

Registrar.

ARLINGCLOSE LIMITED

Registered No. 2853836

REPORT AND ACCOUNTS

FOR THE YEAR ENDED

30 JUNE 2006



H. L. BARNES
AND SONS

CHARTERED ACCOUNTANTS
STRATFORD-UPON-AVON

ARLINGCLOSE LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR ENDED
30 JUNE 2006

I N D E X

1 - 3	Directors' report
4 - 5	Report of the independent auditors
6	Profit and loss account
7	Balance sheet
8	Cash flow statement
9 - 17	Notes to the accounts

ARLINGCLOSE LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2006

The directors have pleasure in presenting their report and the accounts for the year ended 30 June 2006.

RESULTS FOR THE YEAR

The profit on ordinary activities after taxation for the year was £335 (2005 £376,523 loss). The directors do not recommend the payment of a dividend (2005 £Nil).

REVIEW OF THE BUSINESS

The principal activities of the company are advising on treasury management services, project finance and the structuring and funding of all types of assets together with the provision of management services.

The subsidiaries, Oldham Education Enterprise Limited and Solus Treasury Services Limited, invest in properties and estates, leasing out such property and providing services for their upkeep and maintenance. The company's shareholding in Raikes Lane Limited was sold to Greater Manchester Waste Limited on 3 April 2006. Details in respect of this and the investments in other companies are shown in Note 9 of the accounts.

The company has expanded its activities during the year, and turnover (excluding recharged professional fees) has increased by 137% (2005 increase of 107%). There has been an increase in the number of treasury management service contract agreements, which reflects the effort put into building this line of business during the previous financial year. This source of income accounted for 38.6% of turnover. It is hoped that the forthcoming year will see a further increase in number. The current year also saw the completion of a major project finance deal through Solus Treasury Services Limited.

During the year the directors have taken steps to reduce staff levels and costs in order to return the company to profitability after it became clear that investment by the company in some new areas of consulting advice was not generating adequate income.

Throughout the year the company has had the financial support of the 'A' shareholders as described in Note 1(a) of the accounts and this support continues. Since the year end further Trust monies amounting to £100,000 have been received and matters are in hand at the date of this report to strengthen the balance sheet by the issue of non-cumulative redeemable shares for this amount together with the conversion of Trust loans existing at the balance sheet date in the sum of £235,000 into further non-cumulative redeemable shares.

The company anticipates achieving increased revenues without increasing costs in the next two years thus enabling an improved profitability and net assets position.

ARLINCLOSE LIMITED
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2006

DIRECTORS

The directors during the year and their interests in the share capital of the company at the beginning and end of the year were as follows:-

	30 June 2006				1 July 2005			
	Ordinary 'A' shares	Ordinary 'B' shares	Preference shares	Redeemable shares	Ordinary 'A' shares	Ordinary 'B' shares	Preference shares	Redeemable shares
P L Clein	1,255	723	250	225,000	1,255	-	250	225,000
C Humphry	1,255	723	250	225,000	1,255	-	250	225,000
R P Bate	-	-	-	-	-	482	-	-
A Colombini	-	-	-	-	-	482	-	-
G A Georgiou	-	-	-	-	-	482	-	-
M Horsfield	-	482	-	-	-	482	-	-
M Pickering	-	482	-	-	-	482	-	-
	<u>2,510</u>	<u>2,410</u>	<u>500</u>	<u>450,000</u>	<u>2,510</u>	<u>2,410</u>	<u>500</u>	<u>450,000</u>

R P Bate, A Colombini and G A Georgiou resigned as directors on 31 August 2005.

Continued ...

ARLINGCLOSE LIMITED
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2006

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and estimates that are reasonable and prudent;
- c) prepare the accounts on the going concern basis unless it is inappropriate to assume that the company will continue in business.

