Global Gaming Technologies plc

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2006

Annual Report and Financial Statements

FOR THE YEAR ENDED 31 JULY 2006

Contents

Company Information

Directors	**G. Porter** **R. Trenter**
Secretary	**Kitwell Consultants Limited**
Company number	05181462
Registered office	2nd Floor 29-30 St James' Street London SW1A 1HB
Business address	2nd Floor 29-30 St James' Street London SW1A 1HB
Auditors	**Adler Shine LLP** Aston House Cornwall Avenue London N3 1LF
Bankers	**Alliance & Leicester Commercial Bank plc** Bridle Road Mersyside GIR 0AA **Lloyds TSB Bank plc** Law Courts Branch London WC2R 1BB
Solicitors	**Fladgate Fielder** 25 North Row London W1K 6DJ
Nominated Adviser and Brokers	**Canaccord Adams** Cardinal Place 7th Floor 80 Victoria Street London SW1E 5JL
Registrars	**Capita Registrars** Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA

Chairman's Statement

FOR THE YEAR ENDED 31 JULY 2006

Results

The Board of Global Gaming Technologies plc (GGT or "the Company") announces today the Group's audited results for the year ended 31 July 2006. In the period under review the Group recorded a loss before tax and impairment of goodwill of £1,363,992. Following the reorganisation of the Company announced on 27 June, the Board has reviewed the carrying value of goodwill resulting from the acquisition of Event Data Correlation Limited in 2005 and decided to apply a non-cash impairment adjustment of £10.54m, which is charged to the profit and loss account for the year. As a result there is a loss before tax and after goodwill impairment adjustment of £11.90 million. There is a loss per share of 6.37p (2005: loss per share: 0.84p). No dividend is proposed.

On 27 June the Board announced that Paul Pullinger, Chief Executive of the Company and Chris Cleverly, a Non-executive director, the two principal shareholders, had resigned from the Board with immediate effect and that I had assumed an executive role on the Board for an interim period until a new CEO is appointed. In addition, Corvus Capital Inc, the international investment company headed by Andrew Regan, had acquired shares from Paul Pullinger, Chris Cleverly and a former GGT director giving it a total holding of 48,750,874 ordinary shares, equating to 26.0 per cent of GGT's issued share capital.

The initial board changes I refer to above and, the arrival of Corvus Capital as a strategic shareholder in the Company, were the first steps in our primary objective to re-establish GGT's strategy to build a business providing enabling data and media technologies to the gaming industry. It is our intention to acquire complementary businesses in the origination and supply of critical data and content to the gaming industry in order to build a cash generative and profitable business. In becoming a significant shareholder in GGT, Corvus Capital fully endorses this strategy and GGT can, in turn, benefit from the range of resources available within Corvus Capital to pursue this strategy.

We have commenced the dual process of sourcing potential acquisitions and finding a new Chief Executive for the business, neither of which are mutually exclusive. In addition, costs within the business have been stringently cut back and, as I refer to earlier in this statement, the Board has decided to take a very prudent view regarding the treatment of goodwill.

Loss of capital

The Company's results show that its net assets are less than half of its called up share capital. In the circumstances, the directors of the Company are obliged by section 142 of the Companies Act 1985 to convene a general meeting for the purpose of considering whether any, and if so, what steps should be taken to deal with the Company's current financial position. We propose to consider this matter at the Company's Annual General Meeting, details of which are set out below, although no resolution will be put to the meeting on this issue.

Outlook

I am pleased to say that we are currently reviewing a number of businesses which have met with our initial investment criteria and whilst we are still at an early stage with each, I am encouraged by the progress made to date and will report further progress to shareholders as and when it is appropriate to do so.

R. Trenter
Chairman

31 January 2007

Directors' Report

FOR THE YEAR ENDED 31 JULY 2006

The directors present their report and group accounts for the year ended 31 July 2006.

Principal activities

The company was established to build, through acquisition, a group specialising in providing enabling technologies for gaming markets.

Review of business

A review of the group's progress during the year and an indication of likely future developments are provided in the Chairman's statement.

The principal risk facing the business is that it might not find any or sufficient new opportunities to expand the company and create shareholder value.

In the opinion of the directors there are no Key Performance Indicators whose disclosure is necessary for an understanding of the development, performance or position of the business.

