

GALLERIA HOLDINGS LIMITED

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 DECEMBER 2006**

Company Registration Number 4384051

Tenon Limited
Sumner House
St Thomas's Road
Chorley
Lancashire
PR7 1HP

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GALLERIA HOLDINGS LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

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GALLERIA HOLDINGS LIMITED
OFFICERS AND PROFESSIONAL ADVISERS
YEAR ENDED 31 DECEMBER 2006

The board of directors	I Duncan-Lewis J J Richards R N Teasdale P Lee T S Bittleston M Humphreys
Company secretary	R N Teasdale
Business address	Brundrett House 19 Sandbach Road South Alsager Cheshire ST7 2LT
Registered office	Brundrett House 19 Sandbach Road South Alsager Cheshire ST7 2LT
Auditors	Tenon Audit Limited Registered Auditor Sumner House St Thomas's Road Chorley PR7 1HP
Accountants	Tenon Limited Sumner House St Thomas's Road Chorley PR7 1HP

GALLERIA HOLDINGS LIMITED
CHAIRMAN'S STATEMENT
YEAR ENDED 31 DECEMBER 2006

I am delighted to present this report as Chairman of Galleria Holdings Limited, for the year ended 31st December 2006

The year has seen substantial growth in both turnover and profitability. Turnover has risen by 57.7% year on year from £2,460,595 in 2005 to £3,881,618. This has resulted in an EBITDA increase of 257%, from £137,695 to £491,626. We are delighted to report such an excellent improvement in performance which is reflective of the continued market appreciation and adoption of our solutions.

Retail prospects and the analyst community are agreed that most major food retailers will adopt such technology over time as they seek to tailor their offer to the consumer at a more and more local level. Feedback from retailers suggests that it is now more of a question of 'when' rather than 'if' they adopt the solutions. Once they are ready for the move, our track record of conversion is excellent, in part by being first to market with a proven solution.

We were pleased to welcome two new customers in 2006, both major supermarket groups – Safeway and Wal-Mart.

It is significant that both sales took place in the US. This validates our investment into the Americas last year. It was always clear that the US held the greatest growth potential for Galleria in the medium term, however until deals were closed our ability to capitalize on it in the face of large US-based competitors was unproven. These sales are indicative of our ability to set up successful operations in new territories.

We have also increased our efforts in mainland Europe, and the feedback is looking hopeful for European sales results in 2007. I am confident that we will enjoy at least one new EMEA based customer in the first half of 2007.

We are also investing substantially in the next generation of our software – Version 7. This will bring significant speed, robustness and scalability benefits and will see our software operating on a new-generation platform.

Investment in personnel has continued with headcount increasing from 33 to 46 in the year. This includes additional headcount in US sales resource and a substantial investment in software services personnel which will enable us to provide more strategic pre-sales advice to potential clients as well as project delivery capability. In addition we see revenue from consulting services growing through 2007 & 2008.

Further investment with our partners has provided valuable scalability for example IBM has supported our teams on three implementations this year, providing additional delivery resource to the client.

I would like to take this opportunity to thank all of our staff for their continued efforts, without their dedication and commitment it would have been impossible to produce such a creditable performance in the year.

I feel confident that our investments in product and people, coupled with recent major contract wins, leave the business well positioned to capitalize on the market opportunity. Our pipeline remains strong and although sales cycles remain lengthy, they continue to shorten as market appreciation of space automation and optimisation increases. I look forward with confidence to 2007 with the expectation that we will be able to continue the growth we have seen over the past 12 months.


