

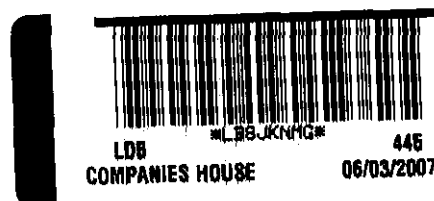
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Eurocash Group Plc

Report and Financial Statements

Year Ended

31 October 2006



BDO

BDO Stoy Hayward
Chartered Accountants

Eurocash Group Plc

Annual report and financial statements for the year ended 31 October 2006

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Directors

M K Redman
R J Henstock

Secretary and registered office

Focus Management Services Limited, Lyndean House, 43-46 Queens Road, Brighton, BN1 3XB

Company number

5158670

Auditors

BDO Stoy Hayward LLP, Northside House, 69 Tweedy Road, Bromley, Kent, BR1 3WA

Eurocash Group Plc

Chairman's statement

Group reconstruction

On 31 October 2006, we completed the group reconstruction that the shareholders of the company approved at the EGM on 1 September 2006. The company was able to realise a gain from the sale of its principal operating subsidiary companies, Eurocash Corporation Limited and Eurocash Consulting Limited. In addition to taking the net debt of these companies off the consolidated balance sheet, the company now has cash reserves and a positive cash flow from the future receipts arising from the sales.

Results for the year

The consolidated profit and loss account shows the loss for the year from the VAT recovery and consultancy operations which are discontinued as they have been sold as discussed above.

Future prospects

Although the company continues to hold a 10% stake in Eurocash Corporation Limited, the main purpose of the company will be to seek new opportunities for buying and selling developing companies, particularly in the financial and asset finance industries. Mr Richard Henstock has joined the board to lead the company's efforts in this field. The company intends to maintain its plc status and may, if a suitable opportunity arises in the future, seek to list on AIM or PLUS.



M K Redman
Chairman

Date: 9 February 2007

Eurocash Group Plc

Report of the directors for the year ended 31 October 2006

The directors present their report together with the audited financial statements for the year ended 31 October 2006.

Results and dividends

The profit and loss account is set out on page 7 and shows the loss for the year.

No dividend is proposed by the directors (2005: £nil)

Principal activities, trading review and future developments

On 31 October 2006, the company sold the majority of its interests in its operating companies, retaining a 10% share in Eurocash Corporation Limited. The company's main purpose in the future will be to seek new opportunities for buying and selling developing companies.

A review of the business is set out in the Chairman's statement on page 1.

There have been no events since the balance sheet date which materially affect the position of the company.

Principal risks and uncertainties

The company will seek new opportunities for buying and selling developing companies. The strength of the UK economy will be a major determining factor in the health of this market and these types of companies.

Following the sale of the principal operating subsidiary companies, the company's assets and liabilities are predominantly in sterling and so the company has limited exposure to exchange rate risk.

The board monitors credit risk by seeking regular information from the company's principal debtors and will act accordingly.

The company's principal receivables carry interest at base rate and spare cash will normally be invested in readily accessible deposits bearing interest linked to base rates.

The board monitors cash flow by regular reviews of the availability of cash resources and the timing of anticipated future cash flows and will act accordingly.

Supplier payment policy

The company pays its suppliers in accordance with terms agreed with the supplier. The company had no trade creditors at 31 October 2006.

Eurocash Group Plc

Report of the directors for the year ended 31 October 2006 (Continued)

Directors

The directors of the company during the year were:

M K Redman (Chairman)
C J Hayton (resigned 30 January 2007)
B O'Toole (resigned 31 October 2006)
R J Henstock (appointed 19 September 2006)

The directors' beneficial interests in the ordinary shares of 1p each in the company were:

	At 31 October 2006	At 31 October 2005 or date of appointment if later
M K Redman	1,724,400	1,338,425
C J Hayton	-	-
R J Henstock	132,000	132,000

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 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 judgments 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 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.

Eurocash Group Plc

Report of the directors for the year ended 31 October 2006 (*Continued*)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the next annual general meeting.

