FRENKEL TOPPING GROUP PLC

ANNUAL REPORT AND

FINANCIAL STATEMENTS

2006

Contents

Pioneering Solutions

When it comes to looking after personal injury and clinical negligence awards, Frenkel Topping's goal is to be the partner of choice for solicitors and claimants. We have the knowledge, skills and experience to provide ongoing advice and guidance on structuring awards and managing them in the most efficient way for the benefit of individual clients.

Chairman's Statement

> It is our intended strategy for future years to grow Funds in the Investment Management Service with the resultant recurring income in order to establish more stable income streams and to provide the best way of increasing shareholder value.

Frenkel Topping Plc today announces its results for the year ended 31 December 2006. For the period 1 January to 31 December 2006, the Group recorded turnover of £2.6 million (2005: £2.3 million) and a loss on ordinary activities before exceptional items, share based compensation and goodwill of £93,649 (2005: £161,114). There was a loss before taxation of £932,483 (2005: £935,458).

Whilst any trading loss is disappointing the Board is pleased that the Group is now experiencing the benefits of the actions taken to return the Group to profitability at the operating profit level.

For the final six months of the year operating profit before exceptional items, share based compensation and goodwill of £80,812 was recorded. This was comparable with an operating loss of £174,461 for the six months ended 30 June 2006 and a comparable loss of £161,114 for the year ended 31 December 2005.

	January–June	July–December	**2006**
Turnover	1,243,822	1,326,682	**2,570,504**
Cost of Sales	(682,157)	(488,310)	**(1,170,467)**
Gross Profit	561,665	838,372	**1,400,037**
Admin Expenses	(736,126)	(757,560)	**(1,493,686)**
Operating (Loss)/Profit	(174,461)	80,812	**(93,649)**

Our income is gained primarily from fees and commission together with recurring income from Funds in the Investment Management Service (FIMS). The Group turnover of £2.6 million (2005 £2.3 million) included £1.1 million (2005 £0.8 million) of recurring income from FIMS. The total FIMS grew by 18% from £145 million to £171 million during the year.

Chairman's Statement

It is our intended strategy for future years to grow the FIMS with the resultant recurring income in order to establish more stable income streams and to provide the best way of increasing shareholder value.

Costs have been tightly controlled during the year and will remain so for the future, as the clear priority of the Group moves to cash generation. Net debt as at 31 December 2006 was £508,211 and the net asset value of the Group at the same date was £4,400,799.

Between June and August the Group purchased 16% of the issued share capital of Frenkel Topping Limited and Frenkel Topping Structured Settlements Limited by way of issuing 9,183,333 new Ordinary Shares in Group at an issue price of £0.24. The shares have a lock-in period of 1 year. As a result the Group has increased its holding in the issued share capital of Frenkel Topping Limited and Frenkel Topping Structured Settlements Limited to 83%.

The Board does not intend to propose a final dividend.

There are still significant growth opportunities open for the Group and we are currently pursuing a number of potential partnerships which may provide increases in revenue and profitability. The new year has started positively and we are confident that good progress can continue during 2007.

David R Southworth
Non-Executive Chairman
23 March 2007

Directors' report

for the year ended 31 December 2006

The Directors present their report and the financial statements of the Group for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

Frenkel Topping Group Plc is the parent company of a group of companies engaged in the provision of advice regarding Structured Settlements and related financial services.

A review of the Group's activities and its future prospects are detailed in the chairman's statement on page 2.

RESULTS AND DIVIDENDS

The trading results for the year, and the Group's financial position at the end of the year are set out in the attached financial statements.

The Directors do not recommend payment of a final dividend.

PAYMENT OF CREDITORS

It is the Group's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of these terms and abide by them. Trade creditor days for the Group at 31 December 2006, calculated in accordance with the Companies Act 1985, were 67 days (2005: 84 days). This represents the ratio, expressed in days, between the amounts invoiced to the Group in the period by its suppliers and the amounts due, at the year end, to trade creditors falling due for payment within one year. The number of days is abnormally high due to professional payaways being included within trade creditors which are not settled until a case is completed.

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the period the Group made no political or charitable contributions.

EMPLOYEE INVOLVEMENT

The Group recognises and seeks to encourage the involvement of its employees, with the aim being the recruitment, motivation and retention of quality employees throughout the Group. An approved and an unapproved share option scheme are in place operated within the Enterprise Management Incentive Scheme.

The Group's employment policies, including the commitment to equal opportunity, are designed to attract, retain and motivate employees regardless of sex, race, religion or disability.

The Group is committed to ensuring and communicating the requirements for a safe and healthy working environment for all employees, consistent with health and safety legislation and, wherever practicable, gives full consideration to applications for employment from disabled persons.

EMPLOYEE SHARE SCHEMES

Employee involvement in financial performance is encouraged through participation in the Company's share option schemes. At 31 December 2006, 8 employees, held options over 1,300,939 ordinary shares in the Company under the approved and unapproved share option schemes. Further information on share options is shown in note 19 on page 26.

Directors' report

for the year ended 31 December 2006

DIRECTORS AND THEIR INTERESTS IN THE SHARES OF FRENKEL TOPPING GROUP PLC

The Directors who served during the period and their beneficial interests in the shares of the Group are as follows:

	Class of share	**31/12/2006**	31/12/05
D R Southworth	Ordinary shares	**1,133,333**	200,000
R C Fraser	Ordinary shares	**12,433,348**	12,433,348
S Ashcroft	Ordinary shares	**12,954,181**	12,954,181
J Dean	Ordinary shares	**–**	–

Qualifying third party indemnity provision is in place for the benefit of all Directors of the company.

BUSINESS RISKS

The main activity of the Group is providing independent financial advice to personal injury victims. There have not been any significant changes in the Group's principal activities during the year under review. The Directors are not aware, at the date of this report, of any likely changes in the Group's activities in the next year.

The Group's income is driven from commission and fees on initial investment but also recurring income from maintaining its relationship and servicing of its clients.

