



Annual Report & Accounts 2006

BILLAM PLC

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BILLAM PLC

CHAIRMAN'S STATEMENT

BACKGROUND

The year has been one of considerable change for your Company. At an Extraordinary General Meeting in March 2006 Nish Malde and Dimitri Dimitriou were appointed to the Board of Billam Plc ("Billam") and following this meeting, I was asked to be Chairman. At our Annual General Meeting in July 2006 shareholders approved a widening of Billam's investment powers, which will allow your Board to invest in businesses that will generate new revenues and cash flow for the Company and will, as a result, increase our net assets.

Indeed, we recently announced on 15 February 2007 that our wholly owned development finance subsidiary, Development Funding Limited ("DFL"), which started trading after the year end, has made its first investment by providing mezzanine finance of a little over £900,000 to a privately owned housebuilding company. This mezzanine facility has been provided in connection with a specific development in Northamptonshire, which is expected to be completed in the summer of 2008. The gross development value of the project is £5.1 million. DFL are sharing the development risk with the housebuilder concerned, and we anticipate that the annualised return from this investment will be in excess of 20 per cent. The financing for DFL's investment has been provided by Billam's principal shareholder, Mr Stephen Wicks, who since the year end has made new loans to the Group of approximately £800,000 on commercial terms. Mr Wicks has the option to convert part of his loans into ordinary shares in Billam. The Board expects to make further development financing investments through DFL, as and when suitable opportunities present themselves.

PERFORMANCE DURING YEAR ENDED 31 DECEMBER 2006

The Board announce that the deficit on ordinary activities before taxation has been reduced to £0.9 million from the £5.1 million recorded for 2005, but we are disappointed to note that Billam's net assets have now fallen to £1.3 million (2005: £2.2 million). As referred to above, the Board intend in the future to make investments that will generate profitable returns for Billam shareholders.

During the year we have further rationalised the investment portfolio. We have sold our investments in Sareum plc and Sosei Limited and since the year end, as recently announced, we have sold at a profit above book values, our holdings in Intellego PLC, TMO Biotec Limited and a small part of our investment in Cybit Holdings plc for a total consideration of £215,000 to Angus Forrest, the former Chief Executive of Billam, in part settlement of the outstanding amounts due to him.

As far as the principal investments in our portfolio are concerned, I would like to draw your attention to the achievements of these investee companies, as follows:-

Quoted investments

Cybit Holdings plc

Cybit Holdings plc ("Cybit") is one of Europe's leading telematics service providers, that provides organisations with a comprehensive suite of online solutions to improve the management and control of their mobile assets. In its latest interim results, for the six months ended 30 September 2006 Cybit reported an 18 per cent increase in revenues to £5.8 million and a return to profitability. Shareholders funds totalled in aggregate £8 million, including cash balances of £2 million.

In June 2006 Cybit acquired BlueFinger for £1.6 million, one of the world's leading suppliers of coastal surveillance and monitoring systems. The integration of this business has strengthened Cybit's core telematics business and will provide cross selling opportunities for the company's other products. Cybit has recently announced that Bluefinger had won an order worth more than £1 million for a vessel monitoring system.

Cybit has also recently announced the acquisition of Thales Telematics Plc, a UK based vehicle telematics and wireless asset management business. Following this acquisition, Cybit now provides its services to over 1,500 organisations who collectively have over 35,000 mobile assets.

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EiRx Therapeutics plc

EiRx Therapeutics plc ("EiRx") is a drug discovery company developing targeted therapies for cancer. The company has its own in-house research department and achieved a major milestone in August 2005 when it filed its first ever patents on potential new cancer drugs. The company, which at this stage in its development is largely pre-revenue, announced its preliminary results for the year ended 30 June 2006 in December. These results showed a loss on ordinary activities before taxation of £1.8 million (2005: loss £2.9 million).

In September, the company announced the results of tests for one of its products, used in the treatment of breast cancer, which showed a 50 per cent reduction in tumour volume with no evidence of systemic toxicity. The results are encouraging as they demonstrate that EiRx's product can enter the circulation, reach the site of the tumour and prevent its growth.

During the year, EiRx has also entered into collaborative agreements with Almac Diagnostics and bioMérieux SA.

Physiomics plc

In March 2007 Physiomics plc ("Physiomics") announced its interim results for the 6 months ended 31 December 2006 which showed a loss before taxation of £0.154 million (2005: loss before taxation £0.184 million).

The company reported that they are pushing ahead with the development of their cell cycle technology and have filed a patent in respect of the company's SystemCell® technology. During the period under review, Physiomics continued its programme with Cyclacal Inc and received the first tranche of funds from the EU funded TEMPO grant aided programme. In addition, the company signed a 7 month agreement with ValiRx plc, to use SystemCell® technology as a means to optimise the latter's oncology drug discovery programmes.

Unquoted investments

TRI-MEX Group Limited

TRI-MEX Group Limited ("TRI-MEX") provides monitoring and protection solutions for the protection of vehicles and goods in transit. The accounts for the year ended 31 March 2006 showed a loss before taxation of £1.3 million (2005: loss before taxation of £1.3 million) on turnover of £0.354 million (2005: £0.477 million). The group is now focussed on its "EUROWATCH" system and the group's principal source of revenue was sales of subscriptions from this source.

Whilst the contract TRI-MEX signed with Mercedes-Benz in February 2004 did not deliver the expected turnover, the company has agreements with Jaguar Cars and Land Rover to provide pan-European EUROWATCH services for each of their own brand tracking products. In addition, TRI-MEX has recently signed a master agreement with Aston Martin Lagonda and the company's unit is now fitted as standard on DB9 and V8 cars built for the UK and as a factory fit for Europe. Whilst there can be no certainty, the Directors of TRI-MEX believe that there will be a significant increase in revenue this year.

Overheads

During the year we have made further efforts to reduce our cost base. I am therefore pleased to report that total overheads have been reduced to £0.5 million for the year (2005: £0.6 million) and we anticipate that with the actions already taken our costs will be substantially lower during 2007.

