

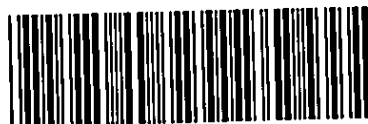
DAMOVO CORPORATE SERVICES LIMITED

ANNUAL REPORT AND ACCOUNTS

For the year ended 31 January 2006

Registered Number: 4134744

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DAMOVO CORPORATE SERVICES LIMITED

CONTENTS

	Page
Directors' report	3
Statement of directors' responsibilities	4
Independent auditors' report	5 - 6
Income statement	6
Statement of changes in shareholders' equity	8
Balance sheets	9
Cash flow statement	10
Significant accounting policies and notes to the accounts	11 - 23
Statutory information	24

DAMOVO CORPORATE SERVICES LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Company for the year ended 31 January 2006

Principal activities

The Company's principal activity during the year was the provision of central support functions to Damovo Group S A and its subsidiary undertakings

Review of business and future developments

The Company provides central support functions to the Damovo Group and generates turnover by charging other group companies for the provision of these services. The Company will continue to provide these services in the coming year

Results and dividends

The Company's loss for the year is £27,143,000 (2005 - £21,320,000). The directors do not recommend payment of a dividend

Directors and their interests

The directors who held office during the year are set out on page 24. No director had any beneficial interest in the shares of the Company or any other group company during the year

Going concern

As explained in note 24, the Damovo Group is currently restructuring its debt with the agreement of its Noteholders under the Restructuring Agreement dated 20 December 2006 and this is expected to be completed in May 2007. The restructuring is expected to result in a significant reduction in the Damovo Group's debt and its related interest expense and a consequent reduction in financial risk. Due to the approval of the Restructuring Agreement and the progress in implementing the Restructuring Agreement the directors are of the opinion that it is appropriate for these accounts to be presented on a going concern basis, although uncertainty exists until the restructuring is complete. These financial statements do not reflect any adjustments to the carrying value of the Company's assets and liabilities that may arise from the restructuring as these will only be determinable on finalisation of the process by which the agreement will be implemented

At 31 January 2006, the Company had net current liabilities of £84,538,000 (2005 - £76,669,000). At the same date, Damovo Corporate Services Limited had amounts owing to other Damovo group companies of £142,926,000 (2005 - £83,023,000) and amounts due from Damovo group companies of £23,257,000 (2005 - £14,924,000)

Following the completion of the refinancing agreements described above Damovo Group S A has confirmed to the directors of Damovo Corporate Services Limited that they will not demand repayment of the intercompany loans if it would jeopardise the solvency or going concern position of the Company and undertaking not to demand repayment for the foreseeable future

On this basis, the directors consider it appropriate to prepare the accounts on a going concern basis

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting

By order of the Board



Director
27 April 2007

DAMOVO CORPORATE SERVICES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required to prepare accounts on an annual basis which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the Company's profit or loss for the period

The directors confirm that suitable Accounting Policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the accounts for the years ended 31 January 2005 and 31 January 2006. The directors also confirm that applicable International Financial Reporting Standards, as adopted by the European Union (EU), have been followed

The directors are responsible for maintaining proper accounting records and sufficient internal controls to safeguard the assets of the Company and to prevent and detect fraud or any other irregularities

DAMOVO CORPORATE SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DAMOVO CORPORATE SERVICES LIMITED

We have audited the financial statements of Damovo Corporate Services Limited for the year ended 31 January 2006 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Shareholders' Equity, the Cash flow Statement and the related notes on pages 11 to 23. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion


In our opinion:

- the financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Company's affairs as at 31 January 2006 and of its loss and cash flows for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in Directors Report is consistent with the financial statements

DAMOVO CORPORATE SERVICES LIMITED

Emphasis of Matter – Going Concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of disclosure made in notes 1 and 24 to the financial statements concerning the company's ability to continue as a going concern. The group is currently restructuring its debt with the agreement of its Noteholders under the restructuring Agreement dated 20 December 2006 and this is expected to be completed in May 2007. Until such time as the restructuring is complete however, there exists a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include adjustments that would result if the company was unable to continue as a going concern.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Glasgow

