

HIGHWAY CAPITAL *plc*

ANNUAL REPORT 2008

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Chairman's statement

The results for the twelve months ended 29 February 2008 show a loss before tax of £53,564 (2007: £57,975 loss).

The company had cash at bank and in hand of £480,247 at the balance sheet date.

At this time we do not consider it appropriate to declare a dividend.

During the year the company has continued to keep expenditure to a minimum in order to preserve cash resources.

The directors continue, for the time being, to waive the majority of their fees.

During the year, your directors have examined a small number of propositions but unfortunately, none were deemed suitable to put to the shareholders. However, we are currently in discussions with a possible target and, if these progress satisfactorily, we will notify shareholders as soon as possible.

A H Drummon

Chairman

27 June 2008

Directors' report

Your directors have pleasure in submitting their report and the audited accounts for the year ended 29 February 2008.

Principal activity

The company is a stand-alone “cash shell” and the board is actively seeking to acquire a suitable business.

Results

The loss on ordinary activities for the year before taxation was £53,564 (2007: loss £57,975). After taxation and dividends, the deficit of £53,564 (2007: deficit £57,975) has been transferred to reserves. Details of future developments can be found in the Chairman's statement.

Dividends

The directors do not recommend the payment of a final dividend for the year.

Directors

The following directors served during the year to 29 February 2008:

A. H. Drummon (Chairman)

E. P. Levey

A. M. Freedman (resigned 3 May 2007)

Details of directors' remuneration, service contracts and interests in the ordinary shares of the company are included in the directors' remuneration report on pages 6 and 7.

Mr A. H. Drummon retires by rotation, and offers himself for re-election at the annual general meeting. He does not have a service contract with the company. Following formal performance evaluation, the board believes that the non-executive chairman has performed effectively and should be re-elected.

Biographies of directors

Howard Drummon, 77, was appointed a non-executive director on 19 July 2000 and became chairman on 11 August 2006. He was a director of Keith, Bayley, Rogers & Co Limited, which, together with its predecessor firm, has been the financial adviser and stockbroker to the company since March 1995. He is also a non-executive director of Resources Investment Trust plc (in members' voluntary liquidation).

Edward Levey BA(Hons) FCCA, 57, was appointed to the board on 10 March 1995 as finance director and company secretary. Under an agreement dated 5 June 2003 his position changed to that of a non-executive director and he continues to act as company secretary. He is currently a director of BrightThings plc. He has held a number of directorships in manufacturing, engineering and service industry companies during the last 20 years. He began his career with a subsidiary of Hawker Siddeley plc in 1976.

Substantial shareholdings

At 12 June 2008 the company had been notified, in accordance with the Disclosure and Transparency Rules of the Financial Services Authority, of the following notifiable interests in the ordinary share capital of the company:

	Number of Ordinary Shares	Percentage Holding
Galante International Limited	2,261,049	28.45%
Corvus Capital Inc	1,589,200	20.00%
J A M Hemming MP	276,300	3.47%
D Wheatley	396,040	4.98%

Directors' report continued

Fixed assets

There have been no movements in fixed assets during the year.

Payment of suppliers

It is the company's policy to pay suppliers in accordance with the terms agreed for each transaction. The average number of creditor days during the period was not more than 60 days.

Audit information

The directors are satisfied that the auditors are aware of all information relevant to the audit of the company's accounts for the year to 29 February 2008 and that they have taken all steps that they ought to have taken as directors in order to make them aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

A resolution proposing that Littlestone Martin Glenton be re-appointed as auditors of the company will be put to the annual general meeting.

Financial risk management

The company's financial risk management objective is to minimise, as far as possible, the company's exposure to such risk as detailed in note 19 to the accounts.

By order of the board

E. P. Levey

Secretary

27 June 2008

Directors' remuneration report

Introduction

The information included in this report is not subject to audit other than where specifically indicated.

Remuneration committee

The remuneration committee consists of the non-executive directors, Howard Drummon and Edward Levey. This committee's primary function is to review the performance of executive directors and senior employees and set their remuneration and other terms of employment. Since the disposal of its trading subsidiary on 24 January 2001, the company has only had one executive director and no senior employees.

The committee is also responsible for administering any share option scheme or bonus schemes. The only such scheme in place is the Executive Share Option Scheme, which has been approved by HM Revenue & Customs. Options in respect of 60,000 shares at an exercise price of 50p per share held by ex-employees, expired on 24 January 2002. There are currently no options granted and no directors hold share options.

