

COMPANY REGISTRATION NUMBER 03756035

NAILS INC. LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2007

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COMPANIES HOUSE

WINGRAVE YEATS PARTNERSHIP LLP

Chartered Accountants & Registered Auditors

65 Duke Street

London

E1K 5NT

NAILS INC. LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2007

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NAILS INC. LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	T Green I Callan
Company secretary	Boodle Hatfield Secretarial Limited
Registered office	65 Duke Street London W1K 5AJ
Auditor	Wingrave Yeats Partnership LLP Chartered Accountants & Registered Auditors 65 Duke Street London W1K 5NT

NAILS INC. LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2007

The directors present their report and the financial statements of the company for the year ended 30 June 2007

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was operating express nail bars and providing professional nail services and the retail of a vibrant branded range of nail related products and treatments

The 2006/7 financial year saw another year of growth for Nails Inc. Sales grew by £1.8m (28%) delivering operating profits of £319k (2006: £235k)

Retail sales grew by 30% driven by the 12 new store openings which occurred during the financial year and like for like growth of 7%. New stores included Harvey Nichols Knightsbridge and Leeds, a mini nail bar in Selfridges Oxford Street and a full nail bar in Selfridges Manchester

We continue to have a very successful wholesale business with Debenhams, John Lewis, Boots and QVC. We launched a diffusion range, 'Miss Nail Bar', in Superdrug in January 2007 and did our first corporate sale to Samsung who bought a polish and top coat to give away with their new phone. The internet business grew by 18% and an upgraded web site was launched in May 07 which should help drive sales for 2007/8

KPI	2007	2006
Gross Margin	54%	55%
Operating profit	4%	3%

RESULTS AND DIVIDENDS

The profit for the year amounted to £304,422. The directors have not recommended a dividend

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's principal financial instruments comprise bank balances, trade creditors and trade debtors. The main purpose of these instruments is to raise funds for the company's operations and to finance the company's operations.

Due to the nature of the financial instruments used by the company there is no exposure to price risk. The company's approach to managing other risks applicable to the financial instruments concerned is shown below.

In respect of bank balances the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of overdrafts at floating rates of interest. The company makes use of money market facilities where funds are available.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits. Trade creditors' liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

NAILS INC. LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 JUNE 2007

THE DIRECTORS AND THEIR INTERESTS IN THE SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows

	Class of share	At 30 June 2007	At 1 July 2006
T Green	Ordinary 10p shares	15,783	3,400
I Callan	Ordinary 10p shares	<u>50,486</u>	<u>50,486</u>

On 3rd August 2006, 10,683 ordinary 10 pence shares were issued at par on the exercise of three options held by T Green. On the same date 1,700 ordinary 10 pence shares were transferred from the Nails Inc EBT to Thea Green.

T Green holds a conditional share option over 3% of the issued share capital of the company at the date of exercise (up to a maximum 10,000 shares).

DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

select suitable accounting policies and then apply them consistently,

make judgements and estimates that are reasonable and prudent,

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

In so far as the directors are aware

there is no relevant audit information of which the company's auditor is unaware, and

the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

DONATIONS

During the year the company made the following contributions

	2007 £	2006 £
Charitable	<u>2,150</u>	<u>-</u>

NAILS INC. LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 JUNE 2007

DISABLED EMPLOYEES

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

EMPLOYEE INVOLVEMENT

During the year, the policy of providing employees with information about the company has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through the company's profit sharing schemes and are encouraged to invest in the company through participation in share option schemes.

AUDITORS

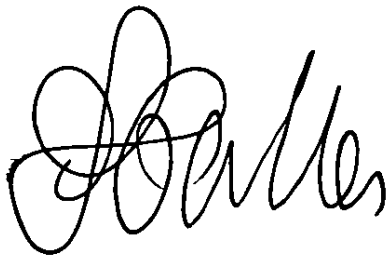
A resolution to re-appoint Wingrave Yeats Partnership LLP as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office
65 Duke Street
London
W1K 5AJ

Signed on behalf of the directors


T GREEN
Director

Approved by the directors on **24.04.2008**



NAILS INC. LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NAILS INC. LIMITED

YEAR ENDED 30 JUNE 2007

We have audited the financial statements of Nails Inc Limited for the year ended 30 June 2007 on pages 7 to 17 which have been prepared on the basis of the accounting policies set out on pages 10 to 11

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, 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 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 judgements 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.

