MARSHAL HOLDINGS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2007

Company no 05615459

MARSHAL HOLDINGS LIMITED

FINANCIAL STATEMENTS

For the year ended 30 JUNE 2007

Company registration number	05615459
Registered office	110 St Martins Lane London WC2N 4BA
Directors	S P Kearsey E O Macnair P R Weston B Green P Keenan
Secretary	G Downes
Bankers	HSBC Bank plc PO Box 120 49 Corn Street Bristol BS99 7PP
Solicitors	Lovells LLP Atlantic House Holborn Viaduct London EC1A 2FG
Auditor	Grant Thornton UK LLP Registered Auditor Chartered Accountants Grant Thornton House Melton Street Euston Square London NW1 2EP

MARSHAL HOLDINGS LIMITED

FINANCIAL STATEMENTS

For the year ended 30 JUNE 2007

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MARSHAL HOLDINGS LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 30 June 2007

Principal activity

The principal activity of the group is the development and sale of internet content security software

Business review

The group incurred a loss for the year after taxation amounting to $8,268,791 (2006 8 month period $5,658,309) on a turnover of $15,169,577 (2006 8 month period $5,057,135)

Dividends

The directors do not recommend the payment of a dividend

Directors

The present membership of the Board is set out below

S P Kearsey
P R Weston
E O Macnair
B Green
P Keenan

Financial Risk Management

The directors have considered the disclosure requirements of FRS25 'Financial Instruments Disclosure and Presentation' The Group's operations expose it to a variety of financial risks that include the effect of credit risk, currency risk and interest rate risk

Credit Risk

The group has implemented policies that require appropriate credit checks on potential customers and has set out credit limits for all major customers

Currency Risk

The directors have considered the currency risks that the group faces and have put appropriate currency hedging in place to minimise these risks

Interest Rate Risk

The group is subject to interest rate risk on its bank loans The financing position is monitored by the directors on a regular basis to manage the interest rate risk

Post balance sheet events

On 27th February 2008 funds under the management of Kelso Place Asset Management Limited invested £799,795 in Marshal Holdings Limited This investment took the form of A shares in Marshal Holdings Limited and £799,964 of D Loan Notes in Marshal Limited The Loan Notes are repayable on 31 December 2011 and rank pari passu with all other unsecured loan stock

On 27th February 2008 two employees invested £14,593 in Marshal Holdings Limited This investment took the form of B shares in Marshal Holdings Limited and £14,592 of D Loan Notes in Marshal Limited The Loan Notes are repayable on 31 December 2011 and rank pari passu with all other unsecured loan stock

Going Concern

The directors have formally considered the ability of the group to continue its activities in light of the operating losses and operating cash outflows in the period The directors have prepared forecasts for the period ended 31 December 2009 and are satisfied that the group will continue to work within its available facilities In addition they take comfort from the fact that Kelso Place Asset Management has indicated its intention to invest further in the Marshal Group if it is required

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (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 group and company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- 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

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are 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 auditors are aware of that information

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

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985

ON BEHALF OF THE BOARD

Patrick L Keenan

Patrick Keenan
Director

21 October 2008

Grant Thornton

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF

MARSHAL HOLDINGS LIMITED

We have audited the financial statements of Marshal Holdings Limited for the year ended 30 June 2007 which comprise the principal accounting policies, the consolidated profit and loss account, the group and company balance sheets, the consolidated cash flow statement and notes 1 to 23 These financial statements have been prepared under the accounting policies set out therein

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 auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with United Kingdom law and 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 are properly prepared in accordance with the Companies Act 1985 We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read other information contained in the Consolidated Financial Statements, and consider whether it is consistent with the audited financial statements This other information comprises only the Report of the Directors We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with 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

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF

MARSHAL HOLDINGS LIMITED

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's and the parent company's affairs as at 30 June 2007 and of the group's loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Report of the Directors is consistent with the financial statements