The remuneration committee determines the company's policy for the remuneration of executive directors, having regard to the Directors' Remuneration Report Regulations 2002 (Schedule 7A of the Companies Act 1985) and The Combined Code on Corporate Governance and its provisions on directors' remuneration.

The remuneration policy

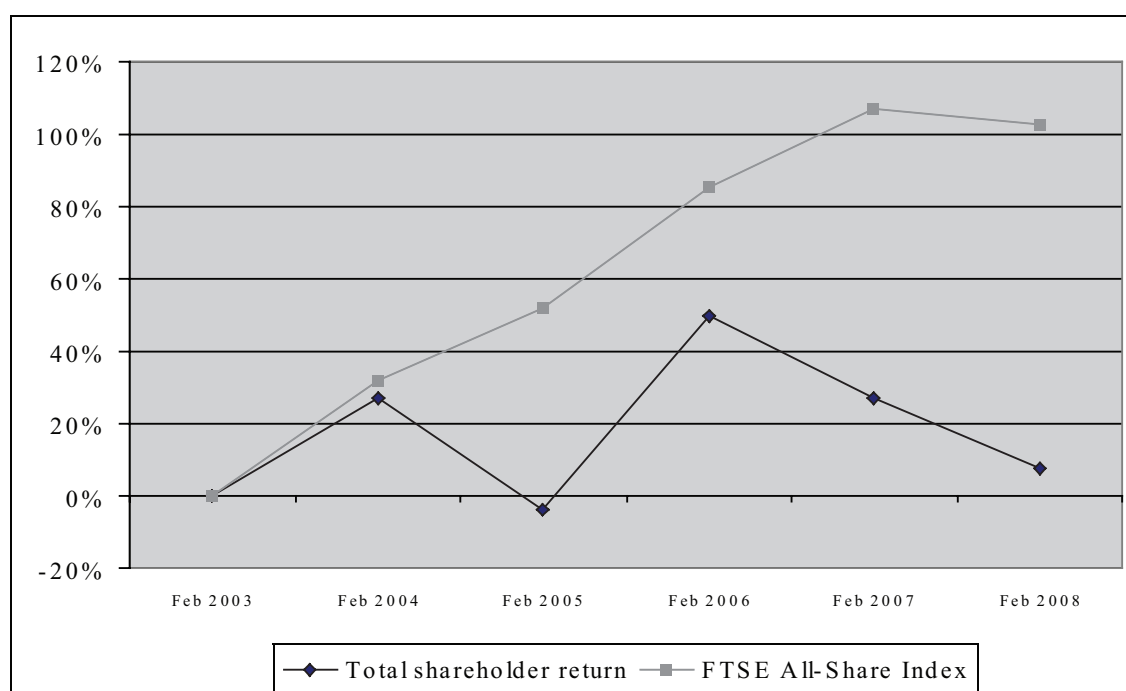
It is the aim of the committee to remunerate executive directors competitively and to reward performance.

Details of the remuneration packages of individual directors are set out below.

There are currently no share options, long term incentive plans, performance bonuses or pension schemes in place.

Performance graph

As required by the Directors' Remuneration Report Regulations 2002, the following table includes a performance graph comparing, over the last five financial years, the Total Shareholder Return of an ordinary share in Highway Capital plc against the Total Shareholder Return of the FTSE All-Share Index. The remuneration committee considers the FTSE All-Share Index to be an appropriate comparator for Total Shareholder Return performance.



Directors' remuneration report continued**Service agreements and terms of appointment**

None of the directors has a service contract with the company.

Directors' interests

The directors' interests in the share capital of the company are shown below. All interests are beneficial.

	Number of ordinary shares	
	29.2.2008	28.2.2007
A. H. Drummon	60,000	60,000
E. P. Levey	10,000	10,000

Directors' emoluments (audited)

Directors' emoluments including amounts payable to third parties in respect of directors' services are comprised as follows:

	Fees	Basic Salary	Compensation payment	Taxable Benefits	2008 Total	2007 Total
Non-executive directors:						
A. H. Drummon	2,000	—	—	—	2,000	2,000
E. P. Levey	26,000	—	—	—	26,000	26,000
A. M. Freedman	356	—	—	—	356	1,167
D. Wheatley	—	—	—	—	—	833
J. T. P. Roberts	—	—	—	—	—	833
R. E. Burns	—	—	—	—	—	833
	<u>£28,356</u>	<u>£—</u>	<u>£—</u>	<u>£—</u>	<u>£28,356</u>	<u>£31,666</u>

The non-executive directors have for the time being agreed to waive part of their fees and are currently receiving £500 each per quarter.