27 April 2007

DAMOVO CORPORATE SERVICES LIMITED

INCOME STATEMENT

	Notes	Year ended 31 January	
		2006	2005
		£'000	£'000
Revenue	2	10,487	12,912
Administrative expenses	3	(26,770)	(23,057)
Operating loss *	5	(16,303)	(10,145)
Finance costs	6	(12,560)	(11,615)
Finance income	6	1,553	440
Net finance costs	6	(11,007)	(11,175)
Loss before taxation		(27,310)	(21,320)
Taxation	9	167	-
Loss for the year	18	(27,143)	(21,320)

*Analysis of operating loss

	Notes	Year ended 31 January	
		2006	2005
		£'000	£'000
Operating profit before exceptional items, depreciation and amortisation		1,574	1,537
Exceptional items	4	(14,361)	(7,281)
Depreciation and amortisation		(3,516)	(4,401)
Operating loss		(16,303)	(10,145)

DAMOVO CORPORATE SERVICES LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

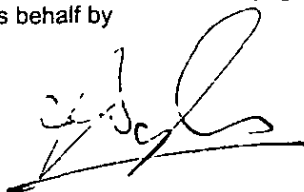
		Ordinary Shares	Retained loss	Total
	Notes	£'000	£'000	£'000
At 31 January 2004		-	(78,788)	(78,788)
Net loss recognised in the income statement	18	-	(21,320)	(21,320)
At 31 January 2005		-	(100,108)	(100,108)
Net loss recognised in the income statement	18	-	(27,143)	(27,143)
At 31 January 2006		-	(127,251)	(127,251)

DAMOVO CORPORATE SERVICES LIMITED

BALANCE SHEETS

		As at 31 January	
		2006	2005
	Notes	£'000	£'000
Assets			
Non-current assets			
Property, plant and equipment	10	3,382	8,395
Intangible assets	11	139	327
Investments in subsidiary undertakings	23	5	-
		3,526	8,722
Current assets			
Accounts receivable and other debtors	12	14,370	16,475
Cash and cash equivalents		1,114	8,708
		15,484	25,183
Total assets		19,010	31,905
Equity and liabilities			
Capital and reserves			
Profit and Loss Reserve	18	(127,251)	(100,108)
		(127,251)	(100,108)
Current liabilities			
Accounts payable and other creditors	13	99,480	89,397
Borrowings	14	161	12,195
Provisions	16	381	260
		100,022	101,852
Non-current liabilities			
Borrowings	14	46,239	30,161
		46,239	30,161
Total liabilities		146,261	132,013
Total equity and liabilities		19,010	31,905

The financial statements on pages 7 to 23 were approved by the Board of Directors on 27 April 2007 and were signed on its behalf by



Director

DAMOVO CORPORATE SERVICES LIMITED

CASH FLOW STATEMENTS

		Year ended 31 January	
		2006	2005
	Notes	£'000	£'000
Cash flows from operating activities			
Cash (used in) / generated from operations	20	(484)	20,591
Interest paid		(11 827)	(8 126)
Interest received		1 299	440
Other financial income and expenses		1 732	(362)
Tax received		167	-
Net cash (used in) / generated from operating activities		(9,114)	12,543
Cash flows from investing activities			
Purchase of property plant and equipment		(118)	(26)
Proceeds from sale of property, plant and equipment		15	-
Net cash used in investing activities		(103)	(26)
Cash flows from financing activities			
Repayment of bank borrowings	14	(30 126)	(11 841)
Repayment of finance leases	14	(160)	(666)
(Repayment) / drawdown of shareholder term loan	14	(12,343)	4 055
Drawdown of group borrowings net of debt issuance costs	14	45 550	-
Net cash generated from / (utilised in) financing activities		2,921	(8,452)
(Decrease) / increase in cash and cash equivalents		(6,296)	4,065
Movement in cash and cash equivalents			
Opening cash and cash equivalents		8 708	4 643
Net (decrease) / increase in cash and cash equivalents		(6 296)	4,065
Cash and cash equivalents at 31 January		2,412	8,708

