

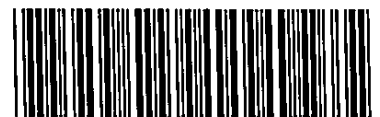
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MERCURY GROUP PLC

Annual Report and Financial Statements

for the year ended 30 September 2007

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Annual Report and Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2007

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Officers and Professional Advisers

Directors	George Kynoch, Chairman	Appointed 13 February 2007
	Ronnie Franks, Chief Executive Officer	
	Andrew Lovelady, Finance Director	Appointed 13 February 2007
	James Lugg, Non-Executive	
	Walter Goldsmith, Non-Executive	
	Brian Basham, Non-Executive	Appointed 13 February 2007
Secretary	Andrew Lovelady	
Registered Office	Devonshire House 60 Goswell Road London EC1M 7AD	
Company Number	3826434	
Bankers	Lloyds TSB plc 39 Threadneedle Street London EC2R 8PT	
Nominated Adviser and Broker	John East & Partners Limited 10 Finsbury Square London EC2A 1AD	
Solicitors	DMH Stallard 6 New Street Square London EC4A 3BF	
Auditors	Kingston Smith LLP Devonshire House 60 Goswell Road London EC1M 7AD	
Registrars	Capita IRG Plc The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	

Chairman's Statement

FOR THE YEAR ENDED 30 SEPTEMBER 2007

Introduction

I am reporting the results for Mercury Group plc for the year ended 30 September 2007

The Group suffered a long period of instability during 2006 and the early part of 2007, consequent upon the refinancing of the business in February 2007. Since that date, all of the contentious issues have been resolved and the newly constituted Board started the task of growing the Group's core business, SMPA, both organically and by acquisition.

The Group's development since the new Board took up office in February 2007 has been hindered by the significant downturn in the property sector, which started to emerge during the summer of 2007 and the inability to raise additional equity in the markets to fund acquisitions. Against this background, the Group continued to incur losses in the year ended 30 September 2007, which have been mitigated by making significant reductions in the Group's high historic overhead cost base.

Group financial performance

The Group's turnover for the year ended 30 September 2007 was £2.7 million compared with £5.6 million in 2006. SMPA incurred a loss before exceptional items of £174,000 (after charging goodwill amortisation and impairment of £121,000), compared with a profit of £51,000 in 2006. After much reduced central costs of £499,000 (after charging goodwill impairment of £227,000), compared with £1.6 million in 2006, the Group's loss on continuing activities before exceptional items was £799,000.

The exceptional items incurred in 2007 of £451,000 relate to the fund raising costs associated with the 2007 refinancing of £185,000, redundancy costs of £50,000 and write-offs associated with the agreement of SMPA's earn out accounts of £216,000. Net losses on discontinued operations amounted to £48,000 and £15,000 was provided to write-off the Company's investment in Dialog Group Inc. After charging interest of £60,000, the Group incurred a significantly reduced loss before tax in 2007 of £1.3 million (2006 loss of £4.8 million).

The loss before tax for the year ended 30 September 2007 includes total goodwill amortisation and impairment charges of £348,000. This comprises £79,000 for the full impairment of goodwill arising on the acquisition of the CRC business acquired in January 2007 and £269,000 for SMPA. Goodwill recorded on the Group balance sheet at 30 September 2007 for SMPA is £812,000.

Continuing operations

SMPA continues to be the Group's core business offering a range of property services to corporate clients. SMPA is a commercial property consultancy and estate agency with over 50 years' experience providing a personal service to UK and international clients. With offices in the West End and City of London, it offers a wide range of professional services including investment, development, valuation, management and all aspects of occupancy. Although based in London, it is able to service clients throughout the UK.

Chairman's Statement

CONTINUED

Discontinued operations

On 12 June 2007, the Company disposed of its shareholding in Telco Solutions Limited for a net consideration of £8,500. Telco's business of project management was considered by the new Board to be non-core. Subsequent to the disposal, the acquiring company went into administration, with only £8,500 of the contracted £85,000 of total consideration actually received. Telco Solutions Limited was a loss making business throughout its period of ownership, incurring operating losses of £60,000 in the year ended 30 September 2007 and £170,000 in the year ended 30 September 2006.

Dividends

The Board does not recommend the payment of a dividend (2006: £nil).

Funding

In February 2007, the Board secured additional funding by issuing a loan note instrument constituting £1,000,000 of Unsecured Loan Stock, which has all now been drawn down.

Earn out accounts

The Board was pleased to report agreement of the earn out accounts on SMPA after the year end with the vendor partners of that business. The total additional consideration arising on the acquisition of SMPA was agreed at £182,000 of which 50% was settled by the issue of shares and 50% by way of convertible loan notes.

Directors

Following the 2007 refinancing, a number of changes were made to the Board. As previously stated, I joined the Board as Chairman in February and I was pleased to welcome Brian Basham and Andrew Lovelady who were appointed directors at the same time. I was also pleased that both Walter Goldsmith and James Lugg remained on the Board as non-executive directors and Ronnie Franks as Chief Executive Officer.

Simon Michaels resigned from the Board as Finance Director on 13 February 2007 and I would like to thank him for his commitment and support. Andrew Lovelady became part-time Finance Director in his place.

Management and employees

I would like to thank the Group's employees who have continued to work tirelessly in spite of the Group's difficult trading conditions.

Chairman's Statement

CONTINUED

Proposed capital reorganisation and de-listing

Earlier today, the Company announced that it intends to effect a capital reorganisation and seek shareholders' approval to cancel the admission of the ordinary shares in the Company to trading on AIM. Full details are set out in a circular to shareholders dated 31 March 2008, including notice of the Extraordinary General Meeting of shareholders called to approve the proposals, which is being posted today. Summary details of the proposals are set out below.