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS

LONDON
21 October **2008**

BASIS OF PREPARATION

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

The directors have formally considered the ability of the group to continue its activities in light of the operating losses and operating cash outflows in the period The directors have prepared forecasts for the period to 31 December 2009 and are satisfied that the group will continue to work within its available facilities In addition they take comfort from the fact that Kelso Place Asset Management has indicated its intention to invest further in the Marshal Group if it is required

The principal accounting policies of the company are set out below and remain unchanged from the prior period

CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the company and all subsidiary undertakings The financial statements of all group companies are adjusted, where necessary, to ensure the use of consistent accounting policies Acquisitions are accounted for under the acquisition method The results of companies acquired or disposed of are included in the group profit and loss account from or up to the date that control passes respectively

A separate profit and loss account for the parent company is not presented with the group financial statements as there were no transactions during the period

TURNOVER

Turnover is the total amount receivable by the group for goods supplied and services provided, excluding VAT and trade discounts

New perpetual licence revenues are recognised when a software enabling key is issued to a customer

Subscription licences are recognised on a straight line basis over the period of the subscription

Maintenance revenues are recognised on a straight line basis over the period of the maintenance contract

INTANGIBLE FIXED ASSETS

Intellectual property rights are included at cost and amortised on a straight-line basis over their useful economic lives

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less depreciation

Depreciation is calculated to write down the cost of all tangible fixed assets by equal annual instalments over their estimated useful economic lives The periods generally applicable are

I T Infrastructure	3 years
Computer hardware and software	3 years
Fixtures and fittings	10 years
Office equipment	4 years

LEASED ASSETS

All payments made in relation to operating leases are charged to the profit and loss account on a straight line basis over the lease term

INVESTMENTS

Investments are included at cost

DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date Deferred tax assets are recognised when it is more likely than not that they will be recovered Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date

RESEARCH AND DEVELOPMENT

Research and development expenditure is charged to the profit and loss account in the period in which it is incurred

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account The Sterling exchange rate used at 30 June 2007 was £1 USD$1 977

RETIREMENT BENEFITS

Defined Contribution Pension Scheme

The pension costs charged against profits are the contributions payable to the scheme in respect of the accounting period The company accounts for its contributions to the group pension scheme as a defined contribution scheme

EMPLOYEE BENEFIT TRUST

The assets and liabilities of the Employee Benefit Trust (EBT) have been included in the company and group accounts Any assets held by the EBT cease to be recognised on the company and group balance sheets when the assets vest unconditionally in identified beneficiaries

The costs of purchasing own shares held by the EBT are shown as a deduction against shareholders' funds The proceeds from the sale of own shares held increase shareholders' funds Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the company and group profit and loss accounts

MARSHAL HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30 JUNE 2007

	Note	Year ended 30 June 2007 $	Period ended 30 June 2006 $
Turnover	1	**15,169,577**	5,057,135
Cost of sales		**(1,194,616)**	(458,121)
Gross profit		**13,974,961**	4,599,014
Administrative expenses		**(19,531,593)**	(9,135,920)
Operating loss		**(5,556,632)**	(4,536,906)
Net interest	2	**(2,712,159)**	(1,121,403)
Loss on ordinary activities before taxation	1	**(8,268,791)**	(5,658,309)
Tax on loss on ordinary activities	4	**-**	-
Loss for the year / period	13	**(8,268,791)**	(5,658,309)

All transactions arise from continuing operations

There were no recognised gains or losses other than the loss for the financial year / period

The accompanying accounting policies and notes form an integral part of these financial statements

