



**Annual Report**

**For The Period Ended 31 December 2006**

**Registration number 04160983**

# MERIDEN GROUP PLC

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# MERIDEN GROUP PLC

## INFORMATION PAGE

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Company Registration Number : 04160983

Registered Office : Meriden House  
6 Great Cornbow  
Halesowen  
West Midlands  
B63 3AB

Website : [www.meriden-group.co.uk](http://www.meriden-group.co.uk)

Chairman & Chief Executive : Russell W Stevens

Secretary : James N Brinton

Bankers : Bank of Scotland plc  
Temple Row  
Birmingham  
B2 5LS

Solicitors : Eversheds  
115 Colmore Row  
Birmingham  
B3 3AL

Auditors : Charles Lovell & Co  
Royal House  
Market Place  
Redditch  
B98 8AA

Registrars : Neville Registrars Limited  
Neville House  
18 Laurel Lane  
Halesowen  
West Midlands  
B63 3DA

# MERIDEN GROUP PLC

## CHAIRMANS STATEMENT

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I present my 2006 extended period Chairman's report for Meriden Group plc.

During the period the Company made pre tax losses of £1,577,358 (Compared to the consolidated 2005 results of a loss of £873,005 on a turnover of £8,891,713).

It was announced in the Chancellors March 2006 budget that the decision was made to implement a change in the Governments policy and remove the benefits under tax efficient payroll based deferred computer purchase agreements commonly known as the Home Computer Initiative ("HCI") schemes from 6 April 2006. This change in policy meant that the Company was forced to write off the set up costs and work that had been incurred in setting up the HCI division. Subsequently the Company lost its significant order book, which would have seen a high level of revenue stream and profit flowing from its HCI division.

As shareholders are aware the Group had been incurring significant losses in the Logistics subsidiaries being operated in Scotland and France. It was evident that these activities whilst growing could not, even after the close of the Scottish branch and the rationalisation of the business, provide a sufficiently reasonable timescale to reach breakeven and, as the expected profit from HCI, which would have subsidised these losses had been lost, the board made the decision that these two trading subsidiaries should be placed into voluntary administration, and the administration orders were granted by the court on 16 June 2006.

Following the placing of the Logistics subsidiaries into administration the board entered into discussions with the Logistics divisions' residual creditors, with whom Meriden Group had provided a guarantee for their indebtedness. Whilst these discussions were mainly successful with 90% of the creditors agreeing, notably, Barclays Asset Finance and Hill Hire, there was unfortunately one creditor being SeaFrance SA who would not agree to the proposed informal compromise agreement for the residual creditors. These discussions continued, but were unfortunately unsuccessful and consequently the residual logistics creditor of SeaFrance lodged a winding up petition against the Group.

The Group had been continuing to trade its core divisions of IT Solutions, Marketing & Communications, Management Consultancy and Outsourcing, with the board being hopeful that these core divisions would deliver positive results having seen a number of notable contracts being won. However following the submission of the winding up petition by SeaFrance SA the board resolved that the precautionary step of making an application to the court for the Company and its wholly owned subsidiary, Meriden Holdings Limited, to be placed into administration.

The court granted the administration order for Meriden Holdings Limited on 13 September 2006 with a further hearing for the administration of Meriden Group Plc being held at a later date. Meriden Holdings Limited traded under administration, but unfortunately the administrator decided that the remaining activities were not sufficiently profitable and consequently ceased to trade on 30 November 2006.

Unfortunately the court did not agree that Meriden Group Plc should be subject to an administration order and the court therefore rejected our voluntary administration application. Following this the Company was disappointed to announce the resignation of Mr Derek Hall, who had been Chairman since flotation on AIM in 2001. I therefore assumed the role as acting Chairman following his resignation, but would like to thank Derek for his services to the Group and the contribution he made during this time.

With the winding up petition being held in court I proposed that the Group should attempt to enter into a Creditors Voluntary Arrangement ("CVA") between all of the creditors. I entered into discussions with the major creditors in order that this could be agreed in order to avoid the Company from being wound up. To facilitate this I agreed to loan £30,000 to Meriden Group Plc so that this would enhance the funds available for the CVA. I am pleased to say that my discussions with the creditors were successful and the

## MERIDEN GROUP PLC

### CHAIRMANS STATEMENT

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CVA proposal was passed on 13 December 2006. Following this the petition for winding up of the Company was subsequently dismissed by the court.