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

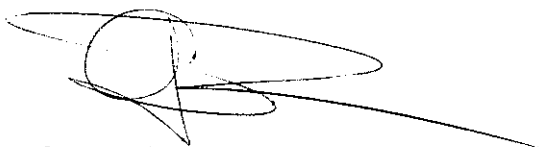
So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware and we have taken all the steps that we ought to have taken as directors in order to make ourselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Legislation in the United Kingdom governing the preparation and dissemination of the accounts may differ from legislation in other jurisdictions.

AUDITORS

The auditors, H. L. Barnes and Sons, will retire at the forthcoming Annual General Meeting and offer themselves for re-appointment in accordance with Section 385 of the Companies Act 1985.

By Order of the Board



C HUMPHRY
Secretary
31 January 2007

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ARLINGCLOSE LIMITED

We have audited the accounts of Arlingclose Limited for the year ended 30 June 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, and the related notes. These accounts 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 accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the accounts.

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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

REPORT OF THE INDEPENDENT AUDITORS (CONTINUED)
TO THE MEMBERS OF ARLINGCLOSE LIMITED

Opinion

In our opinion the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2006 and of its profit for the year then ended, the accounts have been properly prepared in accordance with the Companies Act 1985 and the information given in the Directors' Report is consistent with the accounts.



Barclays Bank Chambers
Stratford upon Avon

H. L. BARNES AND SONS
Chartered Accountants
Registered Auditors

31 January 2007

ARLINGCLOSE LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2006

	Notes	2006 £	2005 £
TURNOVER	2	800,044	520,403
Cost of sales		464,792	388,528
GROSS PROFIT		335,252	131,875
Administrative expenses		516,940	503,683
OPERATING LOSS	5	(181,688)	(371,808)
Exceptional profit on disposal of fixed asset investments	9	199,999	-
Interest receivable		3,433	3,590
Interest payable and similar charges	6	(20,139)	(8,822)
		(16,706)	(5,232)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		1,605	(377,040)
Tax on profit/(loss) on ordinary activities	7	1,270	(517)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		335	(376,523)
Dividends on ordinary shares		-	-
RETAINED PROFIT/(DEFICIT) FOR THE FINANCIAL YEAR	15	335	(376,523)
(Deficit)/retained profit brought forward		(233,797)	142,726
DEFICIT CARRIED FORWARD		£(233,462)	£(233,797)

There were no acquisitions or discontinued activities in the current or preceding year.

There are no recognised gains or losses for the current or preceding year other than the profit or loss for each year.

The notes on pages 9 to 17 form part of these accounts.

ARLINCLOSE LIMITED

BALANCE SHEET

30 JUNE 2006

	Notes	£	2006 £	As restated 2005 £
FIXED ASSETS				
Tangible assets	8		7,651	10,177
Investments	9		10,003	10,005
			<u>17,654</u>	<u>20,182</u>
CURRENT ASSETS				
Debtors	11	54,606		413,455
Cash at bank and in hand		142,442		66,749
		<u>197,048</u>		<u>480,204</u>
CREDITORS: amounts falling due within one year	12	307,622		593,641
NET CURRENT LIABILITIES			<u>(110,574)</u>	<u>(113,437)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(92,920)</u>	<u>(93,255)</u>
CREDITORS: amounts falling due after more than one year	13		95,050	95,050
NET LIABILITIES			<u>£(187,970)</u>	<u>£(188,305)</u>
CAPITAL AND RESERVES				
Called up share capital	14		45,492	45,492
Profit and loss account			(233,462)	(233,797)
DEFICIENCY	15		<u>£(187,970)</u>	<u>£(188,305)</u>

Approved by the Board on 31 January 2007 and signed on its behalf by:

P L CLEIN Director
C HUMPHRY Director

The notes on pages 9 to 17 form part of these accounts.

