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**RII** plc

**Report  
and  
Financial Statements**

**31 March 2004**



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## DIRECTORS AND ADVISERS

### Directors

R L Stubbs (*Chairman and Chief Executive*)  
R C McGuire (*Non-executive*)

### Secretary and registered office

J P Gorman FCA  
56 Queen Anne Street  
London W1G 8LA

### Bankers

HSBC Bank Plc  
1 Finchley Road  
London NW8 9TS

### Auditors

Larkings  
Chartered Accountants  
31 St George's Place  
Canterbury  
Kent CT1 1XD

### Nominated adviser

Beaumont Cornish Limited  
Georgian House  
63 Coleman Street  
London EC2R 5BB

### Stockbroker

Hichens, Harrison & Co plc  
Bell Court House  
11 Blomfield Street  
London EC2M 1LB

### Solicitors

Beachcroft Wansbroughs  
100 Fetter Lane  
London EC4A 1BN

Watson Farley & Williams  
15 Appold Street  
London EC2A 2HB

### Registrars

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

### Company number

481650

## **CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW**

The Company incurred an audited pre-tax loss for the year ended 31 March 2004 of £36,724 against a loss of £73,008 for the year ended 31 March 2003. No dividend is recommended.

### **ISSUE OF ORDINARY SHARES AND LOAN NOTES**

Since the Company disposed of its entire insurance operations on 15 March 2001, it has been a "shell" whilst the Directors looked for an acquisition of a suitable business which could in their opinion provide a basis to build shareholder value. On 17 October 2003 Farhad Moshiri and Kamran Amin retired from the Board and I and my colleague, Clive McGuire, agreed to join the Board to pursue this objective on behalf of Shareholders.

In order to make the Company a more attractive proposition to an incoming business, on 4 March 2004 your Company announced details of plans to place 27,536,231 Ordinary Shares at a price of 0.345p per share and to create and issue £355,000 Unsecured Zero Coupon 7 year Convertible £1 Loan Notes. The proposals were approved by shareholders at an Extraordinary General Meeting of the Company on 6 April 2004, and in total £450,000 was raised before expenses. It is intended that the monies raised will be used to expand the Company.

Since that time your Board has been seeking opportunities for the development of the Company, either by way of acquisition or investment. To preserve cash, the Company's expenditure is being kept to a minimum and the Directors do not currently draw salaries.

Your Board will write to shareholders when there are further developments.

### **Robert Stubbs**

Chairman and Chief Executive

24 September 2004

## DIRECTORS' REPORT

The Directors present their report on the affairs of the Company, together with the audited financial statements, for the year ended 31 March 2004.

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Following completion of the disposal of the operating subsidiaries on 15 March 2001, the principal activity of the Company is that of an investment company.

Further details of the business carried out during the year and expected future developments are given in the Chairman and Chief Executive's review on page 3.

### SPECIAL BUSINESS

Resolutions will be proposed at the Annual General Meeting, as set out in the formal notice on pages 18 and 19.

The following resolutions constitute Special Business:

The Directors currently have a general authority to allot unissued shares of the Company, but this expires on 15 November 2004. Resolution 5 is proposed as an Ordinary Resolution to provide the Directors with authority to issue ordinary shares up to an aggregate nominal value of £200,000, representing 22 per cent of the Company's present authorised but unissued share capital, such authority to expire on whichever is the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2005 or the date falling fifteen months from the date of passing of this Resolution. The Directors have no present intention of exercising this authority.

Resolution number 6 is to seek authority for the Directors to allot equity securities for cash up to a nominal value of £65,000 representing 65 per cent of the Company's present issued share capital. The Companies Act 1985 requires that, unless shareholders resolve otherwise, any shares allotted for cash must be offered to existing equity shareholders pro-rata to their existing shareholdings. The Act permits this requirement to be modified and the purpose of the Resolution is to provide the Directors with the authority to issue ordinary shares of 0.1p for cash, as if such provisions did not apply in certain circumstances, when the Board considers it to be in the best interests of shareholders, such authority to terminate on the date falling fifteen months after the passing of this resolution or the date of the Annual General Meeting to be held in 2005, whichever is the earlier. The Board has no present intention of issuing shares under this authority.

