

**Evolution Capital Investment Limited**

**Report and Financial Statements  
For the year ended 31 December 2006**

**Registered Number: 3359805**

FRIDAY



\*ALH9ATXL\*

A19

19/10/2007

205

COMPANIES HOUSE

**DIRECTORS' REPORT**

**For the year ended 31 December 2006**

The directors of Evolution Capital Investment Ltd ("ECIL" or the "Company") present their report together with the audited financial statements for the year ended 31 December 2006

**Basis of preparation**

Following the adoption of IAS Regulation (EC) 1606/2002 on 19 July 2002 by the European Parliament, Evolution Capital Investment Limited (the "Company") is allowed to prepare financial statements in accordance with IFRS as adopted by the European Union ("EU") for the year beginning 1 January 2005

The Company has applied IFRS for the year ended 31 December 2006, with one year of comparative figures under IFRS as endorsed by the EU. Accordingly, the Company's date of transition to IFRS is 1 January 2005 and its first full reporting period under IFRS is for the year ended 31 December 2006

The Company has not prepared a Cashflow Statement since it did not have any cash flows during the year nor does it have any bank accounts. All transactions undertaken by the Company are carried out through the intercompany accounts with other group undertakings with no cash settlement taking place. The reconciliation of operating (loss)/profit to net cashflow from operating activities in Note 13 summarises these transactions

For a full analysis of the transition to IFRS and the impact on the financial statements, please refer to note 19 of this document. The Company's accounting policies are detailed in pages 8 to 11

**Principal activities and review of business**

ECIL is the wholly owned private equity investment entity for The Evolution Group Plc (the "parent company" or the "group"). The Company does not intend to make any further investments in private equity owned companies but will seek to maximise value from the remaining portfolio of assets held

The Company is a limited company incorporated in the United Kingdom. The address of its registered office is 100 Wood Street, London, EC2V 7AN

**Results and dividends**

The carrying value of the remaining investment portfolio is £149,000 (2005: £10,000). During the year the Company transferred ownership of its investment in Wickam Capital to the parent company. At the time of transfer, Wickam Capital was an associate following a share consolidation earlier in the year which increased the Company's holding to 40%. Additionally, Planet Group Inc (a group in which the Company has a 0.4% holding) listed on AIM. During the year the Company made a loss after taxation of £441,000 (2005: profit £4,190,000). The directors do not recommend the payment of a dividend (2005: nil)

**Going concern**

The Evolution Group Plc, the ultimate holding company, has provided a letter of support to the Company stating that it will undertake to provide adequate financial support to the Company to enable it to meet all of its liabilities as and when they fall due for a period of at least one year from the date of these financial statements. It is on the strength of this guarantee and commitment of financial support that the directors deem it appropriate to prepare the financial statements on the assumption that the Company is a going concern.

**DIRECTORS' REPORT (continued)**  
**For the year ended 31 December 2006**

**Directors and Secretary**

The directors of the Company who held office since 1 January, unless otherwise stated, are as shown below

Alex Snow  
Graeme Dell

The directors have no interest in the share capital of the Company

The directors in office at the year end have interests in the share capital of the parent company, The Evolution Group Plc and are also directors of The Evolution Group Plc. Their interests are disclosed in the accounts of The Evolution Group Plc in accordance with the Companies Act 1985

<b>Secretary</b>	<b>Date of appointment</b>	<b>Date of resignation</b>
Nigel Gordon	-	5 January 2006
Scrip Secretaries Limited	5 January 2006	-

**Risk management policies - Financial risk management**

**Financial risk factors**

The Company's investing activities expose it to financial risks that include the effects of changes in equity security prices and liquidity risk. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company of such risks.

The Company's directors have delegated to a sub-committee, the risk committee, the responsibility for setting the risk management policies applied by the Company. The policies are implemented by the treasury department that receives regular reports to enable prompt identification of financial risks so that appropriate actions may be taken. The treasury department has a policy with specific guidelines to manage these risks and uses financial instruments to manage these.

**Equity Risk**

The Company holds a portfolio of listed and unlisted equity investments measured at fair value. The Company no longer actively invests in such investments. Performance is reviewed by management and when appropriate an investment will be realised.

