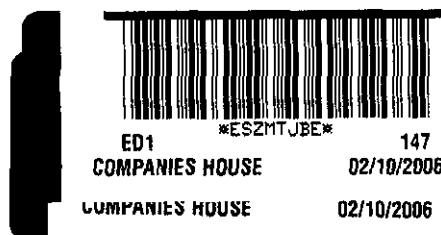


FORCESGROUP LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 31ST DECEMBER 2005

Company Registration Number 04050380



FORCESGROUP LIMITED

**FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2005**

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FORCESGROUP LIMITED

**FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2005**

DIRECTORS

W.C. Cooney
Sir P. Hine
D. Kane
Sir R. Wheeler
S. Shumway
J. Cooney

SECRETARY

R.S. Conder

COMPANY NUMBER

04050380

REGISTERED OFFICE

1, Wayside Cottage
Newbury Road
Hurstbourne Tarrant
Andover
Hampshire
SP11 0AR

BANKERS

Lloyds TSB Bank plc
Gracechurch House
23/35 Castle Way
Southampton
Hampshire
SO14 2BW

Bank of Scotland
35 Princes Street
Ipswich
Suffolk
IP1 1AE

FORCESGROUP LIMITED**DIRECTOR'S REPORT
YEAR ENDED 31st DECEMBER 2005**

The directors present their annual report, together with the audited financial statements of the company and the group, for the year ended 31st December 2005.

PRINCIPAL ACTIVITIES

The principal activity of the group is the supply of personal insurance lines to the Armed Forces.

RESULTS AND DIVIDENDS

The results for the year are set out on page 4. The loss for the year, after taxation and minority interests, amounted to £30,848 (2004 – Loss of £74,941). The directors do not recommend payment of a final dividend.

THE DIRECTORS AND THEIR INTERESTS

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

	Ordinary Shares of £1 each	
	At 31 December 2005	At 1 January 2005
W.C. Cooney	12,000	12,000
Sir Patrick Hine	2,000	2,000
	<hr/>	<hr/>
	Preference A1 series shares	
	At 31 December 2005	At 1 January 2005
W.C. Cooney	58,758,082	58,758,082
Sir Patrick Hine	20,000,000	20,000,000
	<hr/>	<hr/>

The options held by directors are detailed below:

	Number of Shares	Earliest exercise date	Latest exercise date	Option Price per Share
Sir Roger Wheeler	100,000	20 Aug 2004	19 Aug 2011	0.2588

FORCESGROUP LIMITED

**DIRECTOR'S REPORT
YEAR ENDED 31st DECEMBER 2005**

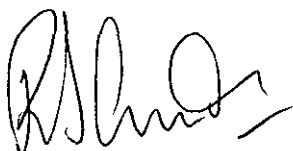
DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the company and of the group for that year. In preparing those 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors 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.

The report was approved by the Board on 25th September 2006 and signed on its behalf by



R.S. Conder
Secretary

FORCESGROUP LIMITED**GROUP PROFIT AND LOSS ACCOUNT
YEAR ENDED 31st DECEMBER 2005**

		2005 £	2004 £
TURNOVER			
Continuing operations	2	168,989	186,933
Administrative expenses		(200,660)	(267,117)
OPERATING LOSS	3	(31,671)	(80,184)
Interest receivable and similar income	4	1,176	2,850
Interest payable and similar charges	5	(353)	(7)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(30,848)	(77,341)
Tax on Loss on ordinary activities	8	-	2,400
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(30,848)	(74,941)
Additional finance costs on non equity shares		-	(852,291)
GROUP LOSS FOR THE FINANCIAL YEAR		(30,848)	(927,232)

There are no recognised gains or losses other than the profit or loss for the above two financial years.

FORCESGROUP LIMITED

GROUP BALANCE SHEET
AS AT 31ST DECEMBER 2005

	Note	2005		2004	
		£	£	£	£
FIXED ASSETS					
Intangible assets	10		74,000		86,000
Tangible assets	11		1,175		1,530
			<u>75,175</u>		<u>87,530</u>
CURRENT ASSETS					
Debtors	13	42,322		73,555	
Cash at bank and in hand		25,275		60,849	
		<u>67,597</u>		<u>134,404</u>	
CREDITORS: Amounts falling due within one year	14	(9,384)		(57,698)	
NET CURRENT ASSETS			<u>58,213</u>		<u>76,706</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>133,388</u>		<u>164,236</u>
CAPITAL AND RESERVES					
Called-up equity share capital	15		61,969		61,969
Share premium account	16		9,349,902		9,349,902
Profit and loss account	16		(9,278,483)		(9,247,635)
EQUITY SHAREHOLDERS' FUNDS	17		<u>133,388</u>		<u>164,236</u>
EQUITY INTERESTS			<u>(12,015,806)</u>		<u>(11,984,958)</u>
NON-EQUITY INTERESTS			<u>12,149,194</u>		<u>12,149,194</u>

AUDIT EXEMPTION STATEMENT

For the year ended 31st December 2005 the Company was entitled to exemption from the requirement to have an audit under the provision of Section 249AA(1) of the Companies Act 1985.