Tim Bittleston
Chairman

GALLERIA HOLDINGS LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2006

The directors submit their report together with the audited financial statements for the year ended 31 December 2006

Principal Activity and Business Review

The principal activity of the company is to hold shares in group undertakings

The principal activities of the group are software design and computer consultancy

The directors consider the state of the group's affairs to be satisfactory

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 the group and of the profit or loss of the group for that period. 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,

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 group and company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

In so far as the directors, individually, 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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Results and Dividends

The profit (2005 loss) on the ordinary activities of the group before taxation amounted to £64,260 (2005 £270,411). After deducting tax, the profit of £42,955 (2005 £248,548 loss) has been transferred to/(from) reserves

Dividends of £177,687 (2005 £173,352) were declared and approved during the year

Research and Development

The company incurs development costs as part of the ongoing business

GALLERIA HOLDINGS LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2006

Directors and their Interests

The directors who held office during the year were

I Duncan-Lewis
J J Richards
R N Teasdale
P Lee
T S Bittleston
M Humphreys (appointed on 12 June 2006)

On 21 July 2006, the authorised share capital of the company was increased from 9,657 £1 shares to 10,657 £1 shares

On the same date, the whole of the authorised share capital of the company, comprising 10,657 £1 shares, was subdivided into 1,065,700 shares of £0 01 each

On the same date, the whole of the issued share capital of the company, comprising 9,460 £1 shares, was subdivided into 946,000 shares of £0 01 each

Financial instruments - risk management objectives and policies

The company finances its operations through a mixture of retained profits and where necessary to fund expansion or capital expenditure programmes through bank borrowings

Management's objectives are to

- retain sufficient liquid funds to enable it to meet its day to day obligations as they fall due whilst maximising returns on surplus funds,
- minimise the company's exposure to fluctuating interest rates when seeking new borrowings,
- match the repayment schedule of any external borrowings or overdrafts with the expected future cash flows expected to arise from the company's trading activities

Hedge accounting is not used by the company

Where appropriate, funds are invested in sterling bank deposit accounts and borrowings are all obtained from standard bank loan accounts. As such, there is no price risk exposure

Where appropriate, funds are held primarily in short term variable rate deposit accounts. The directors believe that this gives them the flexibility to release cash resources at short notice and also allows them to take advantage of changing conditions in the finance markets as they arise. All deposits are with reputable United Kingdom banks and the directors believe their choice of bank minimises any credit risk

The company's borrowings are in variable interest loans for which there is a cash flow risk associated with changing interest payments. The directors believe that the ability to take advantage of falls in interest rates more than offsets the uncertainty of not knowing their financial commitments when managing the company's trading activities

GALLERIA HOLDINGS LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2006

Auditors

Tenon Audit Limited have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the annual general meeting

Registered office
Brundrett House
19 Sandbach Road South
Alsager
Cheshire
ST7 2LT

Signed by order of the directors



P Lee
Director

Approved by the directors on 29/2/08

GALLERIA HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GALLERIA HOLDINGS LIMITED

YEAR ENDED 31 DECEMBER 2006

We have audited the financial statements of Galleria Holdings Limited for the year ended 31 December 2006 on pages 8 to 22 which have been prepared under the accounting policies set out on pages 12 to 14

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 auditors' 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

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 and Chairman's statement 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 transactions with the company is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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.

GALLERIA HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GALLERIA HOLDINGS LIMITED

YEAR ENDED 31 DECEMBER 2006

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 group and company's affairs as at 31 December 2006 and of the group's 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

Tenon Audit Limited

Tenon Audit Limited
Registered Auditor
Sumner House
St Thomas's Road
Chorley
Lancashire
PR7 1HP

Date

2/3/08

GALLERIA HOLDINGS LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2006

	Notes	2006 £	2005 £
Turnover	2	3,881,618	2,460,595
Cost of sales		<u>(695,331)</u>	<u>(208,572)</u>
Gross profit		3,186,287	2,252,023
Administrative expenses		<u>(2,928,750)</u>	<u>(2,349,955)</u>
Operating profit/(loss)	3	257,537	(97,932)
Interest receivable		6,189	11,947
Interest payable	6	<u>(199,466)</u>	<u>(184,426)</u>
Profit(loss) on ordinary activities before taxation		64,260	(270,411)
Tax on profit/(loss) on ordinary activities	7	<u>(16,332)</u>	<u>21,863</u>
Profit/(loss) on ordinary activities after taxation	18	<u>47,928</u>	<u>(248,548)</u>