MANAGEMENT

I am pleased to be able to report that we have recruited Howard Cramer, as Managing Director of our development financing subsidiary Development Funding Limited. Howard brings with him a wealth of experience of the property market. Howard worked for Bovis Homes and Rosehaugh's housing division and the privately owned Buxton Homes as

BILLAM PLC

CHAIRMAN'S STATEMENT

Land & Marketing Director, before establishing Howard Cramer Associates in 1988. Howard has been responsible for site acquisition on behalf of a number of the UK's leading housebuilders and has successfully completed the developments of both residential and mixed use projects.

As referred to above, we have in the last 12 months considerably reduced the number of investments in our portfolio. As a consequence, Dimitri Dimitriou agreed to step down from the Board on 14 May 2007 as he originally joined the Board to provide advice on the investment portfolio. I would like to take this opportunity to thank him for his contribution to the Board.

SHAREHOLDERS

The free share-dealing scheme for small shareholders will be offered. This year eligible shareholders, those with holdings of 5,000 or fewer Ordinary 20 pence shares, will receive a personal letter and details of the scheme allowing them to sell or buy shares at no transaction cost until 14 September 2007.

OUTLOOK

The Company's investment portfolio has been thoroughly reviewed by the Board and we have met with the management teams of all our investee companies. Whilst a number of these companies have made progress during the year, as referred to above, your Board is committed to making investments in the future that will generate profitable returns for shareholders. As a consequence, whilst we will continue to look at investments in the life sciences and information technology sectors, where the majority of Billam's investments have historically been made, we intend to take advantage of the attractive opportunities that we are seeing through DFL, our development financing business. The Board will be looking to make further realisations from our investment portfolio, as and when offers are received for our holdings at valuations that meet our expectations.

Simon Bennett
Chairman
26 June 2007

BILLAM PLC

BOARD OF DIRECTORS AND ADVISORS

Board of directors: Simon Bennett (aged 49) - Non-executive Chairman
Nishith Malde (aged 49)

Company registration number: 00298654

Registered office: Trinity Court, Batchworth Island, Church Street, Rickmansworth,
Hertfordshire WD3 1RT

Website: www.billamplc.co.uk

Secretary: Nishith Malde

Bankers: Royal Bank of Scotland
1st Floor, Conqueror House, Vision Park, Chivers Way, Histon, Cambridge
CB24 9NL

Solicitors: Pinsent Masons
30 Aylesbury Street, London EC1R 0ER

Auditors: Grant Thornton UK LLP
2 Broadfield Court, Sheffield S8 0XF

Nominated Adviser and Broker: KBC Peel Hunt Limited
111 Old Broad Street, London EC2N 1PH

Registrars: Computershare Investor Services PLC
PO Box 82
The Pavilions, Bridgewater Road, Bristol BS99 7NH
Tel. 0870 8735838

BILLAM PLC

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report, together with the financial statements of the Company for the year ended 31 December 2006.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The Company is registered as a Public Limited Company in terms of the Companies Act 1985. The Company's shares of 20p each are listed on the Alternative Investment Market (AIM) of the London Stock Exchange.

The principal activity of the Company is as an investment company investing in quoted and unquoted companies to achieve capital growth.

The Company does not qualify as an investment company within the meaning of the Companies Act 1985. Normally the absence of Section 266 status would require the Company to adopt a different presentation of the accounts from that recommended by the Association of Investment Trust Companies. However, the directors believe it would be misleading for the format of accounts to be changed as this would unnecessarily obscure and distort both the revenue and capital performance of the Company. The Company has adopted the Statement of Recommended Practice (SORP) for Investment Trusts (January 2003). The Company's accounts have been prepared in accordance with this SORP.

Results and dividends

The net deficit of the Company for the year after taxation amounted to £892,000 (2005: £5,088,000). The directors do not recommend the payment of a dividend for the year ended 31 December 2006.

The net assets of the Company at 31 December 2006 totalled £1,306,000 (2005: £2,155,000). The net assets per ordinary share as at 31 December 2006 were 12.3p (2005: 20.0p).

A more detailed review of the activity and progress of the business including the portfolio of investments and the principal risks and uncertainties faced by the business, is contained in the Chairman's statement on pages 1 to 3.

As referred to above the Company's principal activity is that of an investment company, investing in quoted and unquoted companies to achieve capital growth. Accordingly, the main key performance indicators used by the business are the underlying share price of the investments and the net assets position of the Company including net assets per share.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's policy in respect of financial instruments and risk profile is set out in note 23 of the accounts.

CORPORATE GOVERNANCE AND COMPLIANCE

The Company is listed on AIM and accordingly compliance with the revised Combined Code on Corporate Governance is not mandatory. However, the Company is committed to applying the principles of corporate governance as applicable to a company of this size and nature. The Board is accountable to the Company's shareholders for good corporate governance. This report and the Remuneration Report describe how the Company applies the provisions of good corporate governance.

BILLAM PLC

REPORT OF THE DIRECTORS

Directors

The Company supports the concept of an effective Board leading and controlling the Company. The Company's Board meets regularly and special meetings are convened as and when matters require urgent consideration. The Board is responsible for approving Company policy and strategy and there is a schedule of matters specifically reserved to it for decision. All directors have access to advice from the Company Secretary and independent professionals at the Company's expense.

The Board consists of one executive director and one non-executive director. The non-executive director is independent of management and any business or other relationship which could interfere with the exercise of his independent judgement. The Board considers that the level of shareholdings held by the non-executive director is insufficient to affect his independence.

The Board members are listed on page 4.

All directors are subject to re-election every three years and at the first Annual General Meeting (AGM) after appointment.

Directors and officers insurance

The Company has insurance for the directors and officers of the Company in respect of liabilities incurred by them in the course of carrying out their duties or the exercise of their powers.

Relations with shareholders

The Company values the views of its shareholders and recognises their interest in the Company's strategy and performance, Board membership and quality of management. It therefore encourages shareholders to offer their views.

The AGM provides an opportunity for shareholders, particularly private investors, to question the Board on issues arising. During the year enquiries are received and answered on a wide spectrum of topics relevant to the business.

The notice convening the AGM is the notice of the meeting sent to shareholders with this report. A separate motion will be put to the meeting on each substantial issue.

The notice for the 2006 AGM will be dispatched more than 21 days in advance and the level of proxy votes lodged for and against each resolution will be disclosed at the meeting together with details of any abstentions.

