£2,546</u>

11. Creditors: amounts falling due within one year

	2007	2006
Trade creditors	3,080	4,113
Accruals	19,571	21,385
	<u>£22,651</u>	<u>£25,498</u>

12. Borrowings

The company had no bank loans or overdrafts existing at the beginning or end of the year.

13. Deferred taxation

The estimated deferred tax asset not recognised in the accounts, based on a 30% rate of tax, amounts to £590,000 (2006 £572,000). Of this amount, £438,000 may be recoverable by the company against future chargeable gains, and £152,000 may be recoverable against future profits.

Notes to the accounts continued**Year ended 28 February 2007****14. Share capital**

	Number of Shares 2007	Nominal Value 2007	Number of Shares 2006	Nominal Value 2006
Authorised—				
Ordinary shares of 2p each	<u>50,000,000</u>	<u>£1,000,000</u>	<u>50,000,000</u>	<u>£1,000,000</u>
Allotted, called-up and fully paid—				
Ordinary Shares of 2p each	<u>7,945,638</u>	<u>£158,913</u>	<u>7,945,638</u>	<u>£158,913</u>

15. Related party transactions

Howard Drummon, non-executive Chairman, is a director of Keith, Bayley, Rogers & Co Limited, the financial adviser and stockbroker to the company. In the year ended 28 February 2007, Keith, Bayley, Rogers & Co Limited received retainer fees of £10,000 (2006 £10,000)

16. Reconciliation of movements on reserves

	Share Premium Account	Profit and Loss Account
At 1 March 2006	295,437	113,339
Retained loss for the year	—	(57,975)
At 28 February 2007	<u>£295,437</u>	<u>£55,364</u>

17. Other financial commitments

At 28 February 2007 the company had no commitments for the year ending 29 February 2008 under non-cancellable operating leases

18. Financial instruments

The Company's financial instruments comprise cash, trade debtors and trade creditors that arise directly from its operations. The Company's policy has been, and continues to be, that no speculative trading in financial derivatives shall be undertaken.

19. Financial assets

The cash is held in bank current and premium accounts and on treasury deposit, which receive varying rates of interest that is recognised on a receivable basis. All financial assets and liabilities are denominated in Sterling.

Fair value of financial assets and liabilities

The fair value of financial assets and liabilities, calculated by discounting expected future cash flows at prevailing interest rates, is not materially different from their book value, and is as follows

	2007	2006
Financial assets		
Receivables	4,038	2,546
Cash at bank	<u>528,327</u>	<u>590,641</u>
	<u>£532,365</u>	<u>£593,187</u>
Financial liabilities		
Payables current liabilities	<u>£22,651</u>	<u>£25,498</u>

Notes to the accounts continued**Year ended 28 February 2007****Hedging**

The Company makes no use of forward currency contracts, other financial derivatives or hedging

Interest rate risk

The Company does not have an interest rate policy in isolation but regularly reviews the interest rates being received on deposits

Liquidity risk

The principal policy of the Company in managing liquidity risk is to align the anticipated timing of expenditure with the availability of its cash balances

20. Group cash flow statement**(a) Net cash outflow from operating activities**

	2007	2006
Operating loss	(78,696)	(80,510)
Decrease/(increase) in debtors	(1,492)	842
Increase/(decrease) in creditors	(2,847)	986
Net cash outflow from operating activities	<u>£(83,035)</u>	<u>£(78,682)</u>

(b) Analysis of net funds/(debt)

	1 March 2006	Cash flow	28 February 2007
Net cash cash at bank and in hand	590,641	(62,314)	528,327
Net funds/(debt)	<u>£590,641</u>	<u>£(62,314)</u>	<u>£528,327</u>

(c) Reconciliation of net cash flow to movement in net funds/(debt)

	2007	2006
Decrease in cash in the period	(62,314)	(55,299)
Movement in net funds/(debt) in the year	(62,314)	(55,299)
Opening net funds/(debt)	590,641	645,940
Closing net funds/(debt)	<u>£528,327</u>	<u>£590,641</u>