Personal injury claims continue to grow and whilst this market continues to be competitive, the Directors believe the Group's brand name, expertise and knowledge provides a degree of protection. The Group actively monitors its competitors, its own pricing structure and proactively markets the Group brand to ensure we remain leaders in our field.

The Group's employees are an important factor in the success of the Group and the Board seeks to ensure employees are motivated and rewarded fairly for their contributions to the business. This also represents the highest cost to the Group. The Group need to achieve a target level of fees and commission in order to provide working capital to fund the costs of the Group. The Board reviews actual and forecast levels of fees and commission by fee earner on a weekly basis to ensure these levels are achieved and under performing fee earners are identified. Controls exist to ensure information is made available to enable management to monitor the performance of the Group. The major key performance indicator on which the Board is focused is revenue per fee earner. This equates to £241,666 in 2006 (2005: £241,666).

The Group needs to maintain its authorisation with the Financial Services Authority (FSA) in order to continue and has to adhere to principles and guidelines as set down by the FSA. The Group has established a compliance department with responsibility allocated at Board level to ensure standards are imposed and maintained. The Group standards have been set and internal controls are in place to ensure compliance. The Group has a high proportion of client files reviewed by an independent 3rd party shortly after point of sale and has professional indemnity insurance in place to protect the assets of the Group.

The ongoing success of the Group is dependent on maintaining its level of income, FSA compliance and working capital. Working capital is monitored daily at Board level and the Board are satisfied facilities are adequate for the Group's requirements.

The Group finances the operations through a bank overdraft and a fixed interest loan facility. Whilst the Group is at risk from increases in interest rates on the overdraft, the Board actively monitor the changes in interest rates and considers the risk to be minimal at present. The Group has no overseas assets or liabilities and therefore has no foreign currency risk.

Directors' report

for the year ended 31 December 2006

SUBSTANTIAL SHAREHOLDINGS

At 9 February 2007 the following interests in 3% or more of the Group issued ordinary share capital have been noted:

	31/12/2006
James Brearley and Sons Limited	6%
I W Currie	4%
R I Hughes	4%
Zeus Capital	6%
Giltspur Nominees	3%
Brewin Nominees	4%
JM Finn Nominees	4%

No other person has notified an interest in the ordinary shares of the Group required to be disclosed to the Group in accordance with sections 198 to 208 of the Companies Act 1985.

AUDITORS

The Directors, having been notified of the cessation of the partnership known as Baker Tilly, resolved that Baker Tilly UK Audit LLP be appointed as successor auditor with effect from 1 April 2007, in accordance with the provisions of the Companies Act 1989, s26(5). Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

By order of the Board

Richard C Fraser
Company Secretary
23 March 2007

Corporate governance

PRINCIPLES OF CORPORATE GOVERNANCE

The Group's Board appreciates the value of good corporate governance not only in the areas of accountability and risk management but also as a positive contribution to business prosperity. It believes that corporate governance involves more than a simple "box ticking" approach to establish whether a Company has met the principles (including those set out in the corporate governance guidelines for AIM companies published by the Quoted Companies Alliance in July 2005) of a number of specific rules and regulations. Rather the issue is one of applying corporate governance in a sensible and pragmatic fashion having regard to the individual circumstances of a particular Company's business. The key objective is to enhance and protect shareholder value.

BOARD STRUCTURE

The Board is responsible to shareholders for the proper management of the Group. A statement of Directors' responsibilities in respect of the accounts is set out on page 8.

The Non-Executive Chairman has a particular responsibility to ensure that the strategies proposed by the executive Directors are fully considered. The Non-Executive Chairman receives a fixed fee for his services.

To enable the Board to discharge its duties, all Directors have full and timely access to all relevant information and there is a procedure for all Directors, in furtherance of their duties, to take independent professional advice, if necessary, at the expense of the Group. The Board has a formal schedule of matters reserved to it and meets monthly. It is responsible for overall group strategy, approval of major capital expenditure projects and consideration of significant financing matters.

The following committees have been set up, which have written terms of reference and deal with specific aspects of the Group's affairs.

1. The Remuneration Committee, consisting of the Non-Executive Chairman, is responsible for making recommendations to the Board on the Company's framework of executive remuneration and its cost. The Committee determines the contract terms, remuneration and other benefits for each of the executive Directors, including pension rights and compensation payments. The Board itself determines the fee of the Non-Executive Chairman. The Committee meets at least twice a year.
2. The Audit Committee includes the Non-Executive Chairman. Its prime tasks are to review the scope of the external audit, to receive regular reports from Baker Tilly, and to review the half-yearly and annual accounts before they are presented to the Board, focusing in particular on accounting policies and areas of management judgement and estimation. The Committee is responsible for monitoring the controls, which are in force to ensure the integrity of the information reported to the shareholders. The Committee acts as a forum for discussion of internal control issues and contributes to the Board's review of the effectiveness of the Group's internal control and risk management systems and processes. It advises the Board on the appointment of external auditors and on their remuneration for both audit and non-audit work, and discusses the nature and scope of the audit with the external auditors. It reviews and monitors the independence of the auditors especially with regard to non audit work. It meets at least twice a year including immediately before the submission of the annual and interim financial statements to the Board.

Any new Non-Executive Directors will be asked to join both Committees.

Corporate governance

No formal nomination Committee exists in view of the stage of the development of the Group. Instead appointments to the Board by the Chief Executive and other Executive Directors are discussed with the Non-Executive Chairman. Appointments are made after an evaluation of the skills, knowledge and expertise required to ensure that the Board as a whole has the ability to ensure that the Group can continue to compete effectively in its market place.

INTERNAL CONTROL

The Directors are responsible for the Group's system of internal control and reviewing its effectiveness. The Board has designed the Group's system of internal control in order to provide the Directors with reasonable assurance that its assets are safeguarded, that transactions are authorised and properly recorded and that material errors and irregularities are either prevented or would be detected within a timely period. However, no system of internal control can eliminate the risk of failure to achieve business objectives or provide absolute assurance against material misstatement or loss. The key elements of the control system in operation are:

a. The Board meets regularly with a formal schedule of matters reserved to it for decision and has put in place an organisational structure with clear lines of responsibility defined and with appropriate delegation of authority;
b. There are procedures for planning, approval and monitoring of capital expenditure and information systems for monitoring the Group's financial performance against approved budgets and forecasts;

The process adopted by the Group accords with the guidance contained in the document "Internal Control Guidance for Directors on the Combined Code" issued by the ICAEW.