All figures in the profit and loss account relate to continuing operations

There have been no recognised gains and losses, other than the results for the financial period, and all profits or losses have been accounted for on an historical cost basis

GALLERIA HOLDINGS LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2006

	Notes	2006 £	2005 £
Turnover	2	239,114	221,249
Administrative expenses		(39,649)	(37,195)
Income from shares in group undertakings	5	<u>177,687</u>	<u>173,353</u>
Operating profit	3	377,152	357,407
Interest receivable		1	372
Interest payable	6	<u>(199,466)</u>	<u>(184,426)</u>
Profit on ordinary activities before taxation		177,687	173,353
Taxation on profit on ordinary activities	7	-	-
Profit on ordinary activities after taxation	18	<u>177,687</u>	<u>173,353</u>

All figures in the profit and loss account relate to continuing operations

There have been no recognised gains and losses, other than the results for the financial period, and all profits or losses have been accounted for on an historical cost basis

GALLERIA HOLDINGS LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006

	Notes	2006 £	2006 £	2005 £	2005 £
Fixed assets					
Intangible assets	9		2,436,782		2,604,782
Tangible assets	10		<u>203,888</u>		<u>135,627</u>
			2,640,670		2,740,409
Current assets					
Debtors	12	939,433		798,218	
Cash at bank and in hand		<u>2,038,036</u>		<u>261,888</u>	
		2,977,469		1,060,106	
Creditors					
Amounts falling due within one year	13	<u>(3,873,404)</u>		<u>(1,348,053)</u>	
Net current liabilities			<u>(895,935)</u>		<u>(287,947)</u>
Total assets less current liabilities			1,744,735		2,452,462
Creditors					
Amounts falling due after more than one year	14		(1,557,431)		(2,135,399)
Provisions for liabilities and charges					
Deferred taxation	16		<u>-</u>		<u>-</u>
			<u>187,304</u>		<u>317,063</u>
Capital and reserves					
Called up share capital	17		9,460		9,460
Share premium account	18		77,498		77,498
Merger reserve	18		1,490,973		1,490,973
Profit and loss account	18		<u>(1,390,627)</u>		<u>(1,260,868)</u>
Shareholders' funds	19		<u>187,304</u>		<u>317,063</u>

These financial statements were approved on 29/2/08 on behalf of the board by



I Duncan-Lewis
Director



P Lee
Director

GALLERIA HOLDINGS LIMITED

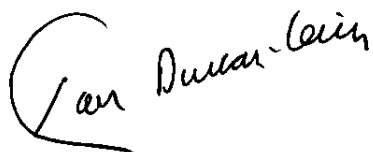
BALANCE SHEET

AS AT 31 DECEMBER 2006

	Notes	2006 £	2006 £	2005 £	2005 £
Fixed assets					
Investments	11		2,586,561		2,586,561
Current assets					
Debtors	12	152,812		173,354	
Cash at bank and in hand		<u>66</u>		<u>93</u>	
		152,878		173,447	
Creditors					
Amounts falling due within one year	13	<u>(1,093,737)</u>		<u>(536,338)</u>	
Net current liabilities			<u>(940,859)</u>		<u>(362,891)</u>
Total assets less current liabilities			1,645,702		2,223,670
Creditors					
Amounts falling due after more than one year	14		<u>(1,557,431)</u>		<u>(2,135,399)</u>
			<u>88,271</u>		<u>88,271</u>
Capital and Reserves					
Called up share capital	17		9,460		9,460
Share premium account	18		77,498		77,498
Profit and loss account	18		<u>1,313</u>		<u>1,313</u>
Shareholders' funds	19		<u>88,271</u>		<u>88,271</u>

These financial statements were approved on 29/2/08

on behalf of the board by


I Duncan-Lewis
Director

P Lee
Director

GALLERIA HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

1 Principal Accounting Policies

Accounting Convention

The financial statements have been prepared in accordance with applicable Accounting Standards under the historical cost convention