No notice has been deposited with the company under Section 249B(2) of that Act requiring an audit to be carried out.

The director acknowledges responsibility for:

(a) Ensuring the Company keeps accounting records which comply with Section 221 of the Companies Act 1985; and

(b) Preparing accounts which give a true and fair view of the state of affairs of the company as at the end of its financial year and of its profit/loss for that financial year in accordance with Section 226 of the Companies Act 1985 and which otherwise comply with the accounting requirements of that Act relating to accounts so far as applicable to the company.

The financial statements were approved by the Board on 25th September 2006 and signed on its behalf by:


W. E. Cooney
Director

FORCESGROUP LIMITED

COMPANY BALANCE SHEET
AS AT 31ST DECEMBER 2005

	Note	2005 £	2004 £
FIXED ASSETS			
Tangible assets	11	1,175	1,530
Investments	12	5	5
		<u>1,180</u>	<u>1,535</u>
CURRENT ASSETS			
Debtors	13	46,095	45,398
Cash at bank and in hand		4,846	23,323
		<u>50,941</u>	<u>68,721</u>
CREDITORS: Amounts falling due within one year	14	(259,720)	(182,298)
NET CURRENT ASSETS		<u>(208,779)</u>	<u>(113,577)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(207,599)</u>	<u>(112,042)</u>
CAPITAL AND RESERVES			
Called-up equity share capital	15	61,969	61,969
Share premium account	16	9,349,902	9,349,902
Profit and loss account	16	(9,619,470)	(9,523,913)
EQUITY SHAREHOLDERS' FUNDS		<u>(207,599)</u>	<u>(112,042)</u>
EQUITY INTERESTS		<u>(12,356,793)</u>	<u>(12,261,236)</u>
NON-EQUITY INTERESTS		<u>12,149,194</u>	<u>12,149,194</u>

The financial statements were approved by the Board on 25th September 2006 and are signed on its behalf by:


W.C. Cooney
Director

FORCESGROUP LIMITED
GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2005

	Note	2005 £	2004 £
Reconciliation of operating loss to net cash outflow from operating activities			
Operating loss		(30,848)	(80,184)
Depreciation		12,000	11,711
Decrease in debtors		31,233	19,093
(Decrease) in creditors		(48,314)	(61,177)
Movement in provisions		-	2,400
Net Cash outflow from operating activities		(35,929)	(108,157)

CASH FLOW STATEMENT

Net cash outflow from operating activities		(35,929)	(108,157)
Returns on investments and servicing of finance	19	1,176	2,850
Capital expenditure	19	-	378
Decrease in cash in the year		(34,753)	(104,929)

Reconciliation of net cash flow to movements in net debt (note 20)

Decrease in cash in the year	(35,574)	(104,929)
Net funds at 1 st January 2005	60,849	165,778
Net funds at 31st December 2005	25,275	60,849

FORCESGROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2005

1. ACCOUNTING POLICIES

1.1 Accounting convention

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

1.2 Basis of Consolidation

The group financial statements consolidate the accounts of ForcesGroup Limited and all its subsidiary undertakings made up to 31st December 2005. The group profit and loss account includes the results of all subsidiary undertakings for the period from the date of acquisition and up to the date of disposal.

Turnover and profits arising on trading between group companies are excluded.

1.3 Turnover

Turnover represents the total commission earned during the year.

1.4 Goodwill

Goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight-line basis over its useful economic life, presumed to be 10 years.

1.5 Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

Fixtures, fittings and equipment	- 20% - 33.33% Straight Line
----------------------------------	------------------------------

1.6 Pension

The group operates a defined contribution pension scheme for employees. The annual contributions payable are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

FORCESGROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2005

1.7 Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax or gains arising from the revaluation (and similar fair value adjustments) of fixed assets and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

1.8 Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are recorded at the date of transactions. All differences are taken to the Profit and Loss account.