**DIRECTORS' REPORT (continued)**  
**For the year ended 31 December 2006**

**Statement of Directors' Responsibilities**

The following statement, which should be read in conjunction with the independent auditor's report set out on page 4 is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the independent auditors in relation to the financial statements

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year

The directors consider that in preparing the financial statements on pages 5 to 19 that

- the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and
- all the accounting standards which they consider to be applicable have been followed, and
- the financial statements have been prepared on a going concern basis

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure the financial statements comply with the Companies Act 1985

The directors have general responsibility 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 confirm that they have complied with the above requirements in preparing the financial statements. So far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware. Each director has taken all steps that ought have been taken by a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

**Auditors**

PricewaterhouseCoopers LLP have indicated their willingness to continue in office, and pursuant to section 384 (1) of the Companies Act 1985, a notice will be given of a resolution proposing to re-appoint PricewaterhouseCoopers LLP as the Company's auditors at the Annual General Meeting

BY ORDER OF THE BOARD



**Scrip Secretaries Limited**  
Company Secretary  
9 October 2007

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EVOLUTION CAPITAL INVESTMENT LIMITED**

We have audited the financial statements of Evolution Capital Investments Limited for the year ended 31 December 2006 which comprise the Income Statement, the Balance Sheet, the Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the 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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

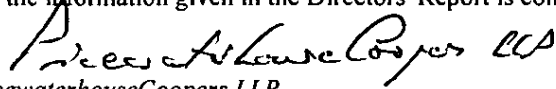
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the 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 IFRS as adopted by the European Union, of the state of the Company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

  
PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London

12 October 2007

**Evolution Capital Investment Limited**

**INCOME STATEMENT**

**For the year ended 31 December**

	Note	2006 £'000	2005 £'000
Operating expenses	2	(4)	(9)
(Loss)/profit on disposal of available-for-sale investments	3	(437)	4,199
<b>(Loss)/profit before tax</b>		<b>(441)</b>	<b>4,190</b>
Tax expense	5	-	-
<b>(Loss)/profit for the year</b>		<b>(441)</b>	<b>4,190</b>

The notes on pages 8 to 19 form an integral part of these financial statements

**Evolution Capital Investment Limited**

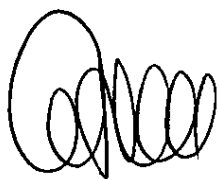
**BALANCE SHEET**

**As at 31 December**

	Note	2006 £'000	2005 £'000
<b>ASSETS</b>			
<b>Current assets</b>			
Trade and other receivables	6	45	45
Available-for-sale investments	7	149	10
<b>Total current assets</b>		<u>194</u>	<u>55</u>
<b>Total assets</b>		<u>194</u>	<u>55</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	8	322	381
<b>Total current liabilities</b>		<u>322</u>	<u>381</u>
<b>Total liabilities</b>		<u>322</u>	<u>381</u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity shareholders</b>			
Share capital	10	-	-
Fair value and other reserves	11	149	(490)
Retained earnings	12	(277)	164
<b>Total equity</b>	9	<u>(128)</u>	<u>(326)</u>
<b>Total equity and liabilities</b>		<u>194</u>	<u>55</u>

The notes on pages 8 to 19 form an integral part of these financial statements

The financial statements on pages 5 to 7 were approved by the Board of Directors on 9 October 2007



**Graeme Dell**  
Finance Director

**Evolution Capital Investment Limited**

**STATEMENT OF RECOGNISED INCOME AND EXPENSE**

**For the year ended 31 December**

	2006 £'000	2005 £'000
(Loss)/profit for the financial year	(441)	4,190
Available-for-sale investments		
Fair value changes taken to equity during the year	202	(672)
<b>Net gain/(losses) not recognised in income statement</b>	<b>202</b>	<b>(672)</b>
<b>Total recognised income and expense for the year</b>	<b>(239)</b>	<b>3,518</b>

The notes on pages 8 to 19 form an integral part of these financial statements

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2006**

### **1 ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented.

#### **Basis of preparation**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation available-for-sale financial assets.

The Company has applied IFRS for the year ended 31 December 2006 with one year of comparative figures under IFRS as adopted by the EU. Figures presented are in thousands of pounds sterling. The Company's date of transition to IFRS is 1 January 2005 and its first reporting period under IFRS is for the year ended 31 December 2006. The Company has applied IFRS 1, 'First time adoption of International Reporting Standards' ("IFRS 1") in preparing these financial statements but has not taken advantage of any of the transitional provisions of IFRS 1. Therefore the 2006 results are entirely comparable to those of 2005 in affected areas.

