



Annual Report

For The Year Ended 31 July 2005

Registration number 04160983

MERIDEN GROUP PLC

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MERIDEN GROUP PLC

INFORMATION PAGE

Company Registration Number : 04160983

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

Website : www.meriden-group.co.uk

Non-executive Chairman : Derek G Hall

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 : PKF (UK) LLP
New Guild House
45 Great Charles Street
Queensway
Birmingham
B3 2LX

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

MERIDEN GROUP PLC

CHAIRMANS STATEMENT

I am pleased to present this, my 2005 Chairman's report for Meriden Group plc.

During the year the Group made pre tax losses of £873,005 (2004: profit £569,697) on a turnover of £8,891,713 (2004: £7,513,513).

In my 2005 Interim Statement I referred to the Board's intention to divest of non-core activities. During the second half of this year this process began with the sale of the Group's Publishing Division to its management and with the closure of the Scottish branch of our Logistics Division. Both these activities, whilst growing, were trading unprofitably and the time needed to reach breakeven could not be envisaged within a reasonable timescale.

The results for the year have been dominated by the trading losses of the closing activities, which have therefore had a detrimental impact on our overall full year results.

The operating profit on the Group's continuing activities of £101,710 have therefore been eliminated by the losses on the closing activities of £879,455, giving an overall operating loss of £777,745.

In the current year, the review of non-core activities will continue. In particular, we are in the process of reviewing the final exit strategy for our remaining French logistics operation. Meriden Logistics SARL traded at breakeven prior to the closure of our Scottish operation, but is now incurring significant losses during this financial year.

The Group was, until this year, profitable since floatation on AIM in 2001 and the Board anticipate a return to profitability as soon as the losses on the French operation have been eradicated.

The Employee Benefits Division which was launched last year has won and continues to win a large number of prestige clients. However, the gestation period between winning a contract and the point where income (under UITF 40) can be recognised has meant that much of the profitability of these contracts cannot be recognised until completion. This coupled with significant investment in related support infrastructure has resulted in lower than expected results.

The remaining core divisions of IT Solutions, Marketing & Communications, Management Consultancy and Outsourcing have delivered acceptable but unspectacular results. However, the outlook for 2005/2006 is more encouraging and significant and notable contracts have already been won by a number of these divisions.

As referred to in our Interim Statement, the Board has recruited further key executives to strengthen its Head Office function in advance of our planned expansion and I am therefore pleased to report the appointment to the Board, from 1 February 2006, of Mr. Craig J. Povey as Chief Operating Officer who has a wide range of business expertise, most recently working as a consultant within Orange PCS and Mr. James N. Brinton as Finance Director, which is an internal promotion.

As I am sure many of our investors are aware our Chief Executive Officer Mr. Russell Stevens had to take a period of compassionate leave to care for his terminally ill wife. Unfortunately, Jane Stevens lost her battle with cancer in October 2005 which necessitated Russell being out of the business for most of the second half of the calendar year. I am, however, pleased to report that he has now returned.

Despite the disappointing performance for the full year the Board has nevertheless decided to recommend the payment of a final dividend for 2004/2005 of 0.006 pence per share.

MERIDEN GROUP PLC

CHAIRMANS STATEMENT

The Board is delighted to welcome newcomers to the Meriden family and as always we thank all of our staff for their hard work

D G Hall
30 January 2006

MERIDEN GROUP PLC

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31 July 2005.

Principal activity

The principal activity of the Group is the provision of business services.

Business review

The Group generated a consolidated loss for the year ended 31 July 2005 before taxation of £873,005 (2004: profit of £569,697), which after taxation amounted to £885,810 (2004: profit of £379,943). The directors are recommending the payment of a final dividend of £20,700 (2004: £37,700), representing 0.006p (2004: 0.013p) per ordinary share in addition to the interim dividend of 0.01p (2004: 0.01p) per ordinary share paid in June 2005. This dividend is subject to shareholder approval at an Annual General meeting.