### RESULTS AND DIVIDENDS

The results of the Company for the year ended 31 March 2004 are set out on page 11.

The Directors do not recommend the payment of a dividend for the year.

### DIRECTORS AND THEIR INTERESTS

The Directors of the Company, who served throughout the year except where otherwise shown, and their beneficial interests in the share capital of the Company were as follows:

	Note	Ordinary 0.1p Shares	
		31.3.2004	31.3.2003 (or date of appointment if later)
R L Stubbs (appointed 17 October 2003)		1,025,000	1,025,000
R C McGuire (appointed 17 October 2003)		300,000	300,000
K Amin (resigned 17 October 2003)		N/A	100,000
A F Moshiri (resigned 17 October 2003)	1	N/A	8,700,000

Both Mr Stubbs and Mr McGuire retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. Neither has a service contract with the Company.

#### Notes:-

- (1) 4,000,000 Ordinary Shares were held beneficially, the remaining 4,700,000 Ordinary Shares being held by the Trustees of the Caspian Settlement for the benefit of A F Moshiri's children.

## SHARE OPTIONS

There were no options over ordinary shares outstanding under the Executive Share Option Scheme either at 1 April 2003 or 31 March 2004.

On 6 April 2004, shareholders approved proposals whereby R L Stubbs and R C McGuire were each awarded warrants to acquire 1,000,000 Ordinary shares of 0.1p at a price of 0.345p per share, exercisable during the five year period expiring 6 April 2009.

Save as disclosed, there have been no changes in Directors' interests in the Ordinary share capital of the Company since 31 March 2004.

## SHARE CAPITAL AND CONVERTIBLE LOAN NOTES

On 4 March 2004 the Company announced details of plans to place 27,536,231 Ordinary Shares at a price of 0.345p per share and to create and issue £355,000 Convertible Unsecured Zero Coupon 7 year £1 Loan Notes at par.

The proposals were approved by shareholders at an Extraordinary General Meeting of the Company on 6 April 2004, and an additional £450,000 was raised before expenses. It is intended that the monies raised will be used to expand the Company.

On 16 July 2004, £20,000 of Convertible Unsecured Zero Coupon Loan Notes were converted into 5,797,101 Ordinary shares of 0.1p. There have been no other movements since 31 March 2004.

## NON-EXECUTIVE DIRECTOR

Roland Clive McGuire, aged 67, has been a member of the Stock Exchange since 1968 and was formerly an Executive Director of Hichens, Harrison & Co. plc, a firm of Stockbrokers which was established in 1803.

## TREASURY POLICY

Funds, surplus to monthly requirements, are normally kept on interest bearing accounts.

## CREDITOR PAYMENT POLICY

The Company's policy is normally to pay trade creditors according to agreed terms of business. As the major trade creditors are one-off and settled promptly, the information on creditor days is not considered appropriate.

## SUBSTANTIAL SHAREHOLDINGS

At 1 September 2004 the Directors had been notified or were otherwise aware of the following holdings of 3% or more of the Company's issued share capital:

	Number of Ordinary Shares	Percentage of Issued Ordinary Share Capital
P Bullen a/c M Edwards	27,536,231	27.74
Langham Investment Corporation Ltd	10,000,000	10.07
Ian Weaver	5,797,101	5.84
Shuman Brothers Inc	4,881,754	4.92
Trustees of the Caspian Settlement	4,700,000	4.73
Inter settle: Omnibus Ordinary Account	4,135,000	4.17
A.F. Moshiri	4,000,000	4.03
Global Natural Energy plc	3,750,000	3.78
Finwest Limited	3,750,000	3.78

## AUDITORS

Larkings have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board

J P Gorman

Company Secretary

24 September 2004

## **CORPORATE GOVERNANCE**

The Directors support the principles set out in Section 1 of the Combined Code published by the London Stock Exchange in June 1998, and the Directors intend that RII will comply with the revised Combined Code on corporate governance which applies to reporting years beginning on or after 1 November 2003. However, in view of the size of the Board, the office of Chairman and Chief Executive became a combined function with effect from 22 April 1999. Although the Company's Articles of Association do not require Directors to submit themselves for re-election every three years, the Board has resolved to adopt this principle, and appropriate resolutions have been placed before shareholders at Annual General Meetings from the year 2000 onwards.