(a) Capital reorganisation

The Company presently has in excess of 3,760 shareholders. This adds a considerable cost to the overheads of the Company caused by the need to produce annual accounts and registrar's costs. Over 60 % of shareholders have holdings with a value of £3 or less. Accordingly, it is proposed that

- every 600 Existing Ordinary Shares will be consolidated into one new ordinary share of £6 each in the capital of the Company,
- each new ordinary share of £6 each will be subdivided into 60 new ordinary shares of 10p each in the capital of the Company,
- each of the issued ordinary shares of 10p each resulting from the consolidation will be subdivided and re-designated into one New Ordinary Share and one Deferred Share;
- each of the authorised and unissued Ordinary Shares will be re-designated into one New Ordinary Share; and
- all of the existing authorised but unissued deferred shares of 0.1p be and are hereby cancelled and the amount of the Company's share capital shall be diminished by the amount of the shares so cancelled.

(b) De-listing

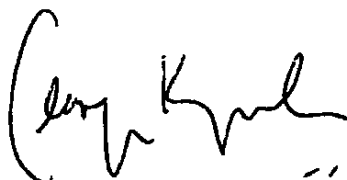
The Directors consider that one of the principal obstacles to the development of the Group is the cost of being a public company, which they estimate amounts to over £150,000 per annum. Given the low market capitalisation of the Company and the low liquidity of the Existing Ordinary Shares, the Directors consider that it would be in the best interests of the Company to seek a de-listing of its shares on AIM.

Current trading and prospects

Whilst trading in the first five months of the current financial year has been in line with management expectations, your Directors cannot expect the Group to be immune from the current situation in the property market.

George Kynoch
Chairman

28 March 2008



Directors' Report

FOR THE YEAR ENDED 30 SEPTEMBER 2007

The Directors present their annual report and the audited Group financial statements for the year ended 30 September 2007

Principal activity

The principal activity of the Group during the year was the provision of commercial property services, through its principal operating company, SMPA, which has offices in the West End and City of London and provides a wide range of professional and agency services including investment, development, valuation, management and all aspects of occupancy

Review of business

A review of the Group's performance for the year and likely future developments is set out in the Chairman's Statement and an overview of the Group's internal financial controls are set out in the Board's Statement on Corporate Governance

Discontinued activities

In June 2007, the Board disposed of its wholly owned subsidiary Telco Solutions Limited, which has been reported under "Discontinued Operations" Telco Solutions Limited was a non-core business providing project management and project monitoring services

Results and dividends

The Group's loss before tax for the year was £1.3m (2006 Loss £4.8m) No dividends have been declared in the year

Directors and their interests

Current directors

George Kynoch, Chairman	Appointed 13 February 2007
Ronnie Franks, Chief Executive Officer	
Andrew Lovelady, Finance Director	Appointed 13 February 2007
James Lugg, Non-Executive	
Walter Goldsmith, Non-Executive	
Brian Basham, Non-Executive	Appointed 13 February 2007

Former directors

Simon Michaels, Executive Director	Resigned 13 February 2007
Anthony McFarland, Non-Executive	Resigned 7 November 2006
Alexander Moss, Non-Executive	Resigned 7 November 2006

Directors' Report

CONTINUED

The Directors interests (including family interests) in the ordinary shares of the Company at the beginning and end of the year (or date of appointment if later) were as follows

	30 September 2007		30 September 2006	
	Ordinary Shares	Percentage of Share Capital	Ordinary Shares	Percentage of Share Capital
George Kynoch	—	—	—	—
Ronnie Franks	284,480	0.25%	284,480	0.25%
Andrew Lovelady	—	—	—	—
James Lugg	—	—	—	—
Walter Goldsmith	—	—	—	—
Brian Basham	—	—	—	—

Since 30 September 2007, Ronnie Franks acquired further ordinary shares arising from agreement of the SMPA earn out accounts and now holds a total of 1,093,470 ordinary shares, representing 0.93% of the current share capital

Directors and officers insurance

The Company has taken out Directors and Officers insurance with an insured limit of £3 million

Charitable donations

During the year, the Group contributed £1,217 (2006: £678) of charitable donations

Directors' responsibilities for the financial statements

The directors are responsible for preparing the Annual Report and 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 the Group as at the end of the financial year 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,
- State whether applicable accounting standards have been followed, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group, 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

They are also responsible for ensuring that the annual report includes information required by the AIM Rules

The maintenance and integrity of the Group's web sites is the responsibility of the directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web sites

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in the annual reports may differ from legislation in other jurisdictions. The Board's statement on Corporate Governance is set out on pages 10 and 11

Directors' Report

CONTINUED

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Employee involvement

Consultation with employees is of considerable importance to the Group. The views of employees are taken into account when decisions are made which are likely to affect their interests. Employees are aware of the financial and economic performance of their business and of the Group as a whole. Communication with employees is made through announcements, intranet, meetings and internet.

Equal opportunities

The Group is committed to the principle of Equal Opportunities. All decisions relating to employment practices are objective, free from bias and based upon work criteria and individual merit.

Creditor payment policy

The Group agrees payment terms and conditions with individual suppliers which vary according to the commercial relationship and the terms of the agreements reached. It is the policy of the Group that, whenever possible, payments to suppliers are made in accordance with the terms agreed. The average time taken to pay purchase invoices by the Group is 35 days (2006: 44 days) based on the ratio of Group trade creditors at the year end to the amounts invoiced during the year by trade creditors.

Key risks and key performance indicators

The directors consider the key risk affecting the Company's performance is the level of economic activity in the commercial property sector.

The two main factors affecting the Company's current and future trading performance are the levels of the deal pipeline and the timely collection of trade debtors. The Company uses a computerised database to closely track deals at every stage in the deal pipeline, which are segregated into the categories of speculative, instructions received, under offer and exchanged. This database then forms the basis of regular meetings with fee earners, so that future revenue earning potential can be assessed.

The Company prepares monthly management accounts to monitor historical trading performance. This includes the regular reporting of trade debtors, aged by month of invoicing, which is used as the basis for credit control management.