MARSHAL HOLDINGS LIMITED

BALANCE SHEETS AT 30 JUNE 2007

	Note	2007 Group $	2006 Group $	2007 Company $	2006 Company $
Fixed assets					
Intangible assets	5	**10,552,641**	13,475,162	**-**	-
Tangible assets	6	**1,319,362**	1,324,575	**-**	-
Investments	7	**-**	-	**5**	5
		11,872,003	14,799,737	**5**	5
Current assets					
Debtors	8	**5,181,702**	4,023,528	**11**	8
Cash at bank and in hand		**591,803**	934,180	**187**	349,702
		5,773,505	4,957,708	**198**	349,710
Creditors amounts falling due within one year	9	**(6,598,027)**	(3,968,605)	**-**	(349,538)
Net current (liabilities)/assets		**(824,522)**	989,103	**198**	172
Total assets less current liabilities		**11,047,481**	15,788,840	**203**	177
Creditors: amounts falling due after more than one year	10	**(16,936,277)**	(17,403,382)	-	-
Deferred income	11	**(8,154,166)**	(4,263,248)	**-**	-
		(14,042,962)	(5,877,790)	**203**	177
Capital and reserves					
Called up share capital	12	**203**	177	**203**	177
EBT reserve	13	**(116,065)**	(219,658)	**-**	-
Profit and loss account	13	**(13,927,100)**	(5,658,309)	**-**	-
Shareholders' (deficit)/funds	14	**(14,042,962)**	(5,877,790)	**203**	177

The financial statements were approved by the Board of Directors on 21 October 2008

Patrick L Keenan

Patrick Keenan
Director

The accompanying accounting policies and notes form an integral part of these financial statements

MARSHAL HOLDINGS LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	**Year ended 30 June 2007 $**	Period ended 30 June 2006 $
Net cash inflow/(outflow) from operating activities	15	**669,270**	(109,276)
Returns on investments and servicing of finance			
Interest paid		**(295,704)**	(132,233)
Interest received		**32,030**	11,133
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		**(546,205)**	(1,460,638)
Acquisition of intangible assets		**(101,768)**	(10,557,604)
Financing			
Loan (repayment)/issue		**(1,100,000)**	13,182,621
Issue of 'C' loan notes		**999,974**	-
Issue of shares		**26**	177
(Decrease)/increase in cash	17	(342,377)	934,180

The accompanying accounting policies and notes form an integral part of these financial statements

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover is wholly attributable to the principal activity of the company An analysis of turnover by geographical market is given below

	Year ended 30 June 2007 $	Period ended 30 June 2006 $
Europe, Middle East and Africa	**8,493,994**	2,625,606
Americas	**2,949,698**	955,291
Asia Pacific	**3,725,885**	1,476,238
	15,169,577	5,057,135

The loss on ordinary activities before taxation is stated after charging

	Year ended 30 June 2007 $	Period ended 30 June 2006 $
Auditor's remuneration		
Audit fee - Parent company	**5,000**	5,000
Non - audit fee - audit of consolidation and audit of subsidiaries	**25,000**	25,000
Non - audit fee - Tax compliance	**5,000**	4,500
Depreciation - tangible fixed assets owned	**551,418**	136,063
Amortisation of Intellectual Property	**3,024,289**	1,627,776
Operating leases – Property rental	**620,536**	151,015

2 NET INTEREST

	Year ended 30 June 2007 $	Period ended 30 June 2006 $
Bank loan interest	**286,360**	162,681
Loan note interest	**1,140,791**	530,990
Vendor loan note amortisation	**324,343**	125,124
Foreign exchange loss	**993,000**	321,786
	2,744,494	1,140,581
Interest receivable	**(32,335)**	(19,178)
	2,712,159	1,121,403

3 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows

	Year ended 30 June 2007 $	Period ended 30 June 2006 $
Wages and salaries	6,883,721	3,494,036
Social security costs	568,745	234,735
Other pension costs	84,884	11,340
	7,537,350	3,740,111

The average number of employees of the group during the year was as follows

	Year ended 30 June 2007 Number	Period ended 30 June 2006 Number
Sales	27	17
Management and administration	57	38
	84	55

Remuneration in respect of directors was as follows

	Year ended 30 June 2007 $	Period ended 30 June 2006 $
Emoluments	508,922	155,879
Benefits in kind	4,703	1,605
Other pension costs	18,550	-
	532,175	157,484