On behalf of the Board



M K Redman
Director

Date 9 February 2007

Eurocash Group Plc

Report of the independent auditors

To the shareholders of Eurocash Group Plc

We have audited the group and parent company financial statements (the "financial statements") of Eurocash Group Plc for the year ended 31 October 2006 which comprise the group profit and loss account, the group and company balance sheets, the group cash flow statement, the statement of total recognised gains and losses 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 group's and 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.

Eurocash Group Plc

Report of the independent auditors (*Continued*)

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's affairs as at 31 October 2006 and of its result for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 October 2006;
- 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.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group's ability to continue as a going concern. At 31 October 2006, the timing of repayments of certain of the group's debtors amounting to £490,000 cannot be established with certainty. This position, explained in Notes 1 and 13 to the financial statements, indicates the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the group was unable to continue as a going concern.


BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors*
Bromley

Date

10 February 2007

Eurocash Group Plc**Consolidated profit and loss account for the year ended 31 October 2006**

	Note	2006 £	2005 £
Turnover	2	2,171,117	2,682,159
Administrative expenses		3,579,087	3,606,195
		<hr/>	<hr/>
Operating loss	3	(1,407,970)	(924,036)
Gains on sale of subsidiary companies	4	582,690	-
		<hr/>	<hr/>
Loss on ordinary activities before interest	3	(825,280)	(924,036)
Interest receivable	5	35,274	10,614
Interest payable and similar charges	6	(2,927)	(63,556)
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(792,933)	(976,978)
Taxation on loss from ordinary activities	9	-	-
		<hr/>	<hr/>
Loss on ordinary activities after taxation		(792,933)	(976,978)
		<hr/>	<hr/>

All amounts relate to discontinued activities (see note 4).

There are no other recognised gains or losses in the year other than the loss shown above.

The notes on pages 13 to 25 form part of these financial statements.

Eurocash Group Plc**Reconciliation of movements in shareholders' funds and consolidated statement of total recognised gains and losses for the year ended 31 October 2006**

	2006 £	2005 £
Reconciliation of movements in shareholders' funds		
Loss for the year	(792,933)	(976,978)
Exchange translation differences	186,238	106,082
Opening shareholders' funds	783,761	1,654,657
Closing shareholders' funds	177,066	783,761
	2006 £	2005 £
Consolidated statement of total recognised gains and losses		
Loss for the year	(792,933)	(976,978)
Exchange translation differences	186,238	106,082
Total recognised losses for the year	(606,695)	(870,896)

The notes on pages 13 to 26 form part of these financial statements.

Eurocash Group Plc**Consolidated balance sheet at 31 October 2006**

	Note	2006 £	2006 £	2005 £	2005 £
Fixed assets					
Tangible assets	10	-	-	130,307	
Intangible assets	11	-	-	1,513,584	
Investments	12	50,000	50,000	-	
			50,000	1,643,891	
Current assets					
Debtors	13	540,000	5,206,008		
Cash at bank and in hand		61,609	1,287,070		
		601,609	6,493,078		
Creditors: amounts falling due within one year	14	129,141	7,352,896		
Net current (liabilities)/assets			472,468	(859,818)	
Total assets less current liabilities			522,468	784,073	
Creditors: amounts falling due after more than one year	15	345,402		312	
Net assets			177,066	783,761	

The notes on pages 13 to 26 form part of these financial statements.

Eurocash Group Plc

Consolidated balance sheet at 31 October 2006 (Continued)

	Note	2006 £	2005 £
Capital and reserves			
Called up share capital	16	162,726	162,726
Merger reserve	17	-	2,939,828
Profit and loss account	17	14,340	(2,318,793)
		<hr/>	<hr/>
Shareholders' funds		177,066	783,761
		<hr/>	<hr/>

The financial statements were approved by the Board of directors and authorised for issue on 9 February 2007.



M K Redman
Director

The notes on pages 13 to 26 form part of these financial statements.