These financial statements have been prepared in accordance with IFRS and IFRIC interpretations and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. A summary of the Company's accounting policies is set out below.

The Company has not prepared a Cashflow Statement since it does not have any bank accounts, nor did it have any cash flows during the year. All transactions undertaken by the Company are carried out through the intercompany accounts with other group undertakings with no cash settlement taking place. The reconciliation of operating (loss)/profit to net cashflow from operating activities in Note 13 summarises these transactions.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

#### **Future accounting policies**

##### **Standards that are not yet effective and have not been early adopted by the Company**

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', have not been early adopted in 2006.

IFRS 8, 'Operating Segments', effective for annual periods beginning on or after 1 January 2009, subject to EU endorsement.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2006**

**Standards, amendments and interpretations effective in 2006 but not relevant**

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Company's operations

- IAS 19 (Amendment), 'Employee benefits'
- IAS 21 (Amendment), Net investment in a foreign operation
- IAS 39 (Amendment), Cash flow hedge accounting of forecast intragroup transactions
- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment),
  - Exploration for and evaluation of mineral resources,
- IFRS 6, Exploration for and evaluation of mineral resources,
- IFRIC 4, Determining whether an arrangement contains a lease,
- IFRIC 5, Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds, and
  - IFRIC 6, Liabilities arising from participating in a specific market – Waste electrical and electronic equipment

**Interpretations to existing standards that are not yet effective**

The following International Financial Reporting Interpretations Committee (IFRIC) interpretations issued during 2005 and 2006 which first apply to accounting periods beginning on or after 1st January 2007 are not expected to result in any changes to the Company's accounting policies

- Interpretation 7 – Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
- Interpretation 8 – Scope of IFRS 2
- Interpretation 9 – Reassessment of Embedded Derivatives
- Interpretation 10 – Interim Financial Reporting and Impairment

Consideration will be given during 2007 to the implications, if any, of the following IFRIC interpretations issued during 2006 which would first apply to the Group accounting period beginning on 1st January 2008

- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions
- IFRIC 12 – Service Concession Arrangements

**Going concern**

The Evolution Group Plc, the ultimate parent company has provided a letter of support to the Company stating that it will undertake to provide adequate financial support to the Company to enable it to meet all of its liabilities as and when they fall due for a period of at least one year from the date of these financial statements. It is on the strength of this guarantee and commitment of financial support that the directors deem it appropriate to prepare the financial statements on the assumption that the Company is a going concern.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2006**

**1. ACCOUNTING POLICIES (continued)**

**Financial assets and liabilities**

*Available-for-sale investments*

Available-for-sale investments are financial assets that are either designated in this category, or are not classified in any other category. They are initially recognised at fair value including direct and incremental transaction costs. They are subsequently held at fair value. Gains and losses arising from changes in fair value are included as a separate component of equity within Fair Value and Other Reserves until sale or when impaired, when the cumulative gain or loss is transferred to the income statement.

*Measurement*

For available-for-sale investments that are quoted in active markets, fair values are determined by reference to the current quoted bid/offer price. Where independent prices are not available, fair values may be determined using valuation techniques with reference to observable market data. These may include comparison to similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models such as Black-Scholes and other valuation techniques commonly used by market participants.

The Company makes an assessment at each balance sheet date as to whether there is any objective evidence of impairment, being any circumstance where an adverse impact on estimated future cash flows of the financial asset or group of assets can be reliably estimated. In the case of equity investments classified as available-for-sale, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement) is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on available-for-sale equity investments are not reversed through the income statement.

**Trade and other receivables**

Trade and other receivables are recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

**Trade and other payables**

Trade and other payables are recognised at fair value, which is the agreed market price at the time goods or services are provided. The Company accrues for all goods and services consumed but as yet unbilled at amounts representing management's best estimate of fair value.

**Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2006**

**1. ACCOUNTING POLICIES (continued)**

**Taxes**

Taxes are computed using the liability method. Under this method, deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities and are measured using enacted rates and laws that will be in effect when the differences are expected to reverse. The deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit nor loss. Valuation allowances are established against deferred tax assets where it is more likely than not that some portion or all of the asset will not be realised.

In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill, negative goodwill or from the acquisition of an asset, which does not affect either taxable or accounting income.

