

CHELGATE LIMITED

Company No. 2262305

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2003



Chelgate

Chelgate Limited

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Chelgate Limited

Company Information

Directors

T. Fane-Saunders
K. Fane-Saunders
M.S. Lane

Secretary

M.S. Lane

Registered Office

Number One
Tanner Street
London
SE1 3LE

Auditors

Kingston Smith
Quadrant House
80-82 Regent Street
London W1B 5RP

Bankers

Natwest Bank
PO Box 192
116 Fenchurch Street
London EC3M 5AN

Solicitors

Davenport Lyons
1 Old Burlington Street
London W1X 2NL

Chelgate Limited

Report of the Directors

The directors have pleasure in presenting their report and financial statements for the year ended 31 December 2003.

Principal Activities and Business Review

The principal activity of the company throughout the year was that of public relations consultants. The results for the year and the financial position at the year end were considered satisfactory by the directors.

The directors are satisfied with the results of the UK operations and anticipate an improving performance this year. Problems indentified at Chelgate Asia Limited and Robinson Bamford Limited did not improve during the year and, as a consequence, both businesses were closed and the companies are now in Liquidation. This is not expected to have a further material affect on either profits or cash flow of Chelgate Limited.

Results and Dividend

The results of the company for the year are set out on page 5. The directors do not recommend the payment of a dividend (2002 - £nil).

The company has a retained profit of £6,707 (2002 - loss £137,050) which has been transferred to/(from) reserves.

Directors and their interests

The directors who served during the year were as follows:

Terence C. Fane-Saunders
Kilmeny J. Fane-Saunders
Mathew S. Lane

None of the directors have any direct interest in the share capital of this company or any other within the group.

Mr. and Mrs. Fane-Saunders have beneficial interests in the whole of the share capital of the ultimate parent undertaking, Kilmeny Holdings Limited, which are disclosed in that company's financial statements.

Share options

No new share options were granted to directors in the year.

Existing share options can be exercised within 14 days of the company informing the holder that it has either received an offer to acquire the business or in the event of a listing on the London Stock Exchange or Alternative Investment Market.

Statement of directors responsibility

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the 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; prepare the financial statements on a going concern basis unless it is inappropriate to assume 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 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.

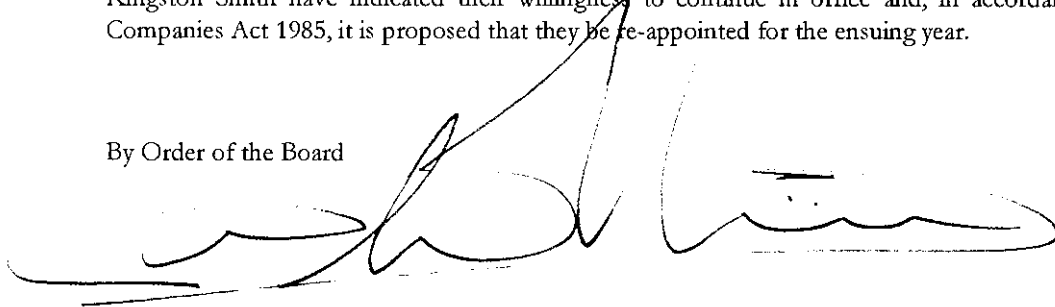
Chelgate Limited

Report of the Directors (continued)

Auditors

Kingston Smith have indicated their willingness to continue in office and, in accordance with the provisions of the Companies Act 1985, it is proposed that they be re-appointed for the ensuing year.

By Order of the Board

A large, stylized handwritten signature in black ink, likely belonging to M.S. Lane, the Secretary. The signature is written over a horizontal line.

M.S. Lane
Secretary

Number One
Tanner Street
London
SE1 3LE

Date: 15 September 2004

Chelgate Limited

Independent Auditors' Report to the Members of Chelgate Limited

We have audited the financial statements of Chelgate Limited for the year ended 31 December 2003 which comprise the Profit & Loss Account, Balance Sheet and related notes. 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 for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and 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

As described in the Statement of Directors' Responsibilities, 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 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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

Basis of 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 judgements 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 at 31 December 2003 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Quadrant House
80-82 Regent Street
London W1B 5RP