Eurocash Group Plc

Company balance sheet at 31 October 2006

	Note	2006 £	2006 £	2005 £	2005 £
Investments	12		234,592		2,232,026
Current assets					
Debtors	13	135,000		-	
Cash at bank		60,000		-	
		<u>195,000</u>		<u>-</u>	
Creditors: amounts falling due within one year	14	(86,804)		(9,358)	
		<u></u>		<u></u>	
Net current assets/(liabilities)			108,196		(9,358)
			<u></u>		<u></u>
Total assets less current liabilities			342,788		2,222,668
			<u></u>		<u></u>
Creditors: amounts falling due after more than one year	15		(165,722)		-
			<u></u>		<u></u>
Net assets			177,066		2,222,668
			<u></u>		<u></u>
Capital and reserves					
Called up share capital	16		162,726		162,726
Merger reserve	17		-		2,059,972
Profit and loss account	17		14,340		(30)
			<u></u>		<u></u>
Shareholders' funds			177,066		2,222,668
			<u></u>		<u></u>

The financial statements were approved by the Board and authorised for issue on 9/2/2007


M K Redman
Director

The notes on pages 13 to 26 form part of these financial statements.

Eurocash Group Plc

Cash flow statement for the year ended 31 October 2006

	Note	2006 £	2006 £	2005 £	2005 £
Net cash inflow from operating activities	20		217,893		929,190
Returns on investments and servicing of finance					
Interest received		35,274		10,614	
Interest paid		(2,122)		(62,751)	
Interest element of finance lease rental payments		(805)		(805)	
Net cash inflow/(outflow) from returns on investments and servicing of finance			32,347		(52,942)
Taxation					
UK corporation tax paid			-		-
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(62,824)		(67,023)	
Purchase of business		-		(34,346)	
			(62,824)		(101,369)
Disposal of subsidiary companies					
Proceeds		60,000		-	
Cash balances of companies sold		(1,470,446)		-	
			(1,410,446)		-
Cash inflow/(outflow) before use of liquid resources and financing			(1,223,030)		774,879
Financing					
Bank loan		-		(1,762,749)	
Directors' loans		-		(230,089)	
Capital element of finance lease rental payments		(2,431)		(5,502)	
			(2,431)		(1,998,340)
Decrease in cash	21		(1,225,461)		(1,223,461)

The notes on pages 13 to 26 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Going concern

The financial statements have been prepared on the going concern basis because the directors consider the group has sufficient funding to enable it to meet its liabilities as they fall due.

In arriving at this conclusion the directors have taken into account the timing of repayments of certain of the group's debtors amounting to £490,000 as explained in note 13.

There remains a degree of uncertainty over the timing of repayments of these debtors, which relies on the ability of related parties to significantly improve their trading position and which are material to the ability of this company to remain a going concern.

The financial statements do not include any adjustments that would result if the group was unable to continue as a going concern.

Basis of consolidation

The consolidated financial statements incorporate the results of Eurocash Group Plc and all of its subsidiary undertakings as at 31 October 2006 and for the year then ended using the acquisition or merger method of accounting as required. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition.

In accordance with section 230 of the Companies Act 1985, no profit and loss account is shown for the parent company.

Merger accounting

Where merger accounting is used, the investment is recorded in the company's balance sheet at the nominal value of the shares issued together with the fair value of any additional consideration paid.

In the group financial statements, merged subsidiary undertakings are treated as if they had always been a member of the group. The results of such a subsidiary are included for the whole period in the year it joins the group. The corresponding figures for the previous year include its result for that period, its assets and liabilities at the previous balance sheet date and the shares issued by the company as consideration as if they had always been in issue. Any difference between the nominal value of the shares acquired by the company and those issued by the company to acquire them is taken to reserves.

Goodwill

Goodwill arising on an acquisition of a subsidiary undertaking and a business, is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life which ranges from 10 to 20 years. Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial year following acquisition;
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

1 Accounting policies (Continued)

Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax.

Foreign currency

Foreign currency transactions are translated at the rate ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any discrepancies are taken to the profit and loss account.