Results and dividends

The results for the year are set out on page 9. The directors do not recommend payment of an ordinary dividend.

Directors and their interests

The directors at 31 July 2006 and their beneficial interests in the shares of the company were:

	Ordinary shares of .25p each	
	31 July 2006	**1 August 2005**
G. Porter	3,499,999	3,499,999
R. Trenter	–	–

J. Leat and D. Johnson resigned as directors on 13 February 2006 and 20 March 2006 respectively.

C. Cleverly and P. Pullinger resigned as directors on 27 June 2006.

R. Trenter has share options over 4,028,356 ordinary shares at an exercise price of .25p per share. These options are exercisable up to 3 March 2015.

Creditor payment policy

The company's current policy concerning the payment of trade creditors is to:

(a) settle the terms of payment with suppliers when agreeing the terms of each transaction;

(b) ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and

(c) pay in accordance with the company's contractual and other legal obligations.

Trade creditors at the period end all relate to sundry administrative overheads and disclosure of the number of days' purchases represented by period end creditors is therefore not meaningful.

Directors' Report

CONTINUED

Disclosure of information to auditors	Each of the directors has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditors are unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditors are aware of such information.
Auditors	A resolution proposing the reappointment of Adler Shine LLP shall be put to the members at the next Annual General Meeting.

ON BEHALF OF THE BOARD

R. Trenter
Director

31 January 2007

Statement of Directors Responsibilities

FOR THE YEAR ENDED 31 JULY 2006

The directors are responsible for preparing the accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The accounts are required by law to give a true and fair view of the state of affairs of the group and of the company and of the profit or loss of the group for that period.

In preparing these accounts, 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts 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 that disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the accounts 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.

Report of the Independent Auditors

to the shareholders of Global Gaming Technologies plc

We have audited the accounts of Global Gaming Technologies plc for the year ended 31 July 2006 set out on pages 9 to 19. These accounts have been prepared under the accounting policies set out on page 12.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are as described on page 6.

Our responsibility is to audit the accounts 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 accounts 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 accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited accounts. The other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's and 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 accounts 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 accounts.

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the group and of the company as at 31 July 2006 and of the group's loss for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the accounts.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1.2 to the financial statements concerning the company's ability to continue as a going concern. The company incurred a net loss of £11.9 million during the year ended 31 July 2006 and at that date, the company's current liabilities exceeded its net assets by £9,297. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Adler Shine LLP
Chartered Accountants
Registered Auditor
London

31 January 2007

Group Profit and Loss Account

FOR THE YEAR ENDED 31 JULY 2006

	Notes	£	2006 £	£	2005 £
Net trading margin			(11,646)		(302)
Administrative expenses:					
Impairment of goodwill		(10,539,668)		–	
Other administrative expenses		(1,401,908)		(377,972)	
			(11,941,576)		(377,972)
Other operating income			35,585		19,839
Operating loss	3		(11,917,637)		(358,435)
Other income	6		13,977		13,392
Loss on ordinary activities before taxation			(11,903,660)		(345,043)
Tax on loss on ordinary activities	7		–		–
Loss on ordinary activities after taxation	8 & 18		(11,903,660)		(345,043)
Loss per share					
– Basic and diluted	9		£(0.0637)		£(0.0084)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

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

The comparatives cover the period from incorporation to 31 July 2005.

The notes on pages 12 to 19 form part of these financial statements.

Balance Sheets

AS AT 31 JULY 2006

	Note	Group 2006 £	Group 2005 £	Company 2006 £	Company 2005 £
Fixed assets					
Intangible assets	10	100,000	11,248,205	–	–
Tangible assets	11	–	1,844	–	–
Investments	12	–	–	100,000	10,989,540
		100,000	11,250,049	100,000	10,989,540
Current assets					
Debtors	13	23,799	55,742	11,666	1,110,402
Cash at bank and in hand		56,941	750,578	–	–
		80,740	806,320	11,666	1,110,402
Creditors: amounts falling due within one year	14	(90,037)	(115,392)	(48,266)	(19,954)
Net current assets		(9,297)	690,928	(36,600)	1,090,448
Total assets less current liabilities		90,703	11,940,977	63,400	12,079,988
Capital and reserves					
Called up share capital	17	471,673	465,146	471,673	465,146
Share premium account	18	1,364,673	1,370,990	1,364,673	1,370,990
Merger reserve	18	–	10,397,916	–	10,397,916
Profit and loss account	18	(1,745,643)	(293,075)	(1,772,946)	(154,064)
Shareholders' funds – equity interests	19	90,703	11,940,977	63,400	12,079,988

The financial statements were approved by the Board on 31 January 2007.