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 2004 and 31 July 2005 were as follows:

	31 July 2005		31 July 2004	
	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	400,000	1,400,000	400,000	1,400,000
Russell Stevens	152,500,000	-	185,500,000	-

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 on either side for Mr Hall and are subject to each director's re-appointment at the Annual General Meeting under the rotation provisions of the company's Articles of Association.

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 27 January 2006, were as follows.

	Ordinary shares of 0.1p each Number	Percentage capital %
HSDL Nominees Limited (33x24) Des:Pledged	72,000,000	20.87%
Pershing Keen Nominees Limited (601) Des:GWCLT	30,794,999	8.93%
Barclays Nominees (Branches) Limited	17,000,000	4.93%
Draysey & Wright Nominees Limited (69xhn) Des:Gen	13,930,000	4.04%

MERIDEN GROUP PLC

REPORT OF THE DIRECTORS

Payment to suppliers

It is the Group'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 Group does not have a standard or code that deals specifically with the payment of suppliers.

Trade creditors for the Group at the year end amounted to 50 days (2004: 70 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 year that give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group 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 Group has a website which contains up to date information on the Group's activities and published financial results. The maintenance and integrity of the website is the responsibility of the directors.

Auditors

On 23 May 2005, PKF transferred their business to PKF (UK) LLP, a limited liability partnership. Under section 26(5) of the Companies Act 1989, the Company consented to extend the audit appointment to PKF (UK) LLP from 23 May 2005. Accordingly, the audit report has been signed in the name of PKF (UK) LLP and a resolution for the reappointment of PKF (UK) LLP will be proposed at the forthcoming annual general meeting

BY ORDER OF THE BOARD

R W Stevens

Director

30 January 2006

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 consists of one executive director, who holds the key operational position in the Company and one non-executive director, who brings a breadth of experience and knowledge. The Chairman of the Board is Mr Derek Hall and Mr Russell Stevens, the Chief Executive, has the day to day operational and strategic control of the company's business. Mr Derek Hall is the non-executive director. The biographies of the directors are set out below:

Derek Hall (Non-executive Chairman), aged 61, retired in 1998 as a managing director of JP Morgan where he held a variety of managerial positions in London and continental Europe during his 22 years service. His work experience since has included consulting assignments specialising in the management of information technology and operations in the finance sector, and he was the Chief Executive Officer for Raft International plc from mid 2002 to the end of 2003. Prior to joining JP Morgan he spent 7 years in Arthur Andersen's management consultancy practice. He holds a PhD in engineering from London University in 1970.

Russell Stevens (Chief Executive), aged 39, 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 directors have 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 in the case of Mr Hall.

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 directors 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.

Accountability and audit

The Audit Committee comprises Mr Derek Hall (Chairman), being Non-executive Director and Mr Russell Stevens, being Chief Executive. 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 directors have a reasonable expectation 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 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 comprises 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 Hall and to Mr Stevens. 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:

	Annual Entitlement £	Amount Paid In Year £	Payable to
Derek Hall, Non-executive Chairman	9,000	9,000	Derek Hall Associates, a business in which Mr Hall is the owner.
Russell Stevens, Chief Executive	24,000	24,000	Hamiltons Securities, a partnership in which Mr Stevens is a partner.

MERIDEN GROUP PLC

REPORT ON REMUNERATION

Share option incentives

The Company operates a share option scheme.

	At the end of the year Number	Exercise price pence
Derek Hall	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 July 2005 was 1.00 penny and the high and low prices during the year have been 2.38 pence and 0.80 pence respectively.

Mr Derek Hall
Chairman

30 January 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MERIDEN GROUP PLC

We have audited the financial statements of Meriden Group Plc for the year ended 31 July 2005 which comprise the Consolidated Profit and Loss Account, the Balance Sheets, the Consolidated Cash Flow Statement, and the related notes. 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 annual report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and United Kingdom Auditing Standards.