Although it is not a fully listed company, throughout the year ended 31 March 2004, the Company has sought to comply with the Code Provisions set out in Section 1 of the Combined Code on Corporate Governance 1998, issued by the London Stock Exchange. During the year, the Audit Committee did not have three Non-Executive Directors as required under section D3.1 of the Combined Code.

The Company has one Non-Executive Director. Although this does not comply with the three recommended by the Combined Code, the Directors will consider the appointment of additional non-executive directors in due course.

### **BOARD OF DIRECTORS**

The current Executive Director is R Stubbs (Chairman and Chief Executive). R C McGuire is a Non-Executive Director and considered to be independent of management. Both were appointed on 17 October 2003.

K Amin and A F Moshiri retired at the end of the previous Annual General Meeting.

Decisions concerning the direction and control of the business are made by a quorum of the Board, and a formal schedule of matters specifically reserved for the Board is in place.

An agreed procedure exists for Directors in the furtherance of their duties to take independent professional advice. Newly appointed Directors are made aware of their responsibilities through the Company Secretary. The Company does not make any provision for formal training of new Directors.

### **REMUNERATION COMMITTEE**

A Remuneration Committee makes recommendations to the Board concerning the remuneration of Executive Directors. The Remuneration Report to shareholders is set out on pages 7 and 8.

### **AUDIT COMMITTEE**

During the year ended 31 March 2004, the Audit Committee comprised Mr Moshiri until 17 October 2003, when Mr Moshiri resigned as a director. Mr McGuire was appointed to the Committee on 17 October 2003. The Audit Committee has formal terms of reference.

### **NOMINATIONS COMMITTEE**

There is no formal Nominations Committee, the appointment of new directors being considered by the full Board.

### **GOING CONCERN**

The Directors are confident that the Company has adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

### **EMPLOYEES**

The Company's policy is to ensure that equal opportunities exist, including training, career development and promotion, for persons disabled prior or subsequent to recruitment, having regard to their particular aptitudes and abilities. Procedures for the consultation and involvement of employees will be instituted at an appropriate time.

### **RELATIONS WITH SHAREHOLDERS**

The Chairman's Statement on page 3 includes a review of the business and future developments. Details of

Resolutions to be proposed at the Annual General Meeting on 15 November, 2004 are set out in the Notice of Meeting on pages 18 and 19.

## INTERNAL FINANCIAL CONTROLS

The Company at present has no operating business, and no formal procedures have yet been established for identifying evaluating and managing the significant risks faced by the Company, in accordance with "Internal Control: Guidance for Directors of the Combined Code" (the Turnbull guidance). The Directors expect to implement appropriate procedures once an operating business has been acquired.

The Board and the Audit Committee review the need for an internal audit function on an annual basis and do not consider this to be necessary at this stage in the Company's development.

The Directors acknowledge their responsibilities for the Company's system of internal financial controls and have reviewed the effectiveness of the system of financial control, together with the major business and financial risks.

The Directors have not, during the year ended 31 March 2004, carried out a further formal annual review of internal financial controls as required by provision D.2.1 of the Combined Code in view of the small size of the Board.

The Company's financial reporting system is designed to provide Directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

## REMUNERATION REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 31 MARCH 2004

### CONSTITUTION

During the year ended 31 March 2004, the Remuneration Committee comprised Mr Moshiri until 17 October 2003, when Mr Moshiri resigned as a director. Mr McGuire was appointed to the Committee on 17 October 2003. The Remuneration Committee has formal terms of reference.

At the invitation of the Committee Chairman, executive directors may attend the proceedings.