Company information

Directors

Alec Howard Drummon
(non-executive Chairman)*
Edward Patrick Levey BA(Hons) FCCA
(non-executive director)*
* member of the remuneration & audit committees

Secretary and registered office

Edward Patrick Levey BA(Hons) FCCA
73 Wimpole Street
London W1G 8AZ

Registrars and share transfer office

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

Share price information

Information about the day-to-day movement of the
Company's share price can be obtained from the
London Stock Exchange Code HWC

Auditors

Littlestone Martin Glenton
Chartered Accountants and Registered Auditors
73 Wimpole Street
London W1G 8AZ

Bankers

Barclays Bank Plc
The Lea Valley Group
78 Turners Hill
Cheshunt
Herts EN8 9BW

Solicitors

Goodman Derrick
90 Fetter Lane
London EC4A 1PT

Stockbrokers

Keith, Bayley, Rogers & Co Limited
2nd Floor, Finsbury Tower
103-105 Bunhill Row
London EC1Y 8LZ

Financial review

	Year to 28.2.2007	Year to 28.2.2006	Year to 28.2.2005	Year to 29.2.2004	Year to 28.2.2003
Management fees	—	—	—	20,000	30,000
Administrative expenses	(78,696)	(80,510)	(82,237)	(118,113)	(173,582)
Operating profit/(loss)	(78,696)	(80,510)	(82,237)	(98,113)	(143,582)
Profit on disposal of subsidiaries	—	—	—	—	—
Income from fixed asset investments	—	—	—	—	—
Interest receivable	20,721	23,383	24,489	20,972	27,906
Profit/(loss) on ordinary activities before taxation	(57,975)	(57,127)	(57,748)	(77,141)	(115,676)
Taxation	—	—	—	486	—
Profit/(loss) on ordinary activities after taxation	(57,975)	(57,127)	(57,748)	(76,655)	£(115,676)
Earnings/(loss) per share	(0 73)p	(0 72)p	(0 73)p	(0 96)p	(1 46)p
Dividend per share	nil	nil	nil	nil	nil

The basic and the diluted earnings/(loss) per share figures are the same

Notice of annual general meeting

Notice is hereby given that the annual general meeting of the company will be held at 2nd Floor, Finsbury Tower, 103-105 Bunhill Row, London EC1Y 8LZ on 31 August 2007 at 12 00 noon for the following purposes

Ordinary business — ordinary resolutions

Resolution 1:

To receive and adopt the report of the directors and the audited accounts for the year ended 28 February 2007

Resolution 2:

To approve the directors' remuneration report for the year ended 28 February 2007

Resolution 3:

To re-elect Edward Levey as a director of the company

Resolution 4:

To re-appoint Littlestone Martin Glenton as the registered auditors of the company and to authorise the directors to determine their remuneration

Special business

To consider and, if thought fit, approve the following resolution as an ordinary resolution

Resolution 5:

That the directors be and are hereby generally and unconditionally authorised (in substitution for any specific or general authority previously conferred on them but without prejudice to the allotment of securities under and such previous authority pursuant to any offer or agreement made prior to the date this resolution is passed) to exercise all the powers of the company to allot relevant securities within the meaning of section 80 of the Companies Act 1985 ("the Act") up to an aggregate nominal amount of £7,946 PROVIDED THAT this authority shall expire on the earlier of the conclusion of the next annual general meeting of the company after the passing of this resolution and a date being fifteen months after the date of the passing of this resolution save that the company may before such expiry make an offer or agreement which would or might require the relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired

Notice of annual general meeting continued

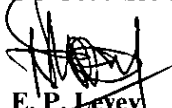
To consider and if thought fit, pass the following resolution as a special resolution

Resolution 6:

That subject to the passing of resolution 5 above, the directors be and are hereby empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94 of the Act) of the company for cash pursuant to the authority conferred by the ordinary resolution referred to in resolution 5 above as if section 89(1) of the Act did not apply to such allotment **PROVIDED THAT**

