



# 1 Contents

|   |       |
|---|-------|
| Directors & advisers  | 2     |
| Company statement   | 3     |
| Statement of corporate governance                           | 6     |
| Directors' report   | 7     |
| Statement of directors' responsibilities                    | 10    |
| Report of the independent auditors                          | 11    |
| Consolidated profit and loss account                        | 12    |
| Consolidated statement of total recognised gains and losses | 13    |
| Consolidated balance sheet                                  | 14    |
| Balance sheet   | 15    |
| Consolidated statement of cash flows                        | 16    |
| Notes to the accounts                                       | 17-29 |
| Unaudited supplementary information                         | 30-31 |
| Notice of Annual General Meeting                            | 32    |

## 2 Directors and advisers

### Directors

P J Crawford (Chairman)

J M Fellerman

R H Kleiner

W A H Crewdson

### Secretary

J M Fellerman

Company registration number: 3319365

### Auditors

Ernst & Young LLP

1 More London Place

London SE1 2AF

### Bankers

Barclays Bank plc

Kensington and Chelsea

PO Box 4599

London SW3 1XE

Royal Bank of Scotland plc

PO Box 34

15 Bishopsgate

London EC2P 2AP

### Nominated adviser and broker

Collins Stewart Limited

9th Floor,

88 Wood Street

London EC2V 7QR

### Solicitors

Berwin Leighton Paisner

Adelaide House

London Bridge

London EC4R 9HA

### Investment adviser

Odyssey Partners Limited

25 Harley Street

London W1G 9BR

### Registered Office

25 Harley Street

London W1G 9BR

[www.avanticap.com](http://www.avanticap.com)

### 3 Company statement

#### Results of the group

As at 30 June 2007 the group had net assets (excluding the accounting effects of the consolidation of Eclectic Bars Limited (formerly Barclub Limited)) of £16.6m (2006: £16.1m) or 207p per ordinary share (2006: 189p per share).

As at 30 June 2007, the group had net assets on a consolidated basis of £13.4m (2006: £14.8m) or 167p per share (2006: 173p per share).

In the period to 30 June 2007, the loss before exceptional items, excluding the consolidation of Eclectic Bars Limited was £2.4m (2006: profit £582,000). The loss on a consolidated basis was £4.3m (2006: loss of £2.7m).

All of the above figures have been arrived at after making a provision for the carried interest of £1.819m (or 23p per share). The payment of such a carried interest is dependent upon the realisation of the individual assets being at values which are, at least, equal to the values stated in the accounts as at 30 June 2007.

In order to reflect the underlying commercial value of the group's net assets we have provided on pages 30 and 31, by way of additional information to our shareholders, supplementary information comprising un-audited pro-forma accounts, which reflect the separate activities of the group.



## 4 Company statement continued

### Portfolio investments

#### Eclectic Bars (formerly Barclub)

Since the restructuring of the business in June 2006 good progress has been made. The site EBITDA for the business for the 12 month period under review was £2.4 million. This was 4% ahead of the internal forecast made by management. Sales for that period were 3% ahead on a like-for-like basis.

The management team continues to examine a number of expansion opportunities both organically and by merger and acquisition.

In September, Eclectic opened its first new venue. This is located in the centre of Lincoln and trades as a top-end nightclub venue under the Sakura brand. The team is continually seeking suitable sites to open new venues.

As at 30 June 2007, the carrying value of the company's investment in Eclectic is £7.6 million or 95p per share.

#### Espresso

During 2007, Espresso made an important acquisition and the business has continued in its sales expansion.

In April, Channel 4 Learning (Channel 4's award-winning education rights exploitation business) joined Espresso Education, Netmedia Education and Education Media Delivery as part of Espresso. The acquired business was merged with Espresso Education to provide video-rich curriculum services to primary and secondary schools throughout the UK and abroad. Both businesses are award-winning market leaders in video-based, interactive teaching and learning resources.

As part of the deal, Espresso acquired the assets of Channel 4 Learning, as well as a licence agreement for the exclusive commercial exploitation of Channel 4's existing and future schools' television programmes, where Channel 4 has the rights. The undisclosed purchase price was paid in shares of Espresso.

By July, Espresso had sold its broadband educational offering to around 9,500 of the

18,000 primary schools in England and through the acquisition is looking to expand by developing its reach to cover the secondary schools market in addition to pursuing expansion of its non-UK business opportunities. The business continues to perform in line with expectations and management remains confident about the potential for a successful exit.

Due to the manner of the transaction with Channel 4 Learning and the fact that the price was undisclosed, Espresso does not feel it appropriate to recognise the underlying value of its share in the combined business and therefore no uplift has been included in these accounts.

As at 30 June 2007, the carrying value of the company's investment in Espresso was £315,000 or 5p per share.

#### mBlox

During the period to 30 June 2007 mBlox continued to grow successfully. At the beginning of February 2007 mBlox announced a record number of off-portal transactions for 2006, with over 1.4 billion application-to-person transactions processed worldwide.

2006 was the fifth consecutive year of high growth for mBlox with business up 40% over 2005. In the US, the number of premium SMS transactions mBlox processed increased 100% over 2005 and globally mBlox cleared and settled payments for mobile content transactions worth more than \$500 million in street (consumer) revenue.

The first half of 2007 has seen revenues up over a further 40% on a like for like basis.

As an example of mBlox continued success, in August, mBlox announced that it is working together with an application service provider Dynetic to deliver an exciting new SMS re-bidding service to eBay in the UK, France and Belgium. This service, identical to that launched across Spain by the two companies in September 2006, will enable users to monitor and participate in the online bidding process,

even when they are no longer in front of their PC. It is powered by mBlox inbound and outbound premium SMS services.

As the world's largest online marketplace, with a global customer base of 266 million users, SMS re-bidding is a natural extension of eBay's online auction format capability and mobile access is a key factor particularly as a high proportion of eBay bidders are away from their computers during the final stages of an auction format listing.

As at 30 June 2007, the carrying value of the company's investment in mBlox was £8.6 million or 107p per share. As at 30 June 2006, the carrying value of the company's investment in mBlox was £5.6 million or 65p per share. The increase results from the board's revaluation of this investment following the recent sale by two shareholders of shares in mBlox to a new investor (after adjusting for foreign currency movements).

#### Medcenter

Medcenter is a multinational pharmaceutical marketing company specialising in innovative solutions that increase drug sales and business effectiveness.

Operating for over 10 years with offices in Europe and the Americas, Medcenter works with 50 of the most important international laboratories (with 80 of the most sold products in the global market). Medcenter has a team of highly qualified pharmaceutical marketing professionals ready to respond with creativity to the needs of the pharmaceutical industry, with solutions in the areas of medical education, promotion, market research and marketing. These solutions are designed to strengthen the relationship between the pharmaceutical industry, physicians and patients in order to increase product prescription, market share and sales.

Michael Fitzgerald, the chairman of Medcenter, is currently actively looking at various business combinations involving Medcenter and certain third parties.

## 5 Company statement continued

As at 30 June 2007, the carrying value of the company's investment in Medcenter was £274,000 or 4p per share.

### Others

In relation to the remainder of the legacy investments in the group's portfolio, the Board continues to seek ways of maximising value to the group. As at 30 June 2007, the aggregate carrying value of these investments was £71,000.

### Property

In May 2007, the company sold its leasehold office in Motcomb Street for £700,000. The book value of the property at the time of disposal was £324,000 and therefore a profit against book value of £376,000 is reflected in these accounts.

**Net asset values (excluding the accounting effects of the consolidation of Eclectic Bars Limited) per Avanti share by category:**

|  | Carrying<br>value as at<br>30 June 2007<br>(pence per<br>share) |
|--|---|
| <b>Investment</b>                      |   |
| Eclectic Bars Limited                  | 95  |
| Espresso                               | 5   |
| mBlox                                  | 107   |
| Medcenter                              | 4   |
| Others                                 | 1   |
| Net current assets<br>(including cash) | 19  |
| <b>Total</b>                           | <b>231</b>  |

### Note:

The above figures do not take account of any dilutory effect of the LTISS options or the carried interest under the investment advisory agreement. Please refer to the Report of the directors for details of the LTISS options and the carried interest.

### Purchase of own shares

During the year, the company made purchases of 526,340 of its own shares at an average price per share of 127p per share.