Following the successful approval of the CVA the decision was made that that the year end should be extended to 31 December 2006 in order to prepare a 17 month period set of accounts. The extended set of accounts will therefore incorporate the CVA and I believe that these will provide a more informative current situation of the Company to shareholders, following the CVA proposal.

With the trading of the shares having been suspended on 7 September 2006 these extended set of accounts were required to be announced by 8 March 2007 in order to retain the status of the AIM listing. Therefore I have personally financed the costs of the Group since the CVA such as the audit, court fees and other costs to ensure that this deadline could be met.

Having reviewed the potential opportunities for the remaining listed shell of Meriden Group Plc I have been actively searching for businesses which will relaunch the Company as a broad based business services group. I am hopeful that my discussions will be successful having had a significant amount of positive feedback from these. Should suitable opportunities be found then this will enable the Company to continue into the foreseeable future and hopefully provide an increase in value for shareholders, having seen the investment values dramatically drop over the last 18 months.

Appropriate announcements will hopefully be made in due course following the outcome of my discussions, but in the meantime I would like to thank all of our former staff for their hard work during the difficult times that the Group has incurred.

R W Stevens  
8 March 2007

# MERIDEN GROUP PLC

## REPORT OF THE DIRECTORS

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The director presents his report together with the audited financial statements for the period ended 31 December 2006.

### Principal activity

The principal activity of the Company is that of an AIM listed holding company.

### Business review

The key activity of the Group was the provision of business services. The Group ceased to trade when the wholly owned subsidiary Meriden Holdings Limited, ceased trading on 30 November 2006 and its two wholly owned subsidiaries Meriden Logistics Limited and Meriden Logistics SARL, ceased trading on 16 June 2006 upon entering administration.

The Company entered into a Company Voluntary Arrangement on 11 December 2006, which was approved by the court, creditors and shareholders on the same day.

The loss attributable to shareholders for the period amounted to £1,577,358, after the write back of creditors who waived a proportion of their debts, following the agreement of the Company Voluntary Arrangement.

The director is unable to recommend the payment of a final dividend.

### Directors

The membership of the Board and the interests of the directors and their families in the shares of the company as at 1 August 2005 and 31 December 2006 were as follows:

	31 December 2006		31 July 2005	
	Ordinary shares of 0.1p each	Options to purchase shares of 0.1 p each	Ordinary shares of 0.1p each	Options to purchase shares 0.1p each
	Number	Number	Number	Number
Derek Hall (Resigned 09 October 2006)	400,000	1,400,000	400,000	1,400,000
Russell Stevens	84,500,000	-	152,500,000	-

Both of the directors have consultancy agreements with the company. The contracts continue until terminated by 3 months notice on either side for Mr Stevens and one month's notice was given for Mr Hall. Mr Stevens is subject to director's re-appointment at the Annual General Meeting under the rotation provisions of the company's Articles of Association.

# MERIDEN GROUP PLC

## REPORT OF THE DIRECTORS

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### Substantial shareholdings

The only interests in excess of 3 per cent of the issued share capital of the Company, which have been notified to the Company as at 07 March 2007, were as follows.

	<b>Ordinary shares of 0.1p each Number</b>	<b>Percentage capital %</b>
Pershing Keen Nominees Limited (601) Des:GWCLT	29,919,999	8.67%
Barclayshare Nominees Limited (11301)	29,438,117	8.53%
OMX Securities Nominees Limited (69XHN) Des:GEN	13,930,000	4.04%

### Payment to suppliers

It is the Company's policy to agree appropriate terms and conditions for its transactions with suppliers by means ranging from standard terms and conditions to individually negotiated contracts and pay suppliers according to agreed terms and conditions, provided that the supplier meets those terms and conditions. The Company does not have a standard or code that deals specifically with the payment of suppliers.

Trade creditors for the Company at the period end amounted to 30 days (2005: 50 days) of average supplies for the period.

### Directors' responsibilities for the financial statements

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

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group to enable them to ensure the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and 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.

The Company has a website which contains up to date information on the Company's activities and published financial results. The maintenance and integrity of the website is the responsibility of the directors.