1.9 Going Concern

The financial statements have been prepared on a going concern basis, which assumes that the group will continue trading for the foreseeable future. During the period the group incurred a loss of £30,848 (2004 loss £74,941). The cost reduction measures taken in the previous year have significantly reduced the annual losses, however the desired growth did not materialise. As a consequence the company has now entered into a mutually beneficial trading arrangement with a third party to take advantage of its sales team's expertise. The directors are confident that these actions will enable the group to continue its activities for the 12 months from the date of approval of these financial statements. Given the position, the directors consider it appropriate to prepare these financial statements on a going concern basis.

FORCESGROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2005

2. Turnover

Turnover represents the amount derived from commissions and fees from insurance companies. The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the UK.

3. Operating Loss	2005	2004
	£	£
Operating loss is stated after charging:		
Depreciation of intangible assets	12,000	12,000
Depreciation of tangible assets	-	(228)
Auditors' remuneration	-	10,781
	<hr/>	<hr/>
after crediting:		
Profit on disposal of tangible assets	-	61
Profit on foreign currencies	-	-
	<hr/>	<hr/>

4. Interest receivable and similar income	2005	2004
	£	£
Bank Interest	1,176	2,813
Interest on PAYE/NI refund	-	37
	<hr/>	<hr/>
	1,176	2,850
	<hr/>	<hr/>

5. Interest payable and similar income	2005	2004
	£	£
On loans and overdrafts	353	7
	<hr/>	<hr/>

6. Employees	2005	2004
	Number	Number
The average monthly numbers of employees (including the directors) during the year were:		
Sales	1	1
Management and administration	6	6
	<hr/>	<hr/>
	7	7
	<hr/>	<hr/>

FORCESGROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2005

	2005	2004
	£	£
Employment costs		
Wages and salaries	60,812	79,663
Social security costs	6,035	7,360
Other Pension Costs	7,810	6,991
	<u>74,657</u>	<u>94,014</u>
	2005	2004
	£	£
6.1 Directors' emoluments		
Remuneration and other emoluments	-	-
Pension Contributions	-	-
Compensation for loss of office	-	-
	<u>-</u>	<u>-</u>
	Number	Number
Number of directors to whom retirement benefits are accruing under a money purchase scheme	<u>-</u>	<u>-</u>
7. Pension costs		
The company operates a defined contribution pension scheme in respect of the directors. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the company and amounted to £6,171 (2004 £6,991)		
	2005	2004
	£	£
8. Taxation		
Jersey Income Tax	<u>-</u>	<u>(2,400)</u>

9. Profit for the year attributable to shareholders

As permitted by Section 230 of the Companies Act 1985 the Profit and Loss Account of the ForcesGroup Limited has not been presented with the financial statements.

The results after taxation of the parent undertaking for the year ended 31 December 2005 showed a loss of £95,557 (2004 Loss £154,454).

FORCESGROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2005

10. Intangible Fixed Assets

	Goodwill £	Total £
Group Cost		
At 1 January 2005	<u>120,000</u>	<u>120,000</u>
Provision for diminution in value		
At 1 January 2005	<u>34,000</u>	22,000
Charge for the year	<u>12,000</u>	<u>12,000</u>
At 31 December 2005	<u>46,000</u>	<u>34,000</u>
Net Book Value		
At 31 December 2005	<u>74,000</u>	<u>86,000</u>
At 31 December 2004	<u>86,000</u>	<u>98,000</u>

The Goodwill represents the amount paid for the Armed Forces Financial Advisory Service in February 2002. An off-the-shelf company was bought, being AFFAS Limited and all income and expenses are accounted for in the new company.

11. Tangible Fixed Assets

	Fixtures Fittings & Equipment £	Total £
Group Cost		
At 1 January 2005	<u>1,530</u>	1,530
Additions	-	-
Revaluations	-	-
Disposals	-	-
	<u>1,530</u>	<u>1,530</u>
Depreciation		
At 1 January 2005	-	-
Revaluation	-	-
Charge for the year	-	-
At 31 December 2005	<u>-</u>	<u>-</u>
Net Book Values		
At 31 December 2005	<u>1,530</u>	<u>1,530</u>
At 31 December 2004	<u>1,530</u>	<u>1,530</u>

FORCESGROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2005

11. Tangible Fixed Assets (continued)

	Fixtures Fittings & Equipment £	Total £
Company Cost		
At 1 January 2005	<u>1,530</u>	<u>1,530</u>
At 31 December 2005	<u>1,530</u>	<u>1,530</u>
Depreciation		
At 1 January 2005	-	-
Charge for the year	<u>355</u>	<u>355</u>
At 31 December 2005	<u>355</u>	<u>355</u>
Net Book Values		
At 31 December 2005	<u>1,175</u>	<u>1,175</u>
At 31 December 2004	<u>1,530</u>	<u>1,530</u>

The directors revalued the assets in 2004 to a revised residual value.