In addition to his non-executive director's fee, E. P. Levey currently receives £2,000 a month under a rolling one-month consultancy agreement.

No pension contributions were made by the company on behalf of its directors.

No director currently has share options, and no share options were granted to or exercised by the directors during the period under review.

Approval by shareholders

At the next annual general meeting of the company a resolution approving this report is to be proposed as an ordinary resolution.

This report was approved by the board on 27 June 2008 and signed on its behalf by:

A. H. Drummon

(Remuneration Committee Chairman)

Corporate governance

The policy of the board is to manage the affairs of the company in accordance with the 2006 Combined Code on Corporate Governance.

Application of principles of good governance

Board of directors

The board currently comprises the two independent non-executive directors. The articles of association require a third, but not greater than a third, of the directors to retire by rotation each year. Throughout the year the non-executive Chairman has been Howard Drummon, and the senior independent director has been Edward Levey. Since the disposal of the company's trading subsidiary on 24 January 2001 the company has not had a Chief Executive. The board intends to appoint a Chief Executive when a new business is acquired.

Edward Levey was previously an executive director of the company and, in addition to his non-executive director's fee, currently has a rolling one-month consultancy agreement with the company. The board regards Edward Levey as fully independent in character and judgement.

There are regular board meetings each year and other meetings are held as required to direct the overall company strategy and operations. Board meetings follow a formal agenda covering matters specifically reserved for decision by the board. These cover key areas of the company's affairs including overall strategy, acquisition policy, approval of budgets, major capital expenditure and significant transactions and financing issues.

The board has delegated certain responsibilities, within defined terms of reference, to the audit committee and the remuneration committee as described below. The appointment of new directors is made by the board as a whole.

During the year ended 29 February 2008, there were 10 formal board meetings, 1 audit committee meeting and 1 remuneration committee meeting. All meetings were fully attended.

The board undertakes a formal annual evaluation of its own performance and that of its committees and individual directors, through discussions and one-to-one reviews with the Chairman and the senior independent director.

Audit committee

The audit committee currently comprises the two non-executive directors and is headed by Howard Drummon, the Chairman. The committee's terms of reference are in accordance with The Combined Code on Corporate Governance.

The committee reviews the company's financial and accounting policies, interim and final results and annual report prior to their submission to the board, together with management reports on accounting matters and internal control and risk management systems. It reviews the auditors' management letter and considers any financial or other matters raised by both the auditors and employees.

The committee considers the independence of the external auditors and ensures that, before any non-audit services are provided by the external auditors, they will not impair the auditors' objectivity and independence. During the year non-audit services totalled £12,975 and covered normal accounting and taxation compliance work, which did not impact on the auditors' objectivity or independence.

The committee has primary responsibility for making recommendations to the board in respect of the appointment, re-appointment and removal of the external auditors.

Remuneration committee

The remuneration committee currently comprises the two non-executive directors and is headed by Howard Drummon, the Chairman.

Corporate governance continued

The committee's primary function is to review the performance of executive directors and senior employees and to set their remuneration and other terms of employment. It is also responsible for administering any share option and bonus schemes.

Relations with shareholders

The company encourages two-way communication with both its institutional and private investors and responds quickly to all queries received.

Internal controls

The directors are responsible for internal control in the company and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for the reliability of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material error, losses or fraud. In addition, there is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the company.

The key procedures that the directors have established are designed to provide effective internal control within the company and are regularly reviewed by the board. This is in accordance with The Turnbull Guidance provided by the Institute of Chartered Accountants in England and Wales. Such procedures have been in place throughout the period under review and up to the date of approval of the annual report and accounts.

Due to the size of the company, all key decisions are made by the board and the assessment and management of risk is an integral part of the board's decision-making process.

The company's organisational structure has clear lines of responsibility and the board continues to review systems to monitor and investigate the major business risks facing the company.

The board has established control procedures for all key financial areas of the business, which enable the board to maintain full and effective control. These controls include defined procedures for seeking and obtaining approval for major transactions and controls relating to the security of assets. The company operates a comprehensive budgeting and financial reporting system.