Directors' Report

CONTINUED

Substantial shareholdings

At 25 March 2008 the Directors have been notified of the following shareholdings in excess of 3% of the Company's issued share capital

	Number of Ordinary Shares	Percentage of issued share capital
Roy Nominees Limited	28,426,667	24.2%
JIM Nominees Limited	17,947,437	15.3%
Ethel Austin Investment Properties Limited (Note (a))	9,739,999	8.3%
Lutea Trustees Limited	5,606,724	4.8%
HSBC Global Custody Nominees (UK)	4,004,367	3.4%
Fiske Nominees Limited	3,577,799	3.0%

Note (a) 7,222,663 of these Ordinary Shares are registered in the name of Ethel Austin Investment Properties Limited ("EAIP") and 2,517,336 are held by Pershing Keen Nominees Securities

James Lugg and Walter Goldsmith, both directors of the Company, are also consultants to Consensus Business Group Limited, an operating business ultimately controlled by the shareholder, Roy Nominees Limited. Andrew Lovelady, a director of the Company, is also a director of the shareholder, Ethel Austin Investment Properties Limited. Brian Basham is a director of White Star Property Holdings plc, the beneficial owner of certain shares held by First Equity Nominees Limited.

Auditors

Kingston Smith LLP have indicated their willingness to continue in office and in accordance with the provisions of the Companies Act it is proposed that they be re-appointed auditors for the ensuing year.

Annual General Meeting

The Notice of the Annual General Meeting of the Company is set out on page 36.

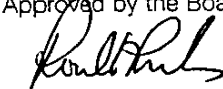
Statement of disclosure to auditor

- (a) So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Going concern

After making appropriate enquiries the directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Approved by the Board of Directors and signed by Order of the Board


DIRECTORS
28 March 2008

Corporate Governance

The Directors acknowledge the importance of the Principles set out in The Combined Code issued by the Committee on Corporate Governance. Although the Combined Code is not compulsory for AIM companies, the Directors have applied the principles as far as practicable and appropriate for a relatively small public company as follows

The Board of Directors

The Board meets regularly and is responsible for strategy, performance, approval of major capital projects and the framework of internal controls. The Board has a formal schedule of matters specifically reserved to it for decision. To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board meetings. All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Articles of Association provide that Directors will be subject to re-election at the first opportunity after their appointment and the Board will voluntarily submit to re-election at intervals of three years.

Audit Committee

Until such time as the size of the Company merits the establishment of a separate Audit Committee the board as a whole will carry out the function of the Audit Committee.

Remuneration Committee

Until such time as the size of the Company merits the establishment of a separate Remuneration Committee the board as a whole will carry out the function of the Remuneration Committee.

The Remuneration Committee is responsible for determining and reviewing the terms of appointment and the remuneration of Executive Directors. The Committee also reviews the remuneration of the other senior Executives to ensure that reasonable and consistent criteria are applied to the management and review of all senior Executive benefits packages. The Committee takes external advice, as appropriate, on remuneration issues and takes cognisance of major surveys covering all aspects of the pay and benefits of Directors and senior Executives in many companies.

Corporate Governance

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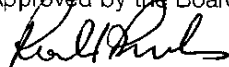
Internal Financial Control

The Board is responsible for establishing and maintaining the Group's system of internal financial control and places importance on maintaining a strong control environment. The key procedures which the Directors have established with a view to providing effective internal financial control are as follows:

- The Group's organisational structure has clear lines of responsibility
- The Group prepares a comprehensive annual budget that is approved by the Board. Monthly results are reported against the budget and variances are closely monitored by the Directors
- The Board is responsible for identifying the major business risks faced by the Group and for determining the appropriate courses of action to manage those risks
- Oversight of and involvement in regular subsidiary company board meetings, complete with structured operational reporting requirements

The Directors recognise, however, that such a system of internal financial control can only provide reasonable, not absolute, assurance against material misstatement or loss. The Directors have reviewed the effectiveness of the system of internal financial control.

Approved by the Board of Directors and signed on behalf of the Board



Director

28 March 2008

Report on Directors' Remuneration

The Board as a whole will carry out the functions of the Remuneration Committee

Service Contracts

Under the terms of his letter of engagement, dated 12 March 2007, the Chairman is entitled to an annual fee of £25,000 per annum and is subject to 6 months notice

Under the terms of his letter of engagement, dated 7 March 2005, Ronnie Franks, Chief Executive Officer, is entitled to an annual fee of £10,000 per annum and is subject to one months notice. In addition, Ronnie Franks receives commission based on the value of fees generated directly by him for SMPA, together with a car allowance of £7,200 per annum and pension contributions of £2,500 per annum

Under the terms of their respective letters of engagement, dated 12 March 2007, both James Lugg and Walter Goldsmith, non-executive directors, are each entitled to an annual fee of £10,000 per annum and are subject to one months notice

Under the terms of their respective letters of engagement, dated 12 March 2007, both Andrew Lovelady, the part time Finance Director, and Brian Basham, non-executive director, are each entitled to an annual fee of £10,000 per annum and are subject to one months notice

Directors' Remuneration for the year ended 30 September 2007

	Notes	2007 £	2006 £
Current directors			
George Kynoch		14,583	–
Ronnie Franks		48,701	57,200
Andrew Lovelady		5,833	–
James Lugg		5,833	–
Walter Goldsmith		19,750	12,000
Brian Basham		5,833	–
Former directors			
David Williams	(a)	–	221,970
Anthony McFarland	(b)	15,000	89,000
Alexander Moss	(c)	12,500	52,000
Stephen Russell		–	49,917
Simon Michaels	(d)	104,126	86,250
		232,159	568,337

(a) Includes £134,470 in respect of compensation for loss of office. In addition the Company contributed £22,500 to his personal pension plan

(b) In 2007 represents payment in respect of compensation for loss of office

(c) In 2007 represents payment in respect of compensation for loss of office

(d) Includes £38,333 in respect of compensation for loss of office and pension contributions of £4,312

Report on Directors' Remuneration

CONTINUED

Share Options

The Company introduced a share option scheme for all eligible Group staff effective 19 October 2005 under the terms of which, at the discretion of the Board, all employees of participating companies within the Mercury Group who are more than six months from their normal retirement date are eligible to participate. The total number of shares issued and issuable under options granted under the Scheme over any ten year period, together with shares issued and issuable under any other employees' share schemes of the Company, may not exceed ten per cent of the issued ordinary share capital of the Company.

Directors' Interests

The Directors' interests in the ordinary shares of the Company are set out in the Directors' Report.