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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Group's and the Company's affairs as at 31 July 2005 and of the Group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PKF (UK) LLP
REGISTERED AUDITORS
Birmingham, UK
30 January 2006

MERIDEN GROUP PLC

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JULY 2005**

	Note	Closing	Ongoing	Year Ended	Year Ended
	3.1	£	£	31 July 2005	31 July 2004
				Total	
				£	£
Turnover	2	4,187,423	4,704,290	8,891,713	7,513,513
Cost of sales		(3,854,104)	(3,864,771)	(7,718,875)	(5,655,567)
Gross profit		333,319	839,519	1,172,838	1,857,946
Administrative expenses		(1,212,774)	(737,809)	(1,950,583)	(1,301,248)
Operating (loss)/profit		(879,455)	101,710	(777,745)	556,698
Interest receivable				712	14,815
Interest payable	4			(95,972)	(1,816)
(Loss)/profit on ordinary activities before taxation	3			(873,005)	569,697
Taxation	6			(12,805)	(189,754)
(Loss)/profit on ordinary activities after taxation				(885,810)	379,943
Dividends paid and proposed	7			(49,700)	(66,700)
Retained (loss)/profit				(935,510)	313,243
Basic and diluted (loss)/earnings per share (pence)	8			(0.29)	0.13

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

MERIDEN GROUP PLC

CONSOLIDATED BALANCE SHEET
AS AT 31 JULY 2005

	Note	2005 £	2004 £
Fixed assets			
Tangible fixed assets	9	1,344,842	214,447
Fixed asset investments	10	177,853	177,853
		1,522,695	392,300
Current assets			
Stocks and work in progress	11	134,220	263,032
Debtors	12	3,884,527	4,533,946
Cash at bank and in hand		400,049	285,152
		4,418,796	5,082,130
Creditors			
Amounts falling due within one year	13	(3,406,918)	(3,524,209)
		1,011,878	1,557,921
Net current assets			
		2,534,573	1,950,221
Creditors			
Amounts falling due after one year	14	(939,062)	-
Provisions for liabilities and charges	15	(5,977)	(5,977)
		1,589,534	1,944,244
Net assets			
Capital and reserves			
Called up share capital	16	345,000	290,000
Share premium account	17	1,049,155	523,355
Profit and loss account	17	195,379	1,130,889
		1,589,534	1,944,244
Equity shareholders' funds			
	18	1,589,534	1,944,244

The financial statements were approved by the Board of Directors on 30 January 2006.

..... Mr Derek Hall, Director

..... Mr Russell Stevens, Director

MERIDEN GROUP PLCCOMPANY BALANCE SHEET
AS AT 31 JULY 2005

	Note	2005 £	2004 £
Fixed assets			
Fixed asset investments	10	167,953	173,421
Current assets			
Debtors	12	1,385,857	824,204
Cash at bank and in hand		182	6,112
		<hr/>	<hr/>
		1,386,039	830,316
Creditors			
Amounts falling due within one year	13	(84,947)	(73,383)
		<hr/>	<hr/>
Net current assets		1,301,092	756,933
		<hr/>	<hr/>
Total assets less current liabilities		1,469,045	930,354
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	16	345,000	290,000
Share premium account	17	1,049,155	523,355
Profit and loss account	17	74,890	116,999
		<hr/>	<hr/>
Equity shareholders' funds	18	1,469,045	930,354
		<hr/>	<hr/>

The financial statements were approved by the Board of Directors on 30 January 2006.

..... Mr Derek Hall, Director

..... Mr Russell Stevens, Director

MERIDEN GROUP PLC**CONSOLIDATED CASH FLOW STATEMENT
FOR YEAR ENDED 31 JULY 2005**

	Note	Year Ended 31 July 2005	Year Ended 31 July 2004
Net cash outflow from operating activities	20	(394,329)	(931,841)
Returns on investments and servicing of finance			
Interest received		712	14,815
Interest payable		(95,972)	(1,816)
Net cash (outflow)/inflow from returns on investments and service of finance		(95,260)	12,999
Tax paid		(74,138)	(200,000)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(1,349,925)	(70,940)
Receipt from disposal of intangible fixed assets		-	49
Receipts from sale of tangible fixed assets		-	9,214
Net cash outflow from capital expenditure and financial investment		(1,349,925)	(61,677)
Dividends paid		(66,421)	(66,597)
Net cash outflow before financing		(1,980,073)	(1,247,116)
Financing			
Issue of ordinary shares for cash		580,800	-
New bank loans		1,272,507	-
Increase in invoice discounting loans		149,079	713,804
Capital element of finance lease rentals		(964)	-
Net cash inflow from financing		2,001,422	713,804
Increase/(decrease) in cash	21	21,349	(533,312)