DAMOVO CORPORATE SERVICES LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

1 Significant accounting policies

The principal accounting policies adopted in the preparation of these accounts are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements of Damovo Corporate Services Limited, a limited liability company domiciled in the United Kingdom, have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The financial statements have been prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments in accordance with IAS 39 as explained below. Damovo Corporate Services Limited adopted IFRS as at 1 February 2006. As detailed in note 21 to the financial statements, there have been no changes to the comparative figures for the year to 31 January 2005 resulting from the adoption of IFRS. A summary of the more important accounting policies is set out below.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The financial statements also adhere to the provisions of UK company law.

As explained in note 24, the Damovo Group is currently restructuring its debt with the agreement of its Noteholders under the Restructuring Agreement dated 20 December 2006 and this is expected to be completed in May 2007. The restructuring is expected to result in a significant reduction in the "new" Damovo Group's debt and its related interest expense and a consequent reduction in financial risk. Due to the approval of the Restructuring Agreement and the progress in implementing the Restructuring Agreement, the directors are of the opinion that it is appropriate for these accounts to be presented on a going concern basis, although uncertainty exists until the restructuring is complete. These financial statements do not reflect any adjustments to the carrying value of the Company's assets and liabilities that may arise from the restructuring as these will only be determinable on finalisation of the process by which the agreement will be implemented.

Foreign currency translation

British Pounds Sterling (GBP) is the presentation currency of the Company accounts. GBP is used by the Company for conducting the majority of its business, and also for reporting its results.

Where the Company carries out transactions in a different currency to its local one, the foreign currency amounts are translated at the exchange rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies, such as trade receivables, trade payables and foreign currency bank accounts, are retranslated at the rate of exchange ruling at the balance sheet date. All differences arising on translating these amounts are taken to the income statement in the period in which they occur.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation is charged on a straight-line basis over the estimated useful life of the assets based on the following rates:

IT infrastructure and equipment	20 – 33%
Fixtures and fittings	20%

The book values of these assets are reviewed for impairment whenever changes in circumstances indicate those values may not be recoverable. If the book values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount is the greater of the estimated net sales price and the value in use. Value in use is calculated by discounting the estimated future cash flows arising from the asset's use to their present value.

1 Significant accounting policies (continued)

Intangible assets

Intangible assets comprise software licences and trademarks and are stated at cost less amortisation. Amortisation is calculated on a straight-line basis over the shorter of the estimated useful lives of the assets, or the length of the licences based on the following rates

Software licences	33%
Trademarks	5%

The book values of these assets are reviewed for impairment whenever changes in circumstances indicate those values may not be recoverable

Revenue recognition

Revenue is the recharging of central support function costs to Damovo Group companies. These recharges include a profit element

Cash and cash equivalents

Cash and cash equivalents comprise bank balances and short-term deposits with an original maturity of three months or less

Employee Benefits

Pensions and other post-employment benefits

The Company operates a defined contribution pension scheme for the benefit of all employees. The costs relating to this scheme are charged to the income statement account as they fall due. The Company provides no other post-retirement benefits to its employees

Taxation

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date

Deferred tax

Deferred tax arises due to temporary differences between the inclusion of income and expenses in the accounts and their effect on the underlying tax calculations of the Company. Deferred tax is provided for using the liability method

The main factors affecting deferred tax are differences between the accounting and tax treatment on goodwill, depreciation on fixed assets, provisions, pensions and tax losses carried forward

Where the effect of such temporary differences is to create a deferred tax asset, this is only recognised in the accounts to the extent that it is probable that future taxable profit will be available against which the temporary differences can be offset and is measured at the tax rates that are expected to apply when the asset is realised

Exceptional items

Items are classified as exceptional income or expenses where they are considered by the Company to be material and are different from events or transactions which fall within the ordinary activities of the Company and which individually, or if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence if the financial statements are to be properly understood. Details of the exceptional items are provided in note 4

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Details of provisions in existence at the balance sheet dates are provided in note 16

1 Significant accounting policies (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessor. All other leases are classified as operating leases. Rentals payable under operating leases are charged to the income statement on a straight line basis over the term of the relevant lease.