**2. OPERATING EXPENSES**

	2006 £'000	2005 £'000
Auditors' remuneration		
<i>Audit services</i>		
Fees payable to the auditors for the audit of the annual accounts	2	7
<i>Other services</i>		
Services relating to taxation	2	2
	<u>4</u>	<u>9</u>

Fees paid to the auditor's include all fees in their capacity as such.

Taxation services include compliance services such as tax return preparation and advisory services such as consultation on tax matters, tax advice relating to transactions and other tax planning and advice.

Average employee numbers during the year were nil (2005: nil).

**3 (LOSS) / PROFIT ON DISPOSAL OF AVAILABLE-FOR-SALE INVESTMENTS**

	2006 £'000	2005 £'000
Proceeds on disposal of available-for-sale investments	108	4,313
Fair value of investments at date of disposal	<u>(108)</u>	<u>(1)</u>
	-	4,312
Reversal of fair value reserve on disposal	(437)	-
Disposal expenses	-	(113)
(Loss)/profit on disposal of available-for-sale investments	<u>(437)</u>	<u>4,199</u>

**4. DIRECTORS' EMOLUMENTS**

The Directors did not receive any emoluments in respect of their services to the Company during the year (2005: £nil).

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2006**

**5. TAXATION**

	2006 £'000	2005 £'000
Current tax		
Corporation tax	-	-
<b>Total tax charge</b>	<b>-</b>	<b>-</b>

The tax assessed for the year is higher (2005 lower) than the standard rate of corporation tax in the UK (30%)

Factors affecting the tax charge for the period are explained below

	2006 £'000	2005 £'000
(Loss)/profit on ordinary activities before tax	(441)	4,190
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(132)	1,257
Effects of		
Losses not utilised/(utilised) in the period	131	(1,260)
Group relief surrendered (not paid)	1	3
<b>Total tax charge</b>	<b>-</b>	<b>-</b>

There is a potential deferred tax asset at 31 December 2006 of £7,328,000 (2005 £7,197,000), relating to provisions against investments and losses carried forward. This has not been recognised in the accounts due to current uncertainties as to how the Company will utilise the reversal of the underlying timing differences.

**6. TRADE AND OTHER RECEIVABLES**

	2006 £'000	2005 £'000
Amounts due from group undertakings	45	45
	<b>45</b>	<b>45</b>

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2006**

**7. AVAILABLE-FOR-SALE INVESTMENTS**

	2006 £'000	2005 £'000
At 1 January	10	683
Additions	45	-
	<u>55</u>	<u>683</u>
Disposals of available-for-sale investments at fair value	(108)	(1)
Revaluation surplus/(deficit) transfer to equity	202	(672)
At 31 December	<u>149</u>	<u>10</u>
Current	<u>149</u>	<u>10</u>
Available for sale investments include the following		
Listed securities		
- Equity securities – UK	-	-
- Equity securities – Non - UK	149	10
	<u>149</u>	<u>10</u>

The Company does not have any investments greater than 20% of the issued share capital in any company

During the year the Company made a further investment in Wickam Capital Limited of £45,000. The company's investment in Wickam Capital was transferred to the ultimate holding company, the Evolution Group Plc, in October 2006. This transaction resulted in a loss of £437,000 arising on disposal following the reversal of the fair value reserve held at the date of disposal.

**8. TRADE AND OTHER PAYABLES**

	2006 £'000	2005 £'000
Amount due to another group undertaking	322	263
Accruals	-	118
	<u>322</u>	<u>381</u>

The Group undertaking above relates to Evolution Group Services Limited ("EVGS"). Amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2006**

**9 STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY**

	Share capital	Fair value and other reserves	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
<b>Balance at 1 January 2006</b>	-	(490)	164	(326)
Loss for the year	-	-	(441)	(441)
Revaluation of available-for-sale investments	-	202	-	202
Available-for-sale investments transferred to Income Statement on sale	-	437	-	437
<b>Balance at 31 December 2006</b>	<b>-</b>	<b>149</b>	<b>(277)</b>	<b>(128)</b>

**10. SHARE CAPITAL**

	2006 £	2005 £
<b>Authorised:</b>		
1,000 ordinary shares of £1 each	1,000	1,000
<b>Allotted and paid:</b>		
2 ordinary shares of £1 each	2	2

**11. FAIR VALUE AND OTHER RESERVES**

	2006 £'000	2005 £'000
At 1 January	(490)	182
Revaluation of available-for-sale investments	202	(672)
Available-for-sale investments transferred to Income Statement on sale	437	-
At 31 December	<b>149</b>	<b>(490)</b>