On behalf of the Remuneration Committee



Director

28 March 2008

Independent Auditors' Report

TO THE MEMBERS OF MERCURY GROUP PLC

We have audited the financial statements of Mercury Group Plc for the year ended 30 September 2007 which comprise the Consolidated Profit and Loss, the Consolidated Balance Sheet, Reconciliation of Movement in Consolidated Shareholders' Funds, the Company Balance Sheet, the Consolidated Cash Flow Statement, and the related notes. These financial statements have been prepared under the historical cost convention modified to include the revaluation of certain investments and the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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 opinion we have formed.

Respective responsibilities of Directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements and the Directors' Remuneration Report 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 included in the Directors' Report.

Our responsibility as independent auditors, is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, 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 whether the financial statements and the part of the Directors' Remuneration Report to be audited are properly prepared in accordance with the Companies Act 1985. 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 and other members of the Group is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it. The other information comprises only the Chairman's Statement, the Directors' Report, the unaudited part of the Report on Directors' Remuneration and the Corporate Governance Statement. 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.

Independent Auditors' Report

CONTINUED

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 and the part of the Directors' Remuneration Report to be audited. 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 Group'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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

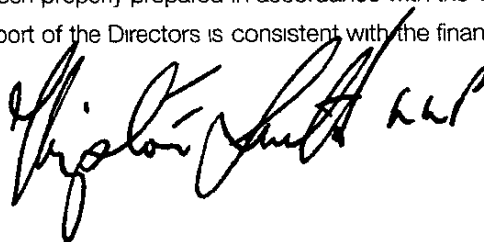
Opinion

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 affairs of the Company and the Group as at 30 September 2007 and of the loss of the group 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

Kingston Smith LLP
Chartered Accountants and
Registered Auditors

Devonshire House
60 Goswell Road
London EC1M 7AD



28 March 2008

Consolidated Profit and Loss Account

FOR THE YEAR ENDED 30 SEPTEMBER 2007

	Notes	Continuing Operations 2007 £'000	Discontinued Operations 2007 £'000	Total 2007 £'000	Total 2006 £'000
Turnover	3	2,638	19	2,657	5,557
Cost of sales		(1,387)	(4)	(1,391)	(1,615)
Gross profit		1,251	15	1,266	3,942
Administrative expenses		(2,441)	(75)	(2,516)	(6,596)
Operating loss					
Before exceptional items		(739)	(60)	(799)	(2,092)
Exceptional items	6	(451)	–	(451)	(562)
Operating loss after exceptional items	5	(1,190)	(60)	(1,250)	(2,654)
Sale of subsidiary undertaking	23	–	12	12	(2,133)
Amounts written off investments	7	(15)	–	(15)	(70)
Interest payable and similar charges	8	(58)	(2)	(60)	(17)
Interest receivable and similar income	9	–	–	–	95
Loss on ordinary activities before taxation		(1,263)	(50)	(1,313)	(4,779)
Tax on loss on ordinary activities	10	–	–	–	–
Loss on ordinary activities after taxation		(1,263)	(50)	(1,313)	(4,779)
Loss for the financial year	22	(1,263)	(50)	(1,313)	(4,779)
Loss per ordinary share	11	(1 12p)	(0 04p)	(1 16p)	(4 39p)
Loss per ordinary share on a diluted basis	11	(1 12p)	(0 04p)	(1 16p)	(4 39p)

There are no recognised gains or losses other than those passing through the profit and loss account

The accompanying notes form an integral part of these financial statements

Consolidated Balance Sheet

AT 30 SEPTEMBER 2007

	Notes	2007 £'000	2006 £'000
Fixed assets			
Intangible assets	12	812	1,360
Tangible assets	13	80	97
Investments	15	–	50
		892	1,507
Current assets			
Debtors	16	706	1,222
Cash at bank		429	86
		1,135	1,308
Creditors amounts falling due within one year	17	(716)	(1,003)
Net current assets		419	305
Total assets less current liabilities		1,311	1,812
Creditors: amounts falling due after more than one year	18	(1,091)	–
Net assets		220	1,812
Capital and reserves			
Called up share capital	21	1,130	1,130
Share premium account	22	847	847
Shares to be issued	22	91	370
Distributable reserve	22	4,711	4,711
Other reserve	22	156	156
Profit and loss account	22	(6,715)	(5,402)
Equity shareholders' funds		220	1,812

These financial statements were approved and authorised for issue by the Board of Directors on 28 March 2008 and signed on its behalf by

Ronnie Franks
Director



The accompanying notes form an integral part of these financial statements

Reconciliation of Movement in Consolidated Shareholders' Funds

FOR THE YEAR ENDED 30 SEPTEMBER 2007

	30 September 2007 £'000	30 September 2006 £'000
Loss for the financial year	(1,313)	(4,779)
Decrease in shares to be issued	(279)	(2,568)
Increase in share capital	–	65
Premium on shares issued	–	491
Net movement in shareholders' funds	(1,592)	(6,791)
Opening shareholders' funds	1,812	8,603
Closing shareholders' funds	220	1,812

The accompanying notes form an integral part of these financial statements

Company Balance Sheet

AT 30 SEPTEMBER 2007

	Notes	2007 £'000	2006 £'000
Fixed assets			
Tangible assets	13	6	14
Investments in subsidiaries	14	597	876
Investments	15	–	50
		603	940
Current assets			
Debtors	16	936	1,185
Cash at bank		388	86
		1,324	1,271
Creditors: amounts falling due within one year	17	(116)	(342)
Net current assets		1,208	929
Total assets less current liabilities		1,811	1,869
Creditors: amounts falling due after more than one year	18	(1,091)	–
Net assets		720	1,869
Capital and reserves			
Called up share capital	21	1,130	1,130
Share premium account	22	847	847
Shares to be issued	22	91	370
Distributable reserve	22	4,711	4,711
Other reserve	22	156	156
Profit and loss account	22	(6,215)	(5,345)
Equity shareholders' funds		720	1,869

These financial statements were approved and authorised for issue by the Board of Directors on 28 March 2008 and signed on its behalf by