MERIDEN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 JULY 2005

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 Basis of consolidation

The financial statements consolidate those of the Company and its subsidiary undertakings as at 31 July 2005. Intra-group transactions have been eliminated in full. In accordance with the exemption allowed by Section 230 of the Companies Act 1985 the company has not presented its own Profit and Loss Account.

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 Tangible fixed assets and depreciation

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

Fixtures and fittings	-	15% straight line
Office and computer equipment	-	25 – 33.33% straight line
Plant and machinery	-	12.5% straight line
Motor vehicles	-	25 – 33.33% straight line

1.5 Leasing and hire purchase commitments

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

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

1.6 Investments

Fixed asset investments are stated at cost less provision for permanent diminution in value.

MERIDEN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 JULY 2005

1.7 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost comprises direct production costs together with attributable production overheads.

1.8 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.

1.9 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.

On consolidation, assets and liabilities of foreign undertakings are translated into sterling at year end exchange rates. The results of foreign undertakings are translated into sterling at average rates of exchange for the year.

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.

1.10 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.

2 TURNOVER

The turnover for the year was derived from the Group's principal activity. £6,041,399 (2004:£6,911,939) of turnover was attributable to sales within the United Kingdom and £2,850,314 (2004:£601,574) of sales in France.

Turnover includes an amount of £576,440 in relation to an arrangement made on the acquisition of Meriden Logistics SARL. At the time of the acquisition this asset was of a contingent nature and was consequently not recognised.

2.1 Segmental reporting

Geographical analysis by location

	UK £	Europe £	Total £
Turnover	6,041,399	2,850,314	8,891,713
(Loss)/profit before taxation	(898,261)	25,256	(873,005)
Net Assets	1,495,337	114,897	1,610,234

MERIDEN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 JULY 2005

3 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2005	2004
	£	£
Depreciation	231,561	98,577
Auditors' remuneration		
- audit services	20,000	17,000
Operating leases – land and buildings	72,505	45,559
Exceptional items	-	110,535
	<u> </u>	<u> </u>

The exceptional items, as stated in the above comparative figure, relate to the write off of costs incurred in a publishing venture.

3.1 Closing operations

To aid the Meriden Group Plc investors the Directors have added additional voluntary disclosures in splitting our revenue and profits by the nature of the activities.

Closing operations are those activities which the Meriden Board have either disposed of after the year end or at the date of these accounts are in the process of exiting. Consequently ongoing operations are those activities which the Board foresee will still be divisions or subsidiaries at 31 July 2006.

4 INTEREST PAYABLE

	2005	2004
	£	£
On bank loans and overdrafts	95,972	1,816
	<u> </u>	<u> </u>

5 DIRECTORS AND EMPLOYEES

Number of employees

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

	2005	2004
	Number	Number
Directors	2	2
Consultants	18	21
Administration	18	13
Full and part time drivers	21	12
Sales	1	-
Mechanic and warehouse personnel	4	-
	<u> </u>	<u> </u>
	<u>64</u>	<u>48</u>

MERIDEN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 JULY 2005

5. DIRECTORS AND EMPLOYEES (CONTINUED)

Employment costs	2005	2004
	£	£
Wages and salaries	1,605,324	1,080,897
Social security costs	279,053	97,841
	<hr/>	<hr/>
	1,884,377	1,178,738
	<hr/> <hr/>	<hr/> <hr/>
Directors' emoluments		
	2005	2004
	£	£
Remuneration and other emoluments	33,000	33,000
	<hr/> <hr/>	<hr/> <hr/>