The Audit Committee receives reports from the external auditors on a regular basis and from Directors of the Group. During the period, the Board has reviewed the effectiveness of the system of internal control as described above. The Board has considered whether the Group's internal controls processes would be significantly enhanced by an internal audit function and has taken the view that at the Group's current stage of development, this is not required. The Board will continue to review this matter each year. The Board receives periodic reports from all Committees.

There are no significant issues disclosed in the financial statements for the period ended 31 December 2006 and up to the date of approval of the report and financial statements that have required the Board to deal with any related material internal control issues.

RELATIONS WITH SHAREHOLDERS

The Group values its dialogue with both institutional and private investors. Effective two-way communication with fund managers, institutional investors and analysts is actively pursued and this encompasses issues such as performance, policy and strategy. During the period the Directors have had meetings with analysts and institutions and will continue to do so.

There is also an opportunity, at the Company's Annual General Meeting for individual shareholders to raise general business matters with the full Board and notice of the Company's Annual General Meeting is circulated to all shareholders at least 20 working days before such meeting. The Chairman of the Audit and Remuneration Committee will be available at the Annual General Meeting to answer questions.

Statement of directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

a. select suitable accounting policies and then apply them consistently;
b. make judgements and estimates that are reasonable and prudent;
c. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the requirements of 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.

The Directors are responsible for ensuring that the Directors' report and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the Annual Report includes information required by the AIM rules.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Frenkel Topping Group Plc website. The work carried out by the auditors does not include consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in the Annual Report may differ from legislation in other jurisdictions.

The Directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant information of which the auditors are unaware. Each of the Directors has confirmed that they have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

GOING CONCERN

The Directors having considered the resources available to the Group, the trading and cash flow projections for the current financial year, and the alternative strategies open to them have confirmed that in their opinion, the Group has sufficient financial resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Independent auditors' report

to the members of Frenkel Topping Group plc

We have audited the financial statements, which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes.

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 Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

In addition we report to you if, in our opinion, the Company has not kept property 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 Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement and 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.

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 Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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 parent Company's affairs as at 31 December 2006 and of the Group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Director's Report is consistent with the financial statements

Baker Tilly
Registered Auditor
Brazennose House, Lincoln Square, Manchester M2 5BL
23 March 2007

Consolidated profit and loss account

for the period ended 31 December 2006

	Notes	**2006** **£**	2005 £
Turnover	1	**2,570,504**	2,303,306
Cost of sales		**(1,170,467)**	(967,914)
Gross profit		**1,400,037**	1,335,392
Administrative expenses			
Amortisation of goodwill		**(485,842)**	(346,677)
Share based compensation	2	**(198,301)**	(88,197)
Exceptional items	6	**(106,985)**	(342,499)
Other administrative expenses		**(1,493,686)**	(1,496,506)
Total administrative expenses		**(2,284,814)**	(2,273,879)
Operating (loss) before exceptional items, share based compensation and goodwill		**(93,649)**	(161,114)
– exceptional items		**(106,985)**	(342,499)
– share based compensation		**(198,301)**	(88,197)
– goodwill		**(485,842)**	(346,677)
Operating loss	2	**(884,777)**	(938,487)
Profit on partial disposal of interest in subsidiaries	6	**–**	41,015
Interest payable	3	**(47,706)**	(37,986)
Loss on ordinary activities before taxation		**(932,483)**	(935,458)
Tax on loss on ordinary activities	7	**(25,039)**	(19,273)
Loss on ordinary activities after taxation		**(957,522)**	(954,731)
Equity minority interest	18	**16,346**	168,789
Retained loss for the financial period		**(941,176)**	(785,942)
Basic loss per ordinary share	9	**(1.85)p**	(1.72)p
Fully diluted loss per ordinary share	9	**(1.85)p**	(1.72)p

All the activities of the Group are classed as continuing.

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been directly dealt with in the Profit and Loss account.

The notes on pages 17 to 30 form part of these financial statements

Consolidated balance sheet

as at 31 December 2006

	Notes	**2006** £	2005 £
Fixed assets			
Intangible assets	10	**4,609,445**	2,620,855
Tangible assets	11	**43,648**	68,426
		4,653,093	2,689,281
Current assets			
Debtors	13	**833,466**	759,988
Cash at bank and in hand		**29**	183
		833,495	760,171
Creditors: amounts falling due within one year	14	**(1,119,599)**	(782,553)
Net current liabilities		**(286,104)**	(22,382)
Total assets less current liabilities		**4,366,989**	2,666,899
Creditors: amounts falling due after more than one year	15	**(30,689)**	(34,807)
Provisions for liabilities and charges	16	**(240,000)**	(233,973)
Minority Interests	18	**304,499**	540,955
Net assets		**4,400,799**	2,939,074
Capital and reserves			
Called up share capital	19	**273,915**	227,998
Other reserve	20	**286,498**	88,197
Own shares	20	**(25,000)**	(25,000)
Share premium account	20	**5,744,876**	3,586,193
Profit and loss account	20	**(1,879,490)**	(938,314)
Equity shareholders' funds		**4,400,799**	2,939,074

The financial statements were approved by the Board of Directors and authorised for issue on 23 March 2007 and are signed on its behalf by:

Julie Dean
Finance Director

The notes on pages 17 to 30 form part of these financial statements

Company balance sheet

as at 31 December 2006

	Notes	2006 £	2005 £
Fixed assets			
Investments	12	**4,562,749**	2,322,232
Current assets			
Debtors: amounts falling due within one year	13	**12,961**	6,196
Debtors: amounts falling due after one year	13	**–**	1,570,792
		12,961	1,576,988
Creditors: amounts falling due within one year	14	**(361,901)**	(159,707)
Net current (liabilities)/assets		**(348,940)**	1,417,281
Net assets		**4,213,809**	3,739,513
Capital and reserves			
Called up share capital	19	**273,915**	227,998
Other reserve	20	**286,498**	88,197
Share premium account	20	**5,744,876**	3,586,193
Profit and loss account	20	**(2,091,480)**	(162,875)
Equity shareholders' funds		**4,213,809**	3,739,513