Ronnie Franks
Director

The accompanying notes form an integral part of these financial statements

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 30 SEPTEMBER 2007

	Notes	2007 £'000	2006 £'000
Net cash outflow from operating activities	A	(537)	(1,334)
Returns on investments and servicing of finance			
Interest received		–	95
Interest paid		(60)	(17)
Net cash (outflow)/inflow from returns on investments and servicing of finance		(60)	78
Taxation paid		–	(33)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(4)	(60)
Purchase of investments		–	(50)
Purchase of business	B	(50)	–
Net cash outflow from investing activities		(54)	(110)
Acquisitions and disposals			
Purchase of subsidiary undertakings		–	(99)
Proceeds of disposal of subsidiary	C	8	100
Net overdraft disposed with subsidiary		–	291
Proceeds from the disposal of shares		35	–
Net cash inflow from acquisitions and disposals		43	292
Net cash outflow before financing		(608)	(1,107)
Financing			
Net cash proceeds from share issue		–	(38)
Capital element of finance lease		–	(4)
Loan note drawn down		1,000	–
Net cash inflow/(outflow) from financing		1,000	(42)
Increase/(decrease) in cash in the year	D, E	392	(1,149)

The accompanying notes form an integral part of these financial statements

Notes to the Consolidated Cash Flow Statement

FOR THE YEAR ENDED 30 SEPTEMBER 2007

A Reconciliation of operating loss to net cash outflow from operating activities

	2007 £'000	2006 £'000
Operating loss	(1,250)	(2,654)
Depreciation charge	20	47
Loss on sale of assets	—	5
Goodwill amortisation and impairment	348	869
Decrease in work in progress	—	80
(Decrease)/increase in debtors	471	(56)
(Decrease)/increase in creditors	(126)	375
Net cash outflow from operating activities	(537)	(1,334)

B Purchase of business

	£'000
Assets acquired	
Tangible fixed assets	4
Goodwill	79
	83
Settled by	
Cash paid	50
Deferred consideration	33
	83

c Sale of subsidiary undertaking

	£'000
Assets disposed of	
Tangible fixed assets	1
Debtors	45
Creditors	(50)
	(4)
Surplus on disposal	12
Cash received	8

Telco Solutions Limited contributed £60,000 to the Group's operating cash outflow and paid £2,000 in respect of net returns on investments and servicing of finance

Notes to the Consolidated Cash Flow Statement

CONTINUED

D Reconciliation of net cash flow to movement in net debt

	2007 £'000	2006 £'000
Increase/(decrease) in cash in the year	392	(1,353)
(Increase)/decrease in debt in the year	(1,000)	204
Movement in net debt in the year	(608)	(1,149)
Opening (net debt)/funds	(16)	1,133
Closing net debt	(624)	(16)

E Analysis of changes in net debt

	30 September 2006 £'000	Cash flows £'000	30 September 2007 £'000
Cash at bank	86	343	429
Bank overdraft	(102)	49	(53)
	(16)	392	376
Loan	—	(1,000)	(1,000)
	(16)	(608)	(624)

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2007

1 Accounting policies

Accounting convention

These financial statements are prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below.

Basis of consolidation

The group profit and loss account and balance sheet consist of the financial statements of the parent company and its subsidiary undertakings.

The results of businesses acquired or disposed of during the year have been included from the effective date of acquisition or up until the date of disposal. Profits or losses on intra-group transactions are eliminated in full.

Revenue recognition

Revenue comprises the fair value of the sale of services, net of value-added tax, rebates and discounts and after eliminating sales within the Group. The Group derives its turnover in the property services business.

Taxation

The charge for taxation is based on the results for the year and takes into account deferred taxation. Provision is made for material deferred taxation, in respect of all timing differences that have originated but not reversed at the balance sheet date. Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Investments

Investments are included at valuation on the following basis:

- (a) Listed investments are valued at market values given the size of the holding.
- (b) Unquoted investments are valued by the Directors at the cost of the investment, subject to any impairment in value.

Goodwill

Goodwill arising from the purchase of subsidiary and associated undertakings represents the excess of the fair value of the purchase consideration over the fair value of the net assets, or share of net assets acquired.

The goodwill arising on acquisitions is capitalised as an intangible asset and amortised over a period of 20 years, subject to an annual impairment review.

Tangible Fixed Assets

Tangible Fixed Assets are stated at cost, net of depreciation and any provision for impairment. The cost of tangible fixed assets is their purchase cost, together with any incidental cost of acquisition. Depreciation is provided on the cost of tangible fixed assets in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Leasehold improvements	Written off over 5 years
Office equipment	20%/25% on cost
Fixtures & Fittings	10% on cost
Computer equipment	25%/33 33 % on cost

Notes to the Financial Statements

CONTINUED

1 Accounting policies continued

Operating Leases

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term

Hire Purchase Contracts

Assets obtained under hire purchase contracts, which transfer to the group substantially all the risks and rewards of ownership of the assets, are capitalised as tangible fixed assets and depreciated over their estimated useful life. Obligations under such contracts are included in creditors net of finance charges allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligations outstanding in each period.

Pensions

SMPA operates a defined contribution pension scheme for certain of its employees and directors. The assets of the schemes are held separately from those of the group. The annual contributions payable are charged to the profit and loss account. The company provides no other post-retirement benefits to its employees and directors.

Financial Instruments

The group's financing strategy, which is approved at Board level is to use cash to raise finance for the group's operations and acquisitions.

The debt is currently at floating rates and the resulting interest rate exposure is kept under review by the Board.

Share based payments

Certain employees and Directors of the group receive equity settled remuneration in the form of Company share options. The cost to employees that take the form of shares or rights to shares is charged to the profit and loss account on a straight line basis over the vesting period and a corresponding amount is reflected in the profit and loss reserves in shareholder's equity adjusted at each balance sheet date to take into account actual and expected level of vesting. The charge is calculated as being the fair value of the shares or the right to the shares at the date of grant, reduced by any consideration payable by the employee. Fair value is measured using a modified Black-Scholes option pricing model and is based on a reasonable expectation of the extent to which performance criteria will be met.

2 Company profit and loss account

The Group has taken advantage of the exemption conferred by s230 CA 1985 not to disclose a full profit and loss account for the parent Company. The parent Company's loss for the year was £870,000 (2006 loss £4,590,000).