The Company as a Lessee

Assets held under finance leases are recorded as assets of the Company at the date of acquisition at their fair value, or if lower, at the present value of the minimum lease payments. The corresponding liability is included in the balance sheet as a finance lease obligation. Finance costs are charged to the income statement over the term of the relevant lease, so as to achieve a constant rate on the finance balance outstanding.

Financial risk management

The Company's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rates. The overall risk management programme seeks to minimise potential adverse effects on the financial performance of the Company. The Company does not undertake any speculative treasury activities.

Foreign exchange risk

The Company operates primarily in the UK and has minimal transactional foreign exchange risk.

The risks arising from operational activities are generally short term in nature, and the Company's policy is to manage this through matching of cash flows in the relevant currencies. Gains and losses on these activities are fully reflected in the income statement of the period in which they arise.

The Company's debt is denominated in Euros and the Company is exposed to foreign exchange translation risk on that debt. This translation risk is unhedged.

Interest rate risk

Interest rate risk management is governed by the requirements of the Company's debt facilities agreements.

The Company's debt facilities carry variable interest terms based on 6 month EURIBOR. The interest rate risk is unhedged.

Liquidity and funding

The Company is financed through a mix of long and short term Group finance. Full details are given in note 14. The Company's liquidity risk management policy requires that sufficient cash is maintained to meet short term funding requirements through the availability of an adequate amount of committed and uncommitted credit facilities.

International Accounting Standard 39

IAS 39 sets out requirements for the recognition and measurement of financial instruments, including derivatives and monetary assets and liabilities.

Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings. Issue costs are charged to the income statement over the life of the borrowings. On an ongoing basis, the Company measures its debt facilities at amortised cost using the effective interest method.

Debt issuance costs

Costs incurred in the issuance of debt instruments are capitalised and amortised over the maturity period of the debt to which the costs relate.

DAMOVO CORPORATE SERVICES LIMITED

2 Revenue

The Company's revenue and operating loss relate entirely to its principal activities in the United Kingdom

3 Analysis of expenses by nature

	2006	2005
	£'000	£'000
Depreciation and amortisation	3 516	4 401
Staff costs (including termination and redundancy)	3,685	7,838
All other operating expenses	19,569	10 818
	26,770	23,057

4 Exceptional items

Exceptional items have been charged to the income statement as follows

	2006	2005
	£'000	£'000
Administrative expenses	14,381	7,281

Year ended 31 January 2006

- a) Costs of £381,000 in respect of the relocation of the Company headquarters
- b) Costs were incurred on Damovo Group's disposal of its subsidiary in Slovakia generating an exceptional loss of £3,744,000
- c) A provision for amounts receivable from group companies EDA and DIII S A of £10,236,000 was created in the year due to the effects of the Restructuring agreement discussed in note 1

Year ended 31 January 2005

- a) Redundancy and other administrative costs of £143,000 incurred in reducing certain headquarter functions, central services and local functions within the subsidiaries in line with the strategic plan developed in December 2003
- b) Professional fees and other costs of £5,691,000 incurred in relation to the refinancing and restructuring of the group's banking facilities completed in May 2004
- c) Costs were incurred on Damovo Group's disposal of the entities in Argentina, Colombia, France and Hungary generating an exceptional loss £1,447,000

DAMOVO CORPORATE SERVICES LIMITED

5 Operating loss

Operating loss is stated after the following charges which require to be disclosed