The remuneration of the highest paid director was as follows

	Year ended 30 June 2007 $	Period ended 30 June 2006 $
Emoluments	309,173	155,879
Benefits in kind	4,703	1,605
Other pension costs	18,550	-
	332,426	157,484

4 TAX ON LOSS ON ORDINARY ACTIVITIES

The tax charge is based on the loss for the year and represents

	Year ended 30 June 2007 $	Period ended 30 June 2006 $
United Kingdom corporation tax at 30% (2006 30%)	-	-
Overseas taxation	-	-
Total current tax	-	-
Loss on ordinary activities before tax	**(8,268,791)**	(5,658,309)
Loss on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 30% (2006 30%)	**(2,480,637)**	(1,697,493)
Effect of		
Expenses not deductible for tax purposes	**19,637**	11,719
Tax losses arising in the year	**1,751,714**	1,305,866
Accrued interest not deductible	**574,976**	350,783
Depreciation for the period in excess of capital allowances	**109,994**	28,713
Other timing differences	**24,316**	412
Current tax charge for period	-	-

A deferred tax asset has not been recognised in respect of short term timing differences and tax losses carried forward as there is insufficient evidence that the asset will be recovered in the foreseeable future The amount of the asset not recognised is $1,831,361 (2006 $816,761)

5 INTANGIBLE FIXED ASSETS

Group

	Intellectual property $
Cost	
At 1 July 2006	15,102,938
Additions	101,768
At 30 June 2007	**15,204,706**
Accumulated amortisation	
At 1 July 2006	1,627,776
Provided in the year	3,024,289
At 30 June 2007	**4,652,065**
Net book amount at 30 June 2007	**10,552,641**
Net book amount at 30 June 2006	13,475,162

INTANGIBLE FIXED ASSETS (CONTINUED)

The intellectual property arose on the acquisition of the trade and assets relating to the Marshal range of products of NetIQ Corporation on 12 December 2005 It is being amortised over a period of 5 years

6 **TANGIBLE FIXED ASSETS**

Group

	I.T. Infrastructure and Network	Computer hardware and software	Fixtures and fittings	Office equipment	Total
	$	$	$	$	$
Cost					
At 1 July 2006	782,363	383,366	105,356	189,554	1,460,639
Additions	186,445	257,988	27,747	74,025	546,205
At 30 June 2007	**968,808**	**641,554**	**133,103**	**263,579**	**2,006,844**
Accumulated depreciation					
At 1 July 2006	70,553	44,982	4,852	15,677	136,064
Provided in the year	303,421	176,660	11,076	60,261	551,418
At 30 June 2007	**373,974**	**221,642**	**15,928**	**75,938**	**687,482**
Net book amount at 30 June 2007	**594,834**	**419,912**	**117,175**	**187,641**	**1,319,362**
Net book amount at 30 June 2006	711,810	338,384	100,504	173,877	1,324,575

7 **FIXED ASSET INVESTMENTS**

	Company
	$
At 1 July 2006 and at 30 June 2007	5

The company owns directly or indirectly 100% of the ordinary share capital of the following subsidiary companies, the principal activities of which are the development and sale of computer software

Incorporated in the United Kingdom
Marshal Limited
Marshal Trustee Limited

Incorporated in the United States
Marshal Inc

Incorporated in New Zealand
Marshal Software (NZ) Limited

8 DEBTORS

	Group 2007 $	Group 2006 $	Company 2007 $	Company 2006 $
Trade debtors	**3,894,130**	2,655,424	-	-
Amounts owed by group undertakings	-	-	**2**	-
Other debtors	**387,808**	937,895	**9**	8
Prepayments	**899,764**	430,209	-	-
	5,181,702	4,023,528	**11**	8