As stated previously, the Board reaffirms its policy of the company making purchases of its own shares in circumstances where it believes the net asset value per share is likely to be increased.

**J M Fellerman  
R H Kleiner**

6 November 2007

## 6 Corporate governance

### Compliance with the 2003 FRC Combined Code

The company is not required to comply with the 2003 FRC Combined Code. Set out below are the corporate procedures that have been adopted.

### The Board

The Board of Avanti Capital plc is the body responsible for the group's objectives, its policies and the stewardship of its resources. At the balance sheet date, the board comprised four directors, namely Philip Crawford, Julian Fellerman, Richard Kleiner and William Crewdson.

The Board has six board meetings during the year. There are two non-executives that sit on both the audit and the remuneration committees, namely Philip Crawford and William Crewdson. Philip Crawford is both the chairman of the audit committee and the remuneration committee. The terms of reference of both these committees have been approved by the Board.

### Remuneration committee

The committee's responsibilities include the determination of the remuneration and options of other directors and senior executives of the group and the administration of the company's option schemes and arrangements. The committee takes appropriate advice, where necessary, to fulfil this remit.

### Audit committee

The committee meets twice a year including a meeting with the auditors shortly before the signing of the accounts. The terms of reference of the audit committee include: any matters relating to the appointment, resignation or dismissal of the external auditors and their fees; discussion with the auditors on the nature, scope and findings of the audit; consideration of issues of accounting policy and presentation; monitoring the work of the review function carried out to ensure the adequacy of accounting controls and procedures.

### Nomination committee

The company does not maintain a nomination committee. Any board appointments are dealt with by the Board itself.

### Internal control

The Board is responsible for the group's system of internal control and for reviewing the effectiveness of the system of internal control. Internal control systems are designed to meet the particular needs of a business and manage the risks but not to eliminate the risk of failure to achieve the business objectives. By its nature, any system of internal control can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The 2003 FRC Combined Code introduced a requirement for the Board to review the effectiveness of the group's system of internal control, including financial, operational, compliance and risk management. Guidance for directors on the Combined Code: Internal Control: Guidance for Directors on the Combined Code ("The Turnbull Report") was published in September 1999. In view of the relative size of the organisation and the "hands-on" approach of the directors toward systems and risk, the Board does not have the resources to meet the requirements outlined in The Turnbull Report.

### Internal audit

Given the size of the group, the Board does not believe it is appropriate to have a separate internal audit function. The group's systems are designed to provide the directors with reasonable assurance that problems are identified on a timely basis and are dealt with appropriately.

### Relations with shareholders

Aside from announcements that the company makes periodically to the market, the Board uses the annual general meeting to communicate with private and institutional investors and welcomes their participation.

### Going concern

On the basis of the current financial projections, the directors have a reasonable expectation that the company and the group have adequate financial resources to continue in operational existence for the foreseeable future. The directors accordingly have adopted the going concern basis in the preparation of the group's accounts.

# 7 Directors' report for the year ended 30 June 2007

The directors present their report and accounts for the year ended 30 June 2007.

## Results and dividends

The loss for the year before taxation of the group amounted to £4.3m (2006 - loss £2.8m) and the loss for the year after taxation and minority interest of the group amounted to £4.3m (2006 - loss £2.7m) which was equivalent to a loss of 51.01p per share (2006 - 29.01p per share) and the net assets of the group were £13.4m (2006 - £14.8m).

The directors do not recommend the payment of a dividend for the year ended 30 June 2007 (2006 - £nil).

## Principal activity and review of the business

The company's principal activity during the year continued to be that of a private equity and ancillary services company and further details are set out in the company statement on pages 3 to 5.

The principal risks and uncertainties facing the business are investment risk, interest rate risk and liquidity risk. With the exception of the investment in mBlox, the group does not have a material exposure to foreign currency risk.

The various categories of risk are proactively managed to ensure exposure to risk is mitigated wherever possible and appropriate. Further details of this are set out in note 23 on page 28.

## Future developments

The company will be pursuing its policy of maximising the value of its investments and, at the appropriate time, to realise such investments.

## Directors and their interests

The directors during the year were as follows:

P J Crawford  
J M Fellerman  
R H Kleiner  
W A H Crewdson

The interests of the directors and their immediate families and the interests of persons connected with the directors for the purposes of section 346 of the Companies Act 1985 in the issued ordinary share capital of the company as at 30 June 2006 (all of which are beneficial unless otherwise noted) are as follows:

|                | Number of ordinary issued shares                         |                    |
|----------------|--|--------------------|
|                | As at 1 July 2006 or at date<br>of appointment, if later | As at 30 June 2007 |
| P J Crawford   | 315,000  | 391,923            |
| J M Fellerman  | 405,720  | 444,182            |
| R H Kleiner    | 405,720  | 444,182            |
| W A H Crewdson | —  | —                  |

The rights of the directors to subscribe for shares in Avanti Capital plc, their immediate families and persons connected with the directors for the purposes of section 246 of the Companies Act 1985 are as follows:

| Rights to subscribe for shares | At 1 July 2006<br>or date of<br>appointment |         |           | Exercised | At 30 June<br>2007 |
|--------------------------------|---|---------|-----------|-----------|--------------------|
|                                | if later                                    | Granted | Cancelled |           |                    |
| J M Fellerman                  | 416,667                                     | —       | 416,667   | —         | —                  |
| R H Kleiner                    | 416,667                                     | —       | 416,667   | —         | —                  |

As at 30 June 2006 there were 2,500,000 options to subscribe for ordinary shares in the capital of the company at 150 pence per share under the company's Long Term Share Scheme ("LTISS"). Following the changes to the management structure, the directors holding the options agreed to cancel the LTISS options granted to them. Following revisions the company's purchase of its own shares and the consequential changes to the number of options, there remain as at 30 June 2007, 1,289,452 options granted under the LTISS all of which are held by previous directors. The terms of the LTISS are such that the options are exercisable at a price of 150p per share subject to the company's share price or net asset value reaching certain specified targets. The options, which were granted on 10 January 2002 expire on 9 January 2012.



## 8 Directors' report continued

As announced on 9 October 2006 the company entered into an investment advisory agreement with Odyssey Partners Limited ("OPL"). The principal terms of the investment advisory agreement are that OPL, a company controlled by Julian Fellerman and Richard Kleiner, provides all of the functions previously carried out by the executive management team in respect of the group's portfolio. OPL bears all of its internal overheads and is paid an annual fee equal to 3% of the net asset value of the company as at October 2006. In addition, OPL has a carried interest by reference to the realisations achieved in relation to the assets. The threshold, after which the carried interest becomes payable, is based on realisations of not less than £12.7m or 150 pence per share (based on the issued share capital of the company on 11 October 2006). There is a hurdle of 6% per annum to protect the company from the effects of time in relation to the realisation of the portfolio. Once realisations are achieved in excess of £12.7m, provided that the return to the company would be at least that amount together with the hurdle, then in relation to any excess, OPL will be entitled to 25% of such excess up to £15.2m of realisations or 179 pence per share. OPL's share will be increased by 5% for each £2.5m in excess of £15.2m up to a maximum of 40% for realisations in excess of £20.2m or 239 pence per share.

### Report on directors' remuneration

The remuneration of the directors for the year ended 30 June 2007 is as follows:

|                                       | Basic salary<br>and fees | Benefits | Bonus | Compensation<br>for loss of<br>office | 2007<br>Total  | 2006<br>Total |
|---------------------------------------|--------------------------|----------|-------|---------------------------------------|----------------|---------------|
|                                       | £                        | £        | £     | £                                     | £              | £             |
| <b>Executive directors</b>            |                          |          |       |                                       |                |               |
| J M Fellerman                         | 38,365                   | 2,399    | —     | 150,000                               | <b>190,764</b> | 149,731       |
| R H Kleiner                           | 38,365                   | 1,206    | —     | 150,000                               | <b>189,571</b> | 149,734       |
| <b>Non-executive directors</b>        |                          |          |       |                                       |                |               |
| P J Crawford                          | 25,000                   | 1,015    | —     | —                                     | <b>26,015</b>  | 25,987        |
| W A H Crewdson                        | 15,000                   | —        | —     | —                                     | <b>15,000</b>  | 15,000        |
| J M Fellerman                         | 3,750                    | —        | —     | —                                     | <b>3,750</b>   | —             |
| R H Kleiner                           | 3,750                    | —        | —     | —                                     | <b>3,750</b>   | —             |
| <b>Former non-executive directors</b> |                          |          |       |                                       |                |               |
| A J G Bilton                          | —                        | —        | —     | —                                     | —              | 12,500        |
|                                       | 124,230                  | 4,620    | —     | 300,000                               | <b>428,850</b> | 352,952       |

(1) The above figures represent the due proportion of each director's annual salary reflecting the period during the year for which each director was a director of the company.