**MERIDEN GROUP PLC**

**REPORT OF THE DIRECTORS**

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**Auditors**

Charles Lovell & Co were appointed auditors to the company and in accordance with Section 385 of the Companies Act 1985, a resolution proposing their reappointment will be put to the Annual General Meeting.

**BY ORDER OF THE BOARD**

J N Brinton  
Company Secretary  
8 March 2007

The Company has applied principles of corporate governance commensurate with its size.

**Directors**

The Company supports the concept of an effective Board leading and controlling the Company. The Board is responsible for approving Company policy and strategy and it meets ten times per annum. The Chief Executive supplies the Board with appropriate and timely information, in particular with respect to acquisition targets, and the directors are free to seek any further information they consider necessary. All directors have access to advice from the Company secretary and independent professional advice at the Company's expense.

The Board currently consists of one director, being Mr Russell Stevens, who holds the key operational position in the Company and also acts as the Chairman of the board following the resignation of Mr Derek Hall. Mr Russell Stevens has the day to day operational and strategic control of the company's business. The biography of the directors is set out below:

*Russell Stevens (Chairman & Chief Executive)*, aged 40, is a certified chartered accountant and, in 1991, founded Hamiltons, a multi-disciplinary accountancy practice. He became managing director of Hamiltons Group Limited on its incorporation in May 1997, subsequently stepping down to become Chief Executive of its sister company, Meriden Group Plc. He has a portfolio of unquoted companies in which he has active investments and specialises in providing strategic advice to growing businesses. Russell is also Managing Director of Bidtimes Plc, an investment company, which he floated on AIM in July 2000 and Chief Executive of Innobox Plc, which he floated on AIM in January 2001 and which operates in the licensed trade sector. Russell is also a successful property developer and has his own development company, which specialises in leisure and residential developments. He currently owns two Hotels and a Golf Club with residential facilities, which are all run under management.

The director has each entered into consultancy agreements with the Company, which are terminable by either party with three month's written notice in the case of Mr Stevens and one month's notice was given in the case of Mr Hall's resignation.

**Relations with shareholders**

The Company values the views of its shareholders and recognises their interest in the Company's strategy and performance. The Annual General Meeting is used to communicate with private investors and they are encouraged to participate. The director will be available to answer questions. Separate resolutions are proposed on each issue so that they can be given proper consideration and there is a resolution to approve the annual report and accounts.

All shareholders can gain access to information about the Company through the Company's website [www.meriden-group.co.uk](http://www.meriden-group.co.uk).

**Accountability and audit**

The Audit Committee now comprises of Mr Russell Stevens (Chairman & Chief Executive) following the resignation of Mr Derek Hall. The terms of reference of the Committee include keeping under review the scope and results of the external audit and its cost effectiveness. This includes reviewing the nature and extent of non-audit services supplied by the external auditors to the company, seeking to balance objectivity and value for money. In addition, the Board receives written confirmation from the external auditors as to any relationships which may be reasonably thought to bear on their independence. The external auditors also confirm whether they consider themselves independent within the meaning of UK regulatory and professional requirements.

**Internal control**

The Board is responsible for maintaining a strong system of internal control to safeguard shareholders' investment and the Company's assets and for reviewing its effectiveness. The system of internal financial control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has considered the need for an internal audit function but has decided the size of the Company does not justify it at present. However, it will keep the decision under annual review.

The key features of the company's systems of internal financial control are as follows:

- the Company is headed by an effective Board, which leads and controls the Company;
- there is a clear division of responsibilities in running the Board and running the Company's business;
- the Board receives and reviews on a timely basis financial and operating information appropriate to being able to discharge its duties; and
- the Board receives and reviews on a timely basis information regarding potential acquisition targets.

**Going concern**

After making enquiries, the director has a reasonable expectation that the Company can continue in operational existence for the foreseeable future under the assumption that a reverse takeover opportunity can be sought for the AIM listing and support from the director, Mr Russell Stevens. For this reason the board continues to adopt the going concern basis in preparing the financial statements.

**Directors' remuneration**

The Board recognises that directors' remuneration is of legitimate concern to the shareholders and is committed to following current best practice. The Company operates within a competitive environment that is subject to rapid technical change. Its performance depends on the individual contributions of the directors and employees and it believes in rewarding vision and innovation.