R. Trenter
Director

The notes on pages 12 to 19 form part of these financial statements.

Group Cash Flow Statement

FOR THE YEAR ENDED 31 JULY 2006

	Note	£	2006 £	£	2005 £
Net cash outflow from operating	20		(743,745)		(534,215)
Returns on investments and servicing of finance					
Interest received		13,977		13,392	
Net cash inflow from returns on investments and servicing of finance			13,977		13,392
Capital expenditure					
Receipts from sales of tangible fixed assets		380		–	
Net cash inflow from capital expenditure and financial investment			380		–
Acquisitions and disposals					
Purchase of subsidiary undertakings	10	35,541		(256,207)	
Cash acquired with subsidiary undertakings		–		26,889	
Net cash inflow/(outflow) on acquisitions and disposals			35,541		(229,318)
Net cash outflow before financing			(693,847)		(750,141)
Financing					
Issue of ordinary share capital		210		1,675,000	
Cost of share issue		–		(174,281)	
Net cash inflow from financing			210		1,500,719
(Decrease)/increase in cash	21 & 22		(693,637)		750,578

The notes on pages 12 to 19 form part of these financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2006

1 Accounting policies

1.1 Basis of preparation

The accounts have been prepared under the historical cost convention and on a going concern basis.

The accounts have been prepared in accordance with United Kingdom applicable accounting standards (United Kingdom Generally Accepted Accounting Practice), which is applied consistently (except as otherwise stated).

1.2 Going concern

The financial statements have been prepared on a going concern basis on the basis that the directors have secured sufficient funds to ensure that the company can continue to meet its liabilities as and when they fall due and are actively renewing future funding requirements. The directors have considered the cash requirements for 12 months from the balance sheet date. The accounts do not contain any adjustments that would be necessary should this basis not be appropriate.

1.3 Basis of consolidation

The consolidated profit and loss account and balance sheet include the accounts of the company and its subsidiary undertaking, Event Data Correlation Limited, made up to 31 July 2006. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation. A separate profit and loss accounting dealing with the results of the company only has not been presented as permitted by Section 230 of the Companies Act 1985.

1.4 Net trading margin

Net trading margin represents the net results of trades placed in the betting markets as the outcome of the bet is settled. The directors consider that for the group's operations during the period, net trading margin is a better description of its generation of income from its principal activity than turnover and hence have used net trading margin as an equivalent for turnover in these accounts.

1.5 Goodwill

Goodwill is amortised over its useful economic life, which is considered for each acquisition separately. It is reviewed for impairment at the end of its first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill relating to Event Data Correlation Limited is estimated to have a life of 20 years.

1.6 Software development licence

The software development licence is stated at cost less amortisation. Amortisation is provided over the two year term of the licence.

1.7 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment	33.33% Straight line

1.8 Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the assets. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

2 Net trading margin

The net trading margin of the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating loss

Operating loss is stated after charging:

	2006 £	2005 £
Amortisation of intangible assets	572,996	59,750
Depreciation of owned tangible assets	624	52
Auditors' remuneration	9,750	7,500
Impairment of goodwill (see note 10)	10,539,668	–

4 Directors' emoluments

	2006 £	2005 £
Aggregate emoluments	142,892	60,209

The 2005 costs include one month of ownership of the company's subsidary so the figures are not directly comparable.

5 Employees

Number of employees
The average weekly number of employees during the year was:

	2006 Number	2005 Number
Production/development	4	4
Administration	5	5
	9	9

Employment costs

	£	£
Wages and salaries	416,469	105,499
Social security costs	12,736	12,575
	429,205	118,074

As noted above, the 2005 costs only include one month of ownership of the company's subsidary so the figures are not directly comparable.

