

COMPANY NUMBER

2991159

HIGHWAY CAPITAL *plc*

ANNUAL REPORT 2005



Contents

	Page
Chairman's statement	2
Directors' report	3
Directors' remuneration report	5
Corporate governance	7
Directors' responsibility statement	10
Independent auditors' report	11
Profit and loss account	13
Reconciliation of equity shareholders' funds	14
Balance sheet	15
Cash flow statement	16
Notes to the accounts	17
Company information	22
Financial review	23
Notice of annual general meeting	24
Proxy form	27

Chairman's statement

The results for the twelve months ended 28 February 2005 show a loss before tax of £57,748 (2004: £77,141 loss).

The company had cash at bank and in hand of £645,940 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 non-executive directors continue, for the time being, to waive the majority of their fees.

In the interim statement, I informed shareholders that meetings had been held with a number of parties and discussions were continuing as your board sought opportunities to maximize the value of the company.

Discussions with two different targets reached advanced stages during the year but neither reached a conclusion.

At present preliminary discussions are taking place with other possible targets as your board continues to seek opportunities to maximize the value of the company.

Dominic Wheatley
Chairman

28 June 2005

Directors' report

Your directors have pleasure in submitting their report and the audited accounts for the year ended 28 February 2005.

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 £57,748 (2004: loss £77,141). After taxation and dividends, the deficit of £57,748 (2004: deficit £76,655) 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 2005:

D. Wheatley (Chairman)
J. T. P. Roberts
E. P. Levey
R. E. Burns
A. H. Drummon

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 J. T. P. Roberts and Mr R. E. Burns retire by rotation, and offer themselves for re-election at the annual general meeting. They do not have service contracts with the company.

Biographies of directors

Dominic Wheatley, 46, was appointed non-executive Chairman on 26 January 2001. He started his career in advertising with CBH & Prtns in Covent Garden before founding the software entertainment publisher, Domart Group Limited ("Domart") in 1984. With the business successfully established in the European market, he moved to California in 1992 and set up Domart US. In 1995 he reversed Domart into Eidos plc, a technology shell, and changed the games publishers' name from Domart to Eidos. He served as Chief Executive of Eidos US and Chief Operating Officer of Eidos plc until the start of 1997. In addition to Highway Capital plc, Dominic serves on the boards of Telecom plus plc, Statpro Group plc, Kuju plc and is CEO of Bright Things plc.

John Roberts, 60, was appointed a non-executive director on 10 March 1995. He was nominated as Senior Independent Director on 13 December 1999 and served as Acting Chairman between 10 May 2000 and 28 June 2000. He is a Partner of Goodman Derrick, the company's solicitors. He acts for numerous small and medium sized companies. He is also a governor of English National Ballet.

Edward Levey BA(Hons) FCCA, 54, 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 Kuju 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.

Directors' report cont'd.

Biographies of directors cont'd

Robert Burns, 66, was appointed a non-executive director on 1 July 1999. He is a Chartered Engineer and a Member of the Institute of Electrical Engineers and of the Institute of Management Consultants. He is currently a non-executive director of Freeman and Procter Limited, and has been a Chairman and director of various public companies.

Howard Drummon, 74, was appointed a non-executive director on 19 July 2000. 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.

Substantial shareholdings

At 15 June 2005 the company had been notified of the following material interests, which represented 3% or more of the issued ordinary share capital of the company:

	Number of Ordinary Shares	Percentage Holding
Galante International Limited	2,261,049	28.45%
Keelwalk Properties Limited	1,900,000	23.91%
J A M Hemming	462,000	5.81%
D Wheatley	396,040	4.98%

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.

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.