	2006	2005
	£'000	£'000
Depreciation on assets		
- owned by the Company	3,093	2,804
- held under finance lease	235	712
Amortisation of intangible assets	188	885
Operating lease rentals payable		
- property	431	351
Audit fees payable to the auditors	25	25
Non audit fees payable to the auditors	214	288

6 Net finance costs

	2006	2005
	£'000	£'000
Interest expense payable		
- Bank borrowings	(1,102)	(4,214)
- Other group undertakings	(11,103)	(6,126)
- Finance lease interest	(7)	(29)
- Debt issuance costs amortisation	(348)	(57)
Currency transaction losses arising on normal trading operations	-	(1,189)
Finance costs	(12,560)	(11,815)
Interest income from bank deposits	254	440
Currency transaction gains arising on normal trading operations	1,299	-
Finance income	1,553	440
Net finance costs	(11,007)	(11,175)

7 Staff costs

	2006	2005
	£'000	£'000
Wages and salaries	3,178	6,967
Social security costs	337	690
Pension costs – defined contribution plans	170	181
	3,685	7,838

The average number of employees in the year was 24 (2005 53)

The total remuneration of the key management during the year was £2,091,000 (2005 £5,369,000) including contributions to defined contribution pension plans of £88,000 (2005 £51,000)

Key management is defined as the Board of Directors

DAMOVO CORPORATE SERVICES LIMITED

8 Directors' remuneration

	2006	2005
	£'000	£'000
Aggregate emoluments		
Aggregate emoluments (including benefits in kind)	2,003	5,318
Company pension contributions to money purchase scheme	88	51
	2,091	5,369

	2006	2005
	£'000	£'000
Highest paid director		
Aggregate emoluments (including benefits in kind)	937	3,501
Company pension contributions to money purchase scheme	58	-

9 Taxation

The tax in the income statement comprises

	2006	2005
	£'000	£'000
Current tax charge on taxable profits	4	-
Amount receivable from a group subsidiary in respect of group relief	(171)	-
	(167)	-

Reconciliation of income taxes

The tax charge on the Company's loss before tax has been based on the UK tax rate of 30%. A reconciliation of the effective tax rate for the current year tax charge is set out below

	2006	2005
	£'000	£'000
Loss before tax	(27,310)	(21,320)
Tax calculated at 30%	(8,193)	(6,396)
Prior year withholding tax reversal	3	-
Accelerate capital allowances and other timing differences	334	3,966
Expenses not deductible for tax purposes	7,658	2,430
Group relief not paid for	31	-
Tax credit	(167)	-

Deferred tax assets

The Company has an unrecognised deferred tax asset as noted below. This asset has not been recognised as it is unlikely that it will ever be recovered.

	2006	2005
	£'000	£'000
Accelerated capital allowances	7,173	4,558
Short term timing differences	16	1,739
Tax losses carried forward	13,408	15,353
Deferred tax asset not recognised	20,597	21,650

DAMOVO CORPORATE SERVICES LIMITED

9 Taxation (cont)

Non Adjusting Event

The 2007 Budget announced the rate of corporation tax will reduce by 2% to 28% from 1 April 2008. The deferred tax asset of the Company is expected to reduce by £1,373,000 taking into account this change.

10 Property, plant and equipment

	IT infrastructure & equipment £'000	Fixtures & Fittings £'000	Total £'000
Cost			
As at 1 February 2005	15,251	1,114	16,365
Additions	330	-	330
Disposals	(2,851)	-	(2,851)
As at 31 January 2006	12,730	1,114	13,844
Accumulated depreciation			
As at 1 February 2005	9,290	680	9,970
Depreciation charge	3,105	223	3,328
Disposals	(2,836)	-	(2,836)
As at 31 January 2006	9,559	903	10,462
Net book value			
As at 31 January 2005	5,961	434	6,395
As at 31 January 2006	3,171	211	3,382

Included within the above total as at 31 January 2006 are assets with a cost of £724,000 (2005 £2,259,000) and accumulated depreciation of £460,000 (2005 £1,932,000) that are subject to finance leases. Assets costing £212,000 (2005 £123,000) purchased under finance leases during the period are included in total additions of £330,000 (2005 £151,000). Depreciation of assets held under finance lease was £235,000 (2005 £712,000).