The directors have reviewed the effectiveness of the company's systems of internal control as they operated during the period under review and consider that there have been no material losses, contingencies or uncertainties caused by weaknesses in internal controls. The directors do not consider that an internal audit function is presently necessary as the company is a "cash shell".

Going concern

After reviewing the company's budget for 2008/2009 and its medium term plans, the directors consider that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Statement of compliance

In the opinion of the directors, the company has complied throughout the year ended 29 February 2008 with all relevant provisions set out in Section 1 of The Combined Code on Corporate Governance, except for the items outlined below.

Code provision A.1.5 – During a short part of the year only, the company did not have in place insurance cover in respect of legal action against its directors.

Code provision A.2.1 – Since the disposal of the company's trading subsidiary on 24 January 2001 the company has not had a Chief Executive. The board intends to appoint a Chief Executive when a new business is acquired.

Code provision A.4.1 – A nomination committee has not been set up, as the directors consider that it is not appropriate while the company is a "cash shell" without any employees. The board intends to set up a nomination committee when a new business is acquired.

Directors' responsibility statement

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable accounting standards, 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 company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the accounts.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. They are responsible for the system of internal control, and for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities. The directors are also responsible for ensuring that all information relevant to the audit has been made available to the auditors.

The above statement should be read in conjunction with the statement of the auditors' responsibilities set out on page 11.

Independent auditors' report **to the members of Highway Capital plc**

We have audited the accounts of Highway Capital plc for the year ended 29 February 2008 on pages 13 to 22. These accounts have been prepared under the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, the directors' remuneration report and the accounts 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 accounts and the part of the directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 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.

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the accounts. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited accounts. This other information comprises only the directors' report, the unaudited part of the directors' remuneration 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 and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the company, 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 and the part of the directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts and the part of the directors' remuneration report to be audited.

Independent auditors' report continued

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 company as at 29 February 2008 and of its result for the year then ended
- The accounts and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985
- The information given in the directors' report is consistent with the accounts.

Littlestone Martin Glenton
Chartered Accountants and
Registered Auditors

73 Wimpole Street,
London W1G 8AZ

27 June 2008

Profit and loss account**Year ended 29 February 2008**

	Notes	2008	2007
Management fees		—	—
Administrative expenses		(77,848)	(78,696)
Operating loss	2	(77,848)	(78,696)
Interest receivable		24,284	20,721
Loss on ordinary activities before taxation		(53,564)	(57,975)
Tax credit on loss on ordinary activities	5	—	—
Loss for the financial year		(53,564)	(57,975)
Basic and diluted loss per share	7	(0.67)p	(0.73)p
Basic and diluted loss per share from continuing operations	7	(0.67)p	(0.73)p

Continuing operations

There are no acquired or discontinued operations in the above two financial periods.

Total recognised gains and losses

The company has no recognised gains or losses other than the profit or loss for the above two financial periods.

Reconciliation of equity shareholders' funds

	2008	2007
Loss attributable to ordinary shareholders	(53,564)	(57,975)
Dividends	—	—
Net decrease in shareholders' funds	(53,564)	(57,975)
Shareholders' funds at 1 March 2007	509,714	567,689
Shareholder's funds at 29 February 2008	£456,150	£509,714

Balance sheet

at 29 February 2008

	Notes	2008	2007
Fixed assets			
Investments	8	—	—
Current assets			
Debtors	10	3,938	4,038
Cash at bank and in hand		480,247	528,327
		484,185	532,365
Creditors: amounts falling due within one year	11	(28,035)	(22,651)
Net current assets		456,150	509,714
Net assets		£456,150	£509,714
Capital and reserves			
Share capital	14	158,913	158,913
Share premium	16	295,437	295,437
Profit and loss account	16	1,800	55,364
Total equity shareholders' funds		£456,150	£509,714

Approved by the board on 27 June 2008

A. H. Drummon (Chairman)

Cash flow statement**Year ended 29 February 2008**

	Notes	2008	2007
Net cash outflow from operating activities	20(a)	(72,364)	(83,035)
Returns on investments and servicing of finance			
Interest received	24,284	20,721	
Net cash inflow from returns on investments and servicing of finance		24,284	20,721
Taxation			
Corporation tax		—	—
Equity dividends paid		—	—
Decrease in cash	20(b)	£(48,080)	£(62,314)

Notes to the accounts

Year ended 29 February 2008

1. Accounting policies

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Highway Capital plc does not prepare consolidated accounts and the directors have therefore continued to prepare its accounts in accordance with UK rather than international accounting standards, as permitted under EC Regulation 1606/2002.