None of the Committee members has any personal financial interests (other than as shareholders) or conflicts of interest arising from cross-directorships. The Committee has access to professional advice from inside and outside the Company.

### DUTIES OF THE COMMITTEE

The Remuneration Committee is responsible, inter alia, for determining the remuneration of the Executive Directors, and the grant of Share Options under the Executive Share Option Scheme.

### REMUNERATION POLICY ON EXECUTIVE DIRECTORS' REMUNERATION

Remuneration packages are designed to motivate and retain Executive Directors to ensure the continued development of the Company and to reward them for enhancing value to shareholders. The main elements of the remuneration package for Executive Directors are basic salary or fees, benefits, and share option incentives.

### TERMS OF APPOINTMENT OF DIRECTORS

	Basic Salary	Benefits	Bonus	Pension	Share Options
	£	£	£	£	
R L Stubbs (appointed 17 October 2003)	-	-	-	-	-
R C McGuire (appointed 17 October 2003)	-	-	-	-	-
K Amin (resigned 17 October 2003)	-	-	-	-	-
A F Moshiri (resigned 17 October 2003)	-	-	-	-	-

### OUTSIDE APPOINTMENTS

Executive Directors who are not full-time are permitted to accept appointments outside the Company and to retain payments from those sources.



## **CORPORATE GOVERNANCE – (Continued)**

### **EXECUTIVE DIRECTORS' SERVICE CONTRACTS**

No Executive Director has a Service Contract.

### **SHARE OPTIONS**

The Company has a policy of granting options to Executive Directors and employees under a Share Option Scheme in order to provide an additional incentive. These share options are granted at the Remuneration Committee's discretion at the prevailing market price. There were no options over ordinary shares outstanding under the Executive Share Option Scheme either at 1 April 2003 or 31 March 2004.

### **WARRANTS**

On 6 April 2004, shareholders approved proposals whereby R L Stubbs and R C McGuire were each awarded warrants to acquire 1,000,000 Ordinary shares of 0.1p at a price of 0.345p per share, exercisable during the five year period expiring 6 April 2009.

Save as disclosed, there have been no changes in Directors' interests in the Ordinary share capital of the Company since 31 March 2004.

### **DIRECTORS' PENSION ARRANGEMENTS**

Neither of the Directors is entitled to a pension arrangement. No other payments to Directors are pensionable, there have been no changes in the terms of Directors' pension entitlements during the year, and there are no unfunded pension promises or similar arrangements for Directors.

### **NON-EXECUTIVE DIRECTORS**

The remuneration of Non-Executive Directors is determined by the Board, and is based upon fees paid to Non-Executive Directors of similar companies.

Non-Executive Directors are appointed for fixed terms, and do not have a contract of service. They are not granted share options under the Company's share option scheme, and are not eligible for any pension arrangements.

### **DETAILS OF DIRECTORS' REMUNERATION AND SHARE OPTIONS**

This report should be read in conjunction with note 5 to the financial statements which constitutes part of this report and which contains full details of all elements of the remuneration package of each director and of directors' share options.

By order of the Board  
R C McGuire  
Remuneration Committee Chairman  
24 September 2004

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

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



## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RII plc

We have audited the financial statements of RII Plc on pages 11 to 17 for the year ended 31 March 2004. These financial statements have been prepared under the historical cost convention and 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 THE DIRECTORS AND AUDITORS.

As described in the statement of directors' responsibilities on page 9 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are 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 transactions with the company 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 United Kingdom Auditing Standards 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 of the state of the Company's affairs as at 31 March 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Larkings  
Chartered Accountants and  
Registered Auditors  
31 St George's Place  
Canterbury  
24 September 2004

A handwritten signature in cursive script, appearing to read 'Larkings', written in dark ink.

# **PROFIT AND LOSS ACCOUNT**

**Year Ended 31 March 2004**

		31 March 2004	31 March 2003
	Note	£	£
<b>TURNOVER</b>		-	-
Administration expenses		(40,561)	(78,905)
<b>OPERATING LOSS</b>	2	(40,561)	(78,905)
Interest receivable	3	3,870	5,927
Interest payable and similar charges	4	(33)	(30)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(36,724)	(73,008)
Taxation	6	-	-
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>	11	(36,724)	(73,008)
<b>BASIC LOSS PER SHARE</b>	12	(0.06)p	(0.11)p

All activities derive from continuing operations.