Notes to the Financial Statements

CONTINUED

3 Segmental analysis

	2007 £'000	2006 £'000
Sales		
United Kingdom	2,657	5,557
Sales		
SMPA	2,638	3,397
Discontinued operations	19	2,160
	2,657	5,557
Operating profit/(loss) before exceptional items		
SMPA	(174)	51
Discontinued operations	(60)	(589)
Central and plc related costs	(499)	(1,590)
	(733)	(2,128)
Exceptional items	(517)	(526)
Operating loss after exceptional items	(1,250)	(2,654)
Operating net assets		
SMPA	946	1,325
Discontinued operations	—	34
Central and plc related costs	(102)	469
	844	1,828
Borrowings	(624)	(16)
Net assets	220	1,812

4 Information regarding Directors and employees

	2007 £'000	2006 £'000
Directors' remuneration	83	316
Compensation for loss of office	66	134
Fees	72	118
Pension contributions	6	2
Benefits in kind	6	6
	233	576

Directors' remuneration is charged in the accounts as follows £125,000 is included in administrative expenses and £66,000 in exceptional items. Two of the directors received contributions into defined contribution pension schemes in 2007 (2006: 3).

	2007 £'000	2006 £'000
Total attributable to highest paid Director	104	222

Notes to the Financial Statements

CONTINUED

4 Information regarding Directors and employees continued

Group

Average number of persons employed, including executive directors employed, by the Group during the year was

	2007 Number	2006 Number
Administration	13	21
Operations	25	128
	38	149

Staff costs during the year (including Directors fees)	2007 £'000	2006 £'000
Wages and salaries	1,583	2,251
Social security costs	194	262
Pension costs	40	66
	1,817	2,579

5 Operating loss

Operating loss is stated after charging

	2007 £'000	2006 £'000
Depreciation	20	47
Loss on disposal of fixed assets	–	5
Amortisation	111	552
Goodwill impairment	237	317
Operating leases		
– Land and buildings	175	232
– Equipment	10	24
Auditors' remuneration		
– Audit fees (Company £10,000, 2006 £12,000)	26	39
– Taxation (Company £7,000, 2006 £5,000)	7	5
– Corporate finance (Company £nil, 2006 £71,000)	–	71

6 Exceptional items

	2007 £'000	2006 £'000
Operating items		
Redundancies and employee termination costs	50	242
Relocation costs	–	31
Deal abort costs	–	289
Re-financing costs	185	–
Write offs on agreement of SMPA's earn out accounts	216	–
	451	562
Non-operating items		
(Surplus)/loss on disposal of subsidiary undertaking	(12)	2,133

There will be no tax impact related to this exceptional item due to the losses for tax purposes

Notes to the Financial Statements

CONTINUED

7	Loss on fixed asset investments	2007 £'000	2006 £'000
	Amounts written off investments	15	70
8	Interest payable	2007 £'000	2006 £'000
	Bank overdrafts	10	8
	Other interest charges	—	9
	Loan note interest	50	—
		60	17
9	Interest receivable	2007 £'000	2006 £'000
	Bank interest	—	95
10	Tax on loss on ordinary activities	2007 £'000	2006 £'000
	UK Corporation tax	—	—

Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of Corporation tax in the UK. The difference is explained below

	2007 £'000	2006 £'000
Loss on ordinary activities before tax	(1,313)	(4,779)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	394	1,434
Effects of		
Excess of depreciation and amortisation over capital allowances	(60)	(16)
Expenses not deductible for tax purposes	(58)	(1,069)
Tax losses carried forward for future utilisation	(261)	(325)
Tax losses utilised in the year	—	(24)
Non taxable loss on sale of subsidiary	(15)	—
Current tax charge	—	1

11 Losses per ordinary share

Losses per share are calculated on the results shown in the table below. The basic losses per share calculation are based on a weighted average number of ordinary shares of 1p each of 112,975,684 (2006 108,927,248). The diluted number of ordinary shares of 1p each is 114,645,684 (2006 111,112,248). The effect of the share options on the calculation of the earnings per share was anti-dilutive.

	2007 £'000	2006 £'000
Continuing operations	(1,263)	(2,166)
Discontinued operations	(50)	(2,613)
Total	(1,313)	(4,779)

Notes to the Financial Statements

CONTINUED

12 Intangible fixed assets

GROUP	Goodwill arising on acquisitions £'000	Purchased goodwill £'000	Total £'000
Cost:			
At 1 October 2006	1,384	834	2,218
Additions	–	79	79
Deferred consideration no longer payable	(279)	–	(279)
At 30 September 2007	1,105	913	2,018
Amortisation.			
At 1 October 2006	815	43	858
Amortisation charge	69	42	111
Impairment	158	79	237
At 30 September 2007	1,042	164	1,206
Net book value			
As 30 September 2007	63	749	812
At 30 September 2006	569	791	1,360

13 Tangible fixed assets

GROUP	Fixtures and Fittings £'000	Office Equipment £'000	Total £'000
Cost			
At 1 October 2006	8	443	451
Additions	–	8	8
Disposals	–	(5)	(5)
Disposal of subsidiary	–	(31)	(31)
At 30 September 2007	8	415	423
Amortisation.			
At 1 October 2006	2	352	354
Disposals	–	(1)	(1)
Disposal of subsidiary	–	(30)	(30)
Charge for the year	–	20	20
At 30 September 2007	2	341	343
Net book value			
At 30 September 2007	6	74	80
At 30 September 2006	6	91	97

The net book value of tangible fixed assets does not include any assets held under finance leases

Notes to the Financial Statements

CONTINUED

13 Tangible fixed assets continued

COMPANY	Office Equipment £'000	Total £'000
Cost:		
At 1 October 2006	18	18
Disposals	(5)	(5)
At 30 September 2007	13	13
Amortisation		
At 1 October 2006	4	4
Charge for the year	4	4
Disposals	(1)	(1)
At 30 September 2007	7	7
Net book value:		
At 30 September 2007	6	6
At 30 September 2006	14	14

The net book value of tangible fixed assets does not include any assets held under finance leases

14 Investments in subsidiary undertakings

	Company 2007 £'000
Cost:	
At 1 October 2006	876
Reduction in deferred consideration payable	(279)
At 30 September 2007	597