Consolidation

At 29 February 2008, Highway Capital plc was a stand-alone company and is therefore not required to prepare consolidated accounts.

Depreciation

Depreciation is provided on all fixed assets at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life.

Stocks and work-in-progress

Stocks and work-in-progress are stated at the lower of cost and net realisable value.

Deferred taxation

Deferred tax is provided in full at appropriate rates in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes, if those timing differences are not permanent and have originated but not reversed by the balance sheet date. The deferred tax balance has not been discounted.

Finance leases and hire purchase commitments

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their useful economic lives.

The interest element is charged to profit and loss account on a straight line basis over the period of the finance leases or hire purchase contracts.

Rentals paid under operating leases are charged to income on a straight line basis over the lease period.

Foreign currencies

Profit and loss account transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Turnover

Turnover represents management fees receivable.

Notes to the accounts continued**Year ended 29 February 2008****2. Operating loss**

This is stated after charging:

	2008	2007
	£	£
Directors' remuneration — Salaries and fees	28,356	31,666
Auditors' remuneration — Audit services	7,850	7,750
— Other services	12,975	12,400
	<u>28,356</u>	<u>31,666</u>

3. Employees

The average number of employees during the year was made up as follows:

	2008	2007
Directors	2	4
Other	—	—
	<u>2</u>	<u>4</u>

Employee costs including directors during the year amounted to:

	£	£
Salaries and fees	28,356	31,666
	<u>£28,356</u>	<u>£31,666</u>

4. Directors' remuneration

Information relating to directors' emoluments is included in the directors' remuneration report on pages 6 and 7.

Notes to the accounts *continued***Year ended 29 February 2008****5. Taxation**

	2008	2007
Based on the loss for the year:		
U.K. corporation tax at 20% (2007: 19%)	—	—
Under/(over) provision in previous years	—	—
	<u>£—</u>	<u>£—</u>
	<u><u>£—</u></u>	<u><u>£—</u></u>
Factors affecting the tax charge/(credit) for the year		
Loss on ordinary activities before taxation	<u>£(53,564)</u>	<u>£(57,975)</u>
Loss on ordinary activities before taxation multiplied by the small company rate of UK corporation tax of 20% (2007: 19%)	<u>£(10,713)</u>	<u>£(11,015)</u>
Effects of:		
Current period tax losses not utilised	10,699	11,015
Disallowed expenditure	14	—
Adjustments to tax charge in respect of previous periods	—	—
	<u>£10,713</u>	<u>£11,015</u>
	<u><u>£—</u></u>	<u><u>£—</u></u>
Current tax charge/(credit)		
	<u><u>£—</u></u>	<u><u>£—</u></u>

The company has estimated losses of £558,000 (2007: £505,000) that may be available for carry forward against future profits, and estimated capital losses of £1,460,000 (2007: £1,460,000) that may be available for carry forward against future chargeable gains. No deferred tax asset has been recognised in the accounts in respect of these unrelieved losses.

6. Dividends

	2008	2007
Interim paid nil per share (2007: nil)	—	—
	<u>£—</u>	<u>£—</u>
	<u><u>£—</u></u>	<u><u>£—</u></u>

7. Loss per share

The loss per ordinary share calculation has been based on the loss attributable to ordinary shareholders of £53,564 (2007: loss £57,975), divided by 7,945,638 (2007: 7,945,638), being the weighted average number of ordinary shares in issue during the year. The basic and the diluted loss per ordinary share are the same.

There are no discontinued operations in either period and, therefore, the basic and the diluted loss per ordinary share from continuing operations are the same as the basic and the diluted loss per ordinary share.

8. Investments

On 24 January 2001, the company disposed of its trading subsidiary Superframe Limited and its dormant subsidiary Retail Rescue Limited.

9. Capital commitments

At 29 February 2008 the company had no capital commitments.