By order of the board



E. P. Levey
Secretary

28 June 2005

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, John Roberts, Robert Burns and Howard Drummon. 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

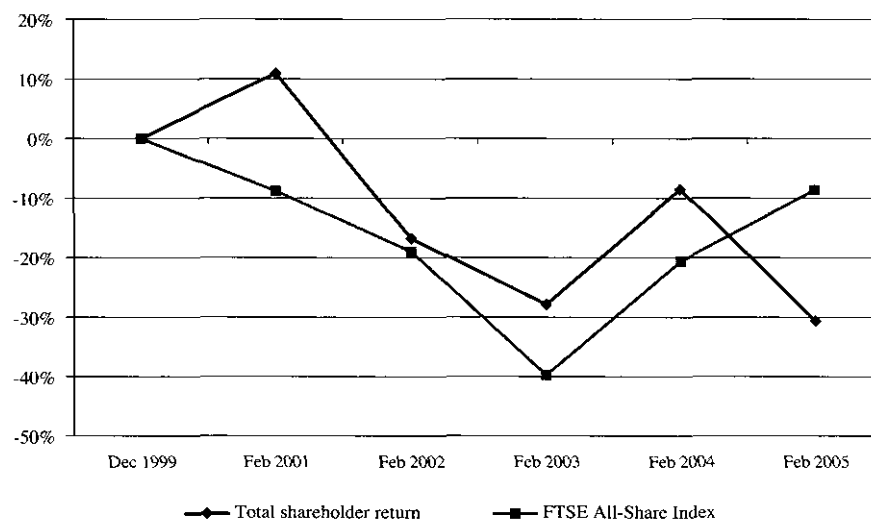
It is the aim of the committee to remunerate executive directors competitively and to reward performance.

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 *cont'd.***Service agreements and terms of appointment**

D. Wheatley, J. T. P. Roberts, E. P. Levey, R. E. Burns and A. H. Drummon do not have service contracts 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 there have been no changes in these shareholdings.

	Number of ordinary shares	
	28.2.2005	29.2.2004
D. Wheatley	396,040	396,040
J. T. P. Roberts	8,301	8,301
E. P. Levey	10,000	10,000
R. E. Burns	10,376	10,376
A. H. Drummon	60,000	60,000

Directors' emoluments (audited)

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

	Fees	Basic Salary	Compensation payments	Taxable Benefits	2005 Total	2004 Total
Non-executive directors:						
D. Wheatley	2,000	—	—	—	2,000	1,668
J. T. P. Roberts	2,000	—	—	—	2,000	2,708
E. P. Levey	25,833	—	—	—	25,833	65,459
R. E. Burns	2,000	—	—	—	2,000	2,708
A. H. Drummon	2,000	—	—	—	2,000	2,708
	<u>£33,833</u>	<u>£—</u>	<u>£—</u>	<u>£—</u>	<u>£33,833</u>	<u>£75,251</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.

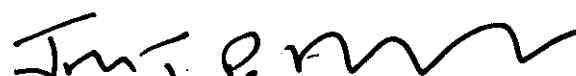
No director currently has share options, and no share options were granted to or exercised by the directors during the period under review.

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 28 June 2005 and signed on its behalf by:

J. T. P. Roberts (Remuneration Committee Chairman)



Corporate governance

The policy of the board is to manage the affairs of the company in accordance with The Combined Code on Corporate Governance, published in July 2003, and annexed to the Listing Rules of the Financial Services Authority.

Application of principles of good governance

Board of directors

The board currently comprises of five 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. Throughout the year the company has had a non-executive Chairman, Dominic Wheatley, and a senior independent director, John Roberts. 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. John Roberts has served on the board for more than nine years. The board regards Edward Levey and John Roberts 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 2005, there were 5 board meetings, 1 audit committee meeting and 1 remuneration committee meeting. All meetings were fully attended, except for 1 board meeting where 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 three of the non-executive directors and is headed by John Roberts, the senior independent director.

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 £11,000 and covered normal accounting and taxation advice.

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 cont'd.

Remuneration committee

The remuneration committee currently comprises of three of the non-executive directors and is headed by John Roberts, the senior independent director.

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 2005/2006 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.

Statement of compliance

In the opinion of the directors, the company has complied throughout the year ended 28 February 2005 with the provisions of The Combined Code on Corporate Governance, except for the items outlined below.