Changes in accounting policies

In preparing the financial statements for the current year, the company has adopted the following Financial Reporting Standard

FRS 20 'SHARE-BASED PAYMENT (IFRS2)'

FRS 20 'Share-Based Payment (IFRS 2)' requires the recognition of equity-settled share-based payments at fair value at the date of the grant and the recognition of liabilities for cash settled share-based payments at the current fair value at each balance sheet date

The exercise of the options is subject to the fulfilment of certain conditions. The directors have considered FRS 20 "Share based payment" but do not consider it to have a material impact on the fair value at the date of the grant and accordingly no charge has been reflected in the profit and loss account

Basis of Consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and all of its subsidiary undertakings made up to the balance sheet date. The results of subsidiary undertakings are included in the group financial statements from their effective date of acquisition or up to their effective date of disposal

Goodwill arising on consolidation, representing the excess of consideration paid over the fair values of the net assets acquired, is written off over its useful economic life of 20 years

Cash flow Statements

The group has taken exemption under FRS 1 from preparing its own cashflow statement on the grounds that the group is small

Turnover

Turnover represents the value of work done for customers including attributable profit and after adjusting for all foreseeable future losses but excluding value added tax

Revenue in respect of maintenance agreements is recognised on a straight-line basis over the term of the agreement. Revenue relating to professional services at a predetermined rate is recognised as the service is provided. Revenue not recognised in the profit and loss account under these policies is classified as deferred income within the balance sheet

Revenue in respect of software licences is recognised on shipment and acceptance by the customer, when there are no significant vendor obligations remaining, when the fee is fixed and determinable and when collectability is considered probable

Revenue in respect of fixed price implementation projects is recognised on a percentage completion basis. Pre-contract fees are recognised on completion of the associated work

Income is recognised on other services as and when the work is billed, irrespective of the duration of the contract

Profit is taken on fixed price projects while the project is in progress having regard to the proportion of the project which has been completed at the balance sheet date. Provision is made for all foreseeable future losses

GALLERIA HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

1 Principal Accounting Policies (continued)

Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost less accumulated depreciation

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets other than freehold land over their expected useful lives. The principal annual rates and methods used are

Computer equipment	33% reducing balance
Fixtures, fittings and equipment	20% straight line
Motor vehicles	25% straight line

Leasing and Hire Purchase

All leases are held as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term

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

Fixed Asset Investments

Fixed asset investments are stated at cost, less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the profit from ordinary activities

Deferred Taxation

Deferred taxation 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

Deferred tax assets are recognisable 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

Pension Costs

The group 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

Research and Development

The group incurs development costs as part of the ongoing business. Where applicable these are capitalised and amortised over the life of the project. In 2006 and 2005 no development costs have been capitalised. The costs expensed through the profit and loss account are £1,169,019 (2005 £1,091,285)

GALLERIA HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

1 Principal Accounting Policies (continued)

Foreign Currencies

Transactions denominated in foreign currencies are translated at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies which are included in the balance sheet are translated at the rates of exchange ruling at the balance sheet date. Exchange gains and losses are included in the profit on ordinary activities.

The profit and loss accounts and balance sheets of overseas subsidiary undertakings are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange adjustments arising from the translation of opening balance sheets are taken to reserves.

2 Turnover

The turnover for the period was derived from the group's principal activity.

The turnover and loss before tax are attributable to the one principal activity of the group.

An analysis of turnover is given below:

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
United Kingdom	365,080	239,114	1,418,864	221,249
United States of America	3,489,417	-	1,029,274	-
Europe	27,121	-	12,457	-
	<u>3,881,618</u>	<u>239,114</u>	<u>2,460,595</u>	<u>221,249</u>

3 Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting)

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Amortisation	168,000	-	168,000	-
Depreciation of owned fixed assets	66,089	-	67,627	-
Auditors' remuneration	5,040	1,050	5,040	1,050
Net loss/(gain) on foreign currency translation	254,572	-	(31,633)	-
Operating lease rentals – land & buildings	<u>51,250</u>	<u>-</u>	<u>48,000</u>	<u>-</u>

4 Directors and Employees

Staff costs during the period were as follows:

	2006 £	2005 £
Wages and salaries	2,105,607	1,482,144
Social security costs	189,177	163,030
Pension costs	<u>21,650</u>	<u>13,373</u>
	<u>2,316,434</u>	<u>1,658,547</u>

There were no amounts requiring disclosure relating to the company.