6 Other income

	2006 £	2005 £
Interest receivable and similar income	13,977	13,392

7 Tax on loss on ordinary activities

	£	£
Current tax		
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(11,903,660)	(345,043)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2005: 19.00%)	(3,571,098)	(65,558)
Effects of:		
Expenses not deductible for tax purposes	3,350,228	36,448
Depreciation for period in excess of capital allowances	3,439	485
Consolidation adjustments	–	10,878
Movement in tax losses	235,916	17,747
Share option provision adjustments	(18,485)	–
Current tax charge	–	–

The group has estimated losses of £2,044,726 (2005: £1,258,338) which are available to carry forward against future trading profits. No provision has been made for corporation tax on this basis.

8 Loss for the financial year

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these accounts. The loss for the financial year is made up as follows:

	2006 £	**2005** £
Holding company's loss for the financial year	(12,069,974)	(206,032)

9 Loss per share

The calculation of the basic loss per share is based on the loss of ordinary activities after taxation of £11,903,660 and on a weighted average number of 186,808,822 Ordinary Shares in issue during the period.

There was no dilutive effect from the share options outstanding during the year.

10 Intangible fixed assets

Group

	Goodwill £	Software development licence £	Total £
Cost			
At 1 August 2005	11,295,455	60,000	11,355,455
Adjustments	(35,541)	–	(35,541)
At 31 July 2006	11,259,914	60,000	11,319,914
Amortisation			
At 1 August 2005	57,250	50,000	107,250
Charge for year	562,996	10,000	572,996
Impairment	10,539,668	–	10,539,668
At 31 July 2006	11,159,914	60,000	11,219,914
Net book value			
At 31 July 2006	100,000	–	100,000
At 31 July 2005	11,238,205	10,000	11,248,205

The goodwill brought forward arose on the acquisition of Event Data Correlation Limited on 27 June 2005.

The adjustment relates to VAT on professional fees incurred in respect of the acquisition of Event Data Correlation Limited which was recovered in the year.

The directors have undertaken an impairment review of the goodwill arising on the acquisition of Event Data Correlation Limited due to the lack of significant trading in the year and the continuing losses incurred. As a result an impairment provision of £10,539,668 has been recorded in the financial statements. Based on their review, the directors consider that the remaining value represents the recoverable amount of the goodwill at 31 July 2006.

11 Tangible fixed assets

Group	Fixtures, fittings and equipment £
Cost	
At 1 August 2005	2,000
Disposals	(2,000)
At 31 July 2006	–
Depreciation	
At 1 August 2005	156
On disposals	(780)
Charge for the year	624
At 31 July 2006	–
Net book value	
At 31 July 2006	–
At 31 July 2005	1,844

12 Fixed asset investments

Company	Shares in subsidiary undertaking £
Cost	
At 1 August 2005	10,989,540
Adjustment (see note 10)	(35,541)
Impairment	(10,853,999)
At 31 July 2006	100,000
At 31 July 2005	10,989,540

Holdings of more than 20%
The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
Subsidiary undertakings			
Event Data Correlation Limited	United Kingdom	Ordinary	100

The principal activity of these undertakings for the last relevant financial year was as follows:

Company	Principal activity
Event Data Correlation Limited	Software development to exploit real-time statistical data in the online sports betting markets

As a result of the impairment review undertaken in the year, which is referred to in Note 10, the directors consider that the carrying value of the investment in Event Data Correlation Limited has been impaired and consequently the carrying value has been written down to £100,000, which the directors consider to be the recoverable amount of the investment at 31 July 2006.

13 Debtors

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Trade debtors	6,275	16,285	–	–
Amounts owed by group undertakings	–	–	–	1,075,640
Other debtors	10,459	24,714	4,999	20,362
Prepayments and accrued income	7,065	14,743	6,667	14,400
	23,799	55,742	11,666	1,110,402

14 Creditors: amounts falling due within one year

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Trade creditors	54,238	22,244	33,402	2,322
Taxes and social security costs	10,714	22,418	282	–
Other creditors	573	–	–	–
Accruals and deferred income	24,512	70,730	14,582	17,632
	90,037	115,392	48,266	19,954

15 Provisions for liabilities

Deferred tax is calculated at 19% over the following timing differences:

Group	2006	2005
	£	£
Accelerated capital allowances	1,339	(1,870)
Short term timing differences	80,885	–
Tax losses available	613,418	239,084
	695,642	237,214

Company	2006	2005
	£	£
Tax losses available	32,795	2,910

Deferred tax assets of £695,642 (2005: £237,214 – group) and £32,795 (2005: £2,910 – company) have not been recognised in these accounts because there is insufficient certainty over their recoverability.