Notes to the accounts *continued***Year ended 29 February 2008****10. Debtors**

	2008	2007
Other debtors	817	761
Prepayments	3,121	3,277
	<u>£3,938</u>	<u>£4,038</u>

11. Creditors: amounts falling due within one year

	2008	2007
Trade creditors	8,450	3,080
Accruals	19,585	19,571
	<u>£28,035</u>	<u>£22,651</u>

12. Borrowings

The company had no bank loans or overdrafts existing at the beginning or end of the year.

13. Deferred taxation

The estimated deferred tax asset not recognised in the accounts, based on a 28% rate of tax, amounts to £565,000 (2007: based on a 30% rate of tax £590,000). Of this amount, £409,000 may be recoverable by the company against future chargeable gains, and £156,000 may be recoverable against future profits.

14. Share capital

	Number of Shares 2008	Nominal Value 2008	Number of Shares 2007	Nominal Value 2007
Authorised —				
Ordinary shares of 2p each	<u>50,000,000</u>	<u>£1,000,000</u>	<u>50,000,000</u>	<u>£1,000,000</u>
Allotted, called-up and fully paid —				
Ordinary Shares of 2p each	<u>7,945,638</u>	<u>£158,913</u>	<u>7,945,638</u>	<u>£158,913</u>

15. Related party transactions

Howard Drummon, non-executive Chairman, was a director of Keith, Bayley, Rogers & Co Limited, the financial adviser and stockbroker to the company. In the year ended 29 February 2008, Keith, Bayley, Rogers & Co Limited received retainer fees of £10,000 (2007: £10,000).

Notes to the accounts *continued***Year ended 29 February 2008****16. Reconciliation of movements on reserves**

	Share Premium Account	Profit and Loss Account
At 1 March 2007	295,437	55,364
Retained loss for the year	—	(53,564)
At 29 February 2008	<u>£295,437</u>	<u>£1,800</u>

17. Other financial commitments

At 29 February 2008 the company had no commitments for the year ending 28 February 2009 under non-cancellable operating leases.

18. Financial instruments

The Company's financial instruments comprise cash, trade debtors and trade creditors that arise directly from its operations. The Company's policy has been, and continues to be, that no speculative trading in financial derivatives shall be undertaken.

19. Financial assets

The cash is held in bank current and premium accounts and on treasury deposit, which receive varying rates of interest that is recognised on a receivable basis. All financial assets and liabilities are denominated in Sterling.

Fair value of financial assets and liabilities

The fair value of financial assets and liabilities, calculated by discounting expected future cash flows at prevailing interest rates, is not materially different from their book value, and is as follows:

	2008	2007
Financial assets		
Receivables	3,938	4,038
Cash at bank	480,247	528,327
	<u>£484,185</u>	<u>£532,365</u>
Financial liabilities		
Payables: current liabilities	<u>£28,035</u>	<u>£22,651</u>

Hedging

The Company makes no use of forward currency contracts, other financial derivatives or hedging.

Interest rate risk

The Company does not have an interest rate policy in isolation but regularly reviews the interest rates being received on deposits.

Liquidity risk

The principal policy of the Company in managing liquidity risk is to align the anticipated timing of expenditure with the availability of its cash balances.

Notes to the accounts continued**Year ended 29 February 2008****20. Group cash flow statement**

		2008	2007
(a) Net cash outflow from operating activities			
Operating loss		(77,848)	(78,696)
Decrease/(increase) in debtors		100	(1,492)
Increase/(decrease) in creditors		5,384	(2,847)
Net cash outflow from operating activities		<u>£(72,364)</u>	<u>£(83,035)</u>
(b) Analysis of net funds/(debt)	1 March 2007	Cash flow 2008	29 February 2008
Net cash: cash at bank and in hand	528,327	(48,080)	480,247
Net funds/(debt)	<u>£528,327</u>	<u>£(48,080)</u>	<u>£480,247</u>
(c) Reconciliation of net cash flow to movement in net funds/(debt)		2008	2007
Decrease in cash in the period		(48,080)	(62,314)
Movement in net funds/(debt) in the year		(48,080)	(62,314)
Opening net funds/(debt)		528,327	590,641
Closing net funds/(debt)		<u>£480,247</u>	<u>£528,327</u>