MERIDEN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 JULY 2005

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES	2005	2004
	£	£
UK Corporation Tax	-	184,500
Overseas Corporation Tax	12,365	-
Adjustments in respect of previous year	440	58,298
	<hr/>	<hr/>
Total current tax charge	12,805	242,798
Deferred taxation – origination and reversal of timing differences		
Adjustments relating to current year	-	(15,255)
prior year	-	(37,789)
	<hr/>	<hr/>
Tax on profit on ordinary activities	12,805	189,754
	<hr/> <hr/>	<hr/> <hr/>
Factors affecting tax charge for the year:		
(Loss)/profit on ordinary activities before tax	(873,005)	569,697
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax of 30% (2004 : 30%)	(261,902)	170,909
Effects of:		
Marginal relief	-	(8,377)
Expenses not deductible for tax purposes	9,719	5,106
Capital allowances in excess of depreciation	(107,855)	15,544
Adjustments in respect of previous periods	440	58,298
Taxation losses to be utilised against prior periods and carried forward to future periods	371,337	-
Other differences	1,066	1,318
	<hr/>	<hr/>
	12,805	242,798
	<hr/> <hr/>	<hr/> <hr/>
7 DIVIDENDS	2005	2004
	£	£
Interim dividend of 0.01 pence per share	29,000	29,000
Final dividend of 0.006 pence (2004: 0.013 pence) per ordinary share	20,700	37,700
	<hr/>	<hr/>
	49,700	66,700
	<hr/> <hr/>	<hr/> <hr/>

The final dividend will be paid, subject to shareholder approval at the forthcoming Annual General Meeting.

MERIDEN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 JULY 2005

8 (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.

	(Loss)/ profit £	Weighted average number of shares	Basic (loss)/ earnings per share (pence)
Basic and diluted (loss)/earnings per share			
Year ended 31 July 2005	(885,810)	301,000,000	(0.29)
Year ended 31 July 2004	379,943	290,000,000	0.13
	<u> </u>	<u> </u>	<u> </u>

MERIDEN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 JULY 2005

9 TANGIBLE FIXED ASSETS

Group

	Fixtures and Fittings £	Office and Computer Equipment £	Plant and Machinery £	Motor Vehicles £	Total £
COST					
At 1 August 2004	179,260	284,249	-	4,505	468,014
Additions	19,257	80,265	1,251,568	10,866	1,361,956
At 31 July 2005	198,517	364,514	1,251,568	15,371	1,829,970
Depreciation					
At 1 August 2004	53,677	199,800	-	90	253,567
Charge for the year	36,188	90,692	100,007	4,674	231,561
At 31 July 2005	89,865	290,492	100,007	4,764	485,128
Net book values					
At 31 July 2005	108,652	74,022	1,151,561	10,607	1,344,842
At 31 July 2004	125,583	84,449	-	4,415	214,447

Included above are assets held under finance leases or hire purchase contracts as follows:

Asset description	Net book value £	2005 Depreciation charge £	Net book value £	2004 Depreciation charge £
Motor vehicles	9,771	2,291	-	-

MERIDEN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 JULY 2005

10 FIXED ASSET INVESTMENTS

Group

	Listed Investment £	Other £	Total £
Cost			
1 August 2004	167,853	10,000	177,853
	<u>167,853</u>	<u>10,000</u>	<u>177,853</u>
At 31 July 2005	167,853	10,000	177,853
	<u>167,853</u>	<u>10,000</u>	<u>177,853</u>
Net book value			
31 July 2005	167,853	10,000	177,853
	<u>167,853</u>	<u>10,000</u>	<u>177,853</u>
31 July 2004	167,853	10,000	177,853
	<u>167,853</u>	<u>10,000</u>	<u>177,853</u>

Company

	Listed Investment £	Subsidiary Undertakings £	Unlisted Investment £	Total £
Cost				
At 1 August 2004	167,853	100	5,468	173,421
Disposals	-	-	(5,468)	(5,468)
	<u>167,853</u>	<u>100</u>	<u>(5,468)</u>	<u>(5,468)</u>
At 31 July 2005	167,853	100	-	167,953
	<u>167,853</u>	<u>100</u>	<u>-</u>	<u>167,953</u>

The listed investment has been included in the financial statements at cost and 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 July 2005 was £84,587 (2004: £41,122). The value of the investment based on the mid-price at the close of business on the date of signing these accounts was £70,012 (2004: £71,573). The difference between cost and the current market value has not been reflected in the financial statements as Mr Russell Stevens has personally underwritten the investment, such that if any loss is incurred by Meriden Group on a subsequent sale of the investment between 4 September 2002 and five years after then Mr Russell Stevens will personally reimburse the company for the loss. No investments have been purchased or sold after the year end. Other investments relate to publishing rights.