ARLINGCLOSE LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Notes	2006	As restated 2005
		£	£
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	17(a)	(108,871)	(318,863)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		3,433	3,590
Interest paid		(15,967)	(91)
NET CASH (OUTFLOW)/INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(12,534)	3,499
TAXATION			
Corporation tax received		-	549
TAX RECEIVED		-	549
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(2,902)	(14,897)
Sale proceeds of fixed asset investment		200,000	-
NET CASH INFLOW/(OUTFLOW) FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		197,098	(14,897)
CASH INFLOW/(OUTFLOW) BEFORE USE OF LIQUID RESOURCES AND FINANCING		75,693	(329,712)
FINANCING			
Issue of shares		-	45,490
Issue of preference shares		-	50
Loans		-	280,000
Capitalisation of loans		-	(45,000)
NET CASH INFLOW FROM FINANCING		-	280,540
INCREASE/(DECREASE) IN CASH	17(b)	£ 75,693	£ (49,172)

The notes on pages 9 to 17 form part of these accounts.

ARLINCLOSE LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2006

1. ACCOUNTING POLICIES

a) Basis of accounting

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

They are also prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The validity of the assumption depends on the continued financial support of the 'A' shareholders which has been given by way of letter of support to the company in which the 'A' shareholders jointly and severally undertake to provide the company with sufficient financial support to enable it to :

- a) continue trading as a going concern; and
- b) discharge its debts and liabilities as they fall due.

The letters confirm that such financial support would be provided for a period of at least 12 months from the date of the letter (31 January 2007), and that, furthermore, after the expiry date of the undertaking the 'A' shareholders would not request payment of any sums owed to the company while any other creditors of the company remained unpaid except to the extent that the company is able to discharge all its debts and liabilities as they fall due.

b) Depreciation

Depreciation is provided on all tangible fixed assets in use, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected life, as follows:-

Computer equipment	-	over 3 years
Fixtures and fittings	-	25% per annum reducing balance basis

c) Deferred taxation

Deferred taxation is accounted for using the liability method on all material timing differences. Deferred tax liabilities are provided in full. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Timing differences arise from certain items being included in taxation computations in periods different from those in which they appear in the accounts.

d) Group accounts

The company has not prepared group accounts under Section 229(5) of the Companies Act 1985. The accounts present information about the company as an individual undertaking and not about its group.

e) Comparatives

Comparative figures for the year ended 30 June 2005 are shown after restatement as a consequence of the adoption of FRS25 which requires the presentation of preference shares as long term financing.

2. TURNOVER

Turnover is the value of services provided to customers with revenue being recognised with respect to these services as contractual activity progresses, excluding value added tax and sales of fixed assets. The turnover is derived wholly from the principal activity within the United Kingdom.

ARLINCLOSE LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2006

3. STAFF COSTS (including directors)	2006	2005
	£	£
Wages and salaries	338,091	304,306
Social security costs	36,705	35,247
	<u>£ 374,796</u>	<u>£ 339,553</u>

The average number of employees during the year was 7 (2005 - 10).

4. DIRECTORS' REMUNERATION	2006	2005
	£	£
During the year the following payments were made to the directors in respect of their services to the company :-		
Aggregate emoluments	£214,450	£269,106
Emoluments in respect of highest paid director	<u>£ 73,001</u>	<u>£ 48,550</u>

5. OPERATING LOSS

This is stated after charging:

Auditor's remuneration	£ 6,000	£ 6,000
Depreciation	£ 5,428	£ 4,720
Loss on disposal of investments	-	£ 5,000
	<u></u>	<u></u>

6. INTEREST PAYABLE

Other loans	20,139	8,731
Other interest	-	91
	<u>£ 20,139</u>	<u>£ 8,822</u>

7. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

a) Analysis of charge in year

Current tax		
UK corporation tax on profit/(loss) of the year	1,270	-
Adjustments in respect of previous years	-	(517)
	<u>£ 1,270</u>	<u>£ (517)</u>