Accountability and audit

The Board endeavours to present a balanced and understandable assessment of the Company's position and prospects in all reports as well as in the information required to be presented by statutory requirements.

Going concern

The financial statements have been prepared on the going concern basis, the directors having considered the cash forecasts for the next 12 months. In doing so they have given due regard to the liquidity of investments, funding provided by Mr S D Wicks and the repayment of other loans as referred to in note 22. On this basis the Directors have a reasonable expectation that the funds available to the Group are sufficient to meet the requirements indicated by those forecasts.

BILLAM PLC

REPORT OF THE DIRECTORS

Internal control

The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets and for reviewing its effectiveness. Such a system is designed to manage, but not eliminate, the risk of failure to achieve business objectives. There are inherent limitations in any control system and accordingly even the most effective systems can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Assessment of business risk

The Board regularly reviews operating and strategic risks.

The Company's operating procedures include a system for reporting financial and non-financial information to the Board including:

- Reports from management with review of the business at each Board meeting, focusing on any new decisions/risks arising
- Reports on the performance of investments
- Reports on selection criteria of new investments
- Discussion with senior personnel
- Consideration of reports prepared by third parties
- Preparation of plans for business development

Control procedures

Operational procedures have been developed for each of the Company's operating businesses that embody key controls over relevant areas. The implications of changes in law and regulations are taken into account by the Company.

The Board has considered the need for an internal audit function but has decided that this is not justified at present given the size of the Company. However, it will keep the decision under review on at least an annual basis.

Appointment of directors

The Board deals with all matters relating to the appointment of directors including determining the specification, identifying suitable candidates and selection of the appointee. No separate Nominations Committee has been formed.

Throughout the year the Articles of Association have required each director to seek re-election after no more than three years in office. Therefore the Board considers it inappropriate that non-executive directors be appointed for a fixed term as recommended by the Code.

POLICY FOR PAYING CREDITORS

The Company's policy is to pay creditors in accordance with agreed payment terms. Trade creditors at the year end amount to 50 days of average supplies.

BILLAM PLC

REPORT OF THE DIRECTORS

SIGNIFICANT SHAREHOLDINGS

According to the Company's register of substantial shareholdings at 15 June 2007, the following had notified the Company of their interest in 3% or more of the Company's issued ordinary share capital:

	Number of shares	%
S D Wicks	2,739,685	25.8
A G P Forrest	1,257,558	11.9
Forest Nominees Ltd	556,750	5.3
W Weston	875,000	8.3
V N Beamish	433,110	4.1
Aberdeen Holdings Limited	<u>390,000</u>	<u>3.7</u>

DIRECTORS AND SECRETARY

Simon Bennett and Nishith Malde retire in accordance with the Articles of Association and, being eligible, offer themselves for re-appointment.

Those directors who held office during the year together with changes during the year are listed below.

S Bennett
N Malde (appointed 24 March 2006)
D Dimitriou (appointed 14 July 2006, resigned 14 May 2007)
V Beamish (resigned and re-appointed 24 March 2006, resigned on 14 July 2006)
A G P Forrest (resigned 24 March 2006)

The interests in shares of the Company of those directors in office at 31 December 2006, which include beneficial and family interests are shown below:

	As at 31 December 2006 Ordinary shares of 20p	As at 1 January 2006 or at date of appointment Ordinary shares of 10p
S Bennett	<u>50,000</u>	<u>-</u>
N Malde	<u>40,000</u>	<u>600</u>
D Dimitriou	<u>600</u>	<u>600</u>

The directors had no other interests in the shares of the Company. There have been no changes in these interests between 31 December 2006 and 15 June 2007. All the above interests are beneficial.

The Company has no contract with Mr N Malde or Mr D Dimitriou. Mr S Bennett has a notice period of 6 months.

Details of directors' remuneration and share options are shown in the report on remuneration on pages 29 to 31.

TAXATION STATUS

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

BILLAM PLC

REPORT OF THE DIRECTORS

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 financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 Company 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
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper 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.

In so far as the directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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.

AUDITORS

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD

Nishith Malde
Company Secretary
26 June 2007

We have audited the financial statements of Billam plc for the year ended 31 December 2006 which comprise the statement of total return, the balance sheet, the cash flow statement, the principal accounting policies and the notes 1 to 24. 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 auditor's 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 United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Directors' Responsibilities for the Financial Statements.

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements 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 Report of the Directors is consistent with the financial statements. The information given in the Report of the Directors includes that specific information presented in the Chairman's Statement that is cross referred from the Business Review section of the Report of the Directors.

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's statement, the Report of the Directors and the Directors' Remuneration Report. 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 other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements 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 parent company 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 parent company 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 2006;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS

Sheffield
26 June 2007

BILLAM PLC

STATEMENT OF TOTAL RETURN (incorporating the revenue account)

FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 £'000 Capital	2006 £'000 Revenue	2006 £'000 Total	2005 £'000 Capital	2005 £'000 Revenue	2005 £'000 Total
Losses on investments	7	(454)	-	(454)	(4,530)	-	(4,530)
Income	1	-	86	86	-	52	52
Gross revenue and capital deficit		(454)	86	(368)	(4,530)	52	(4,478)
Administrative expenses		-	(513)	(513)	-	(607)	(607)
Operating deficit	2	(454)	(427)	(881)	(4,530)	(555)	(5,085)
Interest payable and similar charges	3	-	(11)	(11)	-	(3)	(3)
Deficit on ordinary activities before taxation		(454)	(438)	(892)	(4,530)	(558)	(5,088)
Tax on ordinary activities	5	-	-	-	28	(28)	-
Deficit attributable to equity shareholders	14	(454)	(438)	(892)	(4,502)	(586)	(5,088)
Deficit per ordinary share							
Basic and fully diluted	6	(4.3p)	(4.2p)	(8.5p)	(44.1p)	(5.7p)	(49.8p)

The Revenue Account represents the Profit and Loss Account with the meaning of Companies Act 1985 except as disclosed in note 24.

All of the above results arise from continuing activities.

There are no recognised gains and losses for the year other than those reflected in the above Statement of Total Return.

The accompanying accounting policies and notes form an integral part of these financial statements.

