

# FORCESGROUP LIMITED

ANNUAL REPORT  
FOR THE YEAR ENDED  
31<sup>ST</sup> DECEMBER 2008

Company Registration Number 04050380

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# **FORCESGROUP LIMITED**

## **FINANCIAL STATEMENTS YEAR ENDED 31<sup>ST</sup> DECEMBER 2008**

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**FORCESGROUP LIMITED**

**FINANCIAL STATEMENTS  
YEAR ENDED 31<sup>ST</sup> DECEMBER 2008**

**DIRECTORS**

W.C. Cooney  
Sir P. Hine  
Sir R. Wheeler  
J. Cooney  
S P Black II  
G Hirschfield  
Sir Christopher Colville

**SECRETARY**

M P Secretaries Limited

**COMPANY NUMBER**

04050380

**REGISTERED OFFICE**

65 Leadenhall Street  
London  
EC3A 2AD

**BANKERS**

Bank of Scotland  
35 Princes Street  
Ipswich  
Suffolk  
IP1 1AE

## FORCESGROUP LIMITED

### DIRECTOR'S REPORT YEAR ENDED 31<sup>st</sup> DECEMBER 2008

The directors present their annual report, together with the audited financial statements of the company and the group, for the year ended 31<sup>st</sup> December 2008.

#### PRINCIPAL ACTIVITIES

The principal activity of the group is the supply of personal insurance lines to the Armed Forces.

#### RESULTS AND DIVIDENDS

The results for the year are set out on page 4. The loss for the year, after taxation and minority interests, amounted to £153,698 (2007 – Loss of £149,435). The directors do not recommend payment of a final dividend.

#### THE DIRECTORS AND THEIR INTERESTS

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

		Ordinary Shares of £1 each	
		At 31 December 2008	At 1 January 2008
W.C. Cooney		12,000	12,000
Sir Patrick Hine		2,000	2,000
J.V. Cooney		500	500
		<u>          </u>	<u>          </u>
		Preference A1 series shares	
		At 31 December 2008	At 1 January 2008
W.C. Cooney		58,758,082	58,758,082
Sir Patrick Hine		20,000,000	20,000,000
J.V. Cooney		11,000,000	11,000,000
S.P.Black III	Majority shareholder in Masthead Group	351,298,572	351,298,572
		<u>          </u>	<u>          </u>

The options held by directors are detailed below:

	Number of Shares	Earliest exercise date	Latest exercise date	Option Price per Share
Sir Roger Wheeler	100,000	20 Aug 2004	19 Aug 2011	0.2588

## FORCES GROUP LIMITED

### DIRECTOR'S REPORT YEAR ENDED 31<sup>st</sup> DECEMBER 2008

#### DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year, which 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 company and of the group for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The report was approved by the Board on *27 November 2009* and signed on its behalf by

*MP Secretaries Limited*

MP Secretaries Ltd  
Secretary

**FORCESGROUP LIMITED**  
**GROUP PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31<sup>st</sup> DECEMBER 2008**

		<b>2008</b> <b>£</b>	<b>As restated</b> <b>2007</b> <b>£</b>
<b>TURNOVER</b>			
Continuing operations	2	<b>112,769</b>	111,375
Administrative expenses		<b>(268,396)</b>	(263,143)
<b>OPERATING LOSS</b>	3	<b>(155,627)</b>	(151,768)
Interest receivable and similar income	4	<b>1,929</b>	2,333
Interest payable and similar charges	5	-	-
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(153,698)</b>	(149,435)
Tax on Loss on ordinary activities	8	-	-
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>(153,698)</b>	(149,435)
Additional finance costs on non equity shares		-	-
<b>GROUP LOSS FOR THE FINANCIAL YEAR</b>		<b>(153,698)</b>	(149,435)

There are no recognised gains or losses other than the profit or loss for the above two financial years.