ARLINGCLOSE LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2006

**7. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES
(CONTINUED)**

	2006 £	2005 £
b) Factors affecting the tax charge for the year		
The tax assessed for the period is lower than the small companies rate of corporation tax (19%). The differences are explained below:		
Profit/(loss) on ordinary activities before taxation	<u>£ 1,605</u>	<u>£(377,040)</u>
Profit/(loss) on ordinary activities multiplied by the small companies rate of corporation tax in the UK of 19% (2005 19%)	305	(71,638)
Effects of:		
Permanent differences	798	2,473
Depreciation for year in excess of capital allowances	167	897
Adjustment in respect of previous years	-	(517)
Unprovided tax losses (see Note 16)	-	68,268
Current tax charge for year (note 7a)	<u>£ 1,270</u>	<u>£ (517)</u>

8. TANGIBLE ASSETS

	Computer equipment	Fixtures and fittings	Total
	£	£	£
Cost:			
1 July 2005	11,942	2,955	14,897
Additions	<u>1,910</u>	<u>992</u>	<u>2,902</u>
Cost:			
30 June 2006	<u>13,852</u>	<u>3,947</u>	<u>17,799</u>
Depreciation:			
1 July 2005	3,981	739	4,720
Provision for year	<u>4,617</u>	<u>811</u>	<u>5,428</u>
Depreciation:			
30 June 2006	<u>8,598</u>	<u>1,550</u>	<u>10,148</u>
Net book values:			
30 June 2006	<u>£ 5,254</u>	<u>£ 2,397</u>	<u>£ 7,651</u>
30 June 2005	<u>£ 7,961</u>	<u>£ 2,216</u>	<u>£ 10,177</u>

ARLINGCLOSE LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2006

9. INVESTMENTS

	Group undertakings	Other investments	Total
	£	£	£
At cost 1 July 2005	5	10,000	10,005
Additions	-	-	-
Disposals	(2)	-	(2)
	<u> </u>	<u> </u>	<u> </u>
At cost 30 June 2006	£ 3	£ 10,000	£ 10,003
	<u> </u>	<u> </u>	<u> </u>

The company owned 2 £1 Ordinary shares in Raikes Lane Limited representing 100% of the issued share capital. The company's shareholding in Raikes Lane Limited was sold to Greater Manchester Waste Limited on 3 April 2006.

The company owns 2 £1 Ordinary shares in Oldham Education Enterprise Limited, representing 100% of the issued share capital. The latest available draft accounts of Oldham Education Enterprise Limited for the year ended 31 May 2006 show a loss of £419,139 for the year and net liabilities of £2,108,848 at the year end. At that date £4,847,432 of 6% non convertible subordinated loan notes have been issued to and are held by Oldham Borough Council. The terms of the issue of the loan notes restrict, inter alia, the company's ability to obtain further financing and the operating activities of the company. The company is further prevented from amending its Memorandum or Articles of Association or from declaring, paying or making any dividend or other distribution to its shareholders without the consent of the holders of the loan notes.

The company owns 1 £1 Ordinary share in Solus Treasury Services Limited, representing 100% of the issued share capital. The company commenced trading on 7 December 2005. The latest available draft accounts of Solus Treasury Services Ltd for the year ended 31 March 2006 show a profit/loss of £nil and net liabilities of £1. At that date £1,555,807 of 6% non-convertible subordinated, secured loan notes have been issued to and are held by Liverpool City Council. The terms of the issue of the loan notes restrict, inter alia, the company's ability to obtain further financing and the operating activities of the company. The company is further prevented from amending its Memorandum or Articles of Association or from declaring, paying or making any dividend or other distribution to its shareholders without the consent of the holders of the loan notes.

The company owns 6,249 £1 Ordinary shares in Photochoice (UK) Limited. This represents 15% of the issued share capital.

10. SECURITY GIVEN FOR BANK BORROWINGS OF SUBSIDIARIES

Oldham Education Enterprise Limited

Arlingclose Limited has charged its shareholding in Oldham Education Enterprise Limited as security over a bank loan to that company. The latest available draft accounts of Oldham Education Enterprise Limited for the year ended 31 May 2006 show the amount of the loan outstanding as £1,698,495 (2005 £2,252,153).