MERIDEN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 JULY 2005

10 FIXED ASSET INVESTMENTS (CONTINUED)

Principal subsidiaries

The following trading subsidiaries are included in the consolidation:

Name	Nature of business	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 are 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%.

11 STOCKS AND WORK IN PROGRESS

Group

	2005 £	2004 £
Goods for resale	97,013	181,189
Work in progress	37,207	81,843
	<u>134,220</u>	<u>263,032</u>

MERIDEN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 JULY 2005

12 DEBTORS

	2005	Group	2005	Company
	£	2004	£	2004
		£		£
Trade debtors	1,870,841	2,298,066	945	-
Amounts due from group undertakings	-	-	1,375,718	810,074
Prepayments and accrued income	1,235,241	1,642,861	9,194	6,166
Other debtors	778,445	593,019	-	7,964
	<u>3,884,527</u>	<u>4,533,946</u>	<u>1,385,857</u>	<u>824,204</u>

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	Group	2005	Company
	£	2004	£	2004
		£		£
Bank overdraft	106,423	12,875	-	-
Bank loans	342,394	-	-	-
Net obligations under finance leases and hire purchase contracts	2,118	-	-	-
Trade creditors	1,118,119	975,709	24,953	14,183
Tax and social security	333,778	347,151	-	-
Corporation tax	197,305	258,638	14,250	14,250
Final dividend	21,082	37,803	21,082	37,803
Other creditors	1,025,929	827,269	-	-
Accruals and deferred income	259,770	1,064,764	24,662	7,147
	<u>3,406,918</u>	<u>3,524,209</u>	<u>84,947</u>	<u>73,383</u>

Other creditors include amounts due in respect of invoice discounting loans of £862,883 (2004 : £713,804). These loans are secured on book debts in the individual Group companies.

MERIDEN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 JULY 2005

14 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2005 £	Group 2004 £	2005 £	Company 2004 £
Bank loans	930,113	-	-	-
Net obligations under finance leases and hire purchase contracts	8,949	-	-	-
	<u>939,062</u>	<u>-</u>	<u>-</u>	<u>-</u>
Maturity of debt analysis				
Overdrafts				
Repayable in less than one year	106,423	12,875	-	-
	<u>106,423</u>	<u>12,875</u>	<u>-</u>	<u>-</u>
Bank loans				
Repayable in less than one year	342,394	-	-	-
Repayable between one and two years	230,872	-	-	-
Repayable between two and five years	699,241	-	-	-
	<u>1,272,507</u>	<u>-</u>	<u>-</u>	<u>-</u>
Obligation under finance leases and hire purchase contracts				
Repayable in less than one year	2,118	-	-	-
Repayable between one and two years	2,300	-	-	-
Repayable between two and five years	6,649	-	-	-
	<u>11,067</u>	<u>-</u>	<u>-</u>	<u>-</u>

The bank overdraft is secured by a floating charge dated 7 May 2004 over the book assets of Meriden Logistics Limited in respect of all monies due or to become due to Barclays Bank Plc.

The bank loan is secured by a fixed mortgage charge dated 13 May 2005 over the tractor units and trucks contained within Meriden Logistics Limited and are included under plant and machinery.

Obligations under finance lease and hire purchase contracts are secured on the assets concerned.