The financial statements were approved by the Board of Directors and authorised for issue on 23 March 2007 and are signed on its behalf by:

Julie Dean
Finance Director

Consolidated cash flow statement

for the year ended 31 December 2006

	Notes	2006 £	2005 £
Net cash (outflow) from operating activities	23	**(141,306)**	(108,587)
Returns on investments and servicing of finance	23	**(44,336)**	(37,986)
Taxation	23	**(18,415)**	(9,595)
Capital expenditure	23	**(5,441)**	(35,472)
Acquisitions and disposals	23	**(17,032)**	486,760
Net cash (outflow)/inflow before financing		**(226,530)**	295,120
Financing	23	**15,863**	16,819
(Decrease)/increase in cash in the period		**(210,667)**	311,939

Reconciliation of net cash flow to movement in net funds

	Notes	2006 £	2005 £
(Decrease)/increase in cash in the period		**(210,667)**	311,939
Net cash outflow from debt financing		**(15,863)**	(16,819)
Change in net debt resulting from cashflows		**(226,530)**	295,120
Other		**(3,370)**	–
Change in net debt		**(229,900)**	295,120
Net debt as at 1 January		**(278,311)**	(573,431)
Net debt as at 31 December	24	**(508,211)**	(278,311)

Accounting policies

for the year ended 31 December 2006

ACCOUNTING CONVENTION

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

BASIS OF CONSOLIDATION AND AMORTISATION OF GOODWILL

The financial statements incorporate the financial statements of the Company and all of the Group undertakings. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over a period of up to ten years from the year of acquisition. The results of the companies acquired are included in the profit and loss account after the date that control passes. As a consolidated profit and loss account is published, a separate profit and loss account for the parent Company is omitted from the Group financial statements by virtue of section 230 of the Companies Act 1985.

GOING CONCERN

The financial statements are prepared on a going concern basis, which assumes the Group will continue in operational existence for the foreseeable future. The Group's ability to meet its future working capital requirements and therefore continue as a going concern is dependent upon it being able to generate significant revenues and free cash flow. The Directors have prepared projections which they consider to be prudent and demonstrate that the business can operate within its existing cash resources and have identified a series of realistically achievable actions that they are committed to taking to mitigate the rate of cash outflow should revenues not be secured as predicted.

TURNOVER

Turnover represents the amount of net fees and commission, excluding value added tax, made during the year on client contracts. Income is accrued based on the stage of completion of specific client contracts where the outcome can be assessed with reasonable certainty and the value for that service has been agreed between the Company and the client.

TANGIBLE FIXED ASSETS AND DEPRECIATION

All fixed assets are initially recorded at cost.

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

Plant and machinery	–	25% straight line
Leasehold improvements	–	25% straight line
Motor vehicles	–	25% straight line
Computer equipment	–	25% straight line

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Accounting policies

for the year ended 31 December 2006

LEASING

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

INVESTMENTS IN GROUP UNDERTAKINGS

Investments are included at cost.

PENSIONS

The pension costs charged in the financial statements represent the contribution payable by the Group during the year.

SHARE-BASED COMPENSATION

The Group operates an equity-settled, share based compensation plan. The fair value of the employee services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and growth targets). Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to reserves over the remaining vesting period.

The proceeds received net of any attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

EMPLOYEE SHARE OWNERSHIP PLANS

The Group operates an Employee Benefit Trust and has de facto control of the shares held by the trust and bears their benefits and risks. The Group records certain assets and liabilities of the trust as its own. Finance costs and administrative expenses are charged as they accrue.

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are difference between the Company taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax arrangements in periods different from those in which they are recognised in the financial statements.

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

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

Notes to the financial statements

for the year ended 31 December 2006

1. TURNOVER AND SEGMENTAL ANALYSIS

The total turnover, losses before tax and net assets are attributable to the one principal activity of the Group, the provision of advice regarding structured settlements and related financial services.

An analysis of turnover is given below:

	2006 £	2005 £
United Kingdom	**2,570,504**	2,303,306

2. OPERATING LOSS

	2006 £	2005 £
Operating loss is stated after charging/(crediting):		
Share based compensation	**198,301**	88,197
Amortisation of goodwill	**485,842**	351,677
Depreciation of owned assets	**30,219**	106,977
Profit on disposal of fixed assets	**–**	–
Operating lease rentals – Motor vehicles	**8,840**	17,719
Auditors' remuneration – audit	**27,500**	26,500
Auditors' remuneration – tax	**8,200**	8,050
Auditors' remuneration – other services	**13,983**	–

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £	2005 £
Bank interest	**18,155**	18,391
Hire purchase interest and finance lease charges	**1,164**	2,446
Interest payable on overdue taxation	**125**	3,471
Other interest	**28,262**	13,678
	47,706	37,986

Notes to the financial statements

for the year ended 31 December 2006

4. EMPLOYEES

Number of employees

The average monthly numbers of employees (including the Directors) during the period were:

	2006 Number	2005 Number
Directors	**3**	2
Sales	**10**	15
Administration	**21**	21
	34	38

Employment costs

	2006 £	2005 £
Wages and salaries	**1,346,297**	1,249,985
Social security costs	**149,962**	142,411
Pension costs	**47,076**	44,079
Other benefits	**51,609**	34,853
Share based compensation	**198,301**	88,197
	1,793,245	1,559,525

Directors' emoluments

	2006 £	2005 £
Remuneration and other emoluments	**432,858**	300,810
Pension contributions	**13,665**	11,040
	446,523	311,850

	2006 Number	2005 Number
Number of Directors to whom retirement benefits are accruing under a money purchase scheme	**2**	2

	2006 £	2005 £
Highest paid Director amounts included above:	**155,040**	135,862

5. PENSION COSTS

The Group operates a defined contribution pension scheme. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the Group and amounted to £47,076 (2005: £44,079).