BILLAM PLC

BALANCE SHEET AT 31 DECEMBER 2006

	Note	2006 £'000	2005 £'000
Fixed assets			
Investments	7	2,446	3,106
Current assets			
Debtors	10	171	171
Cash at bank and in hand		1	9
		172	180
Creditors: amounts falling due within one year	11	(745)	(259)
Net current liabilities		(573)	(79)
Total assets less current liabilities		1,873	3,027
Creditors: amounts falling due after more than one year	12	(567)	(872)
Net assets		1,306	2,155
Capital and reserves			
Called up share capital	13	2,279	2,250
Share premium account	14	5,423	5,409
Capital reserve realised	14	(708)	(842)
Capital reserve unrealised	14	(3,245)	(2,657)
Merger reserve	14	1,012	1,012
Revenue account	14	(3,455)	(3,017)
Shareholders' funds	15	1,306	2,155
Net asset value per share			
Ordinary shares	16	12.3p	20.0p
Deferred shares	16	-	-

The financial statements were approved by the Board of Directors and authorised for issue on 26 June 2007.

Simon Bennett

Chairman

Nishith Malde

Director

The accompanying accounting policies and notes form an integral part of these financial statements.

BILLAM PLC**CASH FLOW STATEMENT**

FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 £'000	2006 £'000	2005 £'000	2005 £'000
Net cash outflow from operating activities	17		(626)		(263)
Returns on investment and servicing of finance					
Interest paid		<u>-</u>		<u>(3)</u>	
Net cash outflow from returns on investment and servicing of finance					(3)
Capital expenditure and financial investment					
Purchase of investments		<u>(46)</u>		<u>(27)</u>	
Sale of investments		<u>352</u>		<u>255</u>	
Net cash inflow from capital expenditure and financial investment			306		228
Net cash outflow before financing			(320)		(38)
Financing					
Loans received		<u>335</u>		<u>-</u>	
Loans repaid		<u>(54)</u>		<u>-</u>	
Net cash inflow from financing			281		-
Decrease in cash in the year	19		(39)		(38)

The accompanying accounting policies and notes form an integral part of these financial statements.

BILLAM PLC

PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies of the Company remain unchanged from the previous year. The accounting policies of the Company are set out below.

BASIS OF ACCOUNTING

The accounts have been prepared under the historical cost convention, as modified by the revaluation of investment assets. The accounts have been prepared in accordance with applicable accounting standards, except as explained below, and with the Statement of Recommended Practice (SORP), for the Financial Statements of Investment Trust Companies (January 2003) as set out in note 24.

The financial statements have been prepared on the going concern basis, the directors having considered the cash forecasts for the next 12 months. In doing so they have given due regard to the liquidity of investments, funding provided by Mr S D Wicks and the repayment of other loans as referred to in note 22. On this basis the Directors have a reasonable expectation that the funds available to the Group are sufficient to meet the requirements indicated by those forecasts.

STATEMENT OF RECOMMENDED PRACTICE (SORP), FOR THE FINANCIAL STATEMENTS OF INVESTMENT TRUST COMPANIES

The Company is not an investment company within the meaning of Section 266, Companies Act 1985 as the Articles of the Company do not absolutely prohibit the distribution of capital profits. However, it manages its affairs in a manner which is similar to that of an Investment Trust. As such, the directors consider it appropriate to continue to present the financial statements in accordance with the Statement of Recommended Practice (SORP) applicable for investment trusts. Under the SORP, the financial performance of the Company is presented in a statement of total return in which the revenue column would be the profit and loss account of the Company except that it excludes net gains and losses on disposal and write off of investments and associated taxation.

In the opinion of the directors the inclusion of these items in the profit and loss account would obscure and distort both the revenue and capital performance of the Company, and would not show clearly the revenue profits emerging to be distributable by way of dividend. The directors therefore consider that these departures from the specific provisions of Schedule 4 of the Companies Act relating to the form and content of accounts for companies other than investment companies and these departures from accounting standards are necessary to give a true and fair view. The departures have no effect on total return or on the balance sheet.

CONSOLIDATION

Consolidated accounts have not been prepared because the subsidiary companies are dormant.

INVESTMENTS

Investments in subsidiaries are carried at cost less amounts written off.

Other investments are carried in accordance with International Private Equity and Venture Capital Valuation Guidelines.

Realised surpluses or deficits on the disposal of investments and permanent impairments in the value of investments are taken to capital reserve - realised. Unrealised surpluses and deficits on the revaluation of investments are taken to capital reserve – unrealised. This is explained in more detail in the capital reserve policy .

BILLAM PLC

PRINCIPAL ACCOUNTING POLICIES

INVESTMENT VALUATION

Listed investments

Investments which are listed on a stock market such as AIM or similar markets are valued at their closing mid-price.

Where listed investments are subject to restrictions on sale or the marketability of the holding is limited then a discount to the listed market price may be applied.

Unlisted shares

Valuation methods used are either costs or where appropriate fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines.

In estimating fair value a valuation methodology is applied that is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio. The valuation methodology will consider:

- Price of recent investment
- Earnings multiple
- Net assets
- Discounted cash flows or earnings of the underlying business
- Discounted cash flows from the investment
- Industry valuation benchmarks

For investments in start up or early-stage businesses, the "Price of Recent Investment" methodology is the most appropriate for a limited period following the date of investment. Thereafter the fair value is measured using the most appropriate methodology. If fair value cannot be reliably measured then a provision is made.

In the course of this review, increases above cost based valuations of unquoted investments are, in normal circumstances, only made if substantiated by significant third party transactions in relevant shares.

INCOME

Dividends receivable on quoted equity shares are brought into account on the ex-dividend date.

Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established.

Other returns on non-equity shares are recognised when the right to the return is established.

The fixed return on a debt security is recognised on a time apportionment basis so as to reflect the effective yield on the debt security. Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised in capital reserves.

BILLAM PLC

PRINCIPAL ACCOUNTING POLICIES

LEASED ASSETS

Payments made under operating leases are charged to the revenue account on a straight line basis over the lease term.

EXPENSES

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except as follows:

- expenses which are incidental to the acquisition of an investment are included within the cost of the investment;
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment; and
- expenses are charged to capital reserve-realised where a connection with the maintenance or enhancement of the value of the investments can be demonstrated.