ARLINGCLOSE LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2006

11. DEBTORS	2006	2005
	£	£
Trade debtors	29,092	18,330
Other debtors	10,217	9,091
Prepayments and accrued income	15,297	386,034
	<u>£ 54,606</u>	<u>£413,455</u>

12. CREDITORS : amounts falling due within one year	2006	2005
	£	£
Trade creditors	919	364,641
Corporation tax	1,270	-
Other taxes and social security costs	29,970	28,544
Other creditors	140,052	140,053
Accruals and deferred income	135,411	60,403
	<u>£307,622</u>	<u>£593,641</u>

See note 19(c) in respect of £140,000 (2005 £140,000) included in other creditors.

13. CREDITORS : amounts falling due after more than one year	2006	As restated 2005
	£	£
Other loans	95,000	95,000
Preference shares	50	50
	<u>£95,050</u>	<u>£95,050</u>

The other loans are repayable before 1 November 2007. (See Note 19(c)).

Preference shares :

Authorised :		
505 Preference shares of 10p each	<u>50</u>	<u>50</u>
Issued :		
500 Preference shares of 10p each	<u>50</u>	<u>50</u>

Rights of class of shares

Preference shares : Non-voting with a right to a cumulative fixed dividend after future conditions in favour of the 'A' shareholders have been met. Redeemable at par after 14 September 2024.

See also Note 14.

ARLINGCLOSE LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2006

14. SHARE CAPITAL	2006	As restated 2005
	£	£
Authorised :		
2510 'A' Ordinary shares of 10 pence each	251	251
7485 'B' Ordinary shares of 10 pence each	749	749
450,000 Redeemable shares of 10 pence each	45,000	45,000
	<u>£46,000</u>	<u>£46,000</u>
Allotted, called up and fully paid :		
2510 'A' Ordinary shares of 10 pence each	251	251
2410 'B' Ordinary shares of 10 pence each	241	241
450,000 Redeemable shares of 10 pence each	45,000	45,000
	<u>£45,492</u>	<u>£45,492</u>

Rights of each class of shares

'A' Ordinary shares : Full voting rights and the right to participate in profits by way of dividend and on winding up.

'B' Ordinary shares : Currently have no voting rights or participation in dividends until future conditions in favour of the 'A' shareholders have been met. Thereafter full voting and participating rights.

Redeemable shares : Non-voting with a right to a cumulative fixed dividend after the dividend rights of the Preference Shares. The company shall have the right at any time after the date of allotment of any redeemable shares to redeem that share at par, but in any event shall redeem on 1 November 2007 at par plus any arrears of dividends.

At the date of approval of these accounts matters are in hand to vary the rights and terms of these shares such that they become non-cumulative redeemable shares by amending the Articles of Association.

Details of the full rights and order of preference are set out in the Articles of Association and Shareholders Agreement.

ARLINCLOSE LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2006

15. DEFICIENCY

	2006 £	As restated 2005 £
Profit/(loss) for the financial year	335	(376,523)
New share issues	-	45,490
Net addition to/(deduction from) shareholders' funds (Deficiency)/shareholders' funds at 1 July 2005	335 (188,305)	(331,033) 142,728
Deficiency at 30 June 2006	<u>£(187,970)</u>	<u>£(188,305)</u>

16. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation

	2006		2005	
	Provided in the accounts £	Unprovided in the accounts £	Provided in the accounts £	Unprovided in the accounts £
Timing differences arising from:				
Capital allowances	-	(1,111)	-	944
Losses	-	(66,878)	-	(68,268)
	<u>£ -</u>	<u>£ (67,989)</u>	<u>£ -</u>	<u>£ (67,324)</u>