11 Intangible assets

	Software licences £'000	Other intangibles £'000	Total £'000
Cost			
As at 1 February 2005 and 31 January 2005	2,483	141	2,604
Disposals	(2,212)	-	(2,212)
As at 31 January 2006	251	141	392
Amortisation			
As at 1 February 2005	2,257	20	2,277
Amortisation	181	7	188
Disposals	(2,212)	-	(2,212)
As at 31 January 2006	226	27	253
Net book value			
As at 31 January 2005	206	121	327
As at 31 January 2006	25	114	139

DAMOVO CORPORATE SERVICES LIMITED

12 Accounts receivable and other debtors

	2006	2005
	£'000	£'000
Amounts falling due within one year		
Amounts owed by group undertakings	23,303	14,924
Provision for bad and doubtful debts - group undertaking	(10,236)	-
Amounts owed by other Damovo Group companies – net	13,067	14,924
Prepayments and accrued income	250	302
Sales taxes	165	334
Other debtors	888	915
	14,370	16,475

13 Accounts payable and other creditors

	2006	2005
	£'000	£'000
Accounts payable	212	1,008
Amounts owed to group undertakings	96,702	83,023
Accruals	1,960	4,430
Social security and other taxes	73	186
Other creditors	533	750
	99,480	89,397

14 Borrowings

	Shareholder term loan	Finance leases	Senior debt	Total
	£'000	£'000	£'000	£'000
Current borrowings				
As at 1 February 2005	12,126	69	-	12,195
Drawn	-	106	-	106
Repaid	(12,343)	(160)	(30,126)	(42,629)
Exchange adjustment	(91)	-	(224)	(315)
Finance costs capitalised	308	-	76	384
Transfer from non current	-	146	30,274	30,420
As at 31 January 2006	-	161	-	161

	Group loans	Finance leases	Senior debt	Total
	£'000	£'000	£'000	£'000
Non current borrowings				
As at 1 February 2005	-	55	30,106	30,161
Drawn	48,765	106	-	48,871
Debt issuance costs	(3,215)	-	-	(3,215)
Amortisation of debt issuance costs	180	-	168	348
Exchange adjustment	494	-	-	494
Transfer to current	-	(146)	(30,274)	(30,420)
As at 31 January 2006	46,224	15	-	46,239

DAMOVO CORPORATE SERVICES LIMITED

14 Borrowings (cont)

The maturity of our financing instruments is as follows

Due as at 31 January 2006	Finance leases £'000	Group loans £'000	Total £'000
Within 1 year	161	-	161
2 - 5 years	15	-	15
After more than 5 years	-	46,224	46,224
	176	46,224	46,400

Financial liabilities

As at 31 January 2006, financial liabilities as defined by IAS 39 comprised borrowings, accounts payable and certain other creditors totalling £148,332,000 (2005 £131,168,000). Of these a total of £107,175,000 (2005 £97,778,000) is interest bearing and has an interest rate profile as follows

As at 31 January 2006	Fixed £'000	Floating £'000	Total £'000
Long term group loans	-	46,224	46,224
Finance leases	176	-	176
Intercompany loans repayable on demand	60,775	-	60,775
	60,951	46,224	107,175

As at 31 January 2005	Fixed £'000	Floating £'000	Total £'000
Senior debt	-	30,106	30,106
Shareholder term loan	12,126	-	12,126
Finance leases	124	-	124
Intercompany loans repayable on demand	55,422	-	55,422
	67,672	30,106	97,778

The floating rate liabilities above mature or reprice within six months of the period end

In accordance with the provisions of IAS 32, the carrying amounts and fair values of financing arrangements and their weighted average effective interest rates at the balance sheet date are set out below. The fair values have been calculated by discounting estimated future cash flows for each instrument using an interest rate that the directors' estimate would be available on similar instruments at the period end taking account of movements in market rates. The carrying amounts of accounts payable, accruals and other liabilities approximate their fair value due to the short maturity of these balances.