TAXATION

The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue on the same basis as the particular item to which it relates using the Company effective rate of tax for the accounting period.

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

FOREIGN CURRENCY

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as at the date of the transaction or, where appropriate, at the rate of exchange in a related forward exchange contract. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end or, where appropriate, at the rate of exchange in a related forward exchange contract. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the capital reserve or in the revenue account depending on whether the gain or loss is of a capital or revenue nature respectively.

RETIREMENT BENEFITS

Defined contribution pension scheme

The pension costs charged against operating profits are the contributions payable to the scheme in respect of the accounting period.

BILLAM PLC

PRINCIPAL ACCOUNTING POLICIES

CAPITAL RESERVE

Capital reserve - realised

The following are accounted for in this reserve:

- gains and losses on the realisation of investments;
- realised exchange differences of a capital nature;
- expenses and finance costs, together with the related taxation effect, charged to this reserve in accordance with the above policies;
- realised gains and losses on transactions undertaken to hedge an exposure of a capital nature; and
- permanent impairments in the value of investments.
- when previously revalued investments are disposed of any previously unrealised revaluation gains are transferred from Capital Reserve – Unrealised to Capital Reserve – Realised

Capital reserve - unrealised

Increases and decreases in the valuation of investments held at the year end are accounted for in this reserve.

BILLAM PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

1 INCOME

	2006 £'000 Revenue	2005 £'000 Revenue
Total income comprises:		
Management fees	11	16
Other	75	36
	<u>86</u>	<u>52</u>

2 OPERATING DEFICIT

	2006 £'000 Revenue	2005 £'000 Revenue
Operating deficit is stated after charging		
Auditors' remuneration for		
- statutory audit	14	17
- tax compliance	3	4
- other services	-	7
Other operating lease rentals - land and buildings	<u>81</u>	<u>57</u>

3 INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £'000 Revenue	2005 £'000 Revenue
On director's loans	<u>11</u>	<u>3</u>

BILLAM PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

4 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2006 £'000	2005 £'000
	Revenue	Revenue
Wages and salaries	190	153
Social security costs	19	68
Pension costs	3	8
	212	229

The average number of employees (including directors) of the Company were:

	2006 Number	2005 Number
Management of investments	3	4

Further details of individual directors' remuneration, pension fund and share options are shown in the table on page 30.

5 TAX ON DEFICIT ON ORDINARY ACTIVITIES

The tax credit / (charge) for the year is made up as follows:

	2006 £'000	2006 £'000	2006 £'000	2005 £'000	2005 £'000	2005 £'000
	Capital	Revenue	Total	Capital	Revenue	Total
Deferred tax	-	-	-	28	(28)	-

The current tax assessed for the year is higher than the standard rate of corporation tax in the UK of 30%. The differences are explained as follows:

	2006 £'000	2006 £'000	2006 £'000	2005 £'000	2005 £'000	2005 £'000
	Capital	Revenue	Total	Capital	Revenue	Total
Deficit on ordinary activities before taxation	(454)	(438)	(892)	(4,530)	(558)	(5,088)
Deficit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(136)	(131)	(267)	(1,359)	(167)	(1,526)
Effect of:						
Expenses not deductible for tax	-	12	12	4	3	7
Deductions allowable for tax	(7)	-	(7)	(3)	-	(3)
Capital losses brought forward utilised	(33)	-	(33)	-	-	-
Short term timing differences	-	(13)	(13)	-	4	4
Unrealised loss not allowable for tax	176	-	176	1,282	-	1,282
Unused tax losses carried forward	-	132	132	76	160	236
Current tax charge	-	-	-	-	-	-

The Company has unrecognised deferred tax assets as a result of losses carried forward of £2,335,000 (2005: £1,899,000).

BILLAM PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

6 DEFICIT PER ORDINARY SHARE

The deficit per ordinary share is based on the weighted average number of ordinary shares in issue during the year of 10,524,035 ordinary shares of 20 pence (2005: 10,206,154 ordinary shares of 20 pence) and the following figures:

	2006 £'000	2006 £'000	2006 £'000	2005 £'000	2005 £'000	2005 £'000
	Capital	Revenue	Total	Capital	Revenue	Total
Deficit attributable to equity shareholders	<u>(454)</u>	<u>(438)</u>	<u>(892)</u>	<u>(4,502)</u>	<u>(586)</u>	<u>(5,088)</u>
Deficit per ordinary shares	<u>(4.3p)</u>	<u>(4.2p)</u>	<u>(8.5p)</u>	<u>(44.1p)</u>	<u>(5.7p)</u>	<u>(49.8p)</u>

7 INVESTMENTS

	2006 £'000	2005 £'000
Investments listed on a recognised investment exchange	1,087	1,505
Other unlisted investments	<u>1,359</u>	<u>1,601</u>
	<u>2,446</u>	<u>3,106</u>

	Listed £'000	Listed overseas £'000	Subsidiary undertakings £'000	Other unlisted investments £'000	Total £'000
Cost					
At 1 January 2006	645	82	2,623	5,036	8,386
Reclassification from debtors	100	-	-	-	100
Additions	-	-	-	46	46
Sales					
- proceeds	(174)	(150)	-	(28)	(352)
- realised gains/(losses) on sales	105	68	-	(39)	134
At 31 December 2006	<u>676</u>	<u>-</u>	<u>2,623</u>	<u>5,015</u>	<u>8,314</u>
Unrealised appreciation / (depreciation)					
At 1 January 2006	638	140	-	(3,435)	(2,657)
(Decrease)/increase in unrealised appreciation	(227)	(140)	-	(221)	(588)
At 31 December 2006	<u>411</u>	<u>-</u>	<u>-</u>	<u>(3,656)</u>	<u>(3,245)</u>
Amounts due to subsidiaries	<u>-</u>	<u>-</u>	<u>(2,623)</u>	<u>-</u>	<u>(2,623)</u>
Cost or valuation					
At 31 December 2006	<u>1,087</u>	<u>-</u>	<u>-</u>	<u>1,359</u>	<u>2,446</u>
At 31 December 2005	<u>1,283</u>	<u>222</u>	<u>-</u>	<u>1,601</u>	<u>3,106</u>