16 Financial Instruments

The group's financial instruments arise directly from its operations. The group does not operate in foreign currencies and is not directly exposed to foreign exchange risk, or interest rate risk.

The directors consider that there is no significant difference between the book value and fair value of the group's financial assets and liabilities.

17 Share capital

	2006 £	2005 £
Authorised		
4,000,000,000 Ordinary Shares of .25p each	10,000,000	10,000,000
Allotted, called up and fully paid		
188,669,301 (2005: 186,058,334)		
Ordinary Shares of .25p each	471,673	465,146

At 1 August 2005, 12,980,257 share options were outstanding. These share options replaced equivalent options which had been granted to directors and certain employees in Event Data Correlation Limited on 27 June 2005, when the company issued its own shares in return for shares in that company. The options are exercisable at .25p per Ordinary Share up to 3 March 2015. The options vest in three-monthly tranches. Exercise of the options is not subject to performance criteria.

Because of the difference in the par values of the original Event Data Correlation Limited shares, and the Global Gaming Technologies Plc shares, the exercise of each of the options now comprises the issue of Global Gaming Technologies Plc option shares at par to the value of the subscription price that would have been payable had the option holder exercised the options over Event Data Correlation Limited shares, supplemented by the issue of additional bonus shares by application of part of the share premium account of Global Gaming Technologies Plc on a non-pre-emptive basis.

During the year options were satisfied by the issue of 84,000 shares at par and the bonus issue of a further 2,526,967 shares.

During the period 5,644,675 of the share options have lapsed and 2,610,967 have been exercised at .25p, leaving 4,724,615 outstanding at 31 July 2006.

18 Statement of movements on reserves

	Group and company Share premium account £	Group and company Merger reserve £	Group Profit and loss account £	Company Profit and loss account £
Balance at 1 August 2005	1,370,990	10,397,916	(293,075)	(154,064)
Retained loss for the year	–	–	(11,903,660)	(12,069,974)
Share option charge adjustment	–	–	53,176	53,176
Premium on shares issued during the year	(6,317)	–	–	–
Transfer	–	(10,397,916)	10,397,916	10,397,916
Balance at 31 July 2006	1,364,673	–	(1,745,643)	(1,772,946)

The merger reserve arose on the issue of 134,166,667 shares in return for the entire issued share capital of Event Data Correlation Limited. Under s131 of the Companies Act 1985 the company is exempt from the requirement to establish a statutory share premium account to reflect to excess of the value received for these share above their nominal value, the amount has however been recognised in this non-statutory reserve.

The transfer from the merger reserve to the profit and loss reserve represents the utilisation of the merger reserve which arises as a result of the write down of the goodwill for the group, and the investment for the company, which originally arose on the acquisition of Event Data Correlation Limited as described in notes 10 and 12.

19 Reconciliation of movements in shareholders' funds

Group	2006 £	2005 £
Loss for the financial period	(11,903,660)	(345,043)
New share capital subscribed	210	1,500,719
Shares issued as consideration for subsidiary	–	10,733,333
Share option charge adjustment	53,176	51,968
Net (depletion in)/addition to shareholders' funds	(11,850,274)	11,940,977
Opening shareholders' funds	11,940,977	–
Closing shareholders' funds	90,703	11,940,977

20 Net cash outflow from operating activities

	2006 £	2005 £
Reconciliation to operating loss:		
Operating loss	(11,917,637)	(358,435)
Depreciation of tangible fixed assets	624	52
Amortisation of intangible fixed assets	572,996	59,750
Impairment	10,539,668	–
Share option charge	53,176	51,968
Profit on disposal of tangible fixed assets	840	–
Decrease/(increase) in debtors	31,943	(30,117)
Decrease in creditors	(25,355)	(257,433)
	(743,745)	(534,215)

21 Reconciliation to net cash flow

	2006 £	2005 £
Net cash at 1 August	750,578	–
(Decrease)/increase in net cash	(693,637)	750,578
Net cash at 31 July	56,941	750,578

22 Analysis of net funds

	1 August 2005 £	Cash flow £	Other non-cash transactions £	31 July 2006 £
Net cash:				
Cash at bank and in hand	750,578	(693,637)	–	56,941
Net funds	750,578	(693,637)	–	56,941

23 Transactions with directors

£35,585 (2005: £4,839) is included in other operating income in the year relating to the group provision of office services and sale of equipment to Sweet China plc, a company registered in England and Wales and a business in which C. Cleverly is also a director. At 31 July 2006 £5,828 (2005: £2,843) was owed to the group by Sweet China plc.