- 1 This power shall be limited to the allotment of equity securities up to a maximum aggregate nominal value of £7,946,
- 2 The authority of the directors shall extend to the making of any offer or agreement before the expiration or revocation of this power which would or might require equity securities to be allotted otherwise than in accordance with section 89 of the Act after the expiration or revocation of this power and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding the expiry of this power,
- 3 Any reference to the allotment of equity securities includes a reference to the grant of a right to subscribe for or convert any securities into such securities including any share option scheme, share option agreements or warrants, and
- 4 This power shall expire on the earlier of the conclusion of the next annual general meeting of the company and a date being fifteen months after the date of the passing of this resolution

BY ORDER OF THE BOARD


E. P. Levey
Secretary

12 July 2007

Registered Office
73 Wimpole Street
London W1G 8AZ

NOTES

- 1 A member entitled to attend and vote at the above meeting may appoint a proxy to attend and on a poll, vote instead of him or her. A proxy need not be a member of the company. Completion and return of a form of proxy does not preclude a member from attending and voting at the meeting in person.
- 2 To be valid the form of proxy must be deposited with Capita Registrars, Proxies, The Registry 34 Beckenham Road Beckenham BR3 4ZB by no later than 12 00 noon on 29 August 2007.
- 3 All members of the company are urged to complete and return the attached form of proxy as soon as possible.
- 4 The following documents will be available for inspection at the registered office of the company on any weekday (except Saturday) during normal business hours from the date of the issue of this notice until the date of the annual general meeting and, at the place of the meeting for a period of 15 minutes prior to the annual general meeting and during the meeting:
 - (a) The register of directors' share interests containing the information required to be maintained by statute in relation to transactions of each director in the share capital of the company and of the interests of each director in share options and warrants
 - (b) The company's memorandum and articles of association

Proxy Form

I/We (insert name, block capitals please)

a member(s) of the above company, hereby appoint the Chairman of the meeting or

(Note 1)

as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of the company which will be held at 2nd Floor, Finsbury Tower, 103-105 Bunhill Row, London EC1Y 8LZ on 31 August 2007 at 12 00 noon, and at any adjournment thereof

I/We desire my/our proxy to vote on the resolutions proposed to be submitted as follows

Ordinary Business

		FOR	AGAINST
Resolution 1	To receive and adopt the report of the directors and the audited accounts for the year ended 28 February 2007	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	To approve the directors' remuneration report for the year ended 28 February 2007	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	To re-elect Edward Levey as a director of the company *	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	To re-appoint the auditors	<input type="checkbox"/>	<input type="checkbox"/>

Special Business

Resolution 5	To give authority to issue shares	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	To dis-apply pre-emption rights	<input type="checkbox"/>	<input type="checkbox"/>

Signed

Dated

2007

NOTES

- 1 A member may appoint a proxy of his own choice who need not be a member of the company. If such an appointment is made, delete the words "the Chairman of the meeting" and insert the name of the person appointed proxy in the space provided
- 2 If the appointer is a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf
- 3 In the case of joint holders, the signature of any holder will be sufficient, but the names of all the joint holders should be stated
- 4 If this form is returned without any indication as to how the person appointed proxy shall vote, he will exercise his discretion as to how he votes or whether he abstains from voting
- 5 To be valid, this form of proxy must be completed and deposited with Capita Registrars, Proxies, The Registry, 34 Beckenham Road, Beckenham BR3 4ZB not less than 48 hours before the time affixed for holding the annual general meeting and in any event not later than 12 00 noon on 29 August 2007

* Edward Levey is a member of the audit committee and the remuneration committee

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Business Reply Plus
Licence Number
RLUB-TCHH-JEBH



Capita Registrars
Proxies
The Registry
34 Beckenham Road
BECKENHAM
Kent
BR3 4ZB

1st FOLD

2nd FOLD