12. Fixed Asset Investments

	2005 £	2004 £
Company		
Subsidiary Undertakings	<u>5</u>	<u>5</u>

Holdings of 20% or more

The group or the company holds 20% or more of the nominal value of the share capital of the following companies:

Name of company	Country of incorporation or operation	Holding	Proportion held
ForcesServe Limited	UK	Ordinary	100%
Forces Technology Company Limited	UK	Ordinary	100%
Affinitas Limited (Jersey)	Jersey	Ordinary	100%
Affinitas Limited	UK	Ordinary	100%
Affinitas Networks Limited <i>Held by a subsidiary undertaking</i>	UK	Ordinary	100%
AFFAS Limited <i>Held by a subsidiary undertaking</i>	UK	Ordinary	100%

The aggregate of capital and reserves and the results of these undertakings for the relevant financial year were as follows:

FORCESGROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2005

12. Fixed Asset Investments (continued)

	Capital & Reserves	Profit/(Loss) for the Year
	£	£
ForcesServe Limited	(1,801,274)	-
Forces Technology Company Limited	(2,719,175)	-
Affinitas Limited (Jersey)	(3,701,629)	(16,089)
Affinitas Limited	1	-
Affinitas Networks Limited	(141,859)	-
AFFAS Limited	143,884	80,799

The principal business activity of the trading group companies, which include AFFAS Limited and Affinitas Limited (Jersey), is that of insurance intermediary. The remaining companies are dormant.

13. Debtors

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Other debtors	990	38,280	37,524	37,210
Prepayments and accrued income	41,332	35,275	8,571	8,188
	<u>42,322</u>	<u>73,555</u>	<u>46,095</u>	<u>45,398</u>

14. Creditors: Amounts falling due within one year

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Trade Creditors	11,972	22,560	12,670	13,334
Amounts owed to group undertakings	-	-	231,019	142,157
Other taxes and social security costs	(650)	1,903	-	1,903
Other Creditors	(29,873)	708	688	708
Accruals and deferred income	27,935	32,527	15,343	24,196
	<u>9,384</u>	<u>57,698</u>	<u>259,720</u>	<u>182,298</u>

FORCESGROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2005

15. Share Capital

	2005 £	2004 £
Authorised Equity		
- Ordinary Shares of £0.0001 each	8,822	8,822
- Preference Shares Series A1 of 0.0001 each	148,746	148,746
- Preference Shares Series A2 of 0.0001 each	206	206
	<u>157,774</u>	<u>157,774</u>
Equity interest	8,822	8,822
Non-Equity interest	<u>148,746</u>	<u>148,746</u>
Allotted, called up and fully paid		
- Ordinary Shares of £0.0001 each	2,317	2,317
- Preference Shares Series A1 of 0.0001 each	59,446	59,446
- Preference Shares Series A2 of 0.0001 each	206	206
	<u>61,969</u>	<u>61,969</u>
Equity interest	2,317	2,317
Non-Equity interest	<u>59,652</u>	<u>59,652</u>

Rights of preference shares are as follows:

Dividends rights

Subject to the declaration of such dividends by the Board, the holders of the Series A1 preference shares shall be entitled to be paid out of the profits of the company available for distribution and resolved to be distributed (in priority to the payment of any dividend to the holders of the ordinary shares) to a fixed cumulative preferential dividend of 8% per annum on the Issue Price of each preference share. Holders of Series A2 preference shares have no dividend rights.

Conversion

Series A1 preference shares may be converted into ordinary shares at any time. The number of ordinary shares received will depend on the date, the issue price and other provisions detailed in the Articles. Holders of Series A2 preference shares may convert their shares to Series A1 after successful completion of Series B financing. (Series B financing means the subscription of at least £350,000 new shares by way of a private placement).

Redemption

Any Series A1 preference shares held after 28 December 2005 acquire redemption rights. On request, the company must endeavour to redeem at a price determined in accordance with the Articles. Payment is due over a 2-year period in three equal instalments. Series A2 preference shares may be converted to Series A1 after successful completion of Series B financing.

Shareholders have signed an agreement that has postponed the redemption until 28th December 2008.

FORCESGROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2005

Rights on the sale, merger or winding up of the company

Any unconverted Series A1 preference shares shall first be repaid at a multiple of between 1.2 and 2 times the sum of the issue and any accrued unpaid dividends. The actual multiple will depend on the date of the redemption. Series A2 preference shares must be repaid before any other class of share.

Ordinary shareholders will then be repaid the balance of any remaining capital and assets on a pro rata basis.

Voting rights

Ordinary shareholders have only one vote for each ordinary share held. Series A1 preference shareholders have a number of votes calculated by applying a multiple to the number of shares held. The multiple is determined in accordance with the Articles. Series A2 preference shares have no voting rights.

Share options

The company has both an approved and an unapproved scheme. At 31 December 2005 the following options had been issued and had not lapsed:

	Number of Shares	Earliest exercise date	Latest exercise date	Price per Share
Approved Scheme	30,000	20 Aug 2004	19 Aug 2011	0.2588
Approved Scheme	30,000	22 Feb 2005	22 Feb 2012	0.3750
Unapproved Scheme	100,000	20 Aug 2004	19 Aug 2011	0.2588
Unapproved Scheme	23,200	20 Aug 2004	19 Aug 2011	0.2588

As at 31 December 2005, issued share options totalled £16 over 160,000 shares representing 0.03% of the allotted and fully paid capital. Options allocated to employees and officers were as follows:

	Employee numbers	Options
Approved share option plan:		
Brought forward and carried forward	<u>1</u>	<u>60,000</u>
Unapproved share option plan:		
Brought forward and carried forward	<u>1</u>	<u>100,000</u>

FORCESGROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2005

16. Equity Reserves

	Share premium account £	Profit and Loss account £	Total £
Group			
At 1 January 2005	9,349,902	(9,247,635)	102,267
Loss for the Year	-	(30,848)	(30,848)
Additional Finance Costs	-	-	-
At 31 December 2005	<u>9,349,902</u>	<u>(9,278,483)</u>	<u>71,419</u>
Non-Equity interests	<u>9,299,921</u>	<u>2,789,621</u>	<u>12,089,542</u>
Company			
At 1 January 2005	9,349,902	(9,523,913)	(174,011)
Loss for the Year	-	(95,557)	(95,557)
Additional Finance Costs	-	-	-
At 31 December 2005	<u>9,349,902</u>	<u>(9,619,470)</u>	<u>(269,568)</u>
Equity interests	49,981	(12,409,091)	(12,359,110)
Non-Equity interests	<u>9,299,921</u>	<u>2,789,621</u>	<u>12,089,542</u>

FRS 4 states that when a company issues redeemable preference shares it should build up over the redemption period a separate reserve for the finance cost (redemption value less price paid). The directors have decided that no such reserve should be provided in the accounts as the company does not possess sufficient financial resources to settle such liability. The total redemption payable currently equates to about £24m and this would have required a redemption reserve of about £15m.

The redemption date was due to fall 28th December 2005, however during the year the preference shareholders have signed an agreement to postpone this until 28th December 2008.

17. Reconciliation of movements in shareholders' funds

	2005 £	2004 £
Group		
Loss for the year	(30,848)	(74,941)
Additional finance costs of non equity shares	-	(852,291)
	<u>(30,848)</u>	<u>(927,232)</u>
Additional finance costs of non equity shares	-	852,291
Net addition to shareholders' funds	<u>(30,848)</u>	<u>(74,941)</u>
Opening shareholders' funds	<u>164,236</u>	<u>239,177</u>
	<u>133,388</u>	<u>164,236</u>

FORCESGROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2005

18. Related party transactions

At the year end the group owes the Cooney Group £10,334 (2004 £10,334). Mr W.C. Cooney, the chairman of ForcesGroup Limited, is a partner in this US business.

19. Gross Cash Flows

	2005	2004
	£	£
Returns on Investments and servicing of finance		
Interest received	<u>1,176</u>	<u>2,850</u>
Capital expenditure		
Payments to acquire tangible assets	-	-
Receipts from sales of tangible assets	<u>-</u>	<u>378</u>
Net addition to shareholders' funds	<u><u>1,176</u></u>	<u><u>378</u></u>

20. Analysis of changes in net funds

	Opening	Cash	Closing
	Balance	Flows	Balance
Cash at bank and in hand	<u>60,849</u>	<u>(35,574)</u>	<u>25,275</u>
Net funds	<u><u>60,849</u></u>	<u><u>(35,574)</u></u>	<u><u>25,275</u></u>