MERIDEN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 JULY 2005

14 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR (CONTINUED)

	2005	Group	2005	Company
	£	2004	£	2004
		£		£
Total				
Repayable in less than one year	450,935	12,875	-	-
Repayable between one and two years	233,172	-	-	-
Repayable between two and five years	705,890	-	-	-
	<u>1,389,997</u>	<u>12,875</u>	<u>-</u>	<u>-</u>

15 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred Tax	2005	Group
	£	2004
		£
At 1 August 2004	5,977	59,021
Transfer to profit and loss account	-	(53,044)
	<u>5,977</u>	<u>5,977</u>

The deferred taxation balance relates to accelerated capital allowances.

16 SHARE CAPITAL

	2005	2004
	£	£
Authorised		
2,000,000,000 ordinary shares of 0.1p each (2004:2,000,000,000 shares of 0.1p each)	2,000,000	2,000,000
	<u>345,000</u>	<u>290,000</u>
Allotted , called-up and fully paid		
345,000,000 ordinary shares of 0.1p each (2004: 290,000,000 shares of 0.1p each)	345,000	290,000

MERIDEN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 JULY 2005

16 SHARE CAPITAL (CONTINUED)

On 19 May 2005 55,000,000 ordinary shares of 0.1p each were issued at a price of 1.1p per share. The resulting premium of 1p per share has been accounted for in the share premium account, and the placing costs £24,200 have been allocated against this amount.

Share options over 22,200,000 ordinary shares were in issue at 31 July 2005 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.

17 SHARE PREMIUM ACCOUNT AND RESERVES

	Group and Company Share Premium Account £	Group Profit and Loss Account £	Company Profit and Loss account £
At 1 August 2004	523,355	1,130,889	116,999
(Loss)/profit on ordinary activities after taxation	-	(885,810)	7,591
Dividends	-	(49,700)	(49,700)
Share subscription	550,000	-	-
Share subscription costs	(24,200)	-	-
	<hr/>	<hr/>	<hr/>
At 31 July 2005	1,049,155	195,379	74,890
	<hr/>	<hr/>	<hr/>

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

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £	Group 2004 £	2005 £	Company 2004 £
Opening shareholders' funds	1,944,244	1,631,001	930,354	936,629
(Loss)/profit on ordinary activities after taxation	(885,810)	379,943	7,591	60,425
Dividend	(49,700)	(66,700)	(49,700)	(66,700)
Share subscription	605,000	-	605,000	-
Share subscription costs	(24,200)	-	(24,200)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	1,589,534	1,944,244	1,469,045	930,354
	<hr/>	<hr/>	<hr/>	<hr/>

19 FINANCIAL INSTRUMENTS

The Group uses financial instruments comprising cash and short term deposits and also has short term borrowings in the form of overdrafts and invoice discounting loans. There has also been financing in the form of bank loans and hire purchase agreements. It does not enter into derivative transactions such as interest rate swaps, forward rate agreements or forward currency contracts. The Group seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

The Group companies have assets and liabilities in both Pounds Sterling and Euros.

The Group 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.

The bank overdraft liability of £106,423 is due within one year and bears interest at LIBOR plus 2%.

The bank loan balance at 31 July 2005 of £1,272,507 bears interest at a fixed rate of 4.4%

The Group finances its operations through bank and other borrowings and the Group exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities. At the year end 57% (2004: Nil %) of the borrowings were at fixed rates. The interest rate exposure of the financial liabilities of the Group as at 31 July 2005 was:

	Fixed	Interest Rate	Total
	£	Floating	£
	£	£	£
As at 31 July 2005	1,283,574	969,306	2,252,880
	<u> </u>	<u> </u>	<u> </u>
As at 31 July 2004	-	726,679	726,679
	<u> </u>	<u> </u>	<u> </u>

Cash and short term deposits at 31 July 2005 totalled £400,049 (2004: £285,152) and yield interest at LIBOR.

Invoice discounting loans at 31 July 2005 all falling due within one year totalled £862,883 (2004: £713,804) and bear interest at LIBOR plus 2.1%. The Group had undrawn borrowing facilities under this arrangement amounting to £237,117 (2004: £386,196).