There are no recognised gains or losses other than the loss attributable to shareholders disclosed in the above profit and loss account.

The annexed notes form part of these financial statements.



**RIL** plc

## BALANCE SHEET

31 March 2004

	Note	31 March 2004 £	31 March 2003 £
<b>CURRENT ASSETS</b>			
Debtors	7	30,172	394
Cash at bank		121,545	208,141
		<u>151,717</u>	<u>208,535</u>
<b>CREDITORS: amounts falling due within one year</b>	8	<u>(14,803)</u>	<u>(34,897)</u>
<b>NET CURRENT ASSETS</b>		<u>136,914</u>	<u>173,638</u>
<b>TOTAL NET ASSETS</b>		<u>136,914</u>	<u>173,638</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	65,939	65,939
Share premium account	10	1,896,685	1,896,685
Profit and loss account	11	<u>(1,825,710)</u>	<u>(1,788,986)</u>
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	13	<u>136,914</u>	<u>173,638</u>

These financial statements were approved by the Board of Directors on 24 September 2004.

Signed on behalf of the Board of Directors

R L Stubbs  
Chairman

The annexed notes form part of these financial statements

# **CASH FLOW STATEMENT**

**Year ended 31 March 2004**

		31 March 2004	31 March 2003
	Note	£	£
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	14(a)	(90,433)	(34,295)
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	14(b)	3,837	5,897
		<hr/>	<hr/>
<b>CASH INFLOW/(OUTFLOW) BEFORE THE USE OF LIQUID RESOURCES AND FINANCING</b>		(86,596)	(28,398)
		<hr/>	<hr/>
<b>Increase/(decrease) in cash</b>	14(c)	(86,596)	(28,398)
		<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2004

### 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

#### Accounting convention

The financial statements are prepared under the historical cost convention.

### 2. OPERATING LOSS

	2004 £	2003 £
Operating loss is shown after charging:-		
Auditors' remuneration - audit	2,335	2,526
- other services	415	9,811
	<u>          </u>	<u>          </u>

### 3. INTEREST RECEIVABLE

	2004 £	2003 £
Bank interest receivable	3,870	5,927
	<u>          </u>	<u>          </u>

### 4. INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £	2003 £
Bank interest	33	30
	<u>          </u>	<u>          </u>

### 5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2004 £	2003 £
Chairman's emoluments	-	-
Emoluments of other Directors not included above	-	-
	<u>          </u>	<u>          </u>

None of the Directors received any remuneration in the year ended 31 March 2004.

#### Directors' interests

The Directors' interests, as defined by the Companies Act 1985, in the shares of the Company were as follows:

	Note	Ordinary 0.1p Shares 31.3.04	31.3.03 (or date of appointment if later)
R L Stubbs (appointed 17 October 2003)		1,025,000	1,025,000
R C McGuire (appointed 17 October 2003)		300,000	300,000
K Amin (resigned 17 October 2003)		N/A	100,000
A F Moshiri (resigned 17 October 2003)	1	N/A	8,700,000
		<u>          </u>	<u>          </u>

#### Notes:-

- (1) 4,000,000 Ordinary Shares were held beneficially, the remaining 4,700,000 Ordinary Shares being held by the Trustees of the Caspian Settlement for the benefit of A F Moshiri's children.

#### Directors' share options and warrants

No Directors held any unexercised options over ordinary shares under the Executive Share Option Scheme during the year.

On 6 April 2004, shareholders approved proposals whereby R L Stubbs and R C McGuire were each awarded warrants to acquire 1,000,000 Ordinary shares of 0.1p at a price of 0.345p per share, exercisable during the five year period expiring 6 April 2009.

Save as disclosed, there have been no changes in Directors' interests in Ordinary shares or share options in the Company since 31 March 2004.

