
Aldgate Capital PLC

ANNUAL REPORT 2007

CHAIRMAN'S STATEMENT

I am pleased to report the results of Aldgate Capital PLC for the year ended 31 December 2007.

ACQUISITION STRATEGY

Aldgate Capital PLC was established as described in the Company's AIM admission document dated 6 April 2006. On 28 November 2007 Aldgate announced that it has developed its acquisition strategy to pursue acquisition and consolidation opportunities in the low-stake, high-volume gaming sector in the United Kingdom and Europe. Identified opportunities include, but are not limited to, family amusement centres, adult gaming centres, casino gaming and certain sports betting and bingo business operations.

The existing AIM rules require that where an AIM-listed company is an investing Company, shareholder approval for its investing strategy must be sought on an annual basis. The Board therefore proposes to seek shareholder approval for the Company to continue its current acquisition strategy at the forthcoming Annual General Meeting on 17 April 2008. The Board unanimously recommends that shareholders approve the resolution.

On 28 November 2007 Nicholas Harding was appointed as Chief Executive Officer and a Director of the Company. Nick, aged 49, has over 25 years' experience in the leisure and entertainment sector. He had previously held senior management positions at Coral, Bass Leisure and Rank Group. Most recently, Nick was Chief Executive Officer of Talarius plc, which is the United Kingdom's largest operator of Adult Gaming Centres. He is currently President of BACTA (the British Amusement Catering Trade Association, the industry body representing the United Kingdom pay-to-play leisure industry), trustee of the Responsibility in Gambling Trust, an advisor to GamCare and was the founding Chairman of Interactive Gaming Gambling and Betting Association (iGGBA) (the United Kingdom's first interactive gaming association).

Nick's vast range of experience in the gaming industry will help the Company build a Group from its current small base by taking advantage of the numerous opportunities which the Board believes currently exist across the gaming sector.

Also on 28 November 2007, Numis Securities Limited were appointed as the Company's sole broker and nominated adviser.

RESULTS

The loss before taxation for the year ended 31 December 2007 was £547,000 (2006: £418,000). As at 31 December 2007, Aldgate Capital PLC's net cash balances amounted to £4,028,000 (2006: £4,526,000).

DIVIDENDS

It is the Board's policy, as described in the Company's AIM admission document, that prior to making the first acquisition no dividends will be paid. Following the first acquisition, subject to availability of distributable reserves, dividends will be paid to shareholders when the Directors believe it is appropriate and prudent to do so. However, the main focus of the Company will be delivering capital growth for shareholders.

OUTLOOK

The Company continues to pursue its stated acquisition strategy.

DAVID WILLIAMS

CHAIRMAN

11 FEBRUARY 2008

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BOARD OF DIRECTORS AND ADVISERS

DAVID WILLIAMS

NON-EXECUTIVE CHAIRMAN

David (55) has 36 years' experience in the investment market. He has served as Chairman in both executive and non-executive capacities for a number of companies, both public and private. He has overseen the development of these companies through both organic and acquisitive growth as well as dealing with turnaround situations. David is currently Chairman of Augean plc, Entertainment One Limited, Zetar plc, Silverdell plc and Drury Lane Capital plc as well as Marwyn Investments Group Limited, Marwyn Value Investors Limited and Marwyn Value Investors II Limited and associated companies.

NICHOLAS HARDING

DIRECTOR AND CHIEF EXECUTIVE OFFICER

Nick (49) has almost 30 years' experience in the gambling sector, having worked in a number of senior positions for Coral, Bass Leisure and Rank Group before leading the MBO of the RAL business from Rank in 1996. RAL Limited became the leading operator in the Adult Gaming Centre sector, with 129 venues and in 2004 this was sold to Talarius plc with Nick becoming Chief Executive Officer. Over the next three years, the business grew to over 200 venues together with an integrated and proprietary online business. This was sold to European Gaming Limited in 2007 and subsequently de-listed from AIM.

Nick is President of the trade association BACTA, a trustee of the Responsibility in Gambling Trust, sits on the advisory board of GamCare and was the founding Chairman of iGGBA, the United Kingdom's first interactive gaming association.