The results of overseas operations are translated at the average rate of exchange during the year and the balance sheet translated into sterling at the rate of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiaries are taken to reserves

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all tangible fixed assets, except freehold land, evenly over their expected useful lives. It is calculated at the following rates:

Freehold buildings	-	25% per annum straight line
Plant, machinery and motor vehicles	-	25% per annum straight line
Fixtures, fittings and equipment	-	25% per annum straight line

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Eurocash Group Plc

Notes forming part of the financial statements for the year ended 31 October 2006 (Continued)

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom. This activity was discontinued on 31 October 2006 with the sale of the principal operating companies in the group.

	2006	2005
	£	£
<i>Commissions receivable</i>		
United Kingdom	781,602	938,756
Europe	1,346,093	1,636,117
Rest of world	43,422	107,286
	<hr/>	<hr/>
	2,171,117	2,682,159
	<hr/>	<hr/>

3 Operating loss

	2006	2005
	£	£
This has been arrived at after charging:		
Amortisation of goodwill	3,670	96,890
Depreciation of owned assets	55,026	53,901
Depreciation of assets held under finance leases and hire purchase contracts	4,567	4,375
Rental charges under operating leases - property	57,698	85,083
Auditors' remuneration - audit	22,250	18,000
- non audit	20,000	8,700
Foreign exchange (gains)/losses	(1,302)	129,525
	<hr/>	<hr/>

The parent company made a loss of £2,045,602 (2005 - £30). As provided by Section 230 of the Companies Act 1985, no profit or loss account is presented in respect of the parent company.

Eurocash Group Plc

Notes forming part of the financial statements for the year ended 31 October 2006 (Continued)

4 Gains on sale of subsidiary companies

On 31 October 2006, the two principal operating company of the group. Eurocash Corporation Limited (formerly Eurocash Corporation Plc) and Eurocash Consulting Limited, were sold as follows:

Eurocash Corporation Limited (Corporation)

Ninety percent of the share capital of Corporation was acquired by MKR Investments Limited for £450,000, of which £45,000 was paid in cash and the balance of £405,000 is payable as follows:

On 31 October 2007	£45,000 plus accrued interest on this amount
On 31 October 2008	£112,500 plus accrued interest on this amount
On 31 October 2009	£112,500 plus accrued interest on this amount
On 31 October 2009	£135,000 plus accrued interest on this amount

Interest is accrued from 31 October 2006 at Bank of England base rate.

Mr Martyn Redman, a director of the company, has a beneficial interest in the share capital of MKR Investments Limited.

Eurocash Consulting Limited (Consulting)

One hundred percent of the share capital of Consulting was acquired by Bartco (UK) Limited for £150,000, of which £15,000 was paid in cash and the balance of £135,000 is payable as follows:

On 31 October 2007	£15,000 plus accrued interest on this amount
On 31 October 2008	£60,000 plus accrued interest on this amount
On 31 October 2009	£60,000 plus accrued interest on this amount

Interest is accrued from 31 October 2006 at Bank of England base rate.

Mr Bartholomew O'Toole, who was a director of the company, has a beneficial interest in the share capital of Bartco (UK) Limited.

The disposals were approved by shareholders at an Extraordinary General Meeting of the company on 1 September 2006.

The gain on sale has been calculated as follows:

	£
Proceeds	600,000
Net liabilities of entities disposed of	1,630,219
	<hr/>
Gain on disposal	2,230,219
Write down remaining investment in Eurocash Corporation Limited	(133,945)
Write down goodwill	(1,513,584)
	<hr/>
Net gain	582,690

Eurocash Group Plc

Notes forming part of the financial statements for the year ended 31 October 2006 (Continued)

5 Interest receivable

	2006	2005
	£	£
Bank interest	35,274	10,614
	<u> </u>	<u> </u>

6 Interest payable and similar charges

	2006	2005
	£	£
On bank loans and overdrafts	412	60,538
On other loans	1,710	2,213
Hire purchase and finance lease interest	805	805
	<u> </u>	<u> </u>
	2,927	63,556
	<u> </u>	<u> </u>