Company information

Directors	Alec Howard Drummon (non-executive Chairman)* Edward Patrick Levey BA(Hons) FCCA (non-executive director)* * member of the remuneration & audit committees.
Secretary and registered office	Edward Patrick Levey BA(Hons) FCCA 73 Wimpole Street London W1G 8AZ
Registrars and share transfer office	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Share price information	Information about the day-to-day movement of the Company's share price can be obtained from the London Stock Exchange: Code HWC
Auditors	Littlestone Martin Glenton Chartered Accountants and Registered Auditors 73 Wimpole Street London W1G 8AZ
Bankers	Barclays Bank Plc The Lea Valley Group 78 Turners Hill Cheshunt Herts EN8 9BW
Solicitors	Goodman Derrick 90 Fetter Lane London EC4A 1PT
Stockbrokers	Keith, Bayley, Rogers & Co Limited 2nd Floor, Finsbury Tower 103-105 Bunhill Row London EC1Y 8LZ

Financial review

	Year to 29.2.2008	Year to 28.2.2007	Year to 28.2.2006	Year to 28.2.2005	Year to 29.2.2004
Management fees	—	—	—	—	20,000
Administrative expenses	(77,848)	(78,696)	(80,510)	(82,237)	(118,113)
Operating profit/(loss)	(77,848)	(78,696)	(80,510)	(82,237)	(98,113)
Profit on disposal of subsidiaries	—	—	—	—	—
Income from fixed asset investments	—	—	—	—	—
Interest receivable	24,284	20,721	23,383	24,489	20,972
Profit/(loss) on ordinary activities before taxation	(53,564)	(57,975)	(57,127)	(57,748)	(77,141)
Taxation	—	—	—	—	486
Profit/(loss) on ordinary activities after taxation	£(53,564)	£(57,975)	£(57,127)	£(57,748)	£(76,655)
Earnings/(loss) per share	(0.67)p	(0.73)p	(0.72)p	(0.73)p	(0.96)p
Dividend per share	nil	nil	nil	nil	nil

The basic and the diluted earnings/(loss) per share figures are the same.

Notice of annual general meeting

Notice is hereby given that the annual general meeting of the company will be held at 2nd Floor, Finsbury Tower, 103-105 Bunhill Row, London EC1Y 8LZ on 28 August 2008 at 12:00 noon for the following purposes:

Ordinary business — ordinary resolutions

Resolution 1:

To receive and adopt the report of the directors and the audited accounts for the year ended 29 February 2008.

Resolution 2:

To approve the directors' remuneration report for the year ended 29 February 2008.

Resolution 3:

To re-elect Howard Drummon as a director of the company.

Resolution 4:

To re-appoint Littlestone Martin Glenton as the registered auditors of the company and to authorise the directors to determine their remuneration.

Special business

To consider and, if thought fit, approve the following resolution as an ordinary resolution:

Resolution 5:

That the directors be and are hereby generally and unconditionally authorised (in substitution for any specific or general authority previously conferred on them but without prejudice to the allotment of securities under and such previous authority pursuant to any offer or agreement made prior to the date this resolution is passed) to exercise all the powers of the company to allot relevant securities within the meaning of section 80 of the Companies Act 1985 ("the Act") up to an aggregate nominal amount of £7,946 PROVIDED THAT this authority shall expire on the earlier of the conclusion of the next annual general meeting of the company after the passing of this resolution and a date being fifteen months after the date of the passing of this resolution save that the company may before such expiry make an offer or agreement which would or might require the 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.

To consider and if thought fit, pass the following resolution as a special resolution:

Resolution 6:

That subject to the passing of resolution 5 above, the directors be and are hereby empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94 of the Act) of the company for cash pursuant to the authority conferred by the ordinary resolution referred to in resolution 5 above as if section 89(1) of the Act did not apply to such allotment PROVIDED THAT:

1. This power shall be limited to the allotment of equity securities up to a maximum aggregate nominal value of £7,946;
2. The authority of the directors shall extend to the making of any offer or agreement before the expiration or revocation of this power which would or might require equity securities to be allotted otherwise than in accordance with section 89 of the Act after the expiration or revocation of this power and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding the expiry of this power;
3. Any reference to the allotment of equity securities includes a reference to the grant of a right to subscribe for or convert any securities into such securities including any share option scheme, share option agreements or warrants; and

Notice of annual general meeting continued

4. This power shall expire on the earlier of the conclusion of the next annual general meeting of the company and a date being fifteen months after the date of the passing of this resolution.