BILLAM PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

7 INVESTMENTS (CONTINUED)

	2006 £'000	2005 £'000
Net gains/(losses) on sales or liquidations	134	(258)
Net decrease in unrealised appreciation	(588)	(4,272)
Loss on investments	<u>(454)</u>	<u>(4,530)</u>

8 SIGNIFICANT INTERESTS

Details of investments other than subsidiary undertakings in which the Company has a holding of 3% or more that are material in the context of the financial statements:

	Country of incorporation	Class of share capital held	Percentage of share capital held %	Total cost £'000	Carrying value at 31 December 2006 £'000	Carrying value at 31 December 2005 £'000
Listed investments						
Cybit Holdings plc	United Kingdom	Ordinary	8.8	354	903	1,018 70
Physiomics plc	United Kingdom	Ordinary	11.0	258	157	58
Unlisted Investments						
EiRx Pharma Limited	United Kingdom	Ordinary	39.2	2,700	1,096	1,059

The directors consider that the conditions required to categorise an investment as an associated undertaking are not met in respect of EiRx Pharma Limited as the investment is held as part of the Company's investment portfolio. The Company does not seek to influence the day to day management of the companies in which its investments are made.

9 SUBSIDIARY UNDERTAKINGS

At 31 December 2006 Billam plc owned 100% of the share capital of World Life Sciences Limited and Urco Limited. These companies were both dormant throughout the year. Both are incorporated in the United Kingdom.

Billam plc is no longer required to present consolidated financial statements as all subsidiary companies are dormant at the year end.

BILLAM PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

10 DEBTORS

	2006	2005
	£'000	£'000
Other debtors	121	9
Prepayments and accrued income	50	162
	171	171

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006	2005
	£'000	£'000
Bank overdraft	31	-
Other loans	335	54
Trade creditors	47	68
Social security and other taxes	6	66
Other creditors and accruals	326	71
	745	259

12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2006	2005
	£'000	£'000
Loan notes due to Billam AG	397	397
Other creditors and accruals	170	461
Pension contributions	-	14
	567	872

The amount due to Billam AG is an unsecured non-interest bearing loan and the total balance is repayable in 2013. Billam AG is an unconnected third party. All other creditors are due after one year and payable within two years.

BILLAM PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

13 SHARE CAPITAL

	2006	2005
	£'000	£'000
Authorised		
19,210,250 ordinary shares of 20p each (2005: 19,210,250 ordinary shares of 20p each)	3,842	3,842
157,950,000 deferred shares of 0.1p each	158	158
	4,000	4,000
Allotted, called up and fully paid		
10,603,835 ordinary shares of 20p each (2005: 10,460,000 ordinary shares of 20p each)	2,121	2,092
157,950,000 deferred shares of 0.1p each	158	158
	2,279	2,250

Allotments during the year

On 14 July 2006 137,168 shares of 20p per share were issued in settlement of liabilities to A G P Forrest and V Beamish amounting to £41,150.

On 19 July 2006 6,667 shares of 20p per share were issued in settlement of liabilities due to Ms J Hoskins amounting to £2,000.

Deferred shares

The deferred shares, which are non-equity shares were issued as part of the re-organisation on 30 May 2000, have:

- no right to any dividend;
- the right to receive notice of any general meeting and to attend such meeting, but no right to vote there at; and
- the right on a winding up or other return of capital (after payment of the debts and liabilities of the Company and an amount equal to the amounts paid up, or credited as paid up, including any premium on the ordinary shares of the Company, together with any unpaid arrears of dividend declared on such shares) to an amount equal to the amounts paid up or credited as paid up on such deferred shares.

At 31 December 2006 there were no options over the ordinary shares of the Company.

14 RESERVES

	Share premium account £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Merger reserve £'000	Revenue account £'000
At 1 January 2006	5,409	(842)	(2,657)	1,012	(3,017)
Premium on allotment during the year	14	-	-	-	-
Retained net revenue for the year	-	-	-	-	(438)
Net loss on realisation of investments	-	(72)	-	-	-
Transfer on disposal of investment	-	206	(206)	-	-
Net change in unrealised appreciation	-	-	(382)	-	-
At 31 December 2006	5,423	(708)	(3,245)	1,012	(3,455)

BILLAM PLC**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2006

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006	2005
	£'000	£'000
Total recognised losses for the year	(892)	(5,088)
New share capital subscribed	43	100
	(849)	(4,988)
Shareholders' funds brought forward	2,155	7,143
Shareholders' funds carried forward	1,306	2,155

16 NET ASSET VALUE PER SHARE

The net asset value per share and the net asset values attributable to each class of share at the year end calculated in accordance with the Articles of Association were as follows:

	Net asset value per share		Net assets attributable	
	2006	2005	2006	2005
	p	p	£'000	£'000
Ordinary shares	12.3	20.0	1,306	2,092
Deferred shares	-	-	-	63
			1,306	2,155

The net asset value per ordinary share is based on net assets at the year end after allowances for the deferred shares and on 10,603,835 ordinary shares of 20 pence (2005: 10,460,000 ordinary shares of 20 pence) being the number of ordinary shares in issue at the year end.

The net asset value per deferred share is based on net assets at the year end and on 157,950,000 deferred shares of 0.1p each (2005: 157,950,000) being the number of deferred shares in issue at the year end.

17 RECONCILIATION OF OPERATING DEFICIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2006	2005
	£'000	£'000
Operating deficit	(881)	(5,085)
(Profit)/loss on sale of investments	(134)	258
Unrealised decrease in investment appreciation	588	4,272
Decrease in debtors	-	30
(Decrease)/increase in creditors	(199)	262
Net cash outflow from operating activities	(626)	(263)

BILLAM PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

18 ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2006 £'000	Cash flow £'000	At 31 December 2006 £'000
Cash at bank and in hand	9	(8)	1
Bank overdraft	-	(31)	(31)
		(39)	
Loans	(54)	(281)	(335)
Loan notes	(397)	-	(397)
	<u>(442)</u>	<u>(320)</u>	<u>(762)</u>

19 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2006 £'000	2005 £'000
Decrease in cash in the year	(39)	(38)
Loans repaid	54	-
Loans received	(335)	-
Change in net funds resulting from cash flows	<u>(320)</u>	<u>(38)</u>
Net debt brought forward	(442)	(404)
Net debt carried forward	<u>(762)</u>	<u>(442)</u>

20 RETIREMENT BENEFITS

Defined Contribution Pension Scheme

The Company operates a defined contribution scheme for the benefit of certain employees and directors. The assets of the scheme are administered by trustees in a fund independent from those of the Company.