**Policy on executive directors' remuneration**

The policy of the Board is to provide executive remuneration packages designed to attract, motivate and retain directors of the calibre necessary to maintain the Company's position and to reward them for enhancing shareholder value and return. It aims to provide sufficient levels of remuneration to do this, but to avoid paying more than is necessary. The remuneration should also reflect the directors' responsibilities and contain incentives to deliver the Company's objectives.

The Remuneration Committee now comprises Mr Russell Stevens following the resignation of Mr Derek Hall and the terms of the Committee are to monitor remuneration levels and to make recommendations to the Board regarding the remuneration of directors.

**Consultancy fees**

Directors' remuneration is paid by way of consultancy fees which are paid to related parties associated with Mr Stevens and previously to Mr Hall. The terms of such consultancy fees have been set and agreed in advance as set out in various consultancy agreements.

A summary of amounts payable under the consultancy agreements is set out below:

	<b>Annual Entitlement</b>	<b>Amount Paid In Period</b>	<b>Payable to</b>
	<b>£</b>	<b>£</b>	
Derek Hall, Non-executive Chairman (Resigned 09 October 2006)	9,000	11,250	Derek Hall Associates, a business in which Mr Hall is the owner.
Russell Stevens, Chief Executive	60,000	59,500	Hamiltons Securities, a partnership in which Mr Stevens is a partner.

# MERIDEN GROUP PLC

## REPORT ON REMUNERATION

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### Share option incentives

The Company operates a share option scheme.

		<b>At the end of the year Number</b>	<b>Exercise price pence</b>
Derek Hall	(Resigned 09 October 2006)	1,400,000	2.5
Russell Stevens		-	-

The share options may be exercised in whole or in part at any time during the period between the third and the seventh anniversary of the date of grant on 14 August 2001.

The market value of the shares at 31 December 2006 was 0.02 penny and the high and low prices during the period have been 1.09 pence and 0.02 pence respectively.

Mr Russell Stevens  
Chairman and Chief Executive

8 March 2007

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MERIDEN GROUP PLC**

We have audited the financial statements of Meriden Group Plc for the period ended 31 December 2006 on pages 14 to 26. These financial statements have been prepared under the accounting policies set out therein.

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

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) are set out on page 5.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, 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 transactions with the Company is not disclosed.

We read the Directors' report and other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, the Report of the Directors, the Report on Corporate Governance and the Report on Remuneration. 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 except that the scope of our work was limited as explained below. 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. However, the evidence available to us was limited because we were not appointed auditors of the Company until 28 February 2007 and in consequence it was not possible for us to perform the auditing procedures necessary to obtain sufficient appropriate evidence as regard the opening balances included in the prior years financial statements. Any adjustment to these balances would have a consequential effect

for the period ended 31 December 2006. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Going concern**

In forming our opinion we have considered the adequacy of the disclosure made in note 1.2 of the financial statements concerning the uncertainty as to the continuation of the Company for the foreseeable future. In view of the significance of this uncertainty, we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2006 and, except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the opening balances at 1 August 2005, of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation in our work relating to the opening balances

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper accounting records had been maintained

**CHARLES LOVELL & CO**  
**REGISTERED AUDITORS**  
**8 March 2007**

**MERIDEN GROUP PLC****PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD ENDED 31 DECEMBER 2006**

	<b>Note</b>	<b>Period Ended 31 December 2006 £</b>	<b>Year Ended 31 July 2005 £</b>
<b>Turnover</b>	<b>2</b>	-	153,000
Administrative expenses - continuing		(185,166)	(145,442)
- exceptional	<b>3</b>	(1,231,973)	-
		<hr/>	<hr/>
<b>Operating (loss)/profit</b>		(1,417,139)	7,558
Amounts written off investments	<b>4</b>	(167,953)	-
		<hr/>	<hr/>
Loss before interest and taxation		(1,585,092)	7,558
Interest receivable		7,741	33
Interest payable	<b>5</b>	(7)	-
		<hr/>	<hr/>
<b>(Loss)/profit on ordinary activities before taxation</b>	<b>3</b>	(1,577,358)	7,591
Taxation	<b>7</b>	-	-
		<hr/>	<hr/>
<b>(Loss)/profit on ordinary activities after taxation</b>		(1,577,358)	7,591
Dividends paid and proposed	<b>8</b>	-	(49,700)
		<hr/>	<hr/>
<b>Retained (loss)/profit</b>		(1,577,358)	(42,109)
		<hr/> <hr/>	<hr/> <hr/>
<b>Basic and diluted (loss)/earnings per share (pence)</b>	<b>9</b>	(0.46)	(0.29)
		<hr/> <hr/>	<hr/> <hr/>

There were no recognised gains or losses other than the loss or profit for the period.