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

**20 RECONCILIATION OF OPERATING PROFIT WITH NET CASH
(OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES**

	2005	2004
	£	£
Operating (loss)/profit	(777,745)	556,698
Decrease/(increase) in stocks and work in progress	128,812	(226,612)
Decrease/(increase) in debtors	649,419	(1,126,309)
Decrease in creditors	(626,376)	(234,195)
Depreciation	231,561	98,577
	<hr/>	<hr/>
Net cash outflow from operating activities	(394,329)	(931,841)
	<hr/>	<hr/>

21 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2005	2004
	£	£
Increase/(decrease) in cash for the period and movement in net funds	21,349	(533,312)
New bank loans	(1,272,507)	-
Cash inflow from increase in debt financing	(149,079)	(713,804)
New finance leases and hire purchase contracts	(12,031)	-
Repayment of finance leases and hire purchase liabilities	964	-
Net funds at the beginning of the period	(441,527)	805,589
	<hr/>	<hr/>
Net funds at the end of the period	(1,852,831)	(441,527)
	<hr/>	<hr/>

MERIDEN GROUP PLC**NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 JULY 2005****22 ANALYSIS OF CHANGES IN NET FUNDS**

	At 1 August 2004 £	Cash Flow £	Other changes £	At 31 July 2005 £
Cash at bank and in hand	285,152	114,897	-	400,049
Bank overdraft	(12,875)	(93,548)	-	(106,423)
		21,349		
Bank loans	-	(1,272,507)	-	(1,272,507)
Invoice discounting	(713,804)	(149,079)	-	(862,883)
Finance lease and hire purchase contracts	-	964	(12,031)	(11,067)
	(441,527)	(1,399,273)	(12,031)	(1,852,831)

23 CONTINGENT LIABILITIES

A subsidiary has been party during the year, to a number of road traffic accidents which arose during the normal course of business. Any liabilities are likely to be mitigated by legal defences. The directors do not currently anticipate that the outcome of any potential claims, as a result of these accidents, will have a materially adverse effect upon the Group's financial position.

There are currently claims against the subsidiary Meriden Logistics SARL which are being disputed. The maximum impact of these claims is €223,000. The directors believe that any final settlement will fall significantly below this maximum amount of these claims.

24 TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES

Sales of £10,940 (2004: £11,968) were made during the year to Bidtimes Plc, a company in which Mr R W Stevens is a director and in which the Company is a shareholder. A balance of £5,922 (2004: £2,194) was due from Bidtimes Plc at the year end.

Sales of £65,283 (2004: £443,350) were made during the year to Blue Chip Casinos Plc and its subsidiaries. Mr R W Stevens is a director and significant shareholder in Blue Chip Casinos Plc. A balance of £180,453 (2004: £136,847) was due from Blue Chip Casinos at the year end.

Sales of £426,671 (2004: £517,941) were made during the year to Hamiltons Group Limited, a company in which Mr R W Stevens' deceased wife was a director and shareholder. Purchases of £20,367 (2004: £29,928) were made during the year from Hamiltons Group Limited. A balance of £669,824 (2004: £563,203) was due from Hamiltons Group Limited at the year end.

Sales of £34,348 (2004: £11,904) were made during the year to Innobox Plc, a company in which Mr R W Stevens is a director and shareholder. A balance of £8,223 (2004: £1,814) was due from Innobox Plc at the year end.

Sales of £20,145 (2004: £24,486) were made during the year to Panache Developments Limited, a company in which Mr R W Stevens is a director and shareholder. A balance of £29,858 (2004: £27,302) was due from Panache Developments Limited at the year end.

Services amounting to £24,000 (2004: £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. Sales to Hamiltons Securities of £11,434 (2004: £13,624) and purchases from Hamiltons Securities of £660 (2004: £15,239) were also made during the year. A balance of £2,607 (2004: £3,455) was due to Hamiltons Securities at the year end.

Services amounting to £9,000 (2004: £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 property loan was made during the previous year to Mrs S Bowdler, the Managing Director of Hamiltons Group Limited. At the year end a balance of £43,752 (2004: £43,752) was due from Mrs S Bowdler and this is due to be repaid upon the sale of the investment property which the loan assisted in the purchase of, or a remortgage of the property.