21 COMMITMENTS UNDER OPERATING LEASES

There were annual commitments under operating leases expiring as follows:

	2006 £'000	2005 £'000
Land and buildings		
Between 1 to 2 years	22	-
Within 2 to 5 years	57	79
	<u>79</u>	<u>79</u>

22 TRANSACTIONS WITH RELATED PARTIES

In October 2002 and March 2003 Angus Forrest provided a short term loan of £255,000 to the Company. The amount outstanding at 31 December 2005 was £54,300 and this was repaid during the year ended 31 December 2006. Interest accrued during the year was £4,021, and the total interest outstanding at the year end was £17,843.

Within creditors is an amount accrued but not yet paid to former director A G P Forrest in relation to remuneration. This amounted to £376,520 (2005: £457,048) of which £215,000 was settled on 31 March 2007 by way of transferring shares in some of the investments that the Company held as referred in the Chairman's Statement. The remaining balance is to be repaid in three half yearly instalments commencing on 30 September 2007. Included in creditors is also an amount due to Mr N Malde of £16,987 in respect of unpaid remuneration.

During the year, a major shareholder, Mr S D Wicks advanced monies to the Company and the outstanding balance at the year end was £355,000. Interest accrued during the year at 1% above base rates and amounted to £6,948 and this remained outstanding at the year end. At the year end the loan was unsecured. Following the year end Mr S D Wicks has advanced approximately £800,000. Interest continues to accrue at the same rate. The total loans advanced have now been secured by way of a debenture over the assets of the Company. Whilst there are no formal terms of repayment, Mr S D Wicks has agreed not to seek repayment for a period of at least 12 months from the date of approval of these accounts unless the Company has funds to do so, albeit he may exercise his option to convert part or all of these loans into shares during that time.

23 FINANCIAL INSTRUMENTS AND RISK PROFILE

The Company's financial instruments comprise its investment portfolio, cash balances and debtors and creditors that arise directly from its operations. The Company does not use derivative instruments. The numerical disclosure below excludes short term debtors and creditors.

The Company invests in securities for the long term. Accordingly the Company rarely trades investments in the short term. In rare circumstances listed investments may be sold to meet the Company's funding requirements.

The Company has little exposure to credit risk. Unlisted investments in the portfolio are subject to liquidity risk. This risk is taken into account by the directors when arriving at the valuation of these assets.

The principal risks the Company faces in its activities are:

- Liquidity risk; and
- Market price risk.

The Board's policy for managing these risks is summarised below.

Liquidity risk

The Company has a substantial portfolio of listed investments which are readily realisable to meet funding requirements if necessary.

Market price risk

The Company exposure to market price risk comprises monitoring movements in the value of its equity investments.

23 FINANCIAL INSTRUMENTS AND RISK PROFILE (CONTINUED)

The Company's financial instruments comprises of the following:

Financial assets	2006		2005	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Investment portfolio	<u>2,446</u>	<u>2,446</u>	<u>3,106</u>	<u>3,106</u>

Financial liabilities

	2006		2005	
	Book value £'000	Fair value £'000	Book Value £'000	Fair Value £'000
Loan from Billam AG	<u>397</u>	<u>282</u>	<u>397</u>	<u>279</u>

24 INVESTMENT COMPANY STATUS

The Company is not an investment company within the meaning of Section 266, Companies Act 1985 as the Articles of the Company do not absolutely prohibit the distribution of capital profits. However, it manages its affairs in a manner which is similar to that of an Investment Trust. As such, the directors consider it appropriate to continue to present the financial statements in accordance with the Statement of Recommended Practice (SORP) applicable for investment trusts.

Under the SORP, the financial performance of the Company is presented in a statement of total return. The revenue column excludes the following capital items which, since the Company is not an investment company, the Companies Act and accounting standards would ordinarily require to be included in the profit and loss account: net profit on disposal and write off of investments, calculated by reference to their previous carrying amount, of £134,000 (2005: £258,000) and management expenses and finance costs charged to capital, net of tax, of £nil. The net loss before tax of the Company for the year was £304,000 (2005: £816,000).

In the opinion of the directors the inclusion of these items in the profit and loss account would obscure and distort both the revenue and capital performance of the Company, and would not show clearly the revenue profits emerging to be distributable by way of dividend. The directors therefore consider that these departures from the specific provisions of Schedule 4 of the Companies Act relating to the form and content of accounts for companies other than investment companies and these departures from accounting standards are necessary to give a true and fair view. The departures have no effect on total return or on the balance sheet.

BILLAM PLC

REPORT ON REMUNERATION

Directors' remuneration

The Board submits its directors' remuneration report for the year ended 31 December 2006. The following sections of the report have been audited: table of directors' remuneration and the table of directors' interests.

The policy of the Board is to provide executive remuneration packages designed to attract, motivate and retain directors of the calibre necessary to maintain the Company's position as a market leader and to reward them for enhancing shareholder value and return. It aims to provide sufficient levels of remuneration to do this, but to avoid paying more than is necessary.

Due to the Company's current size it does not have a Remuneration Committee.

Main elements of remuneration

The three main elements of the executive director's remuneration package are basic annual salary, performance related bonus and share option incentives.

Basic annual salary

Any executive director's basic salary is reviewed annually by the Board. In deciding upon appropriate levels of remuneration the Board believes that the Company should offer average levels of base pay reflecting individual responsibilities compared to similar jobs in comparable companies.