**Continuing operations**

None of the Companies activities were acquired or discontinued during the current period.

**MERIDEN GROUP PLC**BALANCE SHEET  
AS AT 31 DECEMBER 2006

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	Note	2006 £	2005 £
<b>Fixed assets</b>			
Fixed asset investments	10	-	167,953
<b>Current assets</b>			
Debtors	11	1,164	1,385,857
Cash at bank and in hand		2,725	182
		<hr/>	<hr/>
		3,889	1,386,039
<b>Creditors</b>			
Amounts falling due within one year	12	(51,094)	(84,947)
		<hr/>	<hr/>
<b>Net current (liabilities)/assets</b>		(47,205)	1,301,092
		<hr/>	<hr/>
<b>Total assets less current (liabilities)/assets</b>		(47,205)	1,469,045
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	13	345,000	345,000
Share premium account	14	1,110,263	1,049,155
Profit and loss account	14	(1,502,468)	74,890
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>	15	(47,205)	1,469,045
		<hr/>	<hr/>

The financial statements were approved by the Board of Directors on 8 March 2007.

..... Mr Russell Stevens, Director

**MERIDEN GROUP PLC****CASH FLOW STATEMENT  
FOR PERIOD ENDED 31 DECEMBER 2006**

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	<b>Note</b>	<b>Period Ended 31 December 2006</b>	<b>Year Ended 31 July 2005</b>
<b>Net cash outflow from operating activities</b>	<b>17</b>	(31,639)	(525,810)
<b>Returns on investments and servicing of finance</b>			
Interest received		7,741	33
Interest payable		(7)	-
<b>Net cash (outflow)/inflow from returns on investments and service of finance</b>		<u>7,734</u>	<u>33</u>
<b>Taxation</b>			
Payments of taxation		(4,800)	-
Amounts eliminated under CVA arrangement		(9,450)	-
<b>Capital expenditure and financial investment</b>			
Receipt from disposal of intangible fixed assets		-	5,468
<b>Net cash outflow from capital expenditure and financial investment</b>		<u>-</u>	<u>5,468</u>
<b>Dividends paid</b>		(20,410)	(66,421)
<b>Net cash outflow before financing</b>		<u>(58,565)</u>	<u>(586,730)</u>
<b>Financing</b>			
Issue of ordinary shares for cash		-	580,800
Refund of VAT on flotation costs		61,108	-
<b>Net cash inflow from financing</b>		<u>61,108</u>	<u>580,800</u>
<b>Increase/(decrease) in cash</b>	<b>18</b>	<u>2,543</u>	<u>(5,930)</u>

**1 ACCOUNTING POLICIES**

**1.1 Basis of preparation**

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

**1.2 Going concern**

The Company has net current liabilities of £47,205 and total liabilities of £47,205 therefore there may be some concern of its ability to continue in the foreseeable future.

However, after making enquiries, the director has a reasonable expectation that the Company can continue in operational existence for the foreseeable future under the assumption that a reverse takeover opportunity can be sought for the AIM listing and support from the director, Mr Russell Stevens. For this reason the board continues to adopt the going concern basis in preparing the financial statements.

**1.3 Turnover**

Turnover represents the total invoice value, excluding value added tax, of sales made during the year. Sales are recognised on despatch of goods or completion of services.

**1.4 Investments**

Fixed asset investments are stated at cost less provision for permanent diminution in value to the current market value.

**1.5 Deferred taxation**

Deferred taxation arises as a result of including items of income and expenditure in taxation computations in periods different from those in which they are included in the Group's accounts. Deferred taxation is provided in full on timing differences which will result in an obligation to pay more (or less) tax at a future date, at the average tax rates that are expected to apply when the timing differences reverse, based on current tax rates and laws. Deferred taxation balances are not discounted.