BY ORDER OF THE BOARD

Registered Office:
73 Wimpole Street
London W1G 8AZ

E. P. Levey
Secretary

27 June 2008

NOTES

1. A member entitled to attend and vote at the meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the meeting. A member can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
2. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy will vote as you instruct and must attend the meeting for your vote to be counted. Details of how to appoint the Chairman or another person as your proxy using the proxy form are set out in the notes to the proxy form. Appointing a proxy does not preclude you from attending the Meeting and voting in person. If you attend the Meeting in person, your proxy appointment will automatically be terminated.
3. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a "Nominated Person"). The rights to appoint a proxy can not be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the members as to the exercise of voting rights.
4. If a member is a corporation, this form must be executed either under its common seal or under the hand of an officer or agent duly authorised in writing. In the case of an individual the proxy must be signed by the appointor or his agent, duly authorised in writing. To be valid an appointment of proxy must be returned (together with any authority under which it is executed) to the Company's Registrars not less than 48 hours before the time of the meeting.
5. All members of the company are urged to complete and return the attached form of proxy as soon as possible.
6. The following documents will be available for inspection at the registered office of the company on any weekday (except Saturday) during normal business hours from the date of the issue of this notice until the date of the annual general meeting and, at the place of the meeting, for a period of 15 minutes prior to the annual general meeting and during the meeting.
 - (a) The register of directors' share interests containing the information required to be maintained by statute in relation to transactions of each director in the share capital of the company and of the interests of each director in share options and warrants;
 - (b) The company's memorandum and articles of association.
 - (c) Directors Service Contracts.
7. Pursuant to regulation 41(1) of the Uncertificated Securities Regulations 2001 (2001 No. 3755) the company has specified that only those members registered on the register of members of the Company at 6 pm on 26 August 2008 shall be entitled to attend and vote at the AGM in respect of the number of Ordinary Shares registered in their name at that time. Changes to the register of members after 6pm on 26 August 2008 shall be disregarded in determining the rights of any person to attend and vote at the AGM.
8. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that
 - (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and
 - (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.
9. As at 26 June 2008 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 7,945,638 ordinary shares. No shares are held in treasury. Therefore the total voting rights in the Company are 7,945,638.

Proxy Form

I/We (insert name, block capitals please)
a member(s) of the above company, hereby appoint the Chairman of the meeting OR the following person

(Name of Proxy) (Number of Shares) (Note 1)
as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of the company which will be held at 2nd Floor, Finsbury Tower, 103-105 Bunhill Row, London EC1Y 8LZ on 28 August 2008 at 12:00 noon, and at any adjournment thereof.

Please indicate by ticking the box if this proxy appointment is one of multiple appointments being made – for the appointment of one or more proxy, please refer to explanatory note 2 (below). ☐

I/We desire my/our proxy to vote on the resolutions proposed to be submitted as follows (marked with “X”):

		For	Against	Withheld
Ordinary Business				
Resolution 1	To receive and adopt the report of the directors and the audited accounts for the year ended 29 February 2008	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	To approve the directors’ remuneration report for the year ended 29 February 2008	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	To re-elect Howard Drummon as a director of the company (a member of audit and remuneration committees)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	To re-appoint the auditors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Special Business				
Resolution 5	To give authority to issue shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	To dis-apply pre-emption rights	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signed Dated 2008

NOTES

- Every holder has the right to appoint some other person(s) of their choice, who need not be a shareholder as his proxy to exercise all or any of his rights, to attend, speak and vote on their behalf at the meeting. If you wish to appoint a person other than the Chairman, please insert the name of your chosen proxy holder in the space provided (see above). If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder’s name (see above) the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).
- To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder’s name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given.
- The ‘Vote Withheld’ option is provided to enable you to abstain on any particular resolution. However, it should be noted that a ‘Vote Withheld’ is not a vote in law and will not be counted in the calculation of the proportion of the votes ‘For’ and ‘Against’ a resolution.
- Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at 6pm on the day which is two days before the day of the meeting or adjourned meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communication from the Company in accordance with section 146 of the Companies Act 2006 (“nominated persons”). Nominated persons may have a right under an agreement with the registered shareholder who holds shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
- The completion and return of this form will not preclude a member from attending the meeting and voting in person. If you attend the meeting in person, your proxy appointment will automatically be terminated.
- To be effective, all votes must be lodged not less than 48 hours before the time of the meeting at the office of the Company’s registrars at: Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

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Business Reply Service
Licence No. MB 122



**Capita Registrars
Proxies Department
PO Box 25
BECKENHAM
Kent
BR3 4BR**

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