(2) There were no pension payments in respect of either year.

(3) During the year, as part of the management agreement entered into between the company and Odyssey Partners Limited, Odyssey Partners Limited received fees totalling £335,237 including the non-executive directors' fees of Julian Fellerman and Richard Kleiner.

The remuneration committee comprises Philip Crawford (chairman) and William Crewdson. Its terms of reference are concerned principally with the remuneration packages offered to directors in that they should be competitive and are designed to attract, retain and motivate directors of the right calibre.

# 9 Directors' report

## continued

### Significant shareholding

As at 4 July 2007, the company's significant shareholders were Moorfield Group Limited 12.5%, Marlborough Fund Managers Limited 7.6%, Mr. R J R French 5.9% and Aviation Adventures Limited 4.5%.

### Employee involvement

The group is aware of the importance of good communication in relationships with its staff. The group follows a policy of encouraging training and regular meetings between management and staff in order to provide common awareness on the part of staff of the financial and economic circumstances affecting the group's performance.

### Disabled persons

The group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

### Policy and practice on payment of creditors

It is the group's policy to settle all agreed liabilities within the terms established with suppliers. During the year the average credit period taken was 45 days (2005 – 60 days).

### Purchase of own shares

During the year the company purchased 526,340 shares with a nominal value of 60p each at an average price of 127p per share. The aggregate consideration paid, including transaction costs of £6,723, was £675,215. The total purchases represented 6.2% of the called up share capital of the company. The Board intends to pursue the purchase by the company of its own shares where it believes such purchases will enhance the value per share to the continuing shareholders.

### International Financial Reporting Standard

The Board is mindful that, for the year ending 30 June 2008, the company's reported financial information will need to comply with IFRS. The Board is, therefore, currently reviewing what impact adopting IFRS will have on both the group's financial statements and the methodologies used for recording both financial and related information. The Board are ensuring that the likely impact of IFRS on all significant transactions is fully considered.

The key impacts of IFRS so far identified by the review are:

- Spreading the benefit of rent-free periods on site leases in Eclectic Bars over the term of a lease, rather than the period to date of the first rent review and related deferred tax.
- Goodwill will not be amortised. An impairment review on goodwill in the balance sheet will be undertaken each year.

The previously reported results to 30 June 2007 and balance sheets as at 1 July 2006 and 30 June 2007 will be restated and net assets will be impacted by the adjustments above. In addition, there will be disclosure changes which are not expected to impact the results or net assets.

### Auditors

In accordance with section 385 of the Companies act 1985, a resolution that Ernst & Young LLP be re-appointed will be put to the members at the Annual General Meeting.

### Disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 2. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board

**Julian Fellerman**

Secretary

6 November 2007

# 10 Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

The directors are responsible for keeping proper records that disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# 11 Report of the independent auditors to the members of Avanti Capital plc

We have audited the group and parent company financial statements (the “financial statements”) of Avanti Capital Plc for the year ended 30 June 2007 which comprise the group profit and loss account, the group and company balance sheets, the group statement of cash flows, the group statement of total recognised gains and losses and the related notes 1 to 27. 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 opinions we have formed.

## Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors’ report is consistent with the financial statements. The information given in the directors’ report includes that specific information presented in the company statement that is cross referred from the Business Review section of the directors’ report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors’ remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the company statement and statement of corporate governance. We consider the implications of our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group’s and company’s circumstances, consistently applied and adequately disclosed.

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

## Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group’s and the parent company’s affairs as at 30 June 2007 and of the group’s loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors’ report is consistent with the financial statements.

## Ernst & Young LLP

Registered Auditor  
London

## 12 Consolidated profit and loss account for the year ended 30 June 2007

|   | Notes | 2007<br>£000 | 2006<br>£000 |
|---|-------|--------------|--------------|
| <b>Total turnover (continuing operations)</b>                   | 2     | 12,607       | 17,107       |
| Cost of sales   |       | (2,112)      | (3,153)      |
| <b>Gross profit</b>   |       | 10,495       | 13,954       |
| Operating expenses:   |       |              |              |
| Administrative expenses - exceptional items                     | 3     | (1,471)      | (687)        |
| Administrative expenses - others                                | 4     | (13,821)     | (16,062)     |
|   |       | (15,292)     | (16,749)     |
| Other operating income  |       | 105          | –            |
|   |       | (15,187)     | (16,749)     |
| <b>Operating loss (continuing operations)</b>                   |       | (4,692)      | (2,795)      |
| Profit on disposal of investments                               | 7     | –            | 96           |
| Gain/(loss) on disposal of tangible assets                      |       | 374          | (273)        |
| <b>Loss on ordinary activities before interest and taxation</b> |       | (4,318)      | (2,972)      |
| Interest receivable   | 8     | 71           | 352          |
| Interest payables and similar charges - other loans             |       | (5)          | (185)        |
| <b>Loss on ordinary activities before taxation</b>              |       | (4,252)      | (2,805)      |
| Taxation  | 9     | –            | –            |
| <b>Loss after taxation</b>                                      |       | (4,252)      | (2,805)      |
| Minority interest   |       | –            | 113          |
| <b>Loss retained for the financial year</b>                     |       | (4,252)      | (2,692)      |
| <b>Loss per equity share</b>                                    | 11    |              |              |
| Basic loss per equity share                                     |       | (51.01)p     | (29.01)p     |
| Diluted loss per equity share                                   |       | (51.01)p     | (29.01)p     |

# 13 Consolidated statement of total recognised gains and losses for the year ended 30 June 2007

|   | Notes | 2007<br>£000 | 2006<br>£000 |
|---|-------|--------------|--------------|
| (Loss) for the financial year attributable to members of the parent company | 20    | (4,252)      | (2,692)      |
| Revaluation of fixed asset investments                                      | 20    | 3,500        | 1,984        |
| Total recognised gains and losses   |       | (752)        | (708)        |

# 14 Consolidated balance sheet at 30 June 2007

|  | Notes | 2007<br>£000   | 2006<br>£000  |
|--|-------|----------------|---------------|
| <b>Fixed assets</b>  |       |                |               |
| Intangible assets  | 12    | 3,827          | 4,214         |
| Tangible assets  | 13    | 871            | 1,513         |
| Investments  | 14    | 9,276          | 6,362         |
|  |       | <b>13,974</b>  | <b>12,089</b> |
| <b>Current assets</b>  |       |                |               |
| Stocks   | 15    | 80             | 201           |
| Debtors  | 16    | 967            | 846           |
| Cash at bank and in hand                                       |       | 1,340          | 1,803         |
|  |       | <b>2,387</b>   | <b>2,850</b>  |
| <b>Creditors: amounts falling due within one year</b>          | 17    | <b>(1,148)</b> | <b>(129)</b>  |
| <b>Net current assets</b>                                      |       | <b>1,239</b>   | <b>2,721</b>  |
| <b>Total assets less current liabilities</b>                   |       |                |               |
|  |       | <b>15,213</b>  | <b>14,810</b> |
| <b>Creditors: amounts falling due after more than one year</b> |       | <b>(5)</b>     | <b>–</b>      |
|  |       | <b>15,208</b>  | <b>14,810</b> |
| <b>Provisions</b>  | 18    | <b>(1,819)</b> | <b>–</b>      |
|  |       | <b>13,389</b>  | <b>14,810</b> |
| <b>Capital and reserves</b>                                    |       |                |               |
| Called up share capital  | 19    | 4,815          | 5,131         |
| Revaluation reserves   | 20    | 5,484          | 1,984         |
| Capital redemption reserve                                     | 20    | 1,409          | 1,093         |
| Other reserves   | 20    | 2,045          | 2,045         |
| Profit and loss account  | 20    | (364)          | 4,556         |
| <b>Equity shareholders' funds</b>                              | 21    | <b>13,389</b>  | <b>14,809</b> |
| Minority interest  |       | –              | 1             |
|  |       | <b>13,389</b>  | <b>14,810</b> |