**12. RETAINED EARNINGS**

	2006 £'000	2005 £'000
At 1 January	164	(4,026)
(Loss)/profit for the financial year	(441)	4,190
At 31 December	<b>(277)</b>	<b>164</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2006**

**13. CASH FLOW FROM OPERATING ACTIVITIES**

Reconciliation of operating (loss)/profit to net cash inflow from operating activities

	2006 £'000	2005 £'000
<b>Cash generated from operations</b>		
Operating (loss)/profit	(441)	4,190
<i>Adjustments for</i>		
Loss/(profit) on sale of available-for-sale investments	437	(4,199)
<i>Changes in working capital</i>		
Decrease in trade and other payables	4	54
Cash generated from operations	-	-

**14. CONTINGENT LIABILITY**

There were no contingent liabilities at 31 December 2006 (2005 nil)

**15. CAPITAL COMMITMENTS**

The Company had no capital commitments at 31 December 2006 (2005 nil)

**16. POST BALANCE SHEET EVENTS**

There were no post balance sheet events

**17. RELATED PARTY TRANSACTIONS**

**i) Intra-group trading**

The following table shows the balances owed by or owed to the company to fellow group undertakings at the year end

	2006 £'000	2005 £'000
Evolution Securities Limited	45	45
Evolution Group Plc	(319)	(254)
Evolution Group Services Limited	(3)	(9)
	<u>(277)</u>	<u>(218)</u>

In addition the Company, by virtue of it being a subsidiary of The Evolution Group Plc, transacts routinely with the group service company, Evolution Group Services Limited ("EVGS") As a result all operating expenses are settled by EVGS with subsequent intercompany recharging

**18. ULTIMATE HOLDING COMPANY**

The ultimate holding company and the controlling party is The Evolution Group Plc, a company incorporated in Great Britain and registered in England and Wales The Evolution Group Plc's statutory accounts are available from the Secretary, 9th Floor, 100 Wood Street, London, EC2V 7AN

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2006**

**19. RECONCILIATIONS OF EQUITY, NET ASSETS AND PROFIT UNDER UKGAAP TO IFRS**

The Company reported under UKGAAP in its previously published financial statements for the year ended 31 December 2005. The analyses below show reconciliations of equity, net assets and profit as reported under UKGAAP as at 31 December 2005 to the revised equity, net assets and profit under IFRS as reported in the financial statements. In addition, there is a reconciliation of net assets under UKGAAP to IFRS at the transition date for the company, being 1 January 2005.

**(i) Summary of equity**

	Note	1 January 2005 £'000	31 December 2005 £'000
<hr/>			
<b>Total equity under UKGAAP</b>		<b>(4,025)</b>	<b>(326)</b>
<b>Total equity under IFRS</b>		<b>(4,025)</b>	<b>(326)</b>

There is no difference between equity reported under UKGAAP and that reported under IFRS.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2006

**19. RECONCILIATIONS OF EQUITY, NET ASSETS AND PROFIT UNDER UKGAAP TO IFRS**

**ii) Reconciliation of equity at 1 January 2005 (Date of transition to IFRS)**

Reconciliation of equity at 1 January 2005 (Date of transition to IFRS)					
		Effect of transition to IFRS			
	Note	UKGAAP £'000	Re-measurement £'000	Re-classification £'000	IFRS £'000
<b>ASSETS</b>					
<b>Non-Current assets</b>					
Investments	a	501	-	(501)	-
Available-for-sale investments	a	-	-	501	501
<b>Total non-current assets</b>		<b>501</b>	<b>-</b>	<b>-</b>	<b>501</b>
<b>Current assets</b>					
Debtors	b	2	-	(2)	-
Trade & Other Receivables	b	-	-	2	2
<b>Total current assets</b>		<b>2</b>	<b>-</b>	<b>-</b>	<b>2</b>
<b>Total assets</b>		<b>503</b>	<b>-</b>	<b>-</b>	<b>503</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Intercompany creditors	c	(4,528)	-	4,528	-
Trade & Other Payables	c	-	-	(4,528)	(4,528)
<b>Total current liabilities</b>		<b>(4,528)</b>	<b>-</b>	<b>-</b>	<b>(4,528)</b>
<b>Total liabilities</b>		<b>(4,528)</b>	<b>-</b>	<b>-</b>	<b>(4,528)</b>
<b>EQUITY</b>					
Capital and reserve attributable to equity shareholders		-	-	-	-
Share capital		-	-	-	-
Share premium		-	-	-	-
Retained earnings		4,025	-	-	4,025
<b>Total equity</b>		<b>4,025</b>	<b>-</b>	<b>-</b>	<b>4,025</b>
<b>Total equity and liabilities</b>		<b>503</b>	<b>-</b>	<b>-</b>	<b>503</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2006