NAILS INC. LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NAILS INC. LIMITED *(continued)*

YEAR ENDED 30 JUNE 2007

OPINION

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2007 and of its profit 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 for the year ended 30 June 2007

Wingrave Yeats Partnership

65 Duke Street
London
W1K 5NT

WINGRAVE YEATS PARTNERSHIP LLP
Chartered Accountants
& Registered Auditors

6 May 2008

NAILS INC. LIMITED**PROFIT AND LOSS ACCOUNT****YEAR ENDED 30 JUNE 2007**

	Note	2007 £	2006 £
TURNOVER	2	8,362,469	6,538,829
Cost of sales		<u>(3,868,066)</u>	<u>(2,929,217)</u>
GROSS PROFIT		4,494,403	3,609,612
Administrative expenses		<u>(4,204,452)</u>	<u>(3,403,987)</u>
Other operating income	3	<u>29,570</u>	<u>29,570</u>
OPERATING PROFIT	4	319,521	235,195
Interest receivable		<u>1,154</u>	<u>1,923</u>
Interest payable and similar charges	7	<u>(16,253)</u>	<u>(40,934)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		304,422	196,184
Tax on profit on ordinary activities	8	<u>—</u>	<u>(91)</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR		304,422	196,093
Balance brought forward		<u>(1,204,925)</u>	<u>(1,401,018)</u>
Balance carried forward		<u><u>(900,503)</u></u>	<u><u>(1,204,925)</u></u>

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the
year as set out above

The notes on pages 10 to 17 form part of these financial statements.

NAILS INC. LIMITED

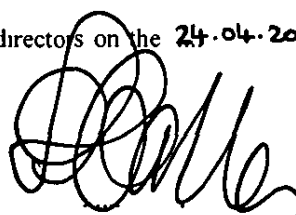
BALANCE SHEET

30 JUNE 2007

	Note	2007 £	2006 £
FIXED ASSETS			
Tangible assets	9	632,613	469,043
CURRENT ASSETS			
Stocks	10	804,549	507,633
Debtors	11	1,007,798	782,762
Cash at bank and in hand		42,689	117,379
		<u>1,855,036</u>	<u>1,407,774</u>
CREDITORS: Amounts falling due within one year	12	<u>(1,558,801)</u>	<u>(1,209,769)</u>
NET CURRENT ASSETS		<u>296,235</u>	<u>198,005</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>928,848</u>	<u>667,048</u>
CREDITORS: Amounts falling due after more than one year			
Bank loans		(223,001)	-
Other creditors	13	-	(266,691)
		<u>(223,001)</u>	<u>(266,691)</u>
		<u>705,847</u>	<u>400,357</u>
CAPITAL AND RESERVES			
Called-up equity share capital	16	9,353	8,285
Share premium account	17	1,596,997	1,596,997
Profit and loss account		<u>(900,503)</u>	<u>(1,204,925)</u>
SHAREHOLDERS' FUNDS	18	<u>705,847</u>	<u>400,357</u>

These financial statements were approved by the directors on the ~~24.04.2008~~ and are signed on their behalf by


T GREEN


I CALLAN

The notes on pages 10 to 17 form part of these financial statements.

NAILS INC. LIMITED**CASH FLOW STATEMENT****YEAR ENDED 30 JUNE 2007**

	Note	2007 £	2006 £
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	19	(123,071)	417,476
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		1,154	1,923
Interest paid		<u>(16,252)</u>	<u>(40,934)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(15,098)	(39,011)
TAXATION		(91)	(2,268)
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		<u>(357,147)</u>	<u>(328,438)</u>
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		(357,147)	(328,438)
CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(495,407)	47,759
FINANCING			
Increase in bank loans		278,673	—
Net outflow from other long-term creditors		<u>(266,690)</u>	<u>(86,334)</u>
NET CASH OUTFLOW FROM FINANCING		11,983	(86,334)
(DECREASE)/INCREASE IN CASH	19	<u>(483,424)</u>	<u>(38,575)</u>

NAILS INC. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2007

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention

Turnover

The turnover shown in the Profit and Loss Account represents amounts receivable during the period excluding VAT

Fixed assets

All fixed assets are initially recorded at cost

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Short Leasehold Property	- over the term of the lease
Salon Equipment	- 3 years
Furniture, Fixtures and Fittings	- 5 years
Computer Equipment	- 4 years

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

Deferred tax liabilities are recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

NAILS INC. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2007

1 ACCOUNTING POLICIES *(continued)*

Share- based payments

Equity-settled share based instruments are measured at fair value at the date of grant

The fair value determined at the grant date of the equity-settled share-based instrument is expensed on a straight-line basis over the vesting period, based on an estimate of the shares that will eventually vest. Options generally vest following grant, provided the option holder remains an employee of the company.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

2 TURNOVER

The proportion of turnover that is attributable to markets outside the United Kingdom is 8% (2006 6%).