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2007 $	Group 2006 $	Company 2007 $	Company 2006 $
Bank loan	**2,900,000**	1,100,000	-	-
Trade creditors	**1,121,206**	932,632	-	-
Amounts owed to group undertakings	-	-	-	349,538
Other taxation and social security	**110,613**	86,752	-	-
Other creditors	**1,116,208**	1,499,221	-	-
Deferred consideration - Vendor Loan Note	**1,350,000**	350,000	-	-
	6,598,027	3,968,605	-	349,538

The bank loans of the company are secured by a fixed and floating charge over all the assets of the group

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2007 $	Group 2006 $	Company 2007 $	Company 2006 $
Bank loan	-	2,900,000	-	-
Deferred consideration - Vendor Loan Note	**3,644,801**	4,320,458	-	-
Loan notes	**11,622,505**	9,629,531	-	-
Rolled up interest on loan notes	**1,668,971**	553,393	-	-
	16,936,277	17,403,382	-	-

The loan notes are secured by means of a fixed and floating charge over all the assets of the group

Currency Risk

The directors have considered the currency risks that the group faces and have put appropriate currency hedging in place to minimise these risks

The group has put/call currency options in place to protect its Australian dollar to New Zealand dollar exposure and its Sterling to Euro exposure

CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED)

Loan summary

Loan details	**Available**	**Drawn down at 30 June 2007**	**Maturity**	**Interest rate**
	$	**$**		
Bank loan	2,900,000	2,900,000	30 Nov 2008	USD Libor + 2 75%
Vendor Loan Series 1	350,000	350,000	12 Dec 2006	USD Libor + 5 00%
Vendor Loan Series 2	1,000,000	1,000,000	12 Dec 2007	0%
Vendor Loan Series 3	1,000,000	1,000,000	12 Dec 2008	0%
Vendor Loan Series 4	1,000,000	1,000,000	12 Dec 2009	4%
Vendor Loan Series 5	2,200,000	2,200,000	12 Dec 2010	4%
'A' loan notes	8,652,000	8,652,000	2011	8%
Mezzanine loan note	943,188	943,188	2011	12%
'B' loan notes	1,027,344	1,027,344	2011	8%
'C' loan notes	999,973	999,973	2011	8%

Repayment of loans

	2007	2006
	$	$
Amounts falling due		
Within one year	**4,250,000**	1,450,000
Between two and five years	**15,822,506**	17,729,532
	20,072,506	19,179,532
Deferred consideration - represented by the Vendor Loan Notes	**(5,550,000)**	(5,550,000)
Borrowings (note 17)	**14,522,506**	13,629,532

The Vendor Loan Notes were issued as part of the acquisition of the Marshal range of products of NetIQ Corporation where the remaining consideration of $5,550,000 was deferred and settled by the issue of Vendor Loan Notes The Vendor Loan Notes (which carry interest rates between nil and 4%) were fair valued at the acquisition date to a value of $4,545,334 The discount is being amortised over the life of the Vendor Loan Notes (see note 2)

INTEREST RATE RISK

The group is subject to interest rate risk on its bank loan The financing position is monitored by the directors on a regular basis to manage the interest rate risk The group has an interest cap contract in place such that interest on 75% of the outstanding bank loan is capped at 7 75% The value of the interest rate cap at 30 June 2007 was $4,500

11 DEFERRED INCOME

	Group		**Company**	
	2007	2006	**2007**	2006
	$	$	**$**	$
Deferred income	**8,154,166**	4,263,248	-	-

12 SHARE CAPITAL

	2007	2006
	$	$
Authorised		
6,000 (2006 5,000) A ordinary shares of £0 01 each	106	88
5,400 (2006 5,000) B ordinary shares of £0 01 each	97	89
6,000,000 C ordinary shares of £0 000001 each	12	-
	215	177
Allotted, called up and fully paid		
6,000 (2006 5,000) A ordinary shares of £0 01 each	106	88
5,400 (2006 5,000) B ordinary shares of £0 01 each	97	89
	203	177