Corporate governance cont'd.

Code provision A.1.5 — The company does not currently have in place insurance cover in respect of legal action against its directors. The board intends to put such insurance cover in place prior to completing any transaction to acquire a trading business.

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 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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 2005 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.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, the directors' remuneration report and the accounts in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards.

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. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if 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 FRC Combined Code specified for our review by the Listing Rules of the UK Listing 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, the Chairman's statement and the corporate governance 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 Auditing Standards 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.

Independent auditors' report to the members of Highway Capital plc cont'd.

Opinion

In our opinion:

- the accounts give a true and fair view of the state of affairs of the company as at 28 February 2005 and of its result for the year then ended; and
- the accounts and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.

Littlestone Martin Glenton
Chartered Accountants and
Registered Auditors

2, Fitzhardinge Street
London W1H 6EE
28 June 2005

Littlestone Mart. Glenton

Profit and loss account**Year ended 28 February 2005**

	Notes	2005	2004
Management fees		—	20,000
Administrative expenses		(82,237)	(118,113)
Operating loss	2	(82,237)	(98,113)
Interest receivable		24,489	20,972
Loss on ordinary activities before taxation		(57,748)	(77,141)
Tax credit on loss on ordinary activities	5	—	486
Loss for the financial year		(57,748)	(76,655)
Dividends	6	—	—
Retained loss for the financial year		£(57,748)	£(76,655)
Basic and diluted loss per share	7	(0.73)p	(0.96)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

	2005	2004
Loss attributable to ordinary shareholders	(57,748)	(76,655)
Dividends	—	—
Net decrease in shareholders' funds	(57,748)	(76,655)
Shareholders' funds at 1 March 2004	682,564	759,219
Shareholder's funds at 28 February 2005	£624,816	£682,564

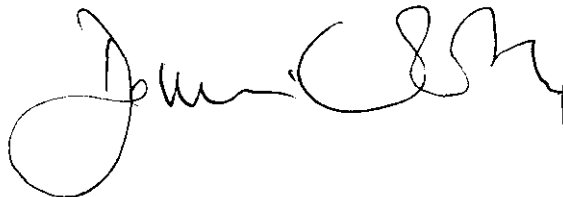
Balance sheet

at 28 February 2005

	Notes	2005	2004
Fixed assets			
Investments	8	—	—
Current assets			
Debtors	10	3,388	4,541
Cash at bank and in hand		645,940	704,997
Creditors: amounts falling due within one year	11	649,328 (24,512)	709,538 (26,974)
Net current assets		624,816	682,564
Net assets		£624,816	£682,564
Capital and reserves			
Share capital	14	158,913	158,913
Share premium	16	295,437	295,437
Profit and loss account	16	170,466	228,214
Total equity shareholders' funds		£624,816	£682,564

Approved by the board on 28 June 2005

D. Wheatley (Chairman)



J. T. P. Roberts (Senior non-executive director)



Cash flow statement**Year ended 28 February 2005**

	Notes	2005	2004
Net cash outflow from operating activities	18(a)	(83,546)	(88,492)
Returns on investments and servicing of finance			
Interest received		24,489	20,972
Net cash inflow from returns on investments and servicing of finance		24,489	20,972
Taxation			
Corporation tax		—	486
Equity dividends paid		—	—
Decrease in cash	18(b)	<u>£(59,057)</u>	<u>£(67,034)</u>

Notes to the accounts

Year ended 28 February 2005

1. Accounting policies

Basis of accounting

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

Consolidation

Highway Capital plc disposed of its two subsidiary undertakings, Superframe Limited and Retail Rescue Limited, on 24 January 2001. At 28 February 2005, 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.

Notes to the accounts cont'd.**Year ended 28 February 2005****1. Accounting policies** cont'd.**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.