The Group loans

As at 31 January 2006	Carrying amount £'000	Fair value £'000	Interest rate %
Long term group loans	46,224	44,606	10.4%

DAMOVO CORPORATE SERVICES LIMITED

14 Borrowings (cont)

Financial assets

As at 31 January 2006, financial assets as defined by IAS 39 comprised cash, accounts receivable and certain other debtors. The combined carrying value as at 31 January 2006 is £25,133,000 (2005 £24,512,000). Of this total, cash of £1,114,000 (2005 £8,708,000) earns interest, at the bank variable rate.

15. Employee benefits

Pensions and other post-employment obligations

Defined contribution plan

The Group operates defined contribution pension plans for eligible employees. Contributions are paid by the member and/or the employer at fixed rates. The benefits secured at retirement or death reflect each employee's accumulated fund and the cost of purchasing benefits at that time. The charge for the year represents the employer's contribution, including accrued contributions at the balance sheet date. The charge to the income statement for defined contribution plans was £170,000 (2005 £181,000).

16. Provisions

	Provisions £'000
As at 1 February 2005	260
Utilised during the period	(260)
Charged to income statement	381
As at 31 January 2006	381

Provisions relate to legal claims and costs in respect of the relocation of the Company headquarters. All of these provisions are expected to be utilised within one year.

17. Ordinary shares

The authorised share capital comprises one ordinary share of £1.

	2006 £	2005 £
Authorised		
1 Ordinary share of £1 each	1	1
Allotted, called up and fully paid		
1 Ordinary share of £1 each	1	1

DAMOVO CORPORATE SERVICES LIMITED

18 Reserves

The reserves of the Company are shown below and reflect the transactions shown in the income statement and statement of changes in equity

	Profit and Loss Reserve £'000
As at 1 February 2004	(78,788)
Net loss for the year	(21,320)
As at 31 January 2005	(100,108)
Net loss for the year	(27,143)
As at 31 January 2006	(127,251)

19 Commitments and contingencies

Financial commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows

	2007 £'000	2006 £'000
Within 1 year	431	431
Between 2 and 5 years	1,723	1,723
Greater than 5 years	2,836	3,267
	4,990	5,421

In April 2006, the Company surrendered a non-cancellable operating lease in relation to the headquarters in Glasgow. The Company had 12 years remaining on the surrendered lease and has reduced future aggregate minimum lease commitments by £5 million as a result.

Damovo Corporate Services Ltd is a guarantor of the €358m senior secured fixed and floating rate notes issued on 22 April 2005 by its associated company Damovo III S.A. Damovo Corporate Services has pledged the shares of its directly held subsidiaries as security for its guarantee obligations. Except for the guarantees noted above, there are no contingent liabilities at 31 January 2006.

DAMOVO CORPORATE SERVICES LIMITED

20 Cash generated from operations

	2006 £'000	2005 £'000
Continuing operations		
Loss before tax	(27,310)	(21,320)
Adjustments for non cash amounts or cash movements not shown elsewhere in the cash flow statement		
- Depreciation and amortisation	3 516	4 401
- Acquisition of investments	(5)	-
- Currency transaction (gain) / loss	(1,299)	1,189
- Interest income	(254)	(440)
- Interest expense	12,560	10,426
	(12,792)	(5,744)
Effect on cash of changes in working capital		
- Accounts receivable and other debtors	2 104	22,274
- Accounts payable and other creditors	10,083	7,438
- Provisions	121	(3 377)
Cash (used in) / generated from operations	(484)	20,591

21 Reconciliation of net liabilities and losses under UK GAAP to IFRS

Damovo Corporate Services Limited reported under UK GAAP in its previously published financial statements for the year ended 31 January 2005. There is no impact of adopting IFRS for the Company and therefore is no difference between the numbers reported under IFRS and those that would have been reported under UK GAAP.