Notes to the financial statements

for the year ended 31 December 2006

6. EXCEPTIONAL COSTS/INCOME

	2006 £	2005 £
Operating costs		
Redundancy and restructuring costs	–	228,526
PI exceptional provision	**106,985**	113,973
	106,985	342,499
Non operating income		
Profit on disposal of interest in subsidiaries	–	41,015

7. TAX ON LOSS ON ORDINARY ACTIVITIES

Analysis of charge in period

	2006 £	2005 £
Current tax		
UK Corporation tax based on the results for the period at 30% (2005: 19%)	**39,404**	5,020
Adjustment in respect prior year	**(12,439)**	27,615
Total current tax charge	**26,965**	32,635
Total deferred tax	**(1,926)**	(13,362)
Tax on loss on ordinary activities	**25,039**	19,273

Factors affecting tax charge for period

The tax assessed on the loss for the period is that of the Group, the combined rate being lower than the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	2006 £	2005 £
Loss on ordinary activities before taxation	**(932,483)**	(935,458)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005: 30%)	**(279,746)**	(280,637)
Effects of:		
Expenses not deductible for tax purposes (including goodwill)	**151,916**	126,952
Capital allowances in excess of depreciation	**2,170**	13,362
Deferred tax movements not recognised	–	173,472
Effect of rate change	–	(10,277)
Adjustment to tax in respect prior period	**(12,439)**	–
Short term tax differences	**58,358**	–
Marginal relief	**(9,287)**	4,743
Unrelieved tax losses and other deductions in period	**115,993**	5,020
Current tax charge for period	**26,965**	32,635

Notes to the financial statements

for the year ended 31 December 2006

7. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

Factors that may affect future charges

The Group has unrecognised deferred tax assets of £546,152 at 31 December 2006 and £446,732 at 31 December 2005, which have arisen mainly due to trading losses carried forward. The deferred tax asset has not been provided for because it is uncertain whether the trading losses giving rise to the asset will be utilised in the foreseeable future.

8. LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss dealt with in the accounts of the parent Company was £1,928,605 (2005: £146,687).

9. LOSS PER SHARE

The calculation of basic loss per ordinary share is based on losses of £941,176 (2005: £785,942) and on 50,956,558 (2005: 45,599,614) ordinary shares of 0.005p each being the weighted average number of ordinary shares in issue during the period.

The loss for the period and the weighted average number of ordinary shares for the purpose of calculating the diluted loss per share are the same as for the basic loss per share calculation. This is because the outstanding share options would have the effect of reducing the loss per ordinary share and would therefore not be dilutive under the terms of Financial Reporting Standard ("FRS") 22.

10. INTANGIBLE FIXED ASSETS

	Goodwill £
Cost	
As at 1 January 2006	3,131,713
Acquisitions	2,474,432
At 31 December 2006	**5,606,145**
Accumulated amortisation	
As at 1 January 2006	510,858
Amortisation charge for the period	485,842
At 31 December 2006	**996,700**
Net book values	
At 31 December 2006	**4,609,445**
At 31 December 2005	2,620,855

Notes to the financial statements

for the year ended 31 December 2006

11. TANGIBLE FIXED ASSETS

Group	Leasehold improvements £	Fixtures, fittings and equipment £	Motor vehicles £	Computer equipment £	Total £
Cost					
At 1 January 2006	1,031	14,932	19,319	165,838	201,120
Additions	–	2,750	–	2,691	5,441
At 31 December 2006	**1,031**	**17,682**	**19,319**	**168,529**	**206,561**
Depreciation					
At 1 January 2006	1,031	14,774	10,444	106,445	132,694
Charge for the year	–	752	6,264	23,203	30,219
At 31 December 2006	**1,031**	**15,526**	**16,708**	**129,648**	**162,913**
Net book values					
At 31 December 2006	**–**	**2,156**	**2,611**	**38,881**	**43,648**
At 31 December 2005	–	158	8,875	59,393	68,426

12. FIXED ASSET INVESTMENTS

Company	Shares in subsidiary undertakings £
Cost	
As at 1 January 2006	2,322,232
Additions	2,221,632
FRS 20 Adjustment	18,885
At 31 December 2006	**4,562,749**
Net book values	
At 31 December 2006	**4,562,749**
At 31 December 2005	2,322,232

During the period the Group acquired 16% of the issued share capital of Frenkel Topping Limited and Frenkel Topping Structured Settlements Limited for a consideration of £2,204,600, satisfied by the issue of 9,183,333 ordinary shares of £0.005 each at £0.24. The investment has been included in the account at its fair value at the date of acquisition.

Notes to the financial statements

for the year ended 31 December 2006

12. FIXED ASSET INVESTMENTS (continued)

The fair value of the assets at the date of acquisition were as follows:

	£
Fixtures and fittings	68,054
Debtors	2,324,898
Bank	36,960
Creditors	(4,009,914)
Total net liabilities	(1,580,002)
Net liabilities acquired	(252,800)
Goodwill on acquisition	2,474,432
	2,221,632
Satisfied by:	
Share consideration	2,204,600
Costs of acquisition	17,032
	2,221,632

All of the above investments are unlisted.