Julian Fellerman – Director

Richard Kleiner – Director

6 November 2007

# 15 Balance sheet at 30 June 2007

|   | Notes | 2007<br>£000  | 2006<br>£000  |
|---|-------|---------------|---------------|
| <b>Fixed assets</b>                                   |       |               |               |
| Tangible assets                                       | 13    | 3             | 337           |
| Investments   | 14    | 10,728        | 10,637        |
|   |       | <b>10,731</b> | <b>10,974</b> |
| <b>Current assets</b>                                 |       |               |               |
| Debtors   | 16    | 810           | 1,063         |
| Cash at bank and in hand                              |       | 1,387         | 1,580         |
|   |       | <b>2,197</b>  | <b>2,643</b>  |
| <b>Creditors: amounts falling due within one year</b> | 17    | <b>(211)</b>  | <b>(259)</b>  |
| <b>Net current assets</b>                             |       | <b>1,986</b>  | <b>2,384</b>  |
|   |       | <b>12,717</b> | <b>13,358</b> |
| <b>Provisions</b>                                     | 18    | <b>1,819</b>  | <b>–</b>      |
| <b>Net assets</b>                                     |       | <b>10,898</b> | <b>13,358</b> |
| <b>Capital and reserves</b>                           |       |               |               |
| Called up share capital                               | 19    | 4,815         | 5,131         |
| Capital redemption reserve                            | 20    | 1,409         | 1,093         |
| Other reserves  | 20    | 2,045         | 2,045         |
| Profit and loss account                               | 20    | 2,629         | 5,089         |
| <b>Equity shareholders' funds</b>                     |       | <b>10,898</b> | <b>13,358</b> |

Julian Fellerman – Director

Richard Kleiner – Director

6 November 2007



# 16 Consolidated statement of cash flows for the year ended 30 June 2007

|  | Notes | 2007<br>£000 | 2006<br>£000 |
|--|-------|--------------|--------------|
| <b>Net cash outflow from operating activities</b>                                    | 22(a) | (225)        | (2,416)      |
| <b>Returns on investments and servicing of finance</b>                               |       |              |              |
| Interest received  |       | 71           | 352          |
| Interest paid  |       | (5)          | (185)        |
|  |       | 66           | 167          |
| <b>Capital expenditure and financial investment</b>                                  |       |              |              |
| Purchase of tangible fixed assets  |       | (87)         | (459)        |
| Purchase of intangible assets  |       | (334)        | –            |
| Purchase of investments  |       | (52)         | (2,081)      |
| Proceeds from sale of tangible assets  |       | 740          | 4            |
| Proceeds from sale of intangible fixed assets  |       | 94           | –            |
| Proceeds from sale of fixed asset investments  |       | 3            | 27           |
| <b>Net cash inflow/(outflow) from capital expenditure and financial investment</b>   |       | 364          | (2,509)      |
| <b>Acquisitions and disposals</b>  |       |              |              |
| Net cash transferred with subsidiary undertakings                                    |       | –            | (164)        |
| <b>Net cash outflow from acquisitions and disposals</b>                              |       | –            | (164)        |
| <b>Net cash inflow/(outflow) before management of liquid resources and financing</b> |       | 205          | (4,922)      |
| <b>Management of liquid resources</b>  |       |              |              |
| Movement on liquid resources   |       | (12)         | 9,314        |
| <b>Financing</b>   |       |              |              |
| Payments for share buy back  |       | (668)        | (2,050)      |
| Issue of shares by group companies to minority shareholders                          |       | –            | 80           |
| Repayment of other loans   |       | –            | (2,752)      |
| <b>Decrease in cash in the year</b>  |       | (475)        | (330)        |

## Analysis of changes in net funds

|                 | Cash at bank<br>and in hand<br>£000 | Short term<br>deposits<br>£000 | Total<br>£000 |
|-----------------|-------------------------------------|--------------------------------|---------------|
| At 1 July 2006  | 431                                 | 1,372                          | 1,803         |
| Net cash flow   | (475)                               | 12                             | (463)         |
| At 30 June 2007 | (44)                                | 1,384                          | 1,340         |

Short term deposits are included within cash at bank and in hand in the balance sheet, and movements in these deposits are shown as movements on liquid resources in the consolidated statement of cashflows.

# 17 Notes to the accounts at 30 June 2007

## 1. Accounting policies

### Accounting convention

The accounts are prepared under the historical cost convention, as modified by the revaluation of fixed asset investments, and in accordance with applicable United Kingdom accounting standards.

### Basis of consolidation

The group accounts consolidate the accounts of the company and all its subsidiary undertakings drawn up to 30 June each year. No profit and loss account is presented for the company as permitted by section 230 of the Companies Act 1985.

Eclectic Bars Limited has been included in the group accounts using the acquisition method of accounting. Accordingly, the group profit and loss account and statement of cash flows include the results and cash flows of Eclectic Bars Limited for the 52 weeks ended 1 July 2007.

The loss attributable to the parent company is £1.792m (2006 – £2.518m).

### Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties on its ongoing activities, and amounts received and receivable from the management and operation of late night bars and nightclubs. The analysis of turnover is set out in note 2 below.

### Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life as follows:

|                        |   |               |
|------------------------|---|---------------|
| Leasehold property     | – | Life of lease |
| Leasehold investments  | – | 4 years       |
| Furniture and fittings | – | 4 years       |
| IT equipment           | – | 3 years       |
| Motor vehicles         | – | 3 to 5 years  |

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

### Stocks

Stocks are stated at the lower of cost and net realisable value.

### Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

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

All differences are taken to the profit and loss account.

### Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of the entity's identifiable assets and liabilities. Positive goodwill is capitalised, classified as an asset of the balance sheet and amortised on a straight line basis over its useful economic life up to a maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

If a subsidiary or business is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves or that has been amortised through the profit and loss account is taken into account in determining the profit or loss on sales or closure.

Where the fair value of the net assets acquired exceeds the fair value of the consideration for an acquired undertaking, the difference is treated as negative goodwill and is capitalised and amortised through the profit and loss account in the period in which the non-monetary assets are recovered. In the case of fixed assets this is the period over which they are depreciated, and in the case of fixed asset investments, the period over which they are sold or otherwise realised.

# 18 Notes to the accounts

## continued

### 1. Accounting policies (continued)

#### Fixed asset investments

Fixed asset investments, comprising equity shares and share options, are valued in accordance with the "Guidelines for the valuation and disclosure of venture capital portfolios" published by the British Venture Capital Association on the following basis:

- (a) Early stage investments: these are investments in immature companies, including seed, start-up and early stage investments. Such investments are valued at cost less any provision considered necessary, until no longer viewed as early stage or unless a significant transaction involving an independent third party at arm's length, values the investment at a materially different value;
- (b) Development stage investments: such investments are in mature companies having a maintainable trend of sustainable profits and from which an exit, by way of flotation or trade sale, can be reasonably foreseen. An investment of this stage is periodically revalued by reference to open market value. Valuation will usually be by one of four methods as indicated below:
  - i) At cost for at least one period unless such a basis is unsustainable;
  - ii) On a third party basis based on the price at which a subsequent significant investment is made involving a new investor;
  - iii) On an earnings basis, but not until at least a period since the investment was made, by applying a discounted price/earnings ratio to profit after taxation, either before or after interest; or
  - iv) On a net asset basis, again applying a discount to reflect the illiquidity of the investment.
- (c) Quoted investments: such investments are valued using the quoted market price, discounted if the shares are subject to any particular restrictions or are significant in relation to the issued share capital of a small quoted company.

A review of impairment in value is undertaken by reference to funding, investment or offers in progress after the balance sheet date.

#### Financial instruments

The group uses financial instruments comprising cash and short term deposits and borrowings. It does not enter into derivative transactions such as interest rate swaps, forward rate agreements or forward currency contracts. Revenue in the form of interest arises from the cash and short term deposits and this is recognised in the profit and loss account as it is earned.

#### Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

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

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

#### Leasing commitments

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

#### Operational exceptional items

Operational exceptional items are treated as such if the matters are material and fall within one of the categories below:

- a) Write down (including provisions) to recoverable amounts in respect of property, investments and stock;
- b) Restructuring costs of an activity of the group;
- c) Disposals of property and investments;
- d) Abortive deals;
- e) Litigation settlements; and
- f) Reversal of provisions

# 19 Notes to the accounts continued

## 2. Turnover

### (a) Analysis of turnover and loss before taxation

|                                   | Turnover*     |               | Loss on ordinary activities before tax |                |
|-----------------------------------|---------------|---------------|--|----------------|
|                                   | 2007<br>£000  | 2006<br>£000  | 2007<br>£000                           | 2006<br>£000   |
| <b>Business sectors:*</b>         |               |               |  |                |
| Investment and ancillary services | 59            | 78            | (3,079)                                | (2,015)        |
| Bar & night clubs                 | 12,548        | 17,029        | (1,173)                                | (790)          |
|                                   | <b>12,607</b> | <b>17,107</b> | <b>(4,252)</b>                         | <b>(2,805)</b> |
| <b>Geographical markets:</b>      |               |               |  |                |
| United Kingdom                    | <b>12,607</b> | <b>17,107</b> | <b>(4,252)</b>                         | <b>(2,805)</b> |

\* The geographical segmentation is by both origin and destination of turnover. All turnover is generated from third parties.

### (b) Analysis of net assets

|                                   | 2007<br>£000  | 2006<br>£000  |
|-----------------------------------|---------------|---------------|
| <b>Business sectors:</b>          |               |               |
| Investment and ancillary services | 9,003         | 14,767        |
| Bar and night clubs               | 4,386         | 43            |
|                                   | <b>13,389</b> | <b>14,810</b> |
| <b>Geographical location:</b>     |               |               |
| United Kingdom                    | 4,549         | 8,957         |
| Rest of World                     | 8,840         | 5,853         |
|                                   | <b>13,389</b> | <b>14,810</b> |

## 20 Notes to the accounts continued

### 3. Exceptional items

Other

|   | 2007  | 2006 |
|---|-------|------|
|   | £000  | £000 |
| Provision for impairment of fixed asset investments | 88    | 223  |
| Deal and merger costs:                              |       |      |
| – Redundancy costs                                  | 552   | 354  |
| – Cost on abortive projects                         | 17    | 54   |
| – Others  | 7     | –    |
| Restructuring charges                               | 807   | 56   |
|   | 1,471 | 687  |

The proportion of exceptional items that relate to minority interests is £338,000 (2006 – £164,000).

### 4. Analysis of administrative expenses - other

|  | 2007   | 2006   |
|--|--------|--------|
|  | £000   | £000   |
| Auditors' remuneration:                      |        |        |
| – audit                                      | 51     | 55     |
| Depreciation                                 | 362    | 434    |
| Amortisation of goodwill                     | 627    | 396    |
| Operating lease rentals - land and buildings | 1,276  | 2,088  |
| Others                                       | 11,505 | 13,089 |
|  | 13,821 | 16,062 |

## 21 Notes to the accounts continued

### 5. Staff costs

|                       | 2007  | 2006  |
|-----------------------|-------|-------|
|                       | £000  | £000  |
| Wages and salaries    | 2,196 | 4,129 |
| Social security costs | 248   | 339   |
|                       | 2,444 | 4,468 |

There were no pension contributions during the year.

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

|                     | 2007 | 2006 |
|---------------------|------|------|
|                     | No.  | No.  |
| Investment holdings | 5    | 4    |
| Bar and night clubs |      |      |
| – Bar staff         | 300  | 380  |
| – Head office       | 20   | 25   |
|                     | 325  | 409  |

### 6. Directors' remuneration

|                                 | 2007 | 2006 |
|---------------------------------|------|------|
|                                 | £000 | £000 |
| Emoluments                      | 129  | 353  |
| Compensation for loss of office | 300  | –    |
|                                 | 429  | 353  |

An analysis of directors' remuneration is set out in the directors' report. There were no pension payments in respect of either year.

### 7. Profit on disposal of investments

|  | 2007 | 2006 |
|--|------|------|
|  | £000 | £000 |
| Book profit arising from the reorganisation of Barvest Limited | –    | 96   |

There were no taxation effects arising from the profit on disposal of investments.

## 22 Notes to the accounts continued

### 8. Interest receivable and similar income

|                              | 2007<br>£000 | 2006<br>£000 |
|------------------------------|--------------|--------------|
| On deposits and liquid funds | 71           | 352          |

### 9. Taxation

#### (a) Analysis of charge in year:

|   | 2007<br>£000 | 2006<br>£000 |
|---|--------------|--------------|
| Current tax   |              |              |
| UK corporation tax on the profit for the year           | –            | –            |
| Deferred tax  |              |              |
| Excess capital allowance over depreciation (note 9 (c)) | –            | –            |
| <b>Total tax charge for year</b>                        | <b>–</b>     | <b>–</b>     |

#### (b) Factors affecting current tax charge for the year:

The tax assessed for the year differs from the standard rate of corporation tax in the UK (30%). The differences are explained below:

|   | 2007<br>£000 | 2006<br>£000 |
|---|--------------|--------------|
| Loss on ordinary activities before tax  | (4,252)      | (2,805)      |
| Loss on ordinary activities multiplied by standard rate<br>of corporation tax in the UK of 30% (2006 - 30%) | (1,276)      | (842)        |
| Effects of:   |              |              |
| Disallowable expenses and non-taxable income  | 381          | 47           |
| Depreciation in excess of capital allowances  | 36           | 127          |
| Losses arising in the current year not relievable against current tax                                       | 970          | 886          |
| Losses brought forward utilised   | (111)        | (218)        |
| Current tax for the year (note 9a)  | –            | –            |

#### (c) Deferred tax

|   | 2007<br>£000 | 2006<br>£000 |
|---|--------------|--------------|
| Excess capital allowances over depreciation | –            | –            |

The group has tax losses arising in the UK of approximately £22.1 million (2006 – £20.4 million) that are available indefinitely for offset against future taxable profits of those companies in which the losses arose. Deferred tax assets of £6.6 million (2006 – £6.1 million) have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the group.

## 23 Notes to the accounts continued

### 10. Dividends

No dividend will be declared for the year ended 30 June 2007 (2006 – £nil).

### 11. Loss per share

The basic (loss) per share calculation is based on the group's retained loss for the year of £4.3m (2006 – £2.6m) and the weighted average number of shares in issue for the year of 8,333,945 (2006 – 9,278,092).

The loss attributed to ordinary shareholders and the weighted average number of shares for the purposes of calculating the diluted earnings per share is identical to those used for basic earnings per share. This is because the exercise of options would have the effect of reducing the loss per share and is therefore not dilutive under the terms of FRS14.

### 12. Intangible assets

|                                   | Positive<br>Goodwill<br>2007<br>£000 | Negative<br>Goodwill<br>2007<br>£000 |
|-----------------------------------|--------------------------------------|--------------------------------------|
| Cost:                             |                                      |                                      |
| At 1 July 2006                    | 4,214                                | (1,749)                              |
| Addition                          | 334                                  | –                                    |
| Disposal                          | (94)                                 | –                                    |
| At 30 June 2007                   | 4,454                                | (1,749)                              |
| Amortisation:                     |                                      |                                      |
| At 1 July 2006                    | –                                    | (1,749)                              |
| Provided during the year          | 627                                  | –                                    |
| At 30 June 2007                   | 627                                  | (1,749)                              |
| Net book value as at 30 June 2007 | 3,827                                | –                                    |
| Net book value as at 30 June 2006 | 4,214                                | –                                    |

Negative goodwill is written off over a period of 4 years and positive goodwill is written off over a period of 10 years.

The addition to positive goodwill during the year relates to the reorganisation of Eclectic Bars that took place in June 2006 and for which there were post-year end adjustments.