**1.6 Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the accounting date. Transactions in foreign currencies are recorded at the date of the transactions. All differences are taken to the Profit and Loss account.

Exchange differences arising from the retranslation at year end exchange rates of the investment in foreign undertakings, less exchange differences on foreign currency borrowings which finance these undertakings are taken to reserves.

# MERIDEN GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR PERIOD ENDED 31 DECEMBER 2006

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### 1.7 Financial instruments

Income and expenditure arising on financial instruments is recognised on the accruals basis, and credited or charged to the profit and loss account in the financial period to which it relates.

### 1.8 Accounting period

The comparative trading period runs from 1 August 2004 to 31 July 2005 and following an extension of the year end accounting reference date the current period runs from 1 August 2005 to 31 December 2006.

## 2 TURNOVER

The turnover for the year was derived from the Company's activities carried out in the United Kingdom of. £Nil (2005: £153,000)

### 3.1 LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The (loss)/profit on ordinary activities is stated after:

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Auditors' remuneration		
- audit services	5,000	20,000
Exceptional items		
- Write down of amounts owed by Group Undertakings under the CVA	1,266,665	-
- Surplus arising after costs on the writing down of creditors under the CVA	(34,692)	-
	<u>                    </u>	<u>                    </u>

### 3.2 COMPANY VOLUNTARY ARRANGEMENT

The Company entered into a CVA on 11 December 2006 which was approved by creditors and shareholders on the same day. This arrangement has meant a write back of creditors to the profit and loss account to which these are shown as exceptional items.

Under the terms of the CVA the fixed asset investment in the shares of Bidtimes Plc was passed to the supervisor for disposal for the benefit of creditors together with £30,000 and the rights to any potential distributions from the subsidiary and sub-subsidiary companies in administration, referred to in note 10. These amounts represent total satisfaction of outstanding creditors of the Company at the relevant date.

The circumstances given rise to the CVA were largely guarantees given to suppliers to subsidiary entities which crystallised upon the administration procedure.

# MERIDEN GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR PERIOD ENDED 31 DECEMBER 2006

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### 4 AMOUNTS WRITTEN OFF INVESTMENT

The amounts written off investments relates to the write down of the investment in Bidtimes Plc of £167,853 and the write down of the investment in the subsidiary undertaking Meriden Holdings Limited of £100.

### 5 INTEREST PAYABLE

	2006 £	2005 £
On bank loans and overdrafts	7	-
	<u>7</u>	<u>-</u>

### 6 DIRECTORS AND EMPLOYEES

#### Number of employees

The average monthly numbers of employees (including the directors) during the year was as follows:

	2006 Number	2005 Number
Directors	1	2
	<u>1</u>	<u>2</u>

#### Directors' emoluments

	2006 £	2005 £
Remuneration and other emoluments	70,750	33,000
	<u>70,750</u>	<u>33,000</u>

**MERIDEN GROUP PLC**NOTES TO THE FINANCIAL STATEMENTS  
FOR PERIOD ENDED 31 DECEMBER 2006

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<b>7</b>	<b>TAXATION ON PROFIT ON ORDINARY ACTIVITIES</b>	<b>2006</b>	<b>2005</b>
		<b>£</b>	<b>£</b>
	UK Corporation Tax	-	-
		<hr/>	<hr/>
	<b>Factors affecting tax charge for the period:</b>		
	(Loss)/profit on ordinary activities before tax	(1,577,358)	7,591
	(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax of 30% (2005 : 30%)	(473,207)	2,277
	Effects of:		
	Exceptional items – CVA creditor write downs	369,592	-
	Investment impairment	50,386	-
	Taxation losses to be utilised against prior periods and carried forward to future periods	53,229	-
	Other differences	-	(2,277)
		<hr/>	<hr/>
		-	-
		<hr/>	<hr/>
<b>8</b>	<b>DIVIDENDS</b>	<b>2006</b>	<b>2005</b>
		<b>£</b>	<b>£</b>
	Interim dividend of Nil pence (2005: 0.01 pence) per ordinary share	-	29,000
	Final dividend of Nil pence (2005: 0.006 pence) per ordinary share	-	20,700
		<hr/>	<hr/>
		-	49,700
		<hr/>	<hr/>

The Director does not recommend payment of an ordinary dividend for the period.