2. Operating loss

This is stated after charging:

	2005	2004
	£	£
Directors' remuneration — Salaries and fees	33,833	75,251
Auditors' remuneration — Audit services	5,000	5,000
— Other services	11,100	10,610
	<hr/> <hr/>	<hr/> <hr/>

3. Employees

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

	2005	2004
Directors	5	5
Other	—	—
	<hr/> <hr/>	<hr/> <hr/>
	5	5
	<hr/> <hr/>	<hr/> <hr/>
Employee costs including directors during the year amounted to:		
Salaries and fees	33,833	75,251
Social security costs	—	982
	<hr/> <hr/>	<hr/> <hr/>
	£33,833	£76,233
	<hr/> <hr/>	<hr/> <hr/>

4. Directors' remuneration

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

Notes to the accounts cont'd.**Year ended 28 February 2005****5. Taxation**

Based on the loss for the year:

	2005	2004
U.K. corporation tax at 19% (2004: 19%)	—	—
Under/(over) provision in previous years	—	(486)
	<u>£—</u>	<u>£(486)</u>
Factors affecting the tax charge/(credit) for the year		
Loss on ordinary activities before taxation	<u>£(57,748)</u>	<u>£(77,141)</u>
Loss on ordinary activities before taxation multiplied by the small company rate of UK corporation tax of 19% (2004: 19%)	<u>£(10,972)</u>	<u>£(14,657)</u>
Effects of:		
Current period tax losses not utilised	10,972	14,657
Adjustments to tax charge in respect of previous periods	—	(486)
	<u>10,972</u>	<u>£14,171</u>
Current tax charge/(credit)	<u>—</u>	<u>£(486)</u>

The company has estimated losses of £390,000 (2004: £336,000) that may be available for carry forward against future profits, and estimated capital losses of £1,460,000 (2004: £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.

6. Dividends

	2005	2004
Interim paid nil per share (2004: 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 £57,748 (2004: loss £76,655), divided by 7,945,638 (2004: 7,945,638), being the weighted average number of ordinary shares in issue during the year.

The basic and diluted loss per ordinary share figures are the same.

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 2005 the company had no capital commitments.

Notes to the accounts cont'd.**Year ended 28 February 2005****10. Debtors**

	2005	2004
Other debtors	1,180	2,224
Prepayments	2,208	2,317
	<u>£3,388</u>	<u>£4,541</u>

11. Creditors: amounts falling due within one year

	2005	2004
Trade creditors	3,525	8,359
Accruals	20,987	18,615
	<u>£24,512</u>	<u>£26,974</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 £555,000 (2004: £539,000). Of this amount, £438,000 may be recoverable by the company against future chargeable gains, and £117,000 may be recoverable against future profits.

14. Share capital

	Number of Shares 2005	Nominal Value 2005	Number of Shares 2004	Nominal Value 2004
Authorised —				
Ordinary shares of 2p each	50,000,000	£1,000,000	50,000,000	£1,000,000
Allotted, called-up and fully paid —				
Ordinary Shares of 2p each	7,945,638	£158,913	7,945,638	£158,913

15. Related party transactions

Howard Drummon, a non-executive director, is a director of Keith, Bayley, Rogers & Co Limited, the financial adviser and stockbroker to the company. In the year ended 28 February 2005, Keith, Bayley, Rogers & Co Limited received retainer fees of £10,000 (2004: £10,000). John Roberts, a non-executive director, is a Partner of Goodman Derrick, the company's solicitors. In the year ended 28 February 2005, Goodman Derrick received legal fees of £4,000 (2004: £2,770).

Notes to the accounts cont'd.**Year ended 28 February 2005****16. Reconciliation of movements on reserves**

	Share Premium Account	Profit and Loss Account
At 1 March 2004	295,437	228,214
Retained loss for the year	—	(57,748)
At 28 February 2005	<u>£ 295,437</u>	<u>£170,466</u>

17. Other financial commitments

At 28 February 2005 the company had no commitments for the year ending 28 February 2006 under non-cancellable operating leases.