The notes on pages 8 to 18 form part of these financial statements

**FORCESGROUP LIMITED**  
**GROUP BALANCE SHEET**  
**AS AT 31<sup>ST</sup> DECEMBER 2008**

		2008	As restated 2007
	Note	£	£
<b>FIXED ASSETS</b>			
Intangible assets	10	38,000	50,000
Tangible assets	11	5,366	4,412
		<u>43,366</u>	<u>54,412</u>
<b>CURRENT ASSETS</b>			
Debtors	13	80,747	63,627
Cash at bank and in hand		62,711	143,254
		<u>143,458</u>	<u>206,881</u>
<b>CREDITORS: Amounts falling due within one year</b>	14	(59,000)	(14,760)
<b>NET CURRENT ASSETS</b>		<u>84,457</u>	<u>192,109</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>127,823</u>	<u>246,521</u>
<b>CREDITORS: Amounts falling due After one year</b>	14	(116,930)	(116,930)
<b>NET ASSETS</b>		<u>10,893</u>	<u>129,591</u>
<b>CAPITAL AND RESERVES</b>			
Called-up equity share capital	15	96,969	61,969
Share premium account	16	9,499,902	9,499,902
Profit and loss account	16	(9,585,978)	(9,432,280)
<b>EQUITY SHAREHOLDERS' FUNDS</b>	17	<u>10,893</u>	<u>129,591</u>
<b>EQUITY INTERESTS</b>		<u>(12,323,269)</u>	<u>(12,169,571)</u>
<b>NON-EQUITY INTERESTS</b>		<u>12,334,162</u>	<u>12,299,162</u>

**AUDIT EXEMPTION STATEMENT**

For the year ended 31<sup>st</sup> December 2008 the Company was entitled to exemption from the requirement to have an audit under the provision of Section 249AA(1) of the Companies Act 1985.

No notice has been deposited with the company under Section 249B(2) of that Act requiring an audit to be carried out.

The director acknowledges responsibility for:

(a) Ensuring the Company keeps accounting records which comply with Section 221 of the Companies Act 1985; and

(b) Preparing accounts which give a true and fair view of the state of affairs of the company as at the end of its financial year and of its profit/loss for that financial year in accordance with Section 226 of the Companies Act 1985 and which otherwise comply with the accounting requirements of that Act relating to accounts so far as applicable to the company.

The financial statements were approved by the Board on 27 November 2009 and signed on its behalf by: G.F. Hirschfield(Director)

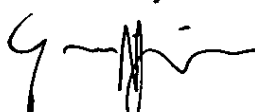
The notes on pages 8 to 18 form part of these financial statements

# FORCESGROUP LIMITED

## COMPANY BALANCE SHEET AS AT 31<sup>ST</sup> DECEMBER 2008

	Note	2008 £	£	As restated 2007 £	£
<b>FIXED ASSETS</b>					
Tangible assets	11		4,552		3,463
Investments	12		5		5
			<u>4,557</u>		<u>3,468</u>
<b>CURRENT ASSETS</b>					
Debtors	13	48,996		47,462	
Cash at bank and in hand		47,782		130,329	
		<u>96,778</u>		<u>177,791</u>	
<b>CREDITORS: Amounts falling due within one year</b>	14	(244,655)		(211,456)	
<b>NET CURRENT ASSETS</b>			(147,877)		(33,665)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			(143,320)		(30,197)
<b>CREDITORS: Amounts falling due After one year</b>			(116,930)		(116,930)
<b>NET ASSETS</b>			(260,250)		(147,127)
<b>CAPITAL AND RESERVES</b>					
Called-up equity share capital	15		96,969		61,969
Share premium account	16		9,499,902		9,499,902
Profit and loss account	16		(9,857,121)		(9,708,998)
<b>EQUITY SHAREHOLDERS' FUNDS</b>			<u>(260,250)</u>		<u>(147,127)</u>
<b>EQUITY INTERESTS</b>			(12,274,198)		(12,126,075)
<b>NON-EQUITY INTERESTS</b>			<u>12,013,948</u>		<u>11,978,948</u>

The financial statements were approved by the Board on 27 November 2009 and are signed on its behalf by:

  
G. Hinchfield  
W. C. Cooney  
Director



**FORCESGROUP LIMITED**  
**GROUP CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2008**

	Note	2008 £	2007 £
<b>Reconciliation of operating loss to net cash outflow from operating activities</b>			
Operating loss		(155,627)	(151,768)
Depreciation		13,242	12,925
(Increase)/ decrease in debtors		(17,126)	(10,293)
(Decrease)/ increase in creditors		44,235	126,443
<b>Net Cash outflow from operating activities</b>		<b>(115,276)</b>	<b>(22,693)</b>

**CASH FLOW STATEMENT**

Net cash outflow from operating activities		(115,276)	(22,693)
Returns on investments and servicing of finance	19	1,929	2,333
Capital expenditure	19	(2,196)	(4,456)
Cash Injection		35,000	150,000
<b>(Decrease)/ increase in cash in the year</b>		<b>(80,543)</b>	<b>125,184</b>

**Reconciliation of net cash flow to movements in net debt (note 20)**

<b>(Decrease)/ increase in cash in the year</b>		<b>(80,543)</b>	<b>125,184</b>
<b>Net funds at 1<sup>st</sup> January 2007</b>		<b>143,254</b>	<b>18,070</b>
<b>Net funds at 31<sup>st</sup> December 2007</b>		<b>62,711</b>	<b>143,254</b>

**FORCESGROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2008**

**1. ACCOUNTING POLICIES**

**1.1 Accounting convention**

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

**1.2 Basis of Consolidation**

The group financial statements consolidate the accounts of ForcesGroup Limited and all its subsidiary undertakings made up to 31<sup>st</sup> December 2008. The group profit and loss account includes the results of all subsidiary undertakings for the period from the date of acquisition and up to the date of disposal.

Turnover and profits arising on trading between group companies are excluded.

**1.3 Turnover**

Turnover represents the total commission earned during the year.

**1.4 Goodwill**

Goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight-line basis over its useful economic life, presumed to be 10 years.

**1.5 Tangible fixed assets and depreciation**

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

Fixtures, fittings and equipment                      - 20% - 33.33% Straight Line

**1.6 Pension**

The group operates a defined contribution pension scheme for employees. The annual contributions payable are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

**FORCESGROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2008**

**1.7 Deferred taxation**

Deferred tax 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 a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax or gains arising from the revaluation (and similar fair value adjustments) of fixed assets and 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.

Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

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.

**1.8 Foreign currencies**

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

**1.9 Going Concern**

The financial statements have been prepared on a going concern basis, which assumes that the group will continue trading for the foreseeable future. During the period the group incurred a loss of £153,698 (2007 loss £149,435). During the prior year the company entered into a mutually beneficial trading arrangement with a third party to take advantage of its sales team's expertise. The directors are confident that these actions will enable the group to continue its activities for the 12 months from the date of approval of these financial statements. Given the position, the directors consider it appropriate to prepare these financial statements on a going concern basis.

**FORCESGROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2008**

**2. Turnover**

Turnover represents the amount derived from commissions and fees from insurance companies. The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the UK.

<b>3. Operating Loss</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Operating loss is stated after charging:		
Depreciation of intangible assets	12,000	12,000
Depreciation of tangible assets	<u>1,242</u>	<u>925</u>

<b>4. Interest receivable and similar income</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Bank Interest	<u>1,929</u>	<u>2,333</u>

<b>5. Interest payable and similar income</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
On loans and overdrafts	<u>-</u>	<u>-</u>

<b>6. Employees</b>	<b>2008</b>	<b>2007</b>
The average monthly numbers of employees (including the directors) during the year were:	<b>Number</b>	<b>Number</b>
Sales	1	1
Management and administration	<u>7</u>	<u>7</u>
	<u><b>8</b></u>	<u><b>8</b></u>

**FORCESGROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2008**

	2008 £	2007 £
<b>Employment costs</b>		
Wages and salaries	37,773	58,382
Social security costs	1,439	6,002
Other Pension costs	2,525	5,627
	<u>41,737</u>	<u>70,011</u>

	2008 £	2007 £
<b>6.1 Directors' emoluments</b>		
Remuneration and other emoluments	94,868	71,250
Social security costs	11,279	8,618
Other Pension costs	607	-
	<u>106,754</u>	<u>79,868</u>

	Number	Number
Number of directors to whom retirement benefits are accruing under a money purchase scheme	<u>-</u>	<u>-</u>

**7. Pension costs**

The company operates a defined contribution pension scheme in respect of the directors. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the company and amounted to £3,132 (2007: £5,627).