**19. RECONCILIATIONS OF EQUITY, NET ASSETS AND PROFIT UNDER UKGAAP TO IFRS**

**iii) Reconciliation of equity at 31 December 2005**

		Effect of transition to IFRS			
	Note	UKGAAP £'000	Re-measurement £'000	Re-classification £'000	IFRS £'000
<b>ASSETS</b>					
<b>Non-Current assets</b>					
Investments	a	10	-	(10)	-
Available-for-sale investments	a	-	-	10	10
<b>Total non-current assets</b>		<b>10</b>	<b>-</b>	<b>-</b>	<b>10</b>
<b>Current assets</b>					
Debtors	b	45	-	(45)	-
Trade & Other Receivables	b	-	-	45	45
<b>Total current assets</b>		<b>55</b>	<b>-</b>	<b>-</b>	<b>55</b>
<b>Total assets</b>		<b>55</b>	<b>-</b>	<b>-</b>	<b>55</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Intercompany creditors	c	263	-	263	-
Accruals	c	118	-	118	-
Trade & Other Payables	c	-	-	(381)	(381)
<b>Total current liabilities</b>		<b>381</b>	<b>-</b>	<b>-</b>	<b>(381)</b>
<b>Total liabilities</b>		<b>381</b>	<b>-</b>	<b>-</b>	<b>(381)</b>
<b>EQUITY</b>					
Capital and reserves attributable to equity shareholders		-	-	-	-
Share capital		-	-	-	-
Share premium account		-	-	-	-
Fair value and other reserves		(490)	-	-	(490)
Retained earnings		164	-	-	164
<b>Total equity</b>		<b>326</b>	<b>-</b>	<b>-</b>	<b>326</b>
<b>Total equity and liabilities</b>		<b>(55)</b>	<b>-</b>	<b>-</b>	<b>(55)</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2006**

**19. RECONCILIATIONS OF EQUITY, NET ASSETS AND PROFIT UNDER UKGAAP TO IFRS**

**Notes to Reconciliation of equity at 1 January 2006**

*a) Available-for-sale investments*

As a result of the adoption of IAS 39, 'Financial Instruments Recognition and Measurement', from 1 January 2005 onwards, investments previously recorded within non-current or current asset investments have been re-classified within current assets as available-for-sale investments and fair valued. As at 1 January 2005, £501,000 and at 31 December 2005, £10,000 has been re-classified from non-current asset investments.

*b) Trade and other receivables*

As a result of the adoption of IAS 39, 'Financial Instruments Recognition and Measurement', from 1 January 2006 onwards, amounts previously recorded as debtors have been re-classified within current assets as trade and other receivables. As at 1 January 2005, £2,000 and at 31 December 2005, £45,000 has been re-classified in this way.

*c) Current liabilities*

As a result of the adoption of IAS 39, 'Financial Instruments Recognition and Measurement', from 1 January 2006 onwards, amounts previously recorded as creditors have been re-classified within current liabilities as trade and other payables. As at 1 January 2005, £4,528,000 and at 31 December 2005, £381,000 has been re-classified in this way.

**iv) Reconciliation of profit for the year ended 31 December 2005**

	Note	Effect of transition to IFRS			IFRS £'000
		UK GAAP £'000	Re-measurement £'000	Re-classification £'000	
Profit on sale of fixed asset investments		4,199	-	(4,199)	-
Profit on sale of available-for-sale assets		-	-	4,199	4,199
Operating expenses		(9)	-	-	(9)
<b>Operating profit</b>		<b>4,190</b>	<b>-</b>	<b>-</b>	<b>4,190</b>
<b>Profit before tax</b>		<b>4,190</b>	<b>-</b>	<b>-</b>	<b>4,190</b>
Tax expense		-	-	-	-
<b>Profit for the period</b>		<b>4,190</b>	<b>-</b>	<b>-</b>	<b>4,190</b>