Shares in subsidiary undertakings are stated at cost. Frenkel Topping Group plc owns directly the following principal subsidiaries which are included in the consolidated accounts:

Company	Country of registration or incorporation	Nature of business	Shares held class	Proportion of shares held
Frenkel Topping Limited	England	Financial services	Ordinary	82.7% (2005: 66.8%)
Frenkel Topping Structured Settlements Limited	England	Provision of advice on structured settlements	Ordinary	82.7% (2005: 66.8%)
FTG EBT (Trustees) Ltd	England	Non Trading	Ordinary	100% (2005: 100%)

Notes to the financial statements

for the year ended 31 December 2006

13. DEBTORS

	Group		Company	
	2006	2005	**2006**	2005
	£	£	**£**	£
Amounts falling due within one year:				
Trade debtors	**303,568**	277,828	**–**	–
Amount owed by related parties (note 22)	**95,037**	52,854	**–**	–
Deferred taxation (note 17)	**7,069**	5,143	**–**	–
Other debtors	**38,949**	46,237	**10,629**	6,196
Prepayments and accrued income	**388,843**	377,926	**2,332**	–
	833,466	759,988	**12,961**	6,196

	Group		Company	
	2006	2005	**2006**	2005
	£	£	**£**	£
Amounts falling due after more than one year:				
Amount due by subsidiary undertakings	**–**	–	**–**	1,570,792

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2006	2005	**2006**	2005
	£	£	**£**	£
Bank overdrafts	**287,729**	77,216	**229,777**	104,361
Other loans	**185,704**	162,353	**–**	–
Net obligations under finance leases and hire purchase contracts	**4,118**	4,118	**–**	–
Trade creditors	**186,194**	211,341	**31,858**	17,970
Amount owed to subsidiary undertakings	**–**	–	**16,800**	–
Amounts owed to related parties (Note 22)	**166,633**	10,336	**–**	–
Corporation tax	**41,185**	32,635	**–**	–
Other taxes and social security costs	**65,799**	68,428	**36,675**	33,876
Other creditors	**9,009**	21,373	**–**	–
Accruals	**173,228**	194,753	**46,791**	3,500
	1,119,599	782,553	**361,901**	159,707

Notes to the financial statements

for the year ended 31 December 2006

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2006	2005	**2006**	2005
	£	£	**£**	£
Other loans	**25,000**	25,000	**–**	–
Net obligations under finance leases and hire purchase contracts	**5,689**	9,807	**–**	–
	30,689	34,807	**–**	–

Loans

	Group		Company	
	2006	2005	**2006**	2005
	£	£	**£**	£
Repayable in one year or less, or on demand	**185,704**	162,353	**–**	–
Repayable between two and five years	**25,000**	25,000	**–**	–
	210,704	187,353	**–**	–

Net obligations under finance leases and hire purchase contracts

	Group		Company	
	2006	2005	**2006**	2005
	£	£	**£**	£
Repayable in one year or less, or on demand	**4,118**	4,118	**–**	–
Repayable between one and five years	**5,689**	9,807	**–**	–
	9,807	13,925	**–**	–

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Group		Company	
	2006	2005	**2006**	2005
	£	£	**£**	£
Provision for Professional indemnity claims	**240,000**	233,973	**–**	–
Deferred taxation	**–**	–	**–**	–
At 31 December 2006	**240,000**	233,973	**–**	–

	Professional indemnity claims provision	Deferred taxation	Total
	£	£	£
Group			
At 31 December 2005	233,973	(5,143)	228,830
Claims settled during year	(100,958)	–	(100,958)
Deferred tax credit	–	(1,926)	(1,926)
New claims provided	106,985	–	106,985
At 31 December 2006	**240,000**	**(7,069)**	**232,931**

Notes to the financial statements

for the year ended 31 December 2006

17. PROVISIONS FOR DEFERRED TAXATION

	Group		Company	
	2006	2005	**2006**	2005
	£	£	**£**	£
Accelerated capital allowances	**(8,611)**	(5,143)	**–**	–
Other short term timing differences	**(5,533)**	(1,360)	**–**	–
Tax losses carried forward	**(539,087)**	(445,372)	**(53,794)**	(11,530)
At 31 December 2006	**(553,231)**	(451,875)	**(53,794)**	(11,530)
Included in debtors (note 13)	**(7,069)**	(5,143)	**–**	–
Unrecognised deferred taxation asset	**(546,152)**	(446,732)	**(53,794)**	(11,530)
At 31 December 2006	**(553,231)**	(451,875)	**(53,794)**	(11,530)

18. MINORITY INTERESTS

The equity minority interest comprises of 12,144 (2005: 23,663) ordinary £1 shares in Frenkel Topping Limited and 207 (2005: 399) ordinary £1 shares in Frenkel Topping Structured Settlements Limited.
These shares do not entitle the holder to any rights against other Group companies.

19. SHARE CAPITAL

	Number of shares	**2006 £**	Number of shares	2005 £
Authorised				
Ordinary shares of £0.005p each	**60,000,000**	**300,000**	60,000,000	300,000
Preference shares of £1 each	**50,000**	**50,000**	50,000	50,000
		350,000		350,000
Allotted, called up and fully paid				
Ordinary shares of £0.005 each	**54,782,947**	**273,915**	45,599,614	227,998

During the period 9,183,333 ordinary shares of £0.005 were issued at a price of £0.24 in consideration for the acquisition of 16% of the issued share capital of Frenkel Topping Limited and Frenkel Topping Structured Settlements Limited.

Notes to the financial statements

for the year ended 31 December 2006

19. SHARE CAPITAL (continued)

Under the Group's Enterprise Management Incentive Scheme, employees held options at 31 December 2006 for 1,300,939 (2005: 1,430,104) ordinary shares as follows:

Grant date	Subscription price per share	Number of shares for which rights exercisable	Period over which options are exercisable
Approved scheme			
31 August 2005	0.5p	138,888	28 July 2007 to 31 August 2015
31 August 2005	2.353p	416,666	28 July 2007 to 31 August 2015
8 December 2004	0.5p	99,581	28 July 2007 to 8 December 2014
Unapproved scheme			
31 August 2005	2.353p	645,804	28 July 2007 to 31 August 2015
		1,300,939	

No options were exercised during the year. During the period 129,165 options lapsed due to employees leaving the Group.

The Company has granted share options over its shares to certain employees of the Group. The exercise price of the granted options was between 0.5p and 2.353p per share. The options vest on 28 July 2007 and are exercisable between 28 July 2007 and 31 August 2015.