7 Employees

	2006	2005
	£	£
Staff costs consist of:		
Wages and salaries	1,664,852	1,742,876
Social security costs	190,322	189,139
	<u> </u>	<u> </u>
	1,855,174	1,932,015
	<u> </u>	<u> </u>

The average weekly number of employees, including directors, during the year was:

	2006	2005
	Number	Number
Management and administration	23	18
Sales and client management	16	10
Processing and retrievals	27	44
Consulting	9	5
	<u> </u>	<u> </u>
	75	77
	<u> </u>	<u> </u>

Eurocash Group Plc**Notes forming part of the financial statements for the year ended 31 October 2006 (Continued)****8 Directors' remuneration**

	2006 £	2005 £
Directors' remuneration consist of:		
Emoluments	184,096	84,750
Amounts paid to third parties	138,691	143,700
	<u>322,787</u>	<u>228,450</u>
Highest paid director		
Amounts paid to third parties	<u>138,691s</u>	<u>143,700</u>

9 Taxation on losses from ordinary activities

	2006 £	2005 £
<i>Current tax</i>		
Corporation tax on losses of the year	-	-
Under provision in prior years	-	-
	<u>-</u>	<u>-</u>
Total current tax	<u>-</u>	<u>-</u>

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:

Eurocash Group Plc**Notes forming part of the financial statements for the year ended 31 October 2006 (Continued)****9 Taxation on losses from ordinary activities (Continued)**

	2006	2005
	£	£
Loss on ordinary activities before tax	(792,933)	(976,978)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2005 – 30%)	(237,881)	(293,093)
Effects of:		
Expenses not deductible for tax purposes	(383,901)	39,174
Capital allowances in excess of depreciation	(14,778)	3,735
Goodwill amortisation	439,075	-
Utilisation of losses	(187,098)	-
Chargeable gain	44,700	-
Losses carried forward	339,883	250,561
Marginal relief	-	(377)
Current tax charge for year	-	-

The group has estimated corporation tax losses carried forward of £25,341 (2005 - £1,574,690).

Eurocash Group Plc

Notes forming part of the financial statements for the year ended 31 October 2006 *(Continued)*

10 Tangible fixed assets

Group	Leasehold property £	Fixtures fittings and equipment £	Motor vehicles £	Total £
<i>Cost</i>				
At 1 November 2005	26,586	320,763	35,750	383,099
Additions	2,372	60,452	-	62,824
Disposals	(28,958)	(381,215)	(35,750)	(445,923)
At 31 October 2006	-	-	-	-
<i>Depreciation</i>				
At 1 November 2005	25,109	199,121	28,562	252,792
Charge for the year	984	55,380	3,229	59,593
Eliminated on disposals	(26,093)	(254,501)	(31,791)	(312,385)
At 31 October 2006	-	-	-	-
<i>Net book value</i>				
At 31 October 2006	-	-	-	-
At 31 October 2005	1,477	121,642	7,188	130,307

11 Intangible fixed assets

Group	2006 £	2005 £
Goodwill at cost brought forward	1,963,488	1,868,900
Additions (see below)	-	34,346
Exchange adjustment	-	60,242
Written down on disposal	(1,963,488)	-
Goodwill at cost carried forward	-	1,963,488
Amortisation brought forward	449,904	(353,014)
Amortisation charged for the year	-	(96,890)
Amortisation written back on disposal	(449,904)	-
Amortisation carried forward	-	(449,904)
Net book value	-	1,513,584

Eurocash Group Plc

Notes forming part of the financial statements for the year ended 31 October 2006 (Continued)

11 Intangible fixed assets (Continued)

Group

Goodwill arose in 2000 on the acquisition by Eurocash, Inc. of 100% of the issued share capital of Eurocash Corporation Plc. Eurocash, Inc. issued 7,000,000 ordinary shares for a total consideration of \$3,500,000, which exceeded the fair value of assets acquired by \$3,424,387.

This amount was treated as goodwill and had been amortised down to a value of \$3,177,071 (£1,868,900). Following the acquisition of Eurocash, Inc. by the company in a group reconstruction, the goodwill in the balance sheet of Eurocash, Inc. was, under the principle of merger accounting, carried forward into the balance sheet of the company.