22 Related party transactions

The Company purchases and sells goods and services from fellow subsidiary companies in the ordinary course of business. The value of transactions and balances outstanding are set out below.

	2006 £'000	2005 £'000
Damovo Group companies		
Parent company		
Purchases of goods and services during the period	11	709
Payable to parent company	-	628

23 Principal subsidiary undertakings

	Country of incorporation	% owned	31 January 2006 Carrying value £'000	31 January 2005 Carrying value £'000
Damovo Mexico	Mexico	2%	5	-

The Company acquired the investment in Damovo Mexico during the year ended 31 January 2006. The cost of the investment was £5,000.

24 Post balance sheet events

Damovo Group SA, the Company's ultimate parent company, entered into an agreement for the restructuring of the Damovo Group's balance sheet on 20 December 2006, (the "Restructuring Agreement") with the holders of the EUR 218,000,000 10¼% Senior Secured Notes due 2012 (the "Fixed Rate Notes") and EUR 140,000,000 Senior Secured Floating Rate Notes due 2012 (the "Floating Rate Notes") (together the "Notes") issued by a fellow group company, Damovo III SA. Over 94% of the Group's noteholders (the "Noteholders") have signed the Restructuring Agreement which is expected to result in a significant reduction in the Damovo Group's debt and its related interest expense and a consequent reduction in financial risk.

During the first quarter of the financial year ending 31 January 2008 the performance of the Company's Italian subsidiary, Enterprise Digital Architects Spa ("EDA") worsened making it necessary for a revised Restructuring plan to be substantively agreed with the Ad Hoc Committee of Noteholders, pursuant to which the Rest of World and Italian businesses of Damovo will be restructured separately.

The directors of the Company believe that the implementation of the revised Restructuring Agreement which is in progress will be completed in May 2007. Post restructuring, the "new" Damovo Group (excluding the Italian businesses but including Damovo Corporate Services Limited) will have a stable and strengthened capital structure.

The Restructuring Agreement provides for the Noteholders to exchange all of their existing Notes, including accrued interest thereon up to the closing date of the restructuring, into 100% of the post restructuring, pre-management incentive plan, share capital of a successor holding company of the Damovo Group. Further, the Noteholders have subscribed for EUR 50 million of new notes (the "New Notes") as described in more detail below.

The New Notes were fully underwritten by the Noteholders and the cash was received by Damovo III SA on 15 January 2007. The New Notes have a three-year maturity date and are priced with a cash coupon of EURIBOR + 350 bps per annum, payable semi-annually. The New Notes have been guaranteed and secured to the same extent as the Notes, but on a priority basis and additionally have the benefit of further Group guarantees and security.

Due to the Noteholders' approval of the terms of the Restructuring Agreement, and the progress in implementing the Restructuring Agreement, the directors are of the opinion that it is appropriate for these accounts to be presented on a going concern basis, although uncertainty exists until the restructuring is complete.

These financial statements do not reflect any adjustments to the carrying value of the Company's assets and liabilities that may arise from the restructuring as these will only be determinable on finalisation of the process by which the agreement will be implemented.

DAMOVO CORPORATE SERVICES LIMITED

STATUTORY INFORMATION

Directors

Robert Contreras
Michael Collins
Joseph Boyle

Secretary

Masons Secretarial Services Limited

Registered Office

10 Upper Bank Street
London
E14 5JJ

Independent auditors

PricewaterhouseCoopers LLP

Solicitors

Latham and Watkins

Bankers

Royal Bank of Scotland plc

Country of Incorporation

Damovo Corporate Services Limited is a company incorporated in the UK

Ultimate parent undertaking

The ultimate parent undertaking (and controlling party) is Damovo Group SA, a company incorporated in Luxembourg. Copies of the group accounts of Damovo Group SA are available to the public and may be obtained from 65 Boulevard Grande Duchesse Charlotte, L-1331, Luxembourg.