20. EQUITY RESERVES

	Share premium £	Own shares £	Other reserve £	Profit and loss account £
Group				
At 1 January 2006	3,586,193	(25,000)	88,197	(938,314)
Share based compensation	–	–	198,301	–
Loss for the year	–	–		(941,176)
Share issue	2,158,683	–	–	–
At 31 December 2006	**5,744,876**	**(25,000)**	**286,498**	**(1,879,490)**
Company				
At 1 January 2006	3,586,193	–	88,197	(162,875)
Share based compensation	–	–	198,301	–
Loss for the year	–	–	–	(1,928,605)
Share issue	2,158,683	–	–	–
At 31 December 2006	**5,744,876**	**–**	**286,498**	**(2,091,480)**

The other reserves relate to share based compensation charges.

Notes to the financial statements

for the year ended 31 December 2006

20. EQUITY RESERVES (continued)

a) Reconciliation of movements in consolidated shareholders' funds

	£
Loss for the financial year	(941,176)
Share based compensation	198,301
Share issue	2,204,600
Opening shareholders' funds	2,939,074
Closing shareholders' funds	4,400,799

21. FINANCIAL COMMITMENTS

At 31 December 2006 the Group had annual commitments under non-cancellable operating leases as follows:

	Other	
	2006	2005
Group	**£**	£
Expiry date:		
Within one year	**–**	8,870
Between one and five years	**–**	–

22. RELATED PARTY TRANSACTIONS

Messrs R C Fraser and S Ashcroft are partners in Frontier Properties from whom the Group is owed £6,321 (2005: £6,321). During the period to 31 December 2006, the Group incurred costs in connection with the occupation of the offices amounting to £90,074 (2005: £81,799).

Mr D Southworth is the owner of DS Associates to which the Group incurred professional fees amounting to £21,361.

J R Frenkel, who retains a minority interest in the subsidiaries, is the sole proprietor of Frenkels, chartered accountants. During the period, the Group incurred fees for accountancy services amounting to £57,848 (2005: £106,259) and recharged expenses from the Group amounting to £12,538 (2005: £25,597). At the period end the Group owed Frenkels chartered accountants £111,148 in respect of fees for accountancy services and is owed £30,956 in respect of recharged expenses.

J R Frenkel is also a Director of Antek Services Limited to whom recharges for expenses were made by the Group during the period amounting to £14,466 (2005: £28,844). At the period end, £57,760 (2005: £17,790) was owed to the Group in respect of these charges.

During the period the Group received £783,100 (2005: £836,193) commission and annual management fees from James Brearley & Sons Limited who have a shareholding of 6.26% in the Group. At 31 December 2006 the balances owed to James Brearley & Sons Limited amounted to £70,069 (2005: £60,530).

The Group entered into a loan agreement with Holyrood Partners LLP. Holyrood Partners LLP is a company controlled by Messrs R Hughes and I Currie who also control Zeus Capital. Messrs R Hughes and I Currie and Zeus Capital have a shareholding of 14.09% in the Group. The amount outstanding at 31 December 2006 amounted to £150,000 which is repayable within 1 year on which interest accrues on commercial terms.

The Company is exempt under FRS 8 from disclosing related party transactions with other companies within the Group as the consolidated accounts of Frenkel Topping Group plc in which the companies are included are available from Frontier House, Merchants Quay, Salford Quays, Manchester M50 3SR.

Notes to the financial statements

for the year ended 31 December 2006

23. GROUP GROSS CASH FLOWS

	2006 £	2005 £
Reconciliation of operating loss to net cash outflow from operating activities		
Operating loss	**(884,777)**	(938,487)
Share based compensation	**198,301**	88,197
Depreciation and amortisation	**516,061**	458,654
(Increase)/decrease in debtors	**(71,551)**	119,986
Increase in creditors	**100,660**	163,063
Net cash outflow from operating activities	**(141,306)**	(108,587)

	2006 £	2005 £
Returns on investments and servicing of finance		
Interest paid	**(44,336)**	(37,986)
Taxation		
Payment of UK corporation tax	**(18,415)**	(9,595)
Capital expenditure		
Payments to acquire tangible fixed assets	**(5,441)**	(35,472)
Acquisitions and Disposals		
Purchase of additional shareholding in subsidiaries	**(17,032)**	–
Proceeds from disposal of interest in subsidiary undertakings	**–**	511,760
Purchase of own shares	**–**	(25,000)
	(17,032)	486,760
Financing		
New short term loans	**150,000**	25,000
Repayment of bank loans	**–**	(13,296)
Other loan (repayments)/advances	**(130,019)**	13,015
Capital element of finance lease payments	**(4,118)**	(7,900)
	15,863	16,819

Notes to the financial statements

for the year ended 31 December 2006

24. GROUP ANALYSIS OF CHANGES IN NET DEBT

	As at 1 January 2006 £	Cash flows £	Other non cash changes £	As at 31 December 2006 £
Debt				
Cash at bank and in hand	183	(154)	–	29
Overdrafts	(77,216)	(210,513)	–	(287,729)
	(77,033)	(210,667)	–	(287,700)
Debt due within one year	(162,353)	(19,981)	(3,370)	(185,704)
Debt due after one year	(25,000)	–	–	(25,000)
Finance leases	(13,925)	4,118	–	(9,807)
	(201,278)	(15,863)	(3,370)	(220,511)
Net debt	(278,311)	(226,530)	(3,370)	(508,211)

25. FINANCIAL INSTRUMENTS

It is not the Group's policy to invest in financial derivatives. Although the financial risks are considered to be minimal at present, future interest rate, liquidity and foreign currency risk could arise and the Board will review its existing policies in the coming period. The Group finances the operations through a bank overdraft facility and the use of finance leases and hire purchase agreements.

Interest rate risk

The interest rate risks are limited to the fixed element of finance leases and hire purchase agreements.

Liquidity risk

It is the Group's policy to manage liquidity in order to achieve continuity of funding.

Foreign currency risk

The Group has no overseas assets or liabilities.