## 24 Notes to the accounts continued

### 13. Tangible fixed assets

| Group                    | Leasehold<br>property<br>£000 | Leasehold<br>improvements<br>£000 | IT<br>equipment<br>£000 | Furniture<br>and fittings<br>£000 | Motor<br>vehicles<br>£000 | Total<br>£000 |
|--------------------------|-------------------------------|-----------------------------------|-------------------------|-----------------------------------|---------------------------|---------------|
| <b>Cost:</b>             |                               |                                   |                         |                                   |                           |               |
| At 1 July 2006           | 420                           | 326                               | 260                     | 821                               | 63                        | 1,890         |
| Additions/Adjustments    | –                             | 203                               | 4                       | (147)                             | 27                        | 87            |
| Disposals                | (420)                         | (30)                              | –                       | (127)                             | (21)                      | (598)         |
| At 30 June 2007          | –                             | 499                               | 264                     | 547                               | 69                        | 1,379         |
| <b>Depreciation:</b>     |                               |                                   |                         |                                   |                           |               |
| At 1 July 2006           | 89                            | 25                                | 225                     | 38                                | –                         | 377           |
| Provided during the year | 10                            | 35                                | 20                      | 273                               | 24                        | 362           |
| Disposals                | (99)                          | (25)                              | –                       | (107)                             | –                         | (231)         |
| At 30 June 2007          | –                             | 35                                | 245                     | 204                               | 24                        | 508           |
| <b>Net book value:</b>   |                               |                                   |                         |                                   |                           |               |
| At 30 June 2007          | –                             | 464                               | 19                      | 343                               | 45                        | 871           |
| At 30 June 2006          | 331                           | 301                               | 35                      | 783                               | 63                        | 1,513         |

| Company                  | Leasehold<br>property<br>£000 | Leasehold<br>improvements<br>£000 | IT<br>equipment<br>£000 | Furniture<br>and fittings<br>£000 | Total<br>£000 |
|--------------------------|-------------------------------|-----------------------------------|-------------------------|-----------------------------------|---------------|
| <b>Cost:</b>             |                               |                                   |                         |                                   |               |
| At 1 July 2006           | 420                           | 25                                | 194                     | 39                                | 678           |
| Additions                | –                             | –                                 | 1                       | –                                 | 1             |
| Disposal                 | (420)                         | (25)                              | –                       | –                                 | (445)         |
| At 30 June 2007          | –                             | –                                 | 195                     | 39                                | 234           |
| <b>Depreciation:</b>     |                               |                                   |                         |                                   |               |
| At 1 July 2006           | 89                            | 25                                | 190                     | 37                                | 341           |
| Provided during the year | 10                            | –                                 | 4                       | –                                 | 14            |
| Disposal                 | (99)                          | (25)                              | –                       | –                                 | (124)         |
| At 30 June 2007          | –                             | –                                 | 194                     | 37                                | 231           |
| <b>Net book value:</b>   |                               |                                   |                         |                                   |               |
| At 30 June 2007          | –                             | –                                 | 1                       | 2                                 | 3             |
| At 30 June 2006          | 331                           | –                                 | 4                       | 2                                 | 337           |

## 25 Notes to the accounts continued

### 14. Fixed asset investments

|                              | Group<br>2007<br>£000 | Company<br>2007<br>£000 | Group<br>2006<br>£000 | Company<br>2006<br>£000 |
|------------------------------|-----------------------|-------------------------|-----------------------|-------------------------|
| Other                        | 9,276                 | 3,152                   | 6,362                 | 3,137                   |
| Unlisted investments         |                       |                         |                       |                         |
| – Investment in subsidiaries | –                     | 7,576                   | –                     | 7,500                   |
|                              | 9,276                 | 10,728                  | 6,362                 | 10,637                  |

  

| Group                | Cost<br>£000 | Provision<br>£000 | Revaluation<br>£000 | Book value<br>£000 |
|----------------------|--------------|-------------------|---------------------|--------------------|
| At 1 July 2006       | 13,821       | (9,443)           | 1,984               | 6,362              |
| Additions            | 52           | –                 | –                   | 52                 |
| Disposals            | (293)        | 290               | –                   | (3)                |
| Provision            | –            | (88)              | –                   | (88)               |
| Exchange differences | –            | (547)             | –                   | (547)              |
| Transfers            | (26)         | 26                | –                   | –                  |
| Revaluation          | –            | –                 | 3,500               | 3,500              |
| At 30 June 2007      | 13,554       | (9,762)           | 5,484               | 9,276              |

Details of the investments in which the group and the company holds 20% or more of the nominal value of any class of share capital are as follows: –

| Name of Company                                     | Holding         | Proportion of voting<br>rights and shares held | Nature of business                              |
|---|-----------------|--|---|
| <b>Subsidiary undertakings:</b>                     |                 |  |   |
| Avanti Holdings plc                                 | Ordinary shares | 100%   | Private equity                                  |
| Avanti Partners (UK) Limited                        | Ordinary shares | 100%   | Management services                             |
| Avanti Partners NV *                                | Ordinary shares | 100%   | Private equity                                  |
| Eclectic Bars Limited<br>(formerly Barclub Limited) | Ordinary shares | 60%  | Operation of late night bars<br>and night clubs |

Avanti Partners (UK) Limited and Avanti Partners NV are directly owned by Avanti Holdings plc and the rest of the subsidiaries are directly owned by Avanti Capital plc.

\* Incorporated in Belgium

## 26 Notes to the accounts continued

### 15. Stocks

|                   | 2007 | 2006 |
|-------------------|------|------|
|                   | £000 | £000 |
| Goods for re-sale | 80   | 201  |

### 16. Debtors

|                                     | Group<br>2007<br>£000 | Company<br>2007<br>£000 | Group<br>2006<br>£000 | Company<br>2006<br>£000 |
|-------------------------------------|-----------------------|-------------------------|-----------------------|-------------------------|
| Trade debtors                       | 117                   | 11                      | 43                    | –                       |
| Other taxes                         | 25                    | –                       | –                     | 11                      |
| Amounts due from subsidiary company | –                     | 689                     | –                     | 756                     |
| Other debtors                       | 825                   | 110                     | 803                   | 296                     |
|                                     | <b>967</b>            | <b>810</b>              | <b>846</b>            | <b>1,063</b>            |

### 17. Creditors: amounts falling due within one year

|                                       | Group<br>2007<br>£000 | Company<br>2007<br>£000 | Group<br>2006<br>£000 | Company<br>2006<br>£000 |
|---------------------------------------|-----------------------|-------------------------|-----------------------|-------------------------|
| Trade creditors                       | 439                   | 4                       | 35                    | 34                      |
| Other taxes and social security costs | 278                   | –                       | 17                    | 17                      |
| Amounts due to subsidiary companies   | –                     | –                       | –                     | –                       |
| Accruals                              | 431                   | 207                     | 77                    | 208                     |
|                                       | <b>1,148</b>          | <b>211</b>              | <b>129</b>            | <b>259</b>              |

## 27 Notes to the accounts continued

### 18. Provisions

|                  | Group<br>2007<br>£000 | Company<br>2007<br>£000 | Group<br>2006<br>£000 | Company<br>2006<br>£000 |
|------------------|-----------------------|-------------------------|-----------------------|-------------------------|
| Carried interest | 1,819                 | 1,819                   | –                     | –                       |

The carried interest has been provided on the basis of terms of the agreement between the company and Odyssey Partners Limited. The amount has been calculated by reference to the net assets as at 30 June 2007 which assumes that the amounts attributable to each asset will be realised at the amounts so stated.

### 19. Share capital

|                               | Authorised  |             | Allotted, called up<br>and fully paid |             |
|-------------------------------|-------------|-------------|---------------------------------------|-------------|
|                               | 2007<br>No. | 2006<br>No. | 2007<br>No.                           | 2007<br>No. |
| Ordinary shares of £0.60 each | 20,833,333  | 20,833,333  | 8,025,752                             | 8,552,092   |

As at 30 June 2006 there were 8,552,092 ordinary shares of 60 pence each in the capital of the company. During the year, 526,340, ordinary shares of 60 pence each in the capital of the company were bought back by the company for cancellation at an average price of 127 pence per share. This resulted in there being 8,025,752 ordinary shares of 60p each in issue at the balance sheet date.