3. OTHER OPERATING INCOME

	2007	2006
	£	£
Rent receivable	<u>29,570</u>	<u>29,570</u>

4. OPERATING PROFIT

Operating profit is stated after charging

	2007	2006
	£	£
Depreciation of owned fixed assets	193,577	139,478
Auditor's remuneration		
- as auditor	15,500	15,500
- for other services	2,000	2,000
Operating lease costs		
Land and buildings	<u>221,000</u>	<u>221,000</u>

NAILS INC. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2007

5. PARTICULARS OF EMPLOYEES

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

	2007	2006
	No	No
Administrative staff	5	5
Management staff	1	1
Retail staff	316	259
	<u>322</u>	<u>265</u>

The aggregate payroll costs of the above were

	2007	2006
	£	£
Wages and salaries	3,448,904	2,677,821
Social security costs	271,316	218,735
	<u>3,720,220</u>	<u>2,896,556</u>

6. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were

	2007	2006
	£	£
Emoluments receivable	<u>115,969</u>	<u>93,600</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2007	2006
	£	£
Bank interest	4,115	—
Other loan interest	12,138	40,934
	<u>16,253</u>	<u>40,934</u>

8. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2007	2006
	£	£
Current tax		
UK Corporation tax based on the results for the year at 19% (2006 - 19%)	—	91
Total current tax	<u>—</u>	<u>91</u>

NAILS INC. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2007

8. TAXATION ON ORDINARY ACTIVITIES *(continued)*

Subject to Inland Revenue approval the company has unrelieved corporation tax losses of £650,528 (2006 £835,424) which remain available to offset against future trading profits

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19% (2006 - 19%)

	2007 £	2006 £
Profit on ordinary activities before taxation	<u>304,423</u>	<u>196,184</u>
Profit on ordinary activities by rate of tax	57,840	37,274
Expenses not deductible for tax purposes	(6,294)	586
Capital allowances in excess of depreciation	(16,416)	(17,613)
Decrease in tax losses	<u>(35,130)</u>	<u>(20,156)</u>
Total current tax (note 8(a))	<u>-</u>	<u>91</u>

9. TANGIBLE FIXED ASSETS

	Short lease properties £	Salon equipment £	Furniture, fixtures and fittings £	Computer Equipment £	Total £
COST					
At 1 July 2006	61,538	49,427	1,136,984	71,378	1,319,327
Additions	-	38,279	312,449	6,419	357,147
At 30 June 2007	<u>61,538</u>	<u>87,706</u>	<u>1,449,433</u>	<u>77,797</u>	<u>1,676,474</u>
DEPRECIATION					
At 1 July 2006	36,827	27,234	733,961	52,262	850,284
Charge for the year	5,784	17,477	160,644	9,672	193,577
At 30 June 2007	<u>42,611</u>	<u>44,711</u>	<u>894,605</u>	<u>61,934</u>	<u>1,043,861</u>
NET BOOK VALUE					
At 30 June 2007	<u>18,927</u>	<u>42,995</u>	<u>554,828</u>	<u>15,863</u>	<u>632,613</u>
At 30 June 2006	<u>24,711</u>	<u>22,193</u>	<u>403,023</u>	<u>19,116</u>	<u>469,043</u>

10. STOCKS

	2007 £	2006 £
Stock	<u>804,549</u>	<u>507,633</u>

NAILS INC. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2007

11. DEBTORS

	2007	2006
	£	£
Trade debtors	773,652	530,241
Other debtors	75,131	90,244
Prepayments and accrued income	159,015	162,277
	<u>1,007,798</u>	<u>782,762</u>

The debtors above include the following amounts falling due after more than one year

	2007	2006
	£	£
Other debtors	<u>48,000</u>	<u>48,000</u>

Other debtors due within one year includes £340 and £170 due from T Green and M T Carney respectively in respect of unpaid calls on ordinary 10 pence shares

On 3rd August 2006, 10,683 ordinary 10 pence shares were issued at par on the exercise of three options held by T Green These remained unpaid at the year end

12. CREDITORS: Amounts falling due within one year

	2007	2006
	£	£
Bank loans and overdraft	464,407	—
Trade creditors	587,552	668,467
Corporation tax	—	91
PAYE and social security	213,227	60,067
VAT	190,841	180,599
Other creditors	23,677	175,359
Accruals and deferred income	79,097	125,186
	<u>1,558,801</u>	<u>1,209,769</u>

The bank overdraft is secured by a fixed and floating charge over the assets of the company