GALLERIA HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

4 Directors and Employees (continued)

The group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company in an independently administered fund. Total contributions for the period were £21,650 (2005: £13,373).

The average monthly number of employees, including directors, during the period was as follows:

	2006 Number	2005 Number
Management and administration	3	3
Technical	30	31
Selling	6	7
	<u>39</u>	<u>41</u>

Remuneration in respect of directors was as follows:

	2006 £	2005 £
Aggregate emoluments	432,761	319,057
Directors' pension contribution to personal pension schemes	6,000	4,500
	<u>438,761</u>	<u>323,557</u>

The number of directors accruing retirement benefits was as follows:

	2006 Number	2005 Number
Personal pension schemes	<u>4</u>	<u>4</u>

There are no amounts requiring disclosure relating to the company.

5 Income from shares in group undertakings

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Dividends received	<u>-</u>	<u>177,687</u>	<u>-</u>	<u>173,353</u>

6 Interest Payable

	Group 2005 £	Company 2005 £	Group 2005 £	Company 2005 £
Other loans	<u>199,466</u>	<u>199,466</u>	<u>184,426</u>	<u>184,426</u>
	<u>199,466</u>	<u>199,466</u>	<u>184,426</u>	<u>184,426</u>

GALLERIA HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

7 Taxation

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Based on the profit/(loss) for the period				
UK corporation tax at 19% (2005 19%)	-	-	4,733	-
Deferred tax movement	-	-	(26,596)	-
Under provision in prior year	16,332	-	-	-
	<u>16,332</u>	<u>-</u>	<u>(21,863)</u>	<u>-</u>

The current tax assessed for the year is lower than tax on the results for the year at the standard rate of tax applicable to the company and group at 19% (2005 19%) The difference is explained below

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Profit/(loss) on ordinary activities before taxation	<u>64,260</u>	<u>177,687</u>	<u>(270,411)</u>	<u>173,353</u>
Profit/(loss) on ordinary activities by rate of tax	12,209	33,761	(51,378)	32,937
Effect of				
Expenses not deductible for tax purposes	27,493	-	35,341	-
Non-taxable income	(619)	(33,761)	-	(32,937)
Depreciation in excess of capital allowances	(4,820)	-	6,224	-
Losses carried forward	27,487	-	14,546	-
R & D tax credit	(61,750)	-	-	-
Adjustment to tax charge in respect of previous years	16,332	-	-	-
	<u>16,332</u>	<u>-</u>	<u>4,733</u>	<u>-</u>

The group has tax losses carried forward of £149,512 (2005 £261,376) which are available to be utilised against future taxable profits

8 Dividends on Equity Shares

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Dividends paid on				
"C" ordinary shares at £4.70 (2005 £4.58 60) per share	59,229	59,229	57,784	57,784
"D" ordinary shares at £4.70 (2005 £4.58 60) per share	59,229	59,229	57,784	57,784
"E" ordinary shares at £4.70 (2005 £4.58 60) per share	59,229	59,229	57,784	57,784
	<u>177,687</u>	<u>177,687</u>	<u>173,352</u>	<u>173,352</u>

GALLERIA HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

9 Intangible fixed assets

Group	Patents £	Goodwill £	Total £
Cost			
At 1 January 2006	11,686	3,209,065	3,220,751
At 31 December 2006	11,686	3,209,065	3,220,751
Amortisation			
At 1 January 2006	11,686	604,283	615,969
Provided in the period	-	168,000	168,000
At 31 December 2006	11,686	772,283	783,969
Net book value			
At 31 December 2006	-	2,436,782	2,436,782
At 31 December 2005	-	2,604,782	2,604,782