### 20. Reserves

| Group                                | Revaluation<br>reserve<br>£000 | Capital<br>redemption<br>reserve<br>£000 | Other<br>reserves<br>£000 | Profit and<br>loss<br>account<br>£000 | Total<br>£000 |
|--------------------------------------|--------------------------------|--|---------------------------|---------------------------------------|---------------|
| At 1 July 2006                       | 1,984                          | 1,093                                    | 2,045                     | 4,556                                 | 9,678         |
| Loss retained for the financial year | –                              | –  | –                         | (4,252)                               | (4,252)       |
| Revaluation for the year             | 3,500                          | –  | –                         | –                                     | 3,500         |
| Shares buy back in the year          | –                              | 316                                      | –                         | (668)                                 | (352)         |
| At 30 June 2007                      | 5,484                          | 1,409                                    | 2,045                     | (364)                                 | 8,574         |

| Company                              | Revaluation<br>reserve<br>£000 | Capital<br>redemption<br>reserve<br>£000 | Other<br>reserves<br>£000 | Profit and<br>loss<br>account<br>£000 | Total<br>£000 |
|--------------------------------------|--------------------------------|--|---------------------------|---------------------------------------|---------------|
| At 1 July 2006                       | –                              | 1,093                                    | 2,045                     | 5,089                                 | 8,227         |
| Loss retained for the financial year | –                              | –  | –                         | (1,792)                               | (1,792)       |
| Shares buy back in the year          | –                              | 316                                      | –                         | (668)                                 | (352)         |
| At 30 June 2007                      | –                              | 1,409                                    | 2,045                     | 2,629                                 | 6,083         |

### 21. Reconciliation of movements in shareholders' funds

|   | 2007<br>£000 | 2006<br>£000 |
|---|--------------|--------------|
| Loss for the financial year attributable to the members of the parent company | (4,252)      | (2,692)      |
| Revaluation of investments  | 3,500        | 1,984        |
| Shares buyback  | (668)        | (2,050)      |
| Shareholders' funds at 1 July 2006  | 14,809       | 17,567       |
| At 30 June 2007   | 13,389       | 14,809       |

# 28 Notes to the accounts

## continued

### 22. Notes to the consolidated cash flow statement

#### (a) Reconciliation of operating loss to net cash (outflow) from operating activities

|  | 2007    | 2006    |
|--|---------|---------|
|  | £000    | £000    |
| Operating loss   | (4,692) | (2,795) |
| Depreciation charges   | 362     | 434     |
| Goodwill amortisation  | 627     | 396     |
| Provision against fixed asset investment (including exchange losses) | 635     | 223     |
| Provision for carried interest                                       | 1,819   | –       |
| Decrease in stock  | 121     | 84      |
| (Increase)/decrease in debtors                                       | (121)   | 2       |
| Increase/(decrease) in creditors                                     | 1,024   | (541)   |
| Bank loan issue cost   | –       | (219)   |
| Net cash (outflow) from operating activities                         | (225)   | (2,416) |

#### (b) Reconciliation of net cash flow to movement in net funds

|  | 2007  | 2006    |
|--|-------|---------|
|  | £000  | £000    |
| Decrease in cash                           | (475) | (330)   |
| Increase/(decrease) in short term deposits | 12    | (9,314) |
| Decrease in loans                          | –     | 2,971   |
| Net funds at 1 July 2006                   | 1,803 | 8,476   |
| At 30 June 2007                            | 1,340 | 1,803   |

#### (c) Exceptional Items

##### Cash flows relating to operating exceptional items

The provision for impairment of fixed asset investments of £635,000 (2006 – £223,000) did not have an effect on cash flows.

In the current year there were operating cash outflows from exceptional items relating to redundancy and restructuring charges of £1.3m (2006 – £410,000) and cost of abortive projects of £17,000 (2006 – £54,000).

### 23. Financial Instruments

The group's financial instruments comprise fixed asset investments, cash and liquid resources, and various items, such as trade debtors and trade creditors that arise directly from its operations. The vast majority of the group's financial investments are denominated in sterling.

The group does not enter into derivatives or hedging transactions.

It is, and has been throughout the period under review, the group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the group's financial instruments are investment risk, interest rate risk and liquidity risk. With the exception of the investment in mBlox, the group does not have a material exposure to foreign currency risk. The board reviews policies for managing each of these risks, and they are summarised as follows:

#### Investment risk

Investment risk includes investing in companies that may not perform as expected. The group's investment criteria focus on the quality of the business and the management team of the target company, market potential and the ability of the investment to attain the returns required within the time horizon set for the investment. Due diligence is undertaken on each investment. The group regularly reviews the investments in order to monitor the level of risk and mitigate exposure where appropriate.

#### Interest rate risk

The group borrows in currencies to match the denomination at fixed and floating rates of interest to generate the desired interest profile and to manage the group's exposure to interest fluctuations.

# 29 Notes to the accounts continued

## 23. Financial Instruments (continued)

### Liquidity risk

The group's policy is to finance its operations and expansion through working capital and, in the case of investing in target companies, to raise an appropriate level of acquisition finance.

### Short term debtors and creditors

Amounts dealt with in the numerical disclosures in this note exclude short term debtors and creditors.

There is no material difference between the fair values and book values of the group's financial instruments.

### Financial assets

The group has financial assets as shown below:

|   | Floating<br>rate<br>financial<br>assets<br>2007<br>£000 | Non-interest<br>bearing<br>financial<br>assets<br>2007<br>£000 | Floating<br>rate<br>financial<br>assets<br>2006<br>£000 | Non-interest<br>bearing<br>financial<br>assets<br>2006<br>£000 |
|---|---|--|---|--|
| Currency                                |   |  |   |  |
| Sterling – cash and short term deposits | 1,340   | –  | 1,803   | –  |
| Sterling – unquoted investments         | –   | 9,276  | –   | 6,362  |
|   | <b>1,340</b>  | <b>9,276</b>   | <b>1,803</b>  | <b>6,362</b>   |

The floating rate assets earn interest at rates based upon LIBOR. Non-interest bearing financial assets are available on demand.

## 24. Other financial commitments

At 30 June 2007, the group had annual commitments under non-cancellable operating leases as set out below:

|                                | 2007<br>Group<br>£000 | 2007<br>Company<br>£000 | 2006<br>Group<br>£000 | 2006<br>Company<br>£000 |
|--------------------------------|-----------------------|-------------------------|-----------------------|-------------------------|
| Land and Buildings             |                       |                         |                       |                         |
| Operating leases which expire: |                       |                         |                       |                         |
| – in less than one year        | 77                    | –                       | –                     | –                       |
| – within two to five years     | –                     | –                       | 128                   | –                       |
| – in over five years           | 824                   | –                       | 1,245                 | –                       |
|                                | <b>901</b>            | <b>–</b>                | <b>1,373</b>          | <b>–</b>                |

## 25. Commitments

The company has a cash commitment in respect of one its investments, namely XDL Interinvest (USA) Limited Partnership. The company was originally committed to pay a total of CAN\$1m to XDL Interinvest (USA) Limited Partnership but the commitment has now been capped at CAN\$800,000 (£388,000). As at 30 June 2007, CAN\$668,038 (£324,000) had been paid leaving an outstanding commitment of CAN\$131,962 (£64,000).

## 26. Contingent Liabilities

The company entered into a guarantee of the obligations of the bar and night club business previously owned by Eclectic Bars Limited in respect of its lease at its Edinburgh site. The annual rent is £57,000.

## 27. Transactions with directors

As reported in the accounts to 30 June 2006, the shares in Avanti Partners Limited were transferred to Julian Fellerman and Richard Kleiner on 11 October 2006. Following the management structure changes, Avanti Partners Limited changed its name to Odyssey Partners Limited and during the period under review, Odyssey Partners Limited provided investment advisory services amounting to £335,237.

Included in provisions is an amount of £1.819 million which relates to the carried interest that would be payable to Odyssey Partners Limited if the net assets were to be realised at their balance sheet values.

## 30 Supplementary information (unaudited)

### Pro Forma Profit & Loss and Balance Sheets

#### Notes to the Pro Forma Profit & Loss Account and Balance Sheets

The pro forma financial information has not been audited.

The pro forma financial information has been prepared to illustrate the effect of not consolidating the results and net assets of Eclectic Bars Limited and therefore sets out the investment activity of Avanti Capital plc as distinct from the bars and clubs activity operated by Eclectic Bars Limited.