18. Group cash flow statement

	2005	2004
(a) Net cash outflow from operating activities		
Operating loss	(82,237)	(98,113)
Decrease/(increase) in debtors	1,153	53,334
Increase/(decrease) in creditors	(2,462)	(43,713)
Net cash outflow from operating activities	<u>£(83,546)</u>	<u>£(88,492)</u>

	1 March 2004	Cash flow	28 February 2005
(b) Analysis of net funds/(debt)			
Net cash: cash at bank and in hand	704,997	(59,057)	645,940
Net funds/(debt)	<u>£704,997</u>	<u>£(59,057)</u>	<u>£645,940</u>

	2005	2004
(c) Reconciliation of net cash flow to movement in net funds/(debt)		
Decrease in cash in the period	(59,057)	(67,034)
Movement in net funds/(debt) in the year	(59,057)	(67,034)
Opening net funds/(debt)	704,997	772,031
Closing net funds/(debt)	<u>£645,940</u>	<u>£704,997</u>

Company information

Directors	Dominic Wheatley (non-executive Chairman) John Trefor Price Roberts (senior independent non-executive director)* Edward Patrick Levey BA(Hons) FCCA (non-executive director) Robert Ernest Burns (non-executive director)* Alec Howard Drummon (non-executive director)* * member of the remuneration & audit committees.
Secretary and registered office	Edward Patrick Levey BA(Hons) FCCA 2 Fitzhardinge Street London W1H 6EE
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 2 Fitzhardinge Street London W1H 6EE
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 Sophia House 76-80 City Road London EC1Y 2EQ

Financial review

	Year to 28.2.2005	Year to 29.2.2004	Year to 28.2.2003	Year to 28.2.2002	14 months to 28.2.2001
Management fees	—	20,000	30,000	—	—
Administrative expenses	(82,237)	(118,113)	(173,582)	(256,900)	(99,907)
Operating profit/(loss)	(82,237)	(98,113)	(143,582)	(256,900)	(99,907)
Profit on disposal of subsidiaries	—	—	—	—	387,993
Income from fixed asset investments	—	—	—	—	215,436
Interest receivable	24,489	20,972	27,906	45,376	4,438
Profit/(loss) on ordinary activities before taxation	(57,748)	(77,141)	(115,676)	(211,524)	507,960
Taxation	—	486	—	—	7,424
Profit/(loss) on ordinary activities after taxation	(57,748)	(76,655)	£(115,676)	£(211,524)	£515,384
Earnings/(loss) per share	(0.73)p	(0.96)p	(1.46)p	(2.66)p	6.49p
Dividend per share	nil	nil	nil	nil	0.50p

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 90 Fetter Lane, London EC4A 1PT on 7 September 2005 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 2005.

Resolution 2:

To approve the directors' remuneration report for the year ended 28 February 2005.

Resolution 3:

To re-elect John Roberts as a director of the company.

Resolution 4:

To re-elect Robert Burns as a director of the company.

Resolution 5:

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 6:

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 cont'd.

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

Resolution 7:

That subject to the passing of resolution 6 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 6 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

Registered Office:
2 Fitzhardinge Street
London W1H 6EE

E. P. Levey
Secretary

28 June 2005

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, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 12:00 noon on 5 September 2005.
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, 90 Fetter Lane, London EC4A 1PT on 7 September 2005 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 2005	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	To approve the directors' remuneration report for the year ended 28 February 2005	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	To re-elect John Roberts as a director of the company *	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	To re-elect Robert Burns as a director of the company *	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	To re-appoint the auditors	<input type="checkbox"/>	<input type="checkbox"/>

Special Business

Resolution 6	To give authority to issue shares	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	To dis-apply pre-emption rights	<input type="checkbox"/>	<input type="checkbox"/>

Signed Dated 2005

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, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU 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 5 September 2005.

* John Roberts and Robert Burns are members of the audit committee and the remuneration committee

THIRD FOLD

BUSINESS REPLY SERVICE
Licence No. MB122



Capita Registrars (Proxies)
PO Box 25
Beckenham
Kent BR3 4BR

FIRST FOLD

SECOND FOLD