MARK WATTS

DIRECTOR

Mark (34) has a BA (Hons) from London University and since 1998 he has advised the boards of quoted United Kingdom small and mid-cap companies. Since September 2004, Mark, together with James Corsellis, has undertaken 30 transactions raising an aggregate of over £950 million in acquisition funding for Marwyn-backed management teams and special purpose acquisition vehicles. Previously, Mark worked as a management consultant completing international strategic development projects for clients including Ford Motor Company (US), Cummins (Japan) and 3M (Europe) and financial analysis and modelling for Barclays Bank, Shell and BP in the United Kingdom. Mark is a Director of Marwyn Investments Group Limited, a partner in Marwyn Capital LLP and Marwyn Investment Management LLP as well as a Director in investee companies, Inspicio plc, Silverdell plc and Drury Lane Capital plc.

JAMES CORSELLIS

NON-EXECUTIVE DIRECTOR

James (38) has a BA (Hons) from London University and was Chief Executive Officer of icollector plc, a leading provider of live auction trading platforms. Since September 2004, James has, together with Mark Watts, undertaken 30 transactions raising an aggregate of over £950 million in acquisition funding for Marwyn-backed management teams and special purpose acquisition vehicles. He is currently a Director of Marwyn Investments Group Limited, a partner in Marwyn Capital LLP and Marwyn Investment Management LLP, is Deputy Chairman of Catalina Holdings Limited and is a Director of investee companies Concateno Plc, Drury Lane Capital plc and Entertainment One Limited.

BENJAMIN SHAW

NON-EXECUTIVE DIRECTOR

Benjamin (39) has extensive experience in the technology and e-commerce sector. Benjamin was responsible for setting up the online businesses at the Victor Chandler Group. He was a principal in the consortium which acquired Zetters Group plc, the pools betting operator, where he became Group Managing Director. In 2000, Benjamin left Zetters to set up a gaming business in Australia, which he sold to Tattersall's Group, a leading lottery operator, in 2001 and through a joint venture with N M Rothschild & Sons (Australia), Benjamin was involved in the consolidation of a number of online gambling businesses into Consolidated Gaming Corporation. Benjamin is a Director of Leisure & Gaming plc and Drury Lane Capital plc.

JOINT COMPANY

SECRETARIES

S C Fadil FCIS
Robert Hillhouse FCIS

REGISTERED OFFICE

20 Black Friars Lane
London EC3V 6HD

REGISTERED IN ENGLAND

Company number
05745526

AUDITORS

DELOITTE & TOUCHE LLP
Chartered Accountants
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

NOMINATED ADVISER

NUMIS SECURITIES LIMITED
The London Stock
Exchange Building
10 Paternoster Square
London EC4M 7LT

SOLICITORS

MAYER BROWN
INTERNATIONAL LLP
11 Pilgrim Street
London EC4V 6RW

REGISTRARS

CAPITA REGISTRARS
The Registry
34 Beckenham Road
Kent BR3 4TU

PRINCIPAL BANKERS

Barclays Bank plc
1 Churchill Place
London E14 5HP

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report on the affairs of the Company together with the audited financial statements for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to acquire and manage companies in the low-stake, high-volume gaming sector in the UK and Europe.

REVIEW OF THE BUSINESS

Since incorporation in March 2006, Aldgate Capital PLC has pursued its stated strategy. The Directors continue to review a number of potential acquisition opportunities. In line with the intended strategy, certain key personnel were recruited during the year to form the basis of the team to secure the acquisition opportunities. The Board continues to monitor and control its planned levels of expenditure in the pre-acquisition phase.

The results for the year ended 31 December 2007 are set out in the Profit and Loss Account on page 6.

FINANCIAL RISK MANAGEMENT

The Company's operations expose it to a variety of financial risks including the effects of changes in interest rates on debt, foreign currency exchange rates, credit risk and liquidity risk.

The Company does not have material exposures in any of the areas identified above and consequently does not use derivative instruments to manage these exposures.

The Company's principal financial instruments comprise Sterling cash and bank deposits and trade creditors that arise directly from its operations.

The main risks arising from the Company's financial instruments can be analysed as follows:

PRICE RISK

The Company has no significant exposure to securities price risk as it holds no listed equity investments.

FOREIGN CURRENCY RISK

The Company is exposed in its investing operations to the risk of changes in foreign currency exchange rates.