BILLAM PLC

REPORT ON REMUNERATION

Summary of Directors' remuneration (audited)

	Salary 2006 £'000	Bonus 2006 £'000	Aggregate emoluments Total 2006 £'000	Total 2005 £'000	Company contributions to money purchase pension scheme	
					2006 £'000	2005 £'000
Executive						
A G P Forrest	31	-	31	92	3	8
N Malde	17	-	17	-	-	-
Non-executive						
V N Beamish	11	-	11	20	-	-
J A Hoskins	-	-	-	9	-	-
S C Bennett	22	-	22	7	-	-
	<u>81</u>	<u>-</u>	<u>81</u>	<u>128</u>	<u>3</u>	<u>8</u>

Remuneration in respect of S C Bennett was paid to Incremental Capital LLP.

Executive director's pension arrangements

The Company contributes an amount equivalent to 9% of Mr A G P Forrest's basic salary into a money purchase scheme of his choice. No other earnings of or payments to the director is pensionable. There have been no changes in the terms of director's pension entitlements during the year. There are no unfunded pension promises or similar arrangements for directors.

The normal retirement age is 65.

Non-executive directors

The remuneration of the non-executive directors is determined by the Board within the limits set out in the Articles of Association. Non-executive directors do not have a contract of service and are not eligible to receive pension contributions.

Directors' interests (audited)

The interests of the directors and their families in the ordinary shares of the Company are shown below,

Ordinary shares	As at 31 December 2006 20p Ordinary shares	As at 1 January 2006* 10p Ordinary shares
S C Bennett	<u>50,000</u>	-
N Malde	<u>40,000</u>	-

* or date of appointment if later

BILLAM PLC

REPORT ON REMUNERATION

Directors' interests (continued)

Share Options

All share options issued to Victor Beamish and Angus Forrest have expired upon their respective resignations from the Company. No new share options were issued during the year.

Other than shown above, no director had any interest in the shares of the Company or any of its subsidiaries at 31 December 2006 and there have been no changes in directors' interests since that date and the date of this report.

ON BEHALF OF THE BOARD

Simon Bennett
Chairman

26 June 2007

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 10.30 am on 24 July 2007 at the offices of KBC Peel Hunt Limited at 111 Old Broad Street, London EC2N 1PH for the purpose of considering and, if thought fit, passing the following resolutions 1, 2, 3, 4, 5 and 6 as ordinary resolutions and resolution 7 as a special resolution of the Company:

Ordinary business:

1. THAT the audited accounts of the Company for the financial year ended 31 December 2006 and the directors' report and auditors' report on those accounts and the report on remuneration be received and adopted.
2. THAT Grant Thornton UK LLP be appointed auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next general meeting at which audited accounts are laid and to authorise the directors to fix their remuneration.
3. THAT Simon Bennett be re-appointed as a director of the Company in accordance with the Articles of Association of the Company.
4. THAT Nishith Malde be re-appointed as a director of the Company in accordance with the Articles of Association of the Company.

Special business:

5. As an ordinary resolution

That the proposed change in the investment strategy of the Company be approved and that the Company is hereby authorised to make investments in such manner and in such business sector(s) as the directors think fit, including without limitation property companies, property financing companies, other asset-backed investments and cash generative investments.

6. As an ordinary resolution

THAT in substitution for all existing authorities under that section, the directors be and they are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot, grant options over, offer or otherwise deal with or dispose of any relevant securities (as defined in Section 80(2) of the Act) of the Company up to a maximum aggregate nominal amount of 1,590,575 or 75% of the current issued share capital from time to time to such persons, at such times and generally on such terms and conditions as the directors (subject to the Articles of Association of the Company from time to time) in their absolute discretion may determine during the period commencing on the date of the passing of this resolution and expiring (unless previously renewed, varied or revoked by the Company in general meeting) 15 months from the date of the passing of this resolution or, if earlier, on the conclusion of the next Annual General Meeting of the Company save that the Company may make an offer or agreement which would or might require relevant securities to be allotted after the expiry of this authority and the directors may allot relevant securities pursuant to such an offer or agreement as if the authorities hereby conferred had not expired.

7. As a special resolution

THAT in substitution for all existing authorities and subject to the passing of resolution 8 above, the directors be and they are hereby empowered, pursuant to Section 95 of the Companies Act 1985 ("the Act") to allot equity securities (within the meaning of Section 94 of the Act) for cash pursuant to the authority conferred by resolution 5 above as if Section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited:

- (a) to the allotment of equity securities where the equity securities respectively attributable to the interests of all relevant shareholders are proportionate (as nearly as may be) to the respective numbers of shares held by them on the record date for such allotment subject only to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of any regulatory body or stock exchange in, any territory; or
- (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities for cash up to an aggregate nominal amount not exceeding 1,590,575 or 75% of the current issued share capital from time to time, and shall expire on the conclusion of the next Annual General Meeting of the Company or 15 months after the passing of this resolution, whichever is earlier, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement after such expiry as if the power conferred hereby had not expired.

BY ORDER OF THE BOARD

Registered Office:
Trinity Court
Batchworth Island
Church Street
Rickmansworth
Herts WD3 1RT

Nishith Malde
Company Secretary
26 June 2007

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy(ies) to attend and vote on his behalf. A proxy need not be a member of the Company.
2. To be effective, the instrument appointing a proxy and any authority under which it is executed (or a notarially certified copy of such authority) must be deposited at the offices of the Company's Registrars, Computershare Investor Services plc, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH not later than 10.30 a.m. on 22 July 2007. A form of proxy is enclosed with this notice. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the Meeting.
3. Copies of all directors' service contracts or, where any such contract is not reduced to writing, a memorandum of the terms thereof, will be available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays and public holidays excluded) from the date of this notice until the date of the Meeting and at the offices of KBC Peel Hunt Limited, 111 Old Broad Street, London EC2N 1PH for at least 15 minutes prior to and at the Meeting.
4. The register of directors' interests maintained by the Company under Section 325 of the Companies Act 1985 shall be produced at the commencement of the Meeting and remain open and accessible during the continuance of the Meeting to any person attending the Meeting.
5. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of securities of the Company two days prior to the meeting shall be entitled to attend and vote at the Meeting (or, if the Meeting is adjourned, 10.30 am on the date being two days prior to the date fixed for the adjourned Meeting) in respect of the number of Ordinary Shares registered in their name at the time. Changes to entries on the relevant register of securities after 10.30 am on the relevant date shall be disregarded in determining the right of any person to attend or vote at the Meeting.