At 30 September 2007, the Company held the following interests in its wholly owned subsidiary undertakings, which all have a year end of 30 September 2007 and are included within the consolidated accounts

Name	Country of incorporation	Business activity	Class of shares held	Proportion held
Smith Melzack Pepper Angliss Limited	England	Property Agency	Ordinary	100%
Smith Melzack Pepper Angliss (Professional Services) Limited*	England	Property Agency	Ordinary	100%
Smith Melzack Pepper Angliss (Management) Limited**	England	Property Agency	Ordinary	100%
Smith Melzack Pepper Angliss (Services) Limited**	England	Property Agency	Ordinary	100%
Smith Melzack Pepper Angliss (Croydon) Limited**	England	Dormant	Ordinary	100%
Mercury Property Services Limited	England	Dormant	Ordinary	100%

*A subsidiary of Smith Melzack Pepper Angliss Limited

**A subsidiary of Smith Melzack Pepper Angliss (Professional Services) Ltd

Notes to the Financial Statements

CONTINUED

15 Investments

COMPANY AND GROUP

Investment	Type of shares held	No of shares held	Percentage of class of shares held	Percentage of total voting rights held	Country of incorporation
Dialog Group, Inc	Common Stock	137,079	6.91%	6.91%	USA
Weatherly Securities Corporation	Warrants	2	—	—	USA

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Equity shares				
Listed	—	50	—	50
	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
At 1 October 2006	50	70	50	70
Additions	—	50	—	50
Disposals	(35)	—	(35)	—
Amounts written off investments	(15)	(70)	(15)	(70)
Net book value at 30 September 2007	—	50	—	50
Represented by				
Historic cost	70	120	70	120
Amounts written off investments	(70)	(70)	(70)	(70)
	—	50	—	50

Listed investments comprise shares in Dialog Group Inc which are considered to have no value, because of the lack of marketability of the shares. At 30 September 2007, the market value of the shares was £8,033.

16 Debtors

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Trade debtors	495	588	—	14
Amounts owed by subsidiary	—	—	900	1,047
Other debtors	30	372	36	121
Prepayments	181	262	—	3
	706	1,222	936	1,185

Notes to the Financial Statements

CONTINUED

17 Creditors. amounts falling due within one year

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Bank overdraft	53	102	–	–
Trade creditors	148	401	30	196
Other taxation and social security	211	215	–	13
Other creditors	220	181	86	92
Accruals and deferred income	84	104	–	41
	716	1,003	116	342

The Group does not have an overdraft facility on a net group basis. However, the Company's bankers retain their security of fixed and floating charges over the undertaking and assets present and future to cover situations where accounts within the Group are temporarily overdrawn.

18 Creditors. amounts falling due after more than one year

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Unsecured Loan Stock	1,000	–	1,000	–
Convertible Loan Stock issued after the year end	91	–	91	–
	1,091	–	1,091	–

The Unsecured Loan Stock is repayable on 31 January 2012 and carries interest of two per cent over 3 month LIBOR, payable quarterly in arrears except that no accrued interest will be payable until 8 August 2008. Pendana Limited and Ethel Austin Investments Limited, who hold, in aggregate, £635,000 nominal of Unsecured Loan Stock, have agreed to defer the payment of any interest for the period up to 31 March 2009 until 30 April 2009.

Subsequent to the balance sheet date, Convertible Loan Stock was issued representing 50% of the deferred consideration payable to the Vendor partners of SMPA, following agreement of the earn out accounts. Interest on the convertible loan stock is payable at 2.0% over 3 months LIBOR Rate and the loan stock is convertible into ordinary shares at a price of 2 pence per share. The Convertible Loan Stock is repayable on 30 April 2009.

Notes to the Financial Statements

CONTINUED

19 Operating lease commitments

At 30 September 2007 the Group had annual commitments under operating leases as set out below

	Group Land and Buildings		Company Land and Buildings	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Lease expires:				
Within one year	–	16	–	16
Within two to five years	175	175	–	–
	175	191	–	16

	Group Equipment		Company Equipment	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Lease expires				
Within one year	3	9	–	1
Within two to five years	7	13	–	–
	10	22	–	1

20 Financial instruments

(a) Policies and risks

The group's financial instruments comprise equity investments, cash, bank overdrafts and various items such as trade debtors and trade creditors that arise directly from its operations. Cash is used to raise finance for the group's operations and acquisitions. The main purpose of holding equity investments is to achieve capital growth and realise profits on their disposal.

The group has not entered into any derivative transactions. The equity investments held by the group are susceptible to changes in value arising from market factors. The performance of each investment is constantly monitored by the directors and its advisers.

The group is not subject to any foreign exchange risk on its operations but at the year end holds a small investment denominated in US dollars.

Short term debtors and creditors have been excluded from the disclosures.

(b) Interest rate profile of financial instruments

Short term debtors and creditors have been excluded from the interest rate profile disclosures. The interest rate receivable on the other debtors is nil (2006 nil%). The interest rates chargeable on the financial liabilities is nil (2006 nil%).

(c) Borrowing facilities

The group did not have any net borrowing facilities at 30 September 2007.

Notes to the Financial Statements

CONTINUED

21 Share capital

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Authorised				
500,000,000 ordinary shares of 1p each	5,000	5,000	5,000	5,000
Called up, allotted and fully paid				
112,975,684 ordinary shares of 1p each	1,130	1,130	1,130	1,130
			Number	Nominal Value £
At 1 October 2006 and 30 September 2007			112,975,684	1,129,757

Since the year end 4,550,000 ordinary shares were issued in connection with the agreement of the SMPA earn out accounts and the current number of ordinary shares in issue is 117,525,684

Share Options

On 19 October 2005, the Company put in place a share option scheme in which all employees of participating companies within Mercury Group plc who are more than six months from their normal retirement age are eligible to participate, subject to the discretion of the Board

The total number of shares issued and issuable under options granted under the Scheme over any ten year period, together with shares issued and issuable under any other employees' share schemes of the Company, may not exceed ten per cent of the issued ordinary share capital of the Company. The options vest once an employee has completed a service period of three years from the date of grant