	2008 £	2007 £
<b>8. Taxation</b>		
Jersey Income Tax	<u>-</u>	<u>-</u>

**9. Profit for the year attributable to shareholders**

As permitted by Section 230 of the Companies Act 1985 the Profit and Loss Account of the ForcesGroup Limited has not been presented with the financial statements.

The results after taxation of the parent undertaking for the year ended 31 December 2008 showed a loss of £148,123 (2007 - Loss £105,939).

**FORCESGROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2008**

**10. Intangible Fixed Assets**

	<b>Goodwill</b> <b>£</b>
<b>Group</b>	
<b>Cost</b>	
At 1 January 2008	<u>120,000</u>
<b>Amortisation</b>	
At 1 January 2008	70,000
Charge for the year	<u>12,000</u>
At 31 December 2008	<u>82,000</u>
<b>Net Book Value</b>	
At 31 December 2008	<u>38,000</u>
At 31 December 2007	<u>50,000</u>

The Goodwill represents the amount paid for the Armed Forces Financial Advisory Service in February 2002. An off-the-shelf company was bought, being AFFAS Limited and all income and expenses are accounted for in the new company.

**11. Tangible Fixed Assets**

	<b>Fixtures Fittings &amp; Equipment</b> <b>£</b>
<b>Group</b>	
<b>Cost</b>	
At 1 January 2008	5,986
Additions during the year	<u>2,196</u>
	<u>8,182</u>
<b>Depreciation</b>	
At 1 January 2008	1,574
Charge for the year	<u>1,242</u>
At 31 December 2008	<u>2,816</u>
<b>Net Book Values</b>	
At 31 December 2008	<u>5,366</u>
At 31 December 2007	<u>4,412</u>

**FORCESGROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2008**

**11. Tangible Fixed Assets (continued)**

<b>Company</b>	<b>Fixtures Fittings &amp; Equipment £</b>
<b>Cost</b>	
At 1 January 2008	4,836
Additions during the year	2,100
	<u>6,936</u>
<b>Depreciation</b>	
At 1 January 2008	1,373
Charge for the year	1,011
	<u>2,384</u>
<b>Net Book Values</b>	
At 31 December 2008	<u>4,552</u>
At 31 December 2007	<u>3,463</u>

The directors revalued the assets in 2004 to a revised residual value.

**12. Fixed Asset Investments**

	<b>2008</b>	<b>2007</b>
<b>Company</b>	<b>£</b>	<b>£</b>
Subsidiary Undertakings	<u>5</u>	<u>5</u>

**Holdings of 20% or more**

The group or the company holds 20% or more of the nominal value of the share capital of the following companies:

<b>Name of company</b>	<b>Country of incorporation or operation</b>	<b>Holding</b>	<b>Proportion held</b>
ForcesServe Limited	UK	Ordinary	100%
Forces Technology Company Limited	UK	Ordinary	100%
Affinitas Limited (Jersey)	Jersey	Ordinary	100%
Affinitas Limited	UK	Ordinary	100%
Affinitas Networks Limited	UK	Ordinary	100%
<i>Held by a subsidiary undertaking</i>			
AFFAS Limited	UK	Ordinary	100%
<i>Held by a subsidiary undertaking</i>			

The aggregate of capital and reserves and the results of these undertakings for the relevant financial year were as follows:

**FORCESGROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2008**

**12. Fixed Asset Investments (continued)**

	Capital & Reserves £	Profit/(Loss) for the Year £
ForcesServe Limited	(1,801,274)	-
Forces Technology Company Limited	(2,719,175)	-
Affinitas Limited (Jersey)	(3,731,136)	(9,405)
Affinitas Limited	1	-
Affinitas Networks Limited	(141,859)	-
AFFAS Limited	105,231	3,830

The principal business activity of the trading group companies, which include AFFAS Limited and Affinitas Limited (Jersey), is that of insurance intermediary. The remaining companies are dormant.