On the disposal of 90% of the share capital of Eurocash Corporation Limited (see note 4), the principal operating company of Eurocash Inc., the whole of the goodwill was written off in the year.

12 Investments

Group	2006 £	2005 £
Investments at costs	183,945	-
Amount written off in year	(133,945)	-
	<hr/>	<hr/>
At 31 October 2006	50,000	-
	<hr/>	<hr/>

The investment comprises the remaining 10% shareholding in Eurocash Corporation Limited following the sale of 90% of the shares as set out in note 4 above.

Company	Subsidiary undertakings £
At 1 November 2005	2,232,026
Written off on disposals	(1,997,434)
	<hr/>
At 31 October 2006	234,592
	<hr/>

Eurocash Group Plc

Notes forming part of the financial statements for the year ended 31 October 2006 (Continued)

12 Investments (Continued)

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held		Nature of business
Eurocash, Inc.	Delaware, USA	1,000 ordinary shares of \$0.001 each	100%	Intermediate holding company
Eurocash Corporation Limited*	England and Wales	125,765 ordinary shares of £1 each	10%	VAT recovery

* Undertakings held indirectly by the company

13 Debtors - Group

	Group 2006 £	Group 2005 £
Trade debtors	-	4,622,864
Other debtors	540,000	406,753
Prepayments and accrued income	-	176,391
	<u>540,000</u>	<u>5,206,008</u>

An amount of £490,000 is receivable in more than one year. Debtors comprise amounts due from MKR Investments Limited and Bartco (UK) Limited as set out in note 4.

The timing of repayments of these amounts is dependent on the successful future trading performance of the entities involved, which the directors cannot establish with certainty at the date of approval of the financial statements.

Debtors - Company

	Company 2006 £	Company 2005 £
Other debtors – due from Bartco (UK) Limited (see note 4)	<u>135,000</u>	<u>-</u>

An amount of £120,000 is receivable in more than one year.

Eurocash Group Plc

Notes forming part of the financial statements for the year ended 31 October 2006 (Continued)

14 Creditors: amounts falling due within one year - Group

	Group 2006 £	Group 2005 £
Obligations under finance leases and hire purchase contracts		3,874
Trade creditors	-	6,823,603
Other taxes and social security costs	-	61,589
Other creditors	129,141	206,156
Accruals		257,674
	<hr/> 129,141 <hr/>	<hr/> 7,352,896 <hr/>

Other creditors include £113,746 due to Eurocash Corporation Limited and its subsidiary companies

Obligations under finance leases and hire purchase contracts were secured on the assets concerned.

Creditors: amounts falling due within one year - Company

	Company 2006 £	Company 2005 £
Other creditors		
Amounts due to subsidiary company	45,000	-
Amounts due to Eurocash Corporation Limited	41,804	9,358
	<hr/> 86,804 <hr/>	<hr/> 9,358 <hr/>

15 Creditors: amounts falling due after more than one year - Group

Group	2006 £	2005 £
Obligations under finance leases and hire purchase contracts		
- amounts falling due between 1 and 2 years	-	312
Other creditors - Amounts due to Eurocash Corporation Limited	345,402	-
	<hr/> 345,402 <hr/>	<hr/> 312 <hr/>
Company	2006 £	2005 £
Other creditors - Amounts due to Eurocash Corporation Limited	165,722	-
	<hr/> 165,722 <hr/>	<hr/> - <hr/>

Eurocash Group Plc

Notes forming part of the financial statements for the year ended 31 October 2006 (Continued)

16 Share capital

Group and company	Authorised		2006 £	2005 £
	2006 Number	2005 Number		
Ordinary shares of 1p each	50,000,000	50,000,000	500,000	500,000
	Allotted, called up and fully paid		2006 £	2005 £
	2006 Number	2005 Number		
Ordinary shares of 1p each	16,272,646	16,272,646	162,726	162,726