The mid-market price of the Company's shares at 31 March 2004 was 2.38p and the range during the year was 0.1p to 5.25p.

Under the rules of the Executive Share Option Scheme, options may be exercised at any time during the period commencing on the first and expiring on the day preceding the seventh anniversary of the date of grant.

#### Staff costs, including Directors' remuneration:-

	2004	2003
	£	£
Wages and salaries	-	-
Social security costs	-	-
	<u>-</u>	<u>-</u>

The average weekly number of persons employed, excluding Directors:

Administration	-	-
	<u>-</u>	<u>-</u>

#### 6. TAXATION

There is no charge to UK Corporation tax due to losses incurred during the year.

#### 7. DEBTORS

	2004	2003
	£	£
Other debtors	30,115	-
Prepayments and accrued income	57	394
	<u>30,172</u>	<u>394</u>

#### 8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004	2003
	£	£
Other creditors	10,768	28,845
Accruals and deferred income	4,035	6,052
	<u>14,803</u>	<u>34,897</u>

#### 9. CALLED UP SHARE CAPITAL

	2004	2003
	£	£
<i>Authorised</i>		
1,000,000,000 Ordinary Shares of 0.1p each	<u>1,000,000</u>	<u>1,000,000</u>
<i>Allotted, Called up and Fully Paid</i>		
65,938,530 Ordinary Shares of 0.1p each	<u>65,939</u>	<u>65,939</u>



## NOTES TO THE FINANCIAL STATEMENTS – (Continued)

### 9. CALLED UP SHARE CAPITAL – (Continued)

There are no unexercised share options held by Directors.

On 6 April 2004 an additional 27,536,231 ordinary shares were issued by way of placing, at 0.345p each, and on 14 April 2004, £355,000 of Convertible Unsecured Zero Coupon Loan Notes were issued.

On 16 July 2004, £20,000 of Convertible Unsecured Zero Coupon Loan Notes were converted into 5,797,101 Ordinary shares of 0.1p. There have been no other movements since 31 March 2004.

### 10. SHARE PREMIUM ACCOUNT

As at 31 March 2003 and 31 March 2004	£ 1,896,685
---------------------------------------	----------------

The Share Premium arose as a result of the proceeds derived from the allotment of 15,938,530 Ordinary shares of 0.1p under the terms of subscription agreements dated 15 September, 1995.

### 11. PROFIT AND LOSS ACCOUNT

	2004 £	2003 £
Profit and loss account brought forward	(1,788,986)	(1,715,978)
Retained loss for the financial year	(36,724)	(73,008)
Profit and loss account carried forward	<u>(1,825,710)</u>	<u>(1,788,986)</u>

### 12. LOSS PER SHARE

The calculation of basic loss per share is based on the loss after taxation of £36,724 (2003 – £73,008) and on 65,938,530 Ordinary Shares (2003 – 65,938,530) being the number of shares in issue during the year.

### 13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2004 £	2003 £
Loss for the financial period	(36,724)	(73,008)
Opening shareholders' funds	173,638	246,646
Closing shareholders' funds	<u>136,914</u>	<u>173,638</u>

This amount is all attributable to equity interests

### 14. CASH FLOW STATEMENT

#### (a) Reconciliation of operating loss to cash (outflow)/inflow from operating activities

	2004 £	2003 £
Operating loss	(40,561)	(78,905)
Decrease in debtors	(29,778)	17,158
Increase/(decrease) in creditors	(20,094)	27,452
Cash (outflow)/inflow from operating activities	<u>(90,433)</u>	<u>(34,295)</u>

**(b) Analysis of cash flows from headings netted in the cash flow statement**

	2004	2003
<b>Returns on investment and servicing of finance</b>	£	£
Interest received	3,870	5,927
Interest paid	(33)	(30)
Net cash inflow from returns on investments and servicing of finance	<u>3,837</u>	<u>5,897</u>

**(c) Analysis of cash**

	At 1 April 2003 £	Cash flow £	At 31 March 2004 £
Cash at bank and in hand	<u>208,141</u>	<u>(86,596)</u>	<u>121,545</u>

**15. LEGAL CLAIM**

At 31 March 2003, a claim had been made against the Company in respect of an alleged agreement for the provision of services. The claim was subsequently settled, and the Company claimed an indemnity from a third party, and recovered the amount of the settlement in full. An amount of £5,040 has been provided for in these accounts in respect of irrecoverable legal costs.



## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the fifty third ANNUAL GENERAL MEETING of the Company will be held at the offices of Beaumont Cornish Limited, Georgian House, 63 Coleman Street, London EC2R 5BB on 15 November, 2004 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following Resolutions, of which those numbered 1 to 5 will be proposed as ORDINARY RESOLUTIONS and that numbered 6 will be proposed as a SPECIAL RESOLUTION:

### ORDINARY BUSINESS

1. To receive and consider the Report of the Directors and the Financial Statements for the year ended 31 March 2004.
2. To elect R L Stubbs (Chairman and Chief Executive) as a Director of the Company
3. To elect R C McGuire (Non-Executive Director and member of the Audit and Remuneration Committees) as a Director of the Company
4. That Larkings be re-appointed as Auditors and that the Directors be authorised to fix their remuneration.

### SPECIAL BUSINESS

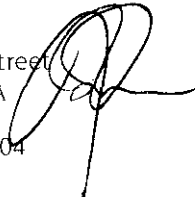
5. That the Directors be and they are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of the said Section 80 of the Act) up to an aggregate nominal amount of £200,000.00 provided that this authority shall expire on whichever is the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2005 or the date falling 15 months from the date of passing of this Resolution, except that the Company may before the expiry of such period make an offer or arrangement which would or might require relevant securities to be allotted after the expiry of such period and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority had not expired.
6. That the Directors be and they are hereby empowered (in substitution for and to the exclusion of any other existing powers save to the extent that the same have been previously exercised) pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94(2) of the Act) of the Company for cash pursuant to the authority conferred on them in accordance with Section 80 of the Act by this or any previous meeting of the members of the Company to allot relevant securities (as defined in Section 80(2) of the Act) as if Section 89 (1) of the Act did not apply to any such allotment provided that this power shall be limited:
  - (a) to allotments of equity securities where such securities have been offered (whether by way of a rights issue, open offer or otherwise) to holders of ordinary shares in the capital of the Company in proportion (as nearly as may be) to their existing holdings of ordinary shares but subject to the Directors having a right to make such exclusions or other arrangements in connection with the offering as they deem necessary or expedient:
    - (i) to deal with equity securities representing fractional entitlements; or
    - (ii) to deal with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory; and
  - (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities which are, or are to be, wholly paid up in cash to an aggregate nominal amount of £65,000.

This power shall (unless previously revoked or varied by the Company in general meeting) expire fifteen months after the date of the passing of this Resolution or at the conclusion of the Annual General Meeting of the Company to be held in 2005 whichever first occurs 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 an offer or agreement as if the power conferred hereby had not expired.

By Order of the Board.  
J.P. Gorman FCA  
*Secretary*

*Registered Office*  
56 Queen Anne Street  
London, W1G 8LA

24 September 2004



**Notes:**

- (i) A member of the Company who is entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his/her place. A proxy need not be a member of the company. A Form of Proxy accompanies this document for your use. To be valid Forms of Proxy together with the Power of Attorney Authority (if any) under which is signed, or a notorially certified copy of such Power of Attorney, must be deposited at the offices of the Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the time the meeting. Deposit of a Form of Proxy will not prevent a member from attending and voting in person should he/she so wish.
- (ii) Pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, the Company specifies that only those shareholders registered in the Register of Members of the Company as at 6.00 p.m. on 13 November 2004 shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after 6.00 p.m. on 13 November 2004 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Copies of the Register of Directors' Interests in the share capital of the Company will be available for inspection at the registered office of the Company during normal business hours and at the offices of Beaumont Cornish Limited, Georgian House, 63 Coleman Street, London, EC2R 5BB from 9.45 a.m. on 15 November 2004 until the close of the Annual General Meeting.