**13. Debtors**

	Group as restated		Company as restated	
	2008	2007	2008	2007
	£	£	£	£
Other debtors	37,590	37,590	37,590	37,590
Prepayments and accrued income	43,157	26,031	11,406	9,872
	<u>80,747</u>	<u>63,621</u>	<u>48,996</u>	<u>47,462</u>

**14. Creditors: Amounts falling due within one year**

	Group as restated		Company as restated	
	2008	2007	2008	2007
	£	£	£	£
Trade Creditors	3,779	312	2,113	-
Amounts owed to group undertakings	-	-	191,552	207,373
Other taxes and social security costs	3,781	2,101	3,704	-
Other Creditors	46,504	7,430	46,233	4,083
Accruals and deferred income	4,937	4,923	1,053	-
	<u>59,001</u>	<u>14,766</u>	<u>244,655</u>	<u>211,456</u>

**Creditors: Amounts falling due  
after one year**

Debentures	<u>116,930</u>	<u>116,930</u>	<u>116,930</u>	<u>116,930</u>
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**FORCESGROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2008**

**15. Share Capital**

	2008 £	2007 £
<b>Authorised Equity</b>		
- Ordinary Shares of £0.0001 each	8,822	8,822
- Preference Shares Series A1 of 0.0001 each	148,746	148,746
- Preference Shares Series A2 of 0.0001 each	206	206
	<u>157,774</u>	<u>157,774</u>
 Equity interest	 8,822	 8,822
Non-Equity interest	<u>148,746</u>	<u>148,746</u>
 <b>Allotted, called up and fully paid</b>		
- Ordinary Shares of £0.0001 each	37,317	2,317
- Preference Shares Series A1 of 0.0001 each	59,446	59,446
- Preference Shares Series A2 of 0.0001 each	206	206
	<u>96,969</u>	<u>61,969</u>
 Equity interest	 37,317	 2,317
Non-Equity interest	<u>59,652</u>	<u>59,652</u>

Rights of preference shares are as follows:

**Dividends rights**

Subject to the declaration of such dividends by the Board, the holders of the Series A1 preference shares shall be entitled to be paid out of the profits of the company available for distribution and resolved to be distributed (in priority to the payment of any dividend to the holders of the ordinary shares) to a fixed cumulative preferential dividend of 8% per annum on the Issue Price of each preference share. Holders of Series A2 preference shares have no dividend rights.

**Conversion**

Series A1 preference shares may be converted into ordinary shares at any time. The number of ordinary shares received will depend on the date, the issue price and other provisions detailed in the Articles. Holders of Series A2 preference shares may convert their shares to Series A1 after successful completion of Series B financing. (Series B financing means the subscription of at least £350,000 new shares by way of a private placement).

**Redemption**

Any Series A1 preference shares held after 28 December 2005 acquire redemption rights. On request, the company must endeavour to redeem at a price determined in accordance with the Articles. Payment is due over a 2-year period in three equal instalments. Series A2 preference shares may be converted to Series A1 after successful completion of Series B financing.

Shareholders have signed an agreement that has postponed the redemption until 28<sup>th</sup> December 2009.

**FORCESGROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2008**

**15. Share Capital (continued)**

**Rights on the sale, merger or winding up of the company**

Any unconverted Series A1 preference shares shall first be repaid at a multiple of between 1.2 and 2 times the sum of the issue and any accrued unpaid dividends. The actual multiple will depend on the date of the redemption. Series A2 preference shares must be repaid before any other class of share.

Ordinary shareholders will then be repaid the balance of any remaining capital and assets on a pro rata basis.