17 Reserves

Group	Merger reserve £	Profit and loss account £	Total £
At 1 November 2005	2,939,828	(2,318,793)	621,035
Exchange adjustment	-	186,238	186,238
	2,939,828	(2,132,555)	867,273
Retained loss for year	-	(792,933)	(792,933)
Transfer from merger reserve to profit and loss*	(2,939,828)	2,939,828	-
	-	14,340	14,340
At 31 October 2006	-	14,340	14,340
Company		Profit and loss account £	Merger reserve £
At 1 November 2005		(30)	2,059,972
Retained loss for year		(2,045,602)	-
Transfer from merger reserve to profit and loss*		2,059,972	(2,059,972)
		14,340	-
At 31 October 2006		14,340	-

* The merger reserve arose on the acquisition of Eurocash Inc. in 2004. As noted in note 4 the principal operating companies of the Eurocash Inc. group have been disposed of, therefore the merger reserve has been treated as realised and transferred to profit and loss account.

Eurocash Group Plc

Notes forming part of the financial statements for the year ended 31 October 2006 (Continued)

18 Commitments under operating leases

The company and group had no commitments under operating leases.

19 Related party transactions

Group

The company has taken advantage of the exemptions conferred by Financial Reporting Standard 8 not to disclose transactions with companies which were members of the group at the relevant time to the extent that these transactions are included within the group financial statements and have been eliminated on consolidation.

During the year, fees of £128,333 (2005 - £134,800) and £8,250 (2005 - £9,200) were charged by Focus Management Services Limited, a company in which Mr M Redman, a director, has a material interest, for the services of Mr M Redman and the use of a motor vehicle, respectively.

Included within trade creditors and accruals is an amount £Nil (2005 - £181,275) in respect of Focus Management Services Limited.

Included within trade debtors is an amount of £Nil (2005: £110,000) due from 4X Currency Corporation plc ("4X"), a company in which Mr M Redman, a director, has a material interest. An amount of £546,385 was recharged to 4X during the year by the former subsidiary company, Eurocash Corporation Limited. In addition Eurocash Corporation Limited carried out foreign currency exchange transactions with 4X totalling £2,534,909

See also note 4 regarding the sale of Eurocash Corporation Limited to MKR Investments Limited and the sale of Eurocash Consulting Limited to Bartco (UK) Limited.

20 Reconciliation of operating loss to net cash inflow from operating activities

	2006	2005
	£	£
Operating loss	(1,407,970)	(924,036)
Depreciation	59,593	58,276
Amortisation of goodwill	3,434	96,890
Exchange translation differences	186,238	45,840
Increase in debtors	(16,699)	(316,625)
Increase in creditors	1,393,297	1,968,845
	<hr/>	<hr/>
Net cash inflow from operating activities	217,893	929,190
	<hr/>	<hr/>

Eurocash Group Plc

Notes forming part of the financial statements for the year ended 31 October 2006 *(Continued)*

21 Reconciliation of net cash outflow to movement in net funds

	2006 £	2005 £
Decrease in cash in the year	(1,225,461)	(1,223,461)
Cash outflow from decrease in debt and lease financing	2,431	5,502
	<hr/>	<hr/>
Change in net funds resulting from cash flows	(1,223,030)	(1,217,959)
Bank loan	-	1,762,749
Reclassification of directors' loans	-	230,089
Reduction in finance leases on sale of subsidiary companies	1,755	-
	<hr/>	<hr/>
Movement in net funds in the year	(1,221,275)	774,879
Opening net funds	1,282,884	508,005
	<hr/>	<hr/>
Closing net funds	61,609	1,282,884
	<hr/> <hr/>	<hr/> <hr/>

22 Analysis of net funds

	At 1 November 2005 £	Cash flow £	Non cash movement £	At 31 October 2006 £
Cash in hand and at bank	1,287,070	1,225,461	-	61,609
Obligations under finance leases	(4,186)	-	4,186	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	1,282,884	1,225,461	4,186	61,609
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

23 Ultimate controlling party

In the opinion of the directors, there is no ultimate controlling party.