The shares rank pari passu in all respects apart from that on distribution of profits prior to a conversion date the B shares will not receive more than 38 98%, on liquidation the B shares shall only receive 38 98% of total assets returned, B shares shall not constitute more than 38 98% of voting rights and if there is a material default (as defined by the facility agreement with HSBC), the voting rights of the A shares can change such that on a poll, each A shareholder shall have one hundred thousand votes for every A ordinary share held

During the year the company issued 1,000 A ordinary shares and 400 B ordinary shares at a value of £0 01 per share

13 RESERVES

GROUP

	EBT Reserve	Profit and loss account
	$	$
At 1 July 2006	(219,658)	(5,658,309)
Loss for the year	-	(8,268,791)
Purchase by EBT reserve	103,593	-
At 30 June 2007	(116,065)	(13,927,100)

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' (DEFICIT)/FUNDS

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
At 1 July 2006	(5,877,790)	-	177	-
Issue of shares	26	177	26	177
Purchase by EBT reserve	103,593	(219,658)	-	-
Loss for the period	(8,268,791)	(5,658,309)	-	-
Shareholders' (deficit)/funds at 30 June 2007	(14,042,962)	(5,877,790)	203	177

15 NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2007 $	2006 $
Operating loss	**(5,556,632)**	(4,536,906)
Depreciation	**551,418**	136,063
Amortisation	**3,024,289**	1,627,776
Movement in debtors	**(1,158,174)**	(4,023,528)
Movement in creditors and deferred income	**3,808,369**	6,687,318
Net cash inflow/(outflow) from operating activities	**669,270**	(109,276)

16 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2007 $	2006 $
(Decrease)/increase in cash in the period	**(342,377)**	934,180
Net cash inflow from financing	**100,026**	(13,307,746)
Change in net debt resulting from cash flows	**(242,351)**	(12,373,566)
Foreign currency differences	**(993,000)**	(321,786)
Movement in net debt in the period	**(1,235,351)**	(12,695,352)
Net debt at start of period	**(12,695,352)**	-
Net debt 30 June 2007	**(13,930,703)**	(12,695,352)

17 ANALYSIS OF CHANGES IN NET DEBT

	At 1 July 2006 $	Cash flow $	Foreign exchange movement $	At 30 June 2007 $
Cash in hand and at bank	934,180	(342,377)	-	**591,803**
Borrowings	(13,629,532)	100,026	(993,000)	**(14,522,506)**
Total	(12,695,352)	(242,351)	(993,000)	**(13,930,703)**

18 CAPITAL COMMITMENTS

The group had no capital commitments at 30 June 2007 or 30 June 2006

19 CONTINGENT LIABILITIES

There were no contingent liabilities at 30 June 2007 or 30 June 2006

20 LEASING COMMITMENTS

Operating lease commitments in respect of buildings and office equipment are as follows

	2007	2006
	$	$
Due within one year	**620,536**	444,607
Between two and five years	**1,837,908**	1,527,380
	2,458,444	1,971,987

21 TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES

During the period, services provided and costs incurred on behalf of the group and recharged by Kelso Place Asset Management Limited amounted to $144,240 (2006 $48,555) The balance due to Kelso Place Asset Management Limited at 30 June 2007 was $50,561 (2006 $13,219)

There are no other related party transactions

22 ULTIMATE PARENT UNDERTAKING

The directors consider Kelso Place Asset Management Limited, a company registered in England and Wales, to be the ultimate controlling party

23 POST BALANCE SHEET EVENTS

On 27th February 2008 funds under the management of Kelso Place Asset Management Limited invested £799,795 in Marshal Holdings Limited This investment took the form of A shares in Marshal Holdings Limited and £799,964 of D Loan Notes in Marshal Limited The Loan Notes are repayable on 31 December 2011 and rank pari passu with all other unsecured loan stock

On 27th February 2008 two employees invested £14,593 in Marshal Holdings Limited This investment took the form of B shares in Marshal Holdings Limited and £14,592 of D Loan Notes in Marshal Limited The Loan Notes are repayable on 31 December 2011 and rank pari passu with all other unsecured loan stock