Notice of Annual General Meeting

Notice is given that the annual general meeting of the members of the company will be held at 25 North Row, London W1K 6DJ on 6 March 2007 at 10.00 a.m. for the purpose of considering in accordance with section 142 of the Companies Act 1985 whether any, and if so, what steps should be taken to deal with the situation that the net assets of the Company are less than half of its called up share capital. In addition the meeting will consider and if thought fit, pass the following:

Ordinary Resolutions

1. To receive the accounts and reports for the period ended 31 July 2006.
2. To re-elect Graham Porter as a director who is retiring by rotation in accordance with the articles of association of the company and who being eligible offers himself for re-election.
3. To reappoint Adler Shine LLP as auditors and authorise the directors to determine their remuneration.
4. To authorise, in accordance with section 80 of the Companies Act 1985 ("CA 1985"), the directors generally and unconditionally to allot relevant securities as defined in section 80(2) CA 1985, up to an aggregate nominal amount of £9,530,378, provided that this authority will expire at the conclusion of the next annual general meeting of the company except that this authority will extend to permit the directors to allot relevant securities after its expiry pursuant to an offer or agreement made prior to the conclusion of such meeting.

Special Resolution

5. Subject to the passing of resolution 4, pursuant to section 95(1) CA 1985, the directors are authorised to allot equity securities, as defined in section 94(2) CA 1985, under the authority conferred by resolution 4 above, as if section 89(1) CA 1985 did not apply to the allotment, up to an aggregate nominal amount of £93,924 (being twenty per cent. of the company's issued share capital at the date of this notice), such power to expire on the date of the company's next annual general meeting.

By Order of the Board

Kitwell Consultants Limited
Secretary

Registered Office: 2nd Floor, 29-30 St James' Street, London SW1A 1HB

Date: 31 January 2007

Notes

1. All shareholders who wish to attend and vote at the meeting must be entered on the company's register of members no later than 48 hours before the time fixed for the meeting. Changes to entries on the register after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.
2. A member entitled to attend and vote at the above meeting has the right to appoint a proxy to attend and vote in his place. A proxy need not be a member of the company. In the case of joint shareholders, the person whose name appears first in the register of members has the right to attend and vote at general meetings to the exclusion of all others. Investors who hold their shares through a nominee may wish to attend the meeting as a proxy, or to arrange for someone else to do so for them, in which case they should discuss this with their nominee or stockbroker. Whilst proxies may vote on a poll on any resolution, they are not entitled to vote on a show of hands. Proxies may ask questions at the meeting if, in his discretion, the chairman of the meeting allows it. Members are invited to complete and return the enclosed proxy form if they are unable to attend the meeting. The return of the proxy form will not prevent a member from attending in person and voting at the meeting. The form of proxy and the power of attorney or other authority, if any, under which it is signed, or a copy of such power or authority certified by a notary, must be left at the registered office of the company at least 48 hours before the date set for the meeting or adjourned meeting.
3. The form of proxy must be signed by the shareholder appointing the proxy or by his/her attorney authorised in writing. If the shareholder is a corporation, the form of proxy should be sealed with its common seal or signed by an officer or an attorney of the corporation or other person authorised to sign it.
4. The following documents will be available for inspection at the registered office of the company on any weekday (except Saturdays, Sundays and Bank Holidays) during normal business hours from the date of this notice until the date of the meeting and at the place of the meeting for 15 minutes prior to and until the conclusion of the meeting: statement of transactions of directors (and of their family interests) in the share capital of the company and any of its subsidiaries; copies of the directors' service agreements and letters of appointment with the Company; and the register of directors' interests in the share capital of the company (maintained under section 325 CA 1985).

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