13. CREDITORS: Amounts falling due after more than one year

	2007	2006
	£	£
Other creditors	<u>-</u>	<u>266,691</u>

NAILS INC. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2007

14 COMMITMENTS UNDER OPERATING LEASES

At 30 June 2007 the company had annual commitments under non-cancellable operating leases as set out below

	Land & Buildings	
	2007	2006
	£	£
Operating leases which expire		
Within 2 to 5 years	148,600	154,100
After more than 5 years	72,500	67,000
	<u>221,100</u>	<u>221,100</u>

15. RELATED PARTY TRANSACTIONS

Amounts due from directors are disclosed in note 11 of the financial statements

In 2001 Tangent Industries Limited provided a loan to the company. The balance of the loan outstanding as at 30th June 2006 was £416,333. During the year the company fully repaid this loan by way of a bank loan and overdraft facility.

Tangent Industries Limited is deemed to be a related party of the company by virtue of the fact that it has a significant interest in the issued share capital of the company.

16. SHARE CAPITAL

Authorised share capital

	2007	2006
	£	£
120,000 Ordinary shares of £0.10 each	12,000.00	12,000.00
1 A Ordinary shares of £0.10 each	.10	-
	<u>12,000.10</u>	<u>12,000.00</u>

Allotted, called up and fully paid:

	2007		2006	
	No	£	No	£
Ordinary shares of £0.10 each	93,531	9,353.00	82,848	8,285.00
1 A Ordinary shares of £0.10 each	1	.10	-	-
	<u>93,532</u>	<u>9,353.10</u>	<u>82,848</u>	<u>8,285.00</u>

On 3rd August 2006, 10,683 ordinary 10 pence shares were issued at par on exercise of three options held by T Green. Further details can be found in note 22.

On 6th February 2007 one A ordinary share of 10p was allotted and issued at par.

NAILS INC. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2007

17. SHARE PREMIUM ACCOUNT

There was no movement on the share premium account during the financial year

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007	2006
	£	£
Profit for the financial year	304,423	196,093
New ordinary share capital subscribed	1,068	-
Net addition to shareholders' funds	305,491	196,093
Opening shareholders' funds	400,356	204,264
Closing shareholders' funds	705,847	400,357

19 NOTES TO THE STATEMENT OF CASH FLOWS

RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2007	2006
	£	£
Operating profit	319,521	235,195
Depreciation	193,577	139,478
Increase in stocks	(296,916)	(86,462)
(Increase)/decrease in debtors	(223,968)	188,884
(Decrease)/increase in creditors	(115,285)	(59,619)
Net cash (outflow)/inflow from operating activities	(123,071)	417,476

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2007	2006
	£	£
(Decrease)/increase in cash in the period	(483,424)	(38,575)
Net cash inflow from bank loans	(278,673)	
Net cash outflow from other long-term creditors	266,690	86,334
	(495,407)	47,759
Change in net debt	(495,407)	47,759
Net debt at 1 July 2006	(149,312)	(260,380)
Net debt at 30 June 2007	(644,719)	(149,312)

NAILS INC. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2007

19. NOTES TO THE STATEMENT OF CASH FLOWS *(continued)*

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jul 2006	Cash flows	At 30 Jun 2007
	£	£	£
Net cash			
Cash in hand and at bank	117,379	(74,689)	42,690
Overdrafts	–	(408,735)	(408,735)
	<u>117,379</u>	<u>(483,424)</u>	<u>(366,045)</u>
Debt			
Debt due within 1 year	–	(55,672)	(55,672)
Debt due after 1 year	(266,691)	43,689	(223,002)
	<u>(266,691)</u>	<u>(11,983)</u>	<u>(278,674)</u>
Net debt	<u>(149,312)</u>	<u>(495,407)</u>	<u>(644,719)</u>

22. SHARE-BASED PAYMENTS

The company set up a share-option scheme on 13 March 2002. On 8 April 2002 Thea Green, a director of the company, was granted 3,698 share options by way of an unconditional option, and 2,087 share options by way of a conditional option. The conditions attached to this option was that in the year ending 30 June 2003 the company should achieve 85% of the PBITDA stated in the business plan, for the year ending 30 June 2004 the company should achieve 90% of the PBITDA in the business plan and any year end thereafter, should achieve 95% of the PBITDA in the business plan. On the 27 June 2003 Thea Green was granted 4,898 share options by way of a conditional option. The condition attached to this option was that the company had to make 3 months of profits.

The share options granted on the 8 April 2002 vested by the 30 June 2005, and the share options granted on the 27 June 2003 vested by 30 September 2003. On the 3 August 2006 all the share options were fully exercised and allocated at nominal value of 10p per share.

21. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the financial statements amounted to £Nil (2006 - £50,046).

22. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is I Callan, a director of the company.