**Voting rights**

Ordinary shareholders have only one vote for each ordinary share held. Series A1 preference shareholders have a number of votes calculated by applying a multiple to the number of shares held. The multiple is determined in accordance with the Articles. Series A2 preference shares have no voting rights.

**Share options**

The company has both an approved and an unapproved scheme. At 31 December 2008 the following options had been issued and had not lapsed:

	Number of Shares	Earliest exercise date	Latest exercise date	Price per Share
Approved Scheme	30,000	20 Aug 2004	19 Aug 2011	0.2588
Approved Scheme	30,000	22 Feb 2005	22 Feb 2012	0.3750
Unapproved Scheme	100,000	20 Aug 2004	19 Aug 2011	0.2588
Unapproved Scheme	23,200	20 Aug 2004	19 Aug 2011	0.2588

As at 31 December 2008, issued share options totalled £16 over 160,000 shares representing 0.03% of the allotted and fully paid capital. Options allocated to employees and officers were as follows:

	Employee numbers	Options
Approved share option plan:		
Brought forward and carried forward	<u>1</u>	<u>60,000</u>
Unapproved share option plan:		
Brought forward and carried forward	<u>1</u>	<u>100,000</u>

**FORCESGROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2008**

**16. Equity Reserves**

	Share capital & premium account £	Profit and Loss account £	Total £
<b>Group</b>			
At 1 January 2008	9,561,871	(9,432,280)	125,591
Loss for the Year	-	(153,698)	(153,698)
Capital injection	35,000	-	35,000
<b>At 31 December 2008</b>	<u>9,596,871</u>	<u>(9,585,978)</u>	<u>10,893</u>
<b>Company</b>			
At 1 January 2008	9,561,871	(9,708,998)	(147,127)
Loss for the Year	-	(148,123)	(148,123)
Capital injection	35,000	-	35,000
<b>At 31 December 2008</b>	<u>9,596,871</u>	<u>(9,857,121)</u>	<u>(260,250)</u>

FRS 4 states that when a company issues redeemable preference shares it should build up over the redemption period a separate reserve for the finance cost (redemption value less price paid). The directors have decided that no such reserve should be provided in the accounts as the company does not possess sufficient financial resources to settle such liability. The total redemption payable currently equates to about £24m and this would have required a redemption reserve of about £15m.

The redemption date is 28<sup>th</sup> December 2009.

**17. Reconciliation of movements in shareholders' funds**

	2008 £	As restated 2007 £
<b>Group</b>		
Loss for the year	(153,698)	(149,435)
Cash Injection	35,000	150,000
Net addition to shareholders' funds	(118,698)	565
Opening shareholders' funds	129,591	129,026
<b>Closing shareholders' funds</b>	<u>10,893</u>	<u>129,591</u>

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**17. Reconciliation of movements in shareholders' funds (continued)**

	2008 £	As restated 2007 £
<b>Company</b>		
Loss for the year	(148,123)	(105,939)
Opening shareholders' funds	(112,127)	(41,188)
<b>Closing shareholders' funds</b>	<u>(260,250)</u>	<u>(147,127)</u>

**18. Related party transactions**

At the year end the group owes the Cooney Group £10,334 (2007: £10,334). Mr W.C. Cooney, the chairman of ForcesGroup Limited, is a partner in this US business.

**19. Gross Cash Flows**

	2008 £	2007 £
<b>Returns on Investments and servicing of finance</b>		
Interest received	<u>1,929</u>	<u>2,333</u>
<b>Capital expenditure</b>		
Payments to acquire tangible assets	2,196	4,456
Receipts from sales of tangible assets	-	-
<b>Net addition to shareholders' funds</b>	<u>4,125</u>	<u>6,789</u>

**20. Analysis of changes in net funds**

	Opening Balance	Cash Flows	Closing Balance
Cash at bank and in hand	143,254	(80,543)	62,711
<b>Net funds</b>	<u>143,254</u>	<u>(80,543)</u>	<u>62,711</u>

**21. Prior year adjustments**

Prior year adjustments have been reflected in order to correctly show the fixed assets acquired in 2007 and to include additional accruals required.