17. NOTES TO THE CASH FLOW STATEMENT

	2006 £	2005 £
(a) Reconciliation of operating profit to net cash outflow from operating activities		
Operating loss	(181,688)	(371,808)
Depreciation	5,428	4,720
Loss on disposal of investment	-	5,000
Decrease/(increase) in debtors	358,849	(381,985)
(Decrease)/increase in creditors	(291,460)	425,210
Net cash outflow from operating activities	<u>£(108,871)</u>	<u>£(318,863)</u>

ARLINGCLOSE LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2006

17. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

(b) Analysis of changes in net funds

	At 1 July 2005 £	Cash flows £	At 30 June 2006 £
Cash at bank	£ 66,749	£ 75,693	£ 142,442

(c) Reconciliation of net cash flow to movement in net funds

	2006 £	2005 £
Increase/(decrease) in cash in the year	75,693	(49,172)
Net funds 1 July 2005	66,749	115,921
Net funds 30 June 2006	£ 142,442	£ 66,749

18. TRANSACTIONS WITH DIRECTORS

Interest in contracts

- (i) During the year the company received management fees of £437 (2005 £5,250) from Renfrewshire Council in respect of Glendale Contractors Limited, a company in which both C Humphry and P L Clein are materially interested as shareholders. At 30 June 2006 a balance of £Nil (2005 £4,812) was due to the company from Renfrewshire Council.
- (ii) At 30 June 2006 a balance of £Nil (2005 £3,857) was due to the company from Photochoice (UK) Limited, a company in which C Humphry is materially interested as a shareholder.
- (iii) During the year the company received management fees of £15,000 (2005 £5,000) from Sigma Finance Limited, a company in which C Humphry, P L Clein, (and R P Bate and G A Georgiou until 31 January 2006), are materially interested as directors and shareholders. At 30 June 2006 a balance of £Nil (2005 £5,000) was due to the company from Sigma Finance Limited.

19. RELATED PARTY TRANSACTIONS

a) Control

The company was under the effective control of P L Clein and C Humphry throughout the current year and the preceeding year from 14 September 2004. At that date, P L Clein and C Humphry became holders of 'A' Ordinary shares and the 'A' shareholders have effective control until such time as certain loans have been repaid and certain dividends have been paid to the 'A' shareholders. In the preceeding year until 14 September 2004 the company was under the control of P L Clein and C Humphry.

ARLINGCLOSE LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2006

19. RELATED PARTY TRANSACTIONS (CONTINUED)

b) Transactions

- (i) During the year the company received management and other fees of £6,500 (2005 £9,000) from Oldham Metropolitan Council in respect of Oldham Education Enterprise Limited, a subsidiary of Arlingclose Limited. At 30 June 2006, a balance of £6,500 (2005 £13,000) was due to the company from Oldham Metropolitan Council.
- (ii) During the year the company received management and other fees of £30,000 (2005 £Nil) from Liverpool City Council in respect of Solus Treasury Services Limited, a subsidiary of Arlingclose Limited. At 30 June 2006, a balance of £Nil (2005 £Nil) was due to the company from Liverpool City Council.

c) Directors' loan accounts

The company owed amounts as follows :

	2006	2005
	£	£
P L Clein	25	25
C Humphry	25	25
The Clein Trust – loans	117,500	117,500
The Humphry Trust – loans	117,500	117,500
	<u>£235,050</u>	<u>£235,050</u>

P L Clein is the main beneficiary of The Clein Trust and C Humphry is the main beneficiary of The Humphry Trust.

The loans are unsecured and interest bearing at a rate of 8.57%. In respect of the amount owing for each Trust loan £47,500 is due for repayment no later than 1 November 2007, or earlier at the company's option by 3 months notice, and the balance of £70,000 (in two loans of £35,000) is repayable at any time by either party giving 3 months' notice.

The amounts owing to the Directors are unsecured, repayable on demand and interest free.

At the date of approval of these accounts matters are in hand to convert the Trust loans of £235,000 into non-cumulative redeemable shares.