**MERIDEN GROUP PLC**

NOTES TO THE FINANCIAL STATEMENTS  
FOR PERIOD ENDED 31 DECEMBER 2006

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**9 (LOSS)/EARNINGS PER SHARE**

The calculation of the basic (loss)/earnings per share is based on the (loss)/profit on ordinary activities after tax and on the weighted average number of ordinary shares in issue during the year. The impact of the share options is anti dilutive.

	<b>(Loss)/ profit £</b>	<b>Weighted average number of shares</b>	<b>Basic (loss)/ earnings per share (pence)</b>
Basic and diluted (loss)/earnings per share			
Period ended 31 December 2006	(1,577,358)	345,000,000	(0.46)
Year ended 31 July 2005 (Consolidated accounts)	(885,810)	301,000,000	(0.29)
	<u>                    </u>	<u>                    </u>	<u>                    </u>

## MERIDEN GROUP PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR PERIOD ENDED 31 DECEMBER 2006

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#### 10 FIXED ASSET INVESTMENTS

	<b>Listed Investment £</b>	<b>Subsidiary Undertakings £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 August 2005 and 31 December 2006	167,853	100	167,953
	<hr/>	<hr/>	<hr/>
<b>Provision for impairment</b>			
At 1 August 2005	-	-	-
Charge for the period	167,853	100	167,953
	<hr/>	<hr/>	<hr/>
At 31 December 2006	167,853	100	167,953
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Net book value</b>			
At 31 December 2006	-	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 July 2005	167,853	100	167,953
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The listed investment was included in the contributed assets to the CVA agreement and has been included in the financial statements at cost less provision for impairment to Nil value as it is the intention that the investment is to be disposed to realise the proceeds for the CVA. The investment relates to a 7.51% holding in the issued share capital of Bidtimes Plc. The value of this investment based on the mid-price at the close of business on 31 December 2006 was £26,027 (2005: £84,587). The value of the investment based on the mid-price at the close of business on the date of signing these accounts was £17,958 (2005: £70,012). No investments have been purchased or sold after the period end.

All reference to subsidiaries refers to Companies which had been placed into administration on the dates referred to subsequently and are subject to note 3 above concerning any final distribution being waived for the benefit of the CVA. As such, the Company has no subsidiaries at the period end of these accounts and therefore no consolidated accounts are required to be prepared and no profits or losses on subsidiary undertakings accrue to the Company in this trading period.

## MERIDEN GROUP PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR PERIOD ENDED 31 DECEMBER 2006

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#### 10 FIXED ASSET INVESTMENTS (CONTINUED)

##### Principal subsidiaries

The following investment in the share capital of the wholly owned non trading subsidiary is as follows:

Name	Nature of business (prior to cease of trade)	Holding %
Meriden Holdings Limited	Business services and development	100
Meriden Logistics Limited	Transport and logistics	100
Meriden Logistics SARL (a company incorporated in France)	Transport and logistics	100

The investments in Meriden Logistics Limited and Meriden Logistics SARL were held by Meriden Holdings Limited.

In addition, the Group also has ten dormant subsidiaries and these are disclosed in the statutory financial statements of Meriden Holdings Limited. The effective interest that the Group has on each of these subsidiaries is 100%

Meriden Holdings Limited was placed into administration on 13 September 2006 and was traded in administration until it ceased to trade on 30 November 2006.

Meriden Logistics Limited and Meriden Logistics SARL were both placed into administration on 16 June 2006 and effectively ceased to trade as at this date.

#### 11 DEBTORS

	2006 £	2005 £
Trade debtors	-	945
Amounts due from group undertakings	-	1,375,718
Prepayments and accrued income	1,085	9,194
Other debtors	79	-
	<hr/>	<hr/>
	1,164	1,385,857
	<hr/>	<hr/>

# MERIDEN GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR PERIOD ENDED 31 DECEMBER 2006

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### 12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Trade creditors	529	24,953
Corporation tax	-	14,250
Dividends owing	672	21,082
Other creditors	30,000	-
Accruals and deferred income	19,893	24,662
	<hr/>	<hr/>
	51,094	84,947
	<hr/> <hr/>	<hr/> <hr/>

### 13 SHARE CAPITAL

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
2,000,000,000 ordinary shares of 0.1p each (2005:2,000,000,000 shares of 0.1p each)	2,000,000	2,000,000
	<hr/>	<hr/>
<b>Allotted , called-up and fully paid</b>		
345,000,000 ordinary shares of 0.1p each (2005: 345,000,000 shares of 0.1p each)	345,000	345,000
	<hr/> <hr/>	<hr/> <hr/>

Share options over 22,200,000 ordinary shares were in issue at 31 December 2006 in accordance with the Meriden Group Plc Executive Share Option Scheme 2001.