Interest rate risk profile of financial assets

The interest rate profile of the financial assets of the Group as at 31 December 2006 is as follows:

	Fixed rate financial assets £	Floating rate financial assets £	Financial assets on which no interest is paid £	Total £
2006				
Sterling	–	–	29	29
2005				
Sterling	–	–	183	183

Notes to the financial statements

for the year ended 31 December 2006

25. FINANCIAL INSTRUMENTS (continued)

Interest rate risk profile of financial liabilities

The interest rate profile of the financial liabilities of the Group as at 31 December 2006 is as follows:

	Fixed rate financial liabilities £	Floating rate financial liabilities £	Financial liabilities on which no interest is paid £	Total £
2006				
Sterling	163,177	287,729	57,334	508,240
2005				
Sterling	68,944	77,216	132,334	278,494

The weighted average interest rate on fixed rate financial liabilities at 31 December 2006 was 20% (2005: 13.7%). The weighted average period to maturity of fixed rate financial liabilities at 31 December 2006 was 12 months (2005: 24 months). The fixed rate financial liabilities were confined to obligations under finance leases and loans from related parties.

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities as at 31 December 2006 was as follows:

	2006 £	2005 £
Payable within one year	**477,551**	243,687
Payable between one and two years	**30,689**	29,118
Payable between two and five years	**–**	5,689
	508,240	278,494

Currency exposures

The Group has no overseas assets or liabilities.

Borrowing facility

The Group holds a committed overdraft facility of £300,000 at 31 December 2006, which is subject to annual review.

Equity minority interest

The equity minority interest comprises of 12,144 (2005: 23,663) ordinary £1 shares in Frenkel Topping Limited and 207 (2005: 399) ordinary £1 shares in Frenkel Topping Structured Settlements Limited.

Fair values of financial assets and financial liabilities

The fair value, based upon the market value or discounted cashflows of the financial instruments detailed above, was not materially different from their book values.

26. CONTROL

The Company is under the control of Messrs R C Fraser and S Ashcroft who between them own a majority of the issued share capital.

Notice of annual general meeting

Notice is hereby given that the annual general meeting of the Company will be held at the offices of Addleshaw Goddard LLP, 100 Barbirolli Square, Manchester, M2 3AB on Monday 23 April 2007 at 10.00am for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Company's accounts for the period ended 31 December 2006 and the Directors' and auditors' reports thereon.
2. To appoint Baker Tilly UK Audit LLP as auditors of the Company to hold office from the conclusion of the meeting until the conclusion of the next general meeting of the Company at which financial statements are laid and to authorise the Directors to set their remuneration.
3. To re-appoint Stephen Ashcroft (who is retiring by rotation) as a Director of the Company.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions (of which resolutions 4 and 5 will be proposed as ordinary resolutions and resolution 6 will be proposed as a special resolution):

4. That the authorised share capital of the Company be increased from £350,000 (divided into 60,000,000 ordinary shares of £0.005 each and 50,000 preference shares of £1 each) to £450,000 by the creation of 20,000,000 new ordinary shares of £0.005 each, such new ordinary shares to rank pari passu in all respects with the existing ordinary shares of £0.005 each in the capital of the Company.
5. That the Directors be and are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985, as amended, to exercise all powers of the Company to allot relevant securities (as defined in section 80(2) of that Act) of the Company on and subject to such terms as the Directors may determine. The maximum aggregate nominal amount of relevant securities which may be allotted pursuant to this authority shall be £100,000. This authority shall expire on the earlier of the conclusion of the next annual general meeting of the Company and 22 July 2008, save that the Company may, before such expiry, make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
6. That:
   (a) subject to paragraph (b) of this resolution, the Directors shall be empowered pursuant to section 95(1) of the Companies Act 1985, as amended, (the **Act**) to allot equity securities (as defined in sections 94(2) and 94(3A) of the Act) of the Company pursuant to any general authority conferred by section 80 of the Act as if section 89 of the Act did not apply to such allotment and the Directors shall be entitled to make, at any time prior to the expiry of the power hereby conferred, any offer or agreement which would or might require equity securities to be allotted thereafter provided that such power shall, subject as aforesaid, cease to have effect on the earlier of the conclusion of the next annual general meeting of the Company and 22 July 2008; and

Notice of annual general meeting

(b) the power conferred by paragraph (a) of this resolution shall be limited to:

(i) the allotment (otherwise than pursuant to sub-paragraph (ii) below) of equity securities which are, or are to be, wholly paid up in cash up to an aggregate nominal amount of £100,000; and

(ii) the allotment of equity securities in connection with offerings of equity securities to the shareholders of the Company on a pre-emptive basis but subject to such exclusions or other arrangements where it is, in the opinion of the Directors, necessary or expedient so to do in connection with such offerings for the purpose of dealing with fractional entitlements or any legal or practical problems under the laws of any territory or the requirements of any recognised regulatory body or any stock exchange in any territory.

By order of the Board
Richard Fraser, Secretary
23 March 2007

Registered office:
Frontier House
Merchants Quay
Salford Quays
Manchester
M50 3SR

Notes

1. A person entitled to receive notice of, and attend and vote at, the above meeting may appoint a proxy or proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company. Forms of proxy (together with the power of attorney or other written authority under which they are executed, or a copy of the same certified notarily) must be deposited with the Company's Registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA not later than 48 hours before the time appointed for the meeting or adjourned meeting. Completion and return of a form of proxy will not prevent the shareholder from attending and voting in person should he wish to do so.

2. In accordance with Regulation 41 of the Uncertified Securities Regulations 2001, the Company specifies that only those members entered on the Company's register of members at 10am on 21 April 2007 or, if the meeting is adjourned, at the time which is 48 hours before the time fixed for the adjourned meeting shall be entitled to attend and vote at the meeting. Changes to entries on the register after such relevant time will be disregarded in determining the rights of any person to attend or vote at the meeting.

3. The increased share capital will most likely be used to participate in new partnership arrangements.

Officers and professional advisers

DIRECTORS	D R Southworth (Non-Executive Chairman) R C Fraser S Ashcroft J Dean
SECRETARY	R C Fraser
COMPANY NUMBER	4726826
REGISTERED OFFICE	Frontier House Merchants Quay Salford Quays Manchester M50 3SR
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