CREDIT RISK

The Company's principal financial asset is cash, which represents the Company's maximum exposure to credit risk in relation to financial assets.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties.

CASH FLOW INTEREST RATE RISK

Interest bearing assets comprise cash and bank deposits, all of which earn interest at a floating rate.

SUBSTANTIAL SHAREHOLDINGS

The following persons have an interest in 3% or more of the issued share capital of the Company:

	Ordinary shares of 10 pence each	%
Marwyn Neptune Fund LP	44,750,000	89.5
Killik & Company	2,632,500	6.29

DIRECTORS

The following Directors have held office throughout the year, unless otherwise noted:

David Williams
 Nicholas Harding (appointed 28 November 2007)
 Mark Watts
 James Corsellis
 Benjamin Shaw

The names of the Directors, together with their biographical details, are set out on page 1.

DIRECTORS' INTERESTS IN SHARES

David Williams is a Director of Marwyn General Partner Limited which is a general partner to the Marwyn Neptune Fund LP. Details are set out on page 2 and in Note 15.

No Director was granted any options to subscribe in the shares of the Company during the year ended 31 December 2007.

EMPLOYMENT POLICY

The Company's policies respect the individual regardless of gender, race or religion. Full and fair consideration is given to application for employment from disabled people.

SUPPLIER PAYMENT POLICY

The Company's policy is that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with. At 31 December 2007, the Company had an average of 45 days' (2006: 14 days) purchases outstanding in trade creditors.

GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they have adopted the going concern basis in the financial statements.

CORPORATE GOVERNANCE

As an AIM-listed company, Aldgate Capital PLC is not required to follow the provisions of the Combined Code (the "Code"), as set out in the Financial Services Authority's Listing Rules. However, the Directors recognise the importance and support the principles of good governance as contained within Section 1 of the Code.

DISCLOSURE OF INFORMATION TO AUDITORS

At the date of making this report each of the Company's Directors, as set out on page 1, confirm the following:

- so far as each Director is aware, there is no relevant information required by the Company's auditors in connection with preparing their report of which the Company's auditors are unaware; and
- each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S.234ZA of the Companies Act 1985.

AUDITORS

A resolution to reappoint Deloitte & Touche LLP as auditors will be put to the members at the Annual General Meeting.

APPROVAL

The report of the Directors was approved by the Board on 11 February 2008 and signed on its behalf by:

NICK HARDING

DIRECTOR
 11 FEBRUARY 2008

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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 statements 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 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 judgments and estimates that are reasonable and prudent; and
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements 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 and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT

to the members of Aldgate Capital PLC

We have audited the financial statements of Aldgate Capital PLC for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Accounting Policies and the related Notes 1 to 16. 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, the Directors' Remuneration Report and the financial statements 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 financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been 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.

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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' report and the Chairman's statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (United Kingdom 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 and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

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 Company's affairs as at 31 December 2007 and of its loss for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited 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.

DELOITTE & TOUCHE LLP

CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS
LONDON
11 FEBRUARY 2008

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2007

	Note	Year ended 31 December 2007 £'000	Period from 16 March 2006 to 31 December 2006 £'000
Administrative expenses		(750)	(504)
Operating loss	2	(750)	(504)
Interest receivable and similar income		203	86
Loss on ordinary activities before taxation		(547)	(418)
Tax on loss on ordinary activities	5	—	—
Loss on ordinary activities after taxation		(547)	(418)
Loss per share			
Basic and Diluted	6	(0.11)p	(0.8)p

All the Company's activities derive from continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

BALANCE SHEET

as at 31 December 2007

	Note	2007 £'000	2006 £'000
Fixed assets	7	81	—
Current assets			
Debtors	8	58	81
Cash at bank and in hand		4,028	4,526
		4,086	4,607
Creditors: amounts falling due within one year	9	(132)	(25)
Net current assets		3,954	4,582
Net assets		4,035	4,582
Capital and reserves			
Ordinary share capital	10	5,000	5,000
Profit and loss account	11	(965)	(418)
Shareholders' funds	12	4,035	4,582

The financial statements were approved by the Board on 11 February 2008 and signed on its behalf by:

NICK HARDING
DIRECTOR
11 FEBRUARY 2008

CASH FLOW STATEMENT

for the year ended 31 December 2007

	Note	Year ended 31 December 2007 £'000	Period from 16 March 2006 to 31 December 2006 £'000
Net cash outflow from operating activities	13a	(611)	(547)
Returns on investments and servicing of finance	13b	203	73
Cash outflow before use of liquid resources and financing		(408)	(474)
Financing	13b	—	5,000
Purchase of fixed assets	7	(90)	—
(Decrease)/Increase in cash in the year/period		(498)	4,526

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

for the year ended 31 December 2007

	Note	Year ended 31 December 2007 £'000	Period from 16 March 2006 to 31 December 2006 £'000
(Decrease)/Increase in cash in the year/period		(498)	4,526
Net funds at the end of the year/period	13c	4,028	4,526

ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding period.

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets and in accordance with applicable United Kingdom accounting standards.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets from the month following purchase at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Office equipment	– 2 years
Furniture and fittings	– 3 years

TAXATION

Current tax, including United Kingdom corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

At the balance sheet date, the Company has an unrecognised deferred asset of £217,000 relating to losses carried forward and capital allowances available in excess of depreciation. No deferred tax asset has been recognised in respect of this due to the unpredictability of future profit streams. These losses and allowances may be carried forward indefinitely.

PENSIONS

Contributions made by the Company to individual pension schemes are charged to the Profit and Loss Account as they fall due.

LEASES

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007

1. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The loss on ordinary activities before taxation for the year is attributable to the principal activities of the Company, which are carried out predominantly within the United Kingdom.

2. OPERATING LOSS

Operating loss is stated after charging:

	Year ended 31 December 2007 £'000	Period from 16 March 2006 to 31 December 2006 £'000
Depreciation on tangible fixed assets	9	—
Operating lease rentals – other	80	—
Auditors' remuneration:		
– for the audit of the Company's annual accounts	7	6
– for other services pursuant to legislation	3	15

3. EMPLOYEES

The average monthly number of employees (including Executive Directors) during the year ending 31 December 2007 was 2 (2006: Nil).

Their aggregate remuneration comprised:

	Year ended 31 December 2007 £'000	Period from 16 March 2006 to 31 December 2006 £'000
Wages and salaries	205	—
Social security costs	25	—
Other pension costs	18	—
	250	—

4. DIRECTORS' REMUNERATION

	Year ended 31 December 2007 £'000	Period from 16 March 2006 to 31 December 2006 £'000
Amounts paid to a third party for Directors' services	18	—
Other emoluments	22	—

No Directors are accruing retirement benefits under money purchase schemes or defined benefit schemes.

5. TAXATION

The taxation credit for the year/period is analysed below:

	Year ended 31 December 2007 £'000	Period from 16 March 2006 to 31 December 2006 £'000
Current taxation		
United Kingdom Corporation tax at 30%	—	—
Current taxation	—	—
Deferred taxation		
Net origination and reversal of timing differences	—	—
Tax on loss on ordinary activities	—	—

5. TAXATION (CONTINUED)**CURRENT TAX RECONCILIATION**

The current tax credit is lower than the standard rate of corporation tax in the United Kingdom. A reconciliation is shown below:

	Year ended 31 December 2007 £'000	Period from 16 March 2006 to 31 December 2006 £'000
Loss on ordinary activities before taxation	(547)	(418)
Theoretical tax credit at United Kingdom corporation tax rate 30%	(164)	(125)
Effects of:		
– expenditure that is not tax deductible	3	—
– losses carried forward to future periods	161	125
Current taxation	—	—

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

A potential deferred tax asset of £217,000 has not been recognised as future recovery is uncertain. The deferred tax asset not recognised is made up of £537,000 of losses generated in 2007 carried forward (2006: £226,000) and capital allowances in excess of depreciation of £9,000, calculated at 28%.

6. LOSS PER SHARE

Basic and diluted loss per ordinary share of 0.11p (2006: 0.8p) is based on the loss for the year of £547,000 (2006: £418,000) and on 50,000,000 Ordinary Shares of 10 pence each being the weighted average number of Ordinary Shares in issue during the current and prior year/period.