10 Tangible Fixed Assets

Group	Computer equipment £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost				
At 1 January 2006	532,551	110,513	7,700	650,764
Additions	132,850	1,500	-	134,350
At 31 December 2006	665,401	112,013	7,700	785,114
Depreciation				
At 1 January 2006	413,404	97,975	3,758	515,137
Charge for the year	55,257	8,907	1,925	66,089
At 31 December 2006	468,661	106,882	5,683	581,226
Net book value				
At 31 December 2006	196,740	5,131	2,017	203,888
At 31 December 2005	119,147	12,538	3,942	135,627

GALLERIA HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

11 Fixed Asset Investments

Company	Subsidiary undertakings £
Cost and net book value	
At 1 January 2006 and 31 December 2006	<u>2,586,561</u>

The company holds more than 20% of the share capital of the following companies, which are included in the consolidation

Name	Class of share	Proportion held	Country of incorporation	Nature of Business
Galleria Retail Technology Solutions Limited	£1 ordinary	100%	UK	Software design and computer consultancy
Galleria Software Developments Limited	£1 ordinary (1)	100%	UK	Dormant
The Galleria Group Limited	£1 ordinary (2)	100%	UK	Dormant
Space IT Software Solutions Limited	£1 ordinary (2)	100%	UK	Dormant
Galleria Retail Technology Solutions Inc	N/A	100%	USA	Software design and computer consultancy

(1) 51% of the shareholding is held indirectly through Galleria Retail Technology Solutions Limited

(2) Held indirectly through Galleria Retail Technology Solutions Limited

The company's voting rights in respect of its investments are held in the same proportion as the company's share of the ordinary share capital

12 Debtors due within one year

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Trade debtors	508,552	-	726,023	-
Amounts owed by group undertakings	-	151,314	-	-
Other debtors	17,416	-	34,181	173,354
Prepayments	358,932	-	38,014	-
VAT recoverable	54,533	1,498	-	-
	<u>939,433</u>	<u>152,812</u>	<u>798,218</u>	<u>173,354</u>

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13 Creditors Amounts Falling Due Within One Year

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Trade creditors	504,430	37,550	67,110	8,578
Amounts owed to group undertakings	-	-	-	58,980
Corporation tax	(1,457)	-	-	-
Other taxes and social security	171,475	-	61,211	-
Loan notes	590,184	590,184	-	-
Other creditors	-	177,687	173,353	173,353
Accruals	<u>2,608,772</u>	<u>288,316</u>	<u>1,046,379</u>	<u>295,427</u>
	<u>3,873,404</u>	<u>1,093,737</u>	<u>1,348,053</u>	<u>536,338</u>

14 Creditors Amounts Falling Due After More Than One Year

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Loan notes	<u>1,557,431</u>	<u>1,557,431</u>	<u>2,135,399</u>	<u>2,135,399</u>

The loan notes are secured over the assets of the group

Analysis of Borrowings by Year of Repayment

Borrowings fall due for repayment

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Within one year	590,184	590,184	-	-
Between two and five years	<u>1,557,431</u>	<u>1,557,431</u>	<u>2,135,399</u>	<u>2,135,399</u>
	<u>2,147,615</u>	<u>2,147,615</u>	<u>2,135,399</u>	<u>2,135,399</u>

In accordance with Financial Reporting Standard 4 "Capital Instruments" the cost of raising finance on certain loans is allocated to the profit and loss account over the life of the instrument £109,039 of finance costs have been deducted from debt advanced in 2002 £12,216 (2005 £12,216) of costs have been written off against current year profits leaving a balance of £30,015 (2005 £42,231) of finance costs to be released in future periods

15 Commitments under operating leases

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as set out below

	Land & buildings	
	2006 £	2005 £
Operating leases which expire		
Within 1 year	<u>51,250</u>	<u>24,000</u>

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16 Deferred Taxation

Amount provided at 19% (2005 19%)	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Accelerated capital allowances	21,695	-	17,352	-
Tax losses available	(21,695)	-	(17,352)	-
	-	-	-	-