The adjustments shown within the pro forma financial information enables a reconciliation to be made to the audited figures included within this annual report and which comprise the usual consolidation items including fees and interest charged by the group to Eclectic Bars Limited and the inclusion, within the pro forma Profit & Loss, of EBITDA for Eclectic Bars Limited in respect of the 52-weeks period from 28 June 2006 to 1 July 2007.

|  | Avanti<br>£000 | Eclectic Bars<br>£000 | Adjustment<br>£000 | Group Total<br>£000 |
|--|----------------|-----------------------|--------------------|---------------------|
| <b>Profit &amp; Loss</b>   |                |                       |                    |                     |
| Turnover – continuing operations   | 164            | 12,548                | (105)              | 12,607              |
|  | 164            | 12,548                | (105)              | 12,607              |
| <b>Less: cost of sales</b>   | –              | (2,112)               | –                  | (2,112)             |
| <b>Gross profit</b>  | 164            | 10,436                | (105)              | 10,495              |
| Operating expenses   | (2,868)        | (9,694)               | 105                | (12,457)            |
| Other income   | –              | 105                   | –                  | 105                 |
| <b>EBITDA</b>  | (2,704)        | 847                   | –                  | (1,857)             |
| Depreciation & goodwill<br>amortisation                                    | (14)           | (976)                 | –                  | (990)               |
| Interest payable   | –              | (199)                 | 194                | (5)                 |
| Interest receivable  | 265            | –                     | (194)              | 71                  |
| <b>Profit on ordinary activities before Taxation and exceptional items</b> | (2,453)        | (328)                 | –                  | (2,781)             |
| Exceptional items – other  | 75             | (845)                 | (701)              | (1,471)             |
| <b>(Loss)/profit on ordinary activities before taxation</b>                | (2,378)        | (1,173)               | (701)              | (4,252)             |
| Taxation   | –              | –                     | –                  | –                   |
| <b>(Loss)/profit on ordinary activities after taxation</b>                 | (2,378)        | (1,173)               | (701)              | (4,252)             |

# 31 Supplementary information (unaudited) continued

## Pro Forma Profit & Loss and Balance Sheets (continued)

|   | Avanti<br>£000 | Eclectic Bars<br>£000 | Adjustment<br>£000 | Group Total<br>£000 |
|---|----------------|-----------------------|--------------------|---------------------|
| <b>Net Assets</b>                                     |                |                       |                    |                     |
| <b>Fixed assets</b>                                   |                |                       |                    |                     |
| Goodwill  | –              | 5,849                 | (2,022)            | 3,827               |
| Tangible assets                                       | 3              | 868                   | –                  | 871                 |
| Investments   | 16,852         | –                     | (7,576)            | 9,276               |
|   | 16,855         | 6,717                 | (9,598)            | 13,974              |
| <b>Current assets</b>                                 |                |                       |                    |                     |
| Stock   | –              | 80                    | –                  | 80                  |
| Debtors   | 157            | 810                   | –                  | 967                 |
| Cash at bank & in-hand                                | 1,457          | (117)                 | –                  | 1,340               |
|   | 1,614          | 773                   | –                  | 2,387               |
| <b>Creditors: amounts falling due within one year</b> | (66)           | (1,082)               | –                  | (1,148)             |
| <b>Net current assets</b>                             | 1,548          | (309)                 | –                  | 1,239               |
|   | 18,403         | 6,408                 | (9,598)            | 15,213              |
| <b>Creditors: amounts falling due after one year</b>  |                |                       |                    |                     |
| Shareholders' loan                                    | –              | (7,576)               | 7,576              | –                   |
| Other creditors                                       | –              | (5)                   | –                  | (5)                 |
|   | 18,403         | (1,173)               | (2,022)            | 15,208              |
| <b>Provisions</b>                                     | (1,819)        | –                     | –                  | (1,819)             |
|   | 16,584         | (1,173)               | (2,022)            | 13,389              |
| <b>Represented by:</b>                                |                |                       |                    |                     |
| Share capital   | 4,815          | –                     | –                  | 4,815               |
| Revaluation reserve                                   | 5,484          | –                     | –                  | 5,484               |
| Capital redemption reserves                           | 1,409          | –                     | –                  | 1,409               |
| Other reserves  | 2,045          | –                     | –                  | 2,045               |
| Profit & loss accounts                                | 2,831          | (1,173)               | (2,022)            | (364)               |
| <b>Shareholders' funds</b>                            | 16,584         | (1,173)               | (2,022)            | 13,389              |



# 32 Notice of annual general meeting

Notice is hereby given that the 2007 Annual General Meeting of Avanti Capital plc ("the Company") will be held at the offices of Berwin Leighton Paisner, Adelaide House, London Bridge, London EC4 on the 5 day of December 2007 at 10.00 a.m. to transact the following business.

## Ordinary Business

- 1 To receive and adopt the directors report, the financial statements and the auditors report for the year ended 30 June 2007.
- 2 To approve the Directors' Remuneration Report as set out on pages 7 to 9 of the report and accounts (as referred to in 1 above).
- 3 To re-elect Julian Fellerman as a director.
- 4 To confirm the re-appointment of Ernst & Young LLP as auditors of the Company and to authorise the directors to fix their remuneration.

## Special Business

As special business, to consider and, if thought fit, pass the following resolutions of which Resolution 5 will be proposed as an ordinary resolution and Resolutions 6 and 7 will be proposed as special resolutions:

### Ordinary Resolution

- 5 That the Directors be and they are hereby generally and unconditionally authorised (in substitution for all previous authorities in that regard) to exercise all of the powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985 ("the Act")) up to an aggregate nominal amount of £4,815,451 provided that this authority shall expire on the conclusion of the annual general meeting of the Company held in 2008 or 31 December 2008 (whichever is earlier) unless and to the extent that such authority is renewed or extended prior to such date so that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

### Special Resolutions

- 6 That the Directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 ("the Act") in substitution for all previous powers granted thereunder, to allot equity securities (as defined in Section 94 of the Act) pursuant to the authority granted by Resolution 5 above of this resolution as if Section 89(1) of the Act did not apply to any such allotment provided that this power should be limited to:
  - (a) the allotment of equity securities on a pro rata basis in favour of shareholders where the equity securities respectively attributable to the interests of all shareholders are proportionate (as nearly as may be) to the respective number of ordinary shares held by them, but subject to such exclusions and other arrangements as the directors may deem necessary or expedient to deal with legal or practical problems in respect of overseas holders, fractional entitlement or otherwise;
  - (b) the allotment of equity securities (in addition to the allotment of equity securities pursuant to the foregoing paragraph) with an aggregate value of up to £1,605,150 being 33.3 per cent of the issued share capital of the Company on 31 October 2007 and the power hereby conferred shall expire on the conclusion of the annual general meeting of the Company held in 2008 or 31 December 2008 (whichever is earlier) unless renewed or extended prior to such time except that the Company may, before the expiry of any power contained in this resolution, make an offer or agreement which would, or might, require equity securities to be allotted, after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power hereby conferred has not expired.
- 7 That the Company be generally and unconditionally authorised for the purposes of section 166 of the Act to make market purchases (within the meaning of Section 163 of the Act) of ordinary shares of 60p each in the capital of the Company ("Ordinary Shares") provided that:
  - (a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is such number of shares which would fully utilise the whole of the distributable reserves of the Company from time to time;
  - (b) the minimum price which may be paid for an Ordinary Share is 60p per share;
  - (c) the maximum price which may be paid for an Ordinary Share is an amount equal to 105% of the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Share is purchased;
  - (d) the authority hereby conferred expires at the conclusion of the next annual general meeting of the Company to be held in 2008 or, if earlier, twelve months after the date of the passing of this resolution unless such authority is renewed, varied or revoked prior to such time; andthe Company may make a contract or contracts to purchase Ordinary Shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority; and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

BY ORDER OF THE BOARD

Julian Fellerman  
Secretary  
6 November 2007

Registered Office: 25 Harley Street, London W1G 9BR

#### Notes:

- (1) A member entitled to attend and vote at the above-mentioned Annual General Meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company.
- (2) A pre-paid form of proxy is enclosed. To be valid, the form of proxy (together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such authority) must be deposited at the offices of the Company's Registrars, Capita IRG, PO Box 25, Beckenham, Kent BR3 4BR no later than 10.00 a.m. on 30 November 2007. Completion of the form of proxy will not preclude a member from attending and voting in person.
- (3) The Company, pursuant to regulation 41 of The Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 6.00 p.m. on 30 November 2007 shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after that time will be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting.
- (4) There will be available for inspection at the registered office of the Company, during usual business hours on any weekday from the date of this notice until the date of the meeting, and at the place of the meeting for 15 minutes prior to and during the meeting, copies of any directors' service agreements with the Company and particulars for the period up to 5 November 2007 of the transactions of each director and, so far as he can reasonably ascertain, of his family in the share capital of the Company.