7. TANGIBLE FIXED ASSETS

Cost	Office equipment £'000's	Furniture and fittings £'000's	Total £'000's
At 1 January 2007	—	—	—
Additions	46	44	90
At 31 December 2007	46	44	90
Depreciation			
At 1 January 2007	—	—	—
Charge for the year	7	2	9
At 31 December 2007	7	2	9
Net book value			
31 December 2006	—	—	—
At 31 December 2007	39	42	81

8. DEBTORS

	Year ended 31 December 2007 £'000	Period from 16 March 2006 to 31 December 2006 £'000
Prepayments and accrued income	58	81

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Year ended 31 December 2007 £'000	Period from 16 March 2006 to 31 December 2006 £'000
Trade creditors	92	19
Accruals and deferred income	40	6
	132	25

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2007

10. SHARE CAPITAL

	Year ended 31 December 2007 £'000	Period from 16 March 2006 to 31 December 2006 £'000
Authorised		
100,500,000 Ordinary Shares of 10 pence each	10,050	10,050
Allotted and fully paid		
50,000,000 Ordinary Shares of 10 pence each	5,000	5,000

11. RESERVES

	Profit and loss £'000
At 1 January 2007	(418)
Loss for the year	(547)
At 31 December 2007	(965)

12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Year ended 31 December 2007 £'000	Period from 16 March 2006 to 31 December 2006 £'000
Ordinary Shares issued	—	5,000
Loss for the year/period	(547)	(418)
Net addition to shareholders' funds	(547)	4,582
Opening shareholders' funds	4,582	—
Closing shareholders' funds	4,035	4,582

13. CASH FLOWS

A. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Year ended 31 December 2007 £'000	Period from 16 March 2006 to 31 December 2006 £'000
Operating loss	(750)	(504)
Depreciation	9	—
Decrease/(increase) in debtors	23	(68)
Increase in creditors	107	25
Net cash outflow from operating activities	(611)	(547)

B. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	Year ended 31 December 2007 £'000	Period from 16 March 2006 to 31 December 2006 £'000
Returns on investment and servicing of finance		
Interest received	203	73
Net cash inflow from returns on investment and servicing of finance	203	73
Financing		
Gross proceeds of Ordinary Shares issued	—	5,000
Net cash inflow from returns on investment and servicing of finance	203	5,000

13. CASH FLOWS (CONTINUED)**C. ANALYSIS OF NET FUNDS**

	At 31 December 2007 £'000	Cash flow £'000	At 31 December 2006 £'000
Cash at bank and in hand	4,028	(498)	4,526
Total net funds	4,028	(498)	4,526

14. FINANCIAL INSTRUMENTS

The Company's financial instruments comprise cash balances and items such as trade creditors, which arise directly from its operations. Financial instruments such as creditors have been excluded from the disclosure below. The Company has little exposure to credit and cash flow risk. It has, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are interest rate and liquidity risk. The policy for managing these risks is summarised below and has been applied throughout the year.

Cash balances are placed so as to maximise interest earned whilst maintaining liquidity requirements of the business. The Directors regularly review the placing of cash balances. Any surplus cash balances, during the year, were placed on short-term interest bearing accounts at standard bank interest rates. The cash at bank and in hand at 31 December 2007 was £4,028,000 (2006: £4,526,000) and the fair value was the same as the carrying amount.

15. RELATED PARTY TRANSACTIONS

Four Directors of Aldgate Capital PLC are also members of Marwyn Capital LLP. During the year the Company paid fees of £92,625 (2006: £40,000) for corporate finance advisory services and Directors' fees to Marwyn Capital LLP.

David Williams is also a Director in Marwyn Partners Limited. During the year the Company paid £70,500 (2006: £49,938) to Marwyn Partners Limited for office and infrastructure costs. The Company owed Marwyn Capital LLP £63,109 as at 31 December 2007 (2006: £11,750) and Marwyn Partners Limited £5,875 (2006: £Nil).

16. OPERATING LEASE COMMITMENTS – LAND AND BUILDING RENTALS

Annual commitments under non-cancellable operating leases are as follows:

	2007		2006	
	Land and buildings £'000s	Other £'000s	Land and buildings £'000s	Other £'000s
Expiry date				
– within one year	—	—	—	—
– between two and five years	—	—	—	—
– after five years	34	—	—	—

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www.aldgatecapital.com