As at 31 December 2006, there is an unprovided deferred tax asset in respect of losses carried forward of £6,712 (2005 £32,309)

The movement on the provision for deferred taxation was as follows

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
At 1 January 2006	-	-	26,596	-
Movement in the period	-	-	(26,596)	-
At 31 December 2006	-	-	-	-

17 Share Capital

	2006 £	2005 £
Authorised		
952,200 (2005 8,522) ordinary shares of £0.01 each (2005 £1)	9,522	8,522
113,500 (2005 1,135) preference shares of £0.01 each (2005 £1)	1,135	1,135
Total	10,657	9,657
Allotted, called up and fully paid		
832,500 (2005 8,325) ordinary shares of £0.01 each (2005 £1)	8,325	8,325
113,500 (2005 1,135) preference shares of £0.01 each (2005 £1)	1,135	1,135
	9,460	9,460

The ordinary shares are split as follows

	2006 £	2005 £
Ordinary shares	2,384	2,384
"A" ordinary shares	2,129	2,129
"B" ordinary shares	3,434	3,434
"C" ordinary shares	126	126
"D" ordinary shares	126	126
"E" ordinary shares	126	126
	8,325	8,325

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17 Share Capital (continued)

The ordinary shares have rights to dividends and carry voting rights. The ordinary shares are also entitled to a return of assets on a winding up after distribution to the preference share holders.

The preference shares have no voting rights, but have preferential rights to dividends on a winding up.

On 21 July 2006, the authorised share capital of the company was increased from 9,657 £1 shares to 10,657 £1 shares.

On the same date, the whole of the authorised share capital of the company, comprising 10,657 £1 shares, was subdivided into 1,065,700 shares of £0.01 each.

On the same date, the whole of the issued share capital of the company, comprising 9,460 £1 shares, was subdivided into 946,000 shares of £0.01 each.

18 Reserves

Group	Share premium account £	Merger reserve £	Profit and loss account £
At 1 January 2006	77,498	1,490,973	(1,260,868)
Profit for the period	-	-	47,928
Dividends payable	-	-	(177,687)
Share issue in the period	-	-	-
At 31 December 2006	77,498	1,490,973	(1,390,627)

Group	2006 £	2005 £
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The (loss) for the financial period after dividends payable is dealt with in the financial statements of

The company	-	-
Subsidiary undertakings	(129,759)	(421,901)
	<u>(129,759)</u>	<u>(421,901)</u>

Company	Share premium account £	Profit and loss account £	Total £
At 1 January 2006	77,498	1,313	78,811
Profit for the period	-	177,687	177,687
Dividends payable	-	(177,687)	(177,687)
At 31 December 2006	77,498	1,313	78,811

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19 Reconciliation of Movements in Shareholders' Funds

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Profit/(loss) for the financial period	47,928	177,687	(248,548)	173,353
Dividends	(177,687)	(177,687)	(173,353)	(173,353)
	(129,759)	-	(421,901)	-
Shares issued	-	-	1,238	1,238
Increase in share premium	-	-	27,132	27,132
(Decrease)/increase in shareholders' funds	(129,759)	-	(393,531)	28,370
Opening shareholders' funds at 1 January 2006	317,063	88,231	710,594	59,901
Closing shareholders' funds at 31 December 2006	187,304	88,271	317,063	88,271

20 Control

The company was controlled by its directors, I Duncan-Lewis, R N Teasdale, J J Richards and T S Bittleston who owned the majority of the issued share capital throughout the whole of this and the previous year

21 Contingent Liabilities

There is a cross guarantee in place between all companies in the Galleria group, namely Galleria Holdings Limited, Galleria Retail Technology Solutions Limited, Galleria Software Developments Limited, The Galleria Group Limited and Space IT Limited. At 31 December 2006 group borrowings under this cross guarantee totalled £Nil (2005 £Nil)

22 Derivatives

The company has no financial instruments that fall to be disclosed as derivatives