The share options may be exercised between the third and tenth anniversary of the date of the grant at an exercise price of 2.5 pence per share.

# MERIDEN GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR PERIOD ENDED 31 DECEMBER 2006

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### 14 SHARE PREMIUM ACCOUNT AND RESERVES

	<b>Share Premium Account £</b>	<b>Profit and Loss account £</b>
At 1 August 2005	1,049,155	74,890
Loss on ordinary activities after taxation	-	(1,577,358)
Refund of VAT on flotation costs originally charged to share premium account	61,108	-
	<hr/>	<hr/>
At 31 December 2006	1,110,263	(1,502,468)
	<hr/> <hr/>	<hr/> <hr/>

The balance on the share premium account may not be distributed under sections 263 and 264 of the Companies Act 1985.

### 15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<b>2006 £</b>	<b>2005 £</b>
Opening shareholders' funds	1,469,045	930,354
(Loss)/profit on ordinary activities after taxation	(1,577,358)	7,591
Dividend	-	(49,700)
Share subscription	-	605,000
Share subscription costs	-	(24,200)
Refund of VAT on flotation costs originally charged to share premium account	61,108	-
	<hr/>	<hr/>
Closing shareholders' funds	(47,205)	1,469,045
	<hr/> <hr/>	<hr/> <hr/>

**16 FINANCIAL INSTRUMENTS**

The Company uses financial instruments comprising cash and short term deposits. It does not enter into derivative transactions such as interest rate swaps, forward rate agreements or forward currency contracts. The Company seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

The Company has assets and liabilities in Pounds Sterling.

The Company policy throughout the year has been to ensure continuity of funding with all cash deposits being recoverable on demand.

As permitted by FRS 13 short term debtors and creditors have been excluded.

Cash and short term deposits at 31 December 2006 totalled £2,725 (2005: £182) and yield interest at LIBOR.

The fair values of financial assets and liabilities are not materially different from their book values.

**17 RECONCILIATION OF OPERATING PROFIT WITH NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Operating (loss)/profit	(1,417,139)	7,558
Decrease/(increase) in debtors	1,384,693	(561,653)
Increase in creditors	807	28,285
	<hr/>	<hr/>
Net cash outflow from operating activities	(31,639)	(525,810)
	<hr/> <hr/>	<hr/> <hr/>

# MERIDEN GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR PERIOD ENDED 31 DECEMBER 2006

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### 18 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2006 £	2005 £
Increase/(decrease) in cash for the period and movement in net funds	2,543	(5,930)
Net funds at the beginning of the period	182	6,112
	<hr/>	<hr/>
Net funds at the end of the period	2,725	182
	<hr/> <hr/>	<hr/> <hr/>

### 19 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2005 £	Cash Flow £	Other changes £	At 31 December 2006 £
Cash at bank and in hand	182	2,543	-	2,725
	<hr/>	<hr/>	<hr/>	<hr/>
	182	2,543	-	2,725
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

### 20 TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES

Services amounting to £59,500 (2005: £24,000), relating to Mr R W Stevens' services as a director, were purchased from Hamiltons Securities. Mr R W Stevens is a partner in Hamiltons Securities. A balance of £3,500 (2005: £2,607) was due to Hamiltons Securities at the period end.

The Company has received a loan of £30,000 (2005: £Nil) from Mr R W Stevens. The loan was used to help provide the CVA distributable contribution to the creditors and shareholders that was agreed on 11 December 2006. A balance of £30,000 (2005: £Nil) was due to Mr R W Stevens at the period end and this is shown as other creditors in note 12.

Services amounting to £11,250 (2005: £9,000) relating to Mr D Hall's services as a director were purchased from Derek Hall Associates. Mr D Hall is the owner of Derek Hall Associates. A balance of £1,875 (2005: £Nil) was due to Derek Hall Associates at the period end.