A total of 2,185,000 options were outstanding at the beginning of the year and 1,670,000 at the end of the year. 515,000 options were forfeited or lapsed unexercised during the period. The options outstanding at 30 September 2007, which have been granted to subscribe for ordinary shares of the Company, are as follows

Number of shares under option	Subscription price per share	Exercise Period
2,185,000	7 375p	26 October 2008 to 26 October 2015

The Company has not recognised any charge relating to share options, through either the profit and loss account or in the profit and loss reserves in shareholders' equity, on the grounds of immateriality

Notes to the Financial Statements

CONTINUED

22 Movement on share capital and reserves

	Called Up Share Capital £'000	Share Premium Account £'000	Shares to be Issued £'000	Distributable Reserve £'000	Other Reserve £'000	Profit and Loss Account £'000
GROUP						
1 October 2006	1,130	847	370	4,711	156	(5,402)
Reduction in deferred consideration	-	-	(279)	-	-	-
Loss for the year	-	-	-	-	-	(1,313)
30 September 2007	1,130	847	91	4,711	156	(6,715)
	Called Up Share Capital £'000	Share Premium Account £'000	Shares to be Issued £'000	Distributable Reserve £'000	Other Reserve £'000	Profit and Loss Account £'000
COMPANY						
1 October 2006	1,130	847	370	4,711	156	(5,345)
Reduction in deferred consideration	-	-	(279)	-	-	-
Loss for the year	-	-	-	-	-	(870)
30 September 2007	1,130	847	91	4,711	156	(6,215)

The reduction in deferred consideration relates to adjustments following agreement after the year end of the SMPA earn out accounts

23 Acquisitions and disposals

Acquisition of the CRC business

On 18 January 2007, SMPA purchased the business of CRC for a maximum consideration of £83,000, of which £50,000 was paid on completion

Disposal of Telco Solutions Limited

On 12 June 2007, the Company disposed of its shareholding in Telco Solutions Limited for a net consideration of £8,500 and its results have been reported under Discontinued Operations. Subsequent to the disposal, the acquiring company went into administration, with only £8,500 of the contracted £85,000 consideration actually received. The net surplus on disposal was £12,000.

24 Foreign currency translation

The exchange rates used for translation of US dollar transactions and balances in these financial statements are as follows

	2007	2006
Profit and loss account (average rate)	-	1.90
Balance sheet (year end rate)	2.05	1.90

Notes to the Financial Statements

CONTINUED

25 Deferred taxation

The total potential position of the Group for deferred taxation on the full liability basis is as follows

	Assets £'000	Liabilities £'000	2007 Total £'000	2006 Total £'000
Accelerated capital allowances	–	(1)	(1)	(4)
Other timing differences				
– Un-utilised tax losses	4,796	–	4,796	4,856
	4,796	(1)	4,795	4,852

None of the above has been recognised in the financial statements. The reversal of the accelerated capital allowances will be covered by available tax losses. Due to the uncertainty of the timing of taxable profits in the future, a deferred tax asset in respect of the tax losses has not been included as an asset in the accounts.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the eighth Annual General Meeting of the Company will be held at the offices of DMH Stallard, 6 New Street Square, London EC4A 3BF on 1 May 2008, at 9 50 am for the purpose of considering and, if thought fit, passing the following resolutions, which will be proposed, in the case of Resolutions 1 to 5 inclusive, as ordinary resolutions and, in the case of Resolution 6, as a special resolution

Ordinary Resolutions

- 1 That the report of the Directors and the audited accounts of the Company for the year ended 30 September 2007 be received
- 2 That Walter Goldsmith be re-elected as a director of the Company
- 3 That James Lugg be re-elected as a director of the Company
- 4 That Kingston Smith LLP be re-appointed as auditors of the Company, and that the Directors be authorised to determine the auditors' remuneration
- 5 That, in substitution for and to the exclusion of all previous such authorities, the Directors be generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) up to an aggregate nominal amount of £1 million provided that this authority shall expire (unless previously renewed, varied or revoked by the Company in general meeting) on 31 July 2009, save that the Company may, before the expiry of such authority, make offers or agreements which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred by this resolution had not expired

Special Resolution

- 6 Subject to resolution 5 having been passed, that the Directors be empowered, pursuant to the provisions of Section 95(1) of the Act, to allot equity securities (as defined in Section 94 of the Act) pursuant to the authority given to them for the purposes of Section 80 of the Act by resolution 9 as if Section 89(1) of the Act did not apply to such allotment, provided that this power –
 - (a) shall be limited to the allotment of ordinary shares up to a maximum amount of £500,000, and
 - (b) shall, unless it is, prior to its expiry, duly revoked or varied or renewed, expire on 31 July 2009 or on the date of the next Annual General Meeting of the Company, whichever is the earlier, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired

By Order of the Board

Andrew Lovelady
Company Secretary

Registered Office
Devonshire House
60 Goswell Road
London EC1M 7AD

Dated 28 March 2008

Notice of Annual General Meeting

CONTINUED

Notes

Appointment of proxies

- 1 As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
- 2 A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
- 3 If you do not give your proxy an indication of how to vote on any resolution, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy proxy form

- 4 The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be

- completed and signed,
- sent or delivered to Capita Registrars (Proxies), PO Box 25, Beckenham, Kent BR3 4BR, and
- received by Capita Registrars no later than 9.50 am on 29 April 2008.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Appointment of proxy by joint members

- 5 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

- 6 To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions, any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Registrars on 0871 664 0300 (calls cost 10p per minute plus network extras).

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Notice of Annual General Meeting

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Termination of proxy appointments

- 7 In order to revoke a proxy instruction you will need to inform Capita Registrars (Proxies) by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Registrars (Proxies), PO Box 25, Beckenham, Kent BR3 4BR. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by Capita Registrars (Proxies), PO Box 25, Beckenham, Kent BR3 4BR no later than 9.50 am on 29 April 2008.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Communication

- 8 Except as provided above, members who have general queries about the Meeting should contact Capita Registrars (Proxies), PO Box 25, Beckenham, Kent BR3 4BR (no other methods of communication will be accepted).

You may not use any electronic address provided either

- in this notice of annual general meeting, or
- any related documents (including the proxy form),

to communicate with the Company for any purposes other than those expressly stated.