Kingston Smith
KINGSTON SMITH
Chartered Accountants
and Registered Auditors

23 September 2004

Chelgate Limited
Profit and Loss Account
For the year ended 31 December 2003

	Note	2003	2002
		£	£
Turnover	1(c), 2	1,241,927	1,604,576
Cost of Sales		<u>(135,669)</u>	<u>(257,492)</u>
Gross Profit		1,106,258	1,347,084
Administration Expenses		<u>(1,038,111)</u>	<u>(1,245,672)</u>
Operating Profit	3	68,147	101,412
Interest Receivable and Similar Income		2,890	1,263
Interest Payable and Similar Charges	6	<u>(1,858)</u>	<u>(1,958)</u>
		69,179	100,717
Amounts written off inter-company loans	7	(79,500)	(81,817)
Amounts written off investments	11	<u>(1)</u>	<u>(134,851)</u>
Loss on Ordinary Activities Before Taxation		(10,322)	(115,951)
Taxation	8	<u>17,029</u>	<u>(21,099)</u>
Retained Profit/(Loss) after Taxation transferred to/(from) Reserves	9	<u><u>6,707</u></u>	<u><u>(137,050)</u></u>

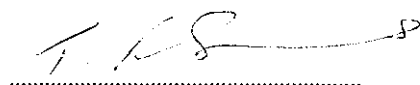
All amounts derive from continuing activities. There are no other recognised gains or losses in the year other than the result for the year.

Chelgate Limited

Balance Sheet at 31 December 2003

	Note	2003		2002	
		£	£	£	£
Fixed Assets					
Tangible assets	10		34,754		41,944
Investments	11		-		1
			<u>34,754</u>		<u>41,945</u>
Current Assets					
Debtors	12	329,374		321,747	
Cash at bank and in hand		<u>121,887</u>		<u>162,115</u>	
		451,261		483,862	
Creditors: Amounts Falling Due Within One Year	13	<u>(264,471)</u>		<u>(310,970)</u>	
Net Current Assets			<u>186,790</u>		<u>172,892</u>
Total Assets Less Current Liabilities			221,544		214,837
Creditors: Amounts Falling Due After More Than One Year	14		<u>(27,460)</u>		<u>(27,460)</u>
Net Assets			<u><u>194,084</u></u>		<u><u>187,377</u></u>
Capital and Reserves					
Called up share capital - equity interest	9		25,000		25,000
Profit and loss account			<u>169,084</u>		<u>162,377</u>
Shareholder's funds	9		<u><u>194,084</u></u>		<u><u>187,377</u></u>

The financial statements were approved by the Board of Directors on 15 September 2004



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T. Fane-Saunders
Director

Chelgate Limited
Notes to the Financial Statements
For the year ended 31 December 2003

1. Accounting Policies

(a) Accounting Basis and Standards

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards. The accounting policies remain unchanged from the previous year.

(b) Depreciation

Depreciation on fixed assets is provided at rates estimated to write off the cost or revalued amounts, less estimated residual value, of each asset over its expected useful life as follows:

Leasehold Property	- 25% straight line
Office Equipment	- 25% straight line
Fixtures and Fittings	- 25% straight line
Race Horse	- 10% straight line

(c) Turnover

Turnover represents sales and expenses plus commissions invoiced by the company during the year, and is exclusive of value added tax.

(d) Deferred taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains or losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis, except when discounting has been applied in accordance with other accounting standards.

(e) Foreign Currencies

Transactions denominated in foreign currencies are translated into Sterling at the rate of exchange at the date of the transaction. Assets and liabilities in foreign currencies are translated into Sterling at rates of exchange ruling at the end of the financial period. Exchange differences arising from the translation of foreign subsidiaries are taken directly to reserves. All other exchange differences are dealt with through the profit and loss account.

(f) Operating Lease Rentals

Rentals held under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Chelgate Limited
Notes to the Financial Statements
For the year ended 31 December 2003 (continued)

1. Accounting Policies (continued)

(g) Pensions

The company makes contributions to certain employees' private pension schemes, the assets of the schemes being held separately from the assets of the company. The pension cost charge represents contributions payable to the schemes.

(h) Consolidation

The company has not prepared consolidated accounts due to the exemptions conferred by section 248 of the Companies Act 1985. Accordingly, these financial statements disclose information about the company alone and not the group that it heads.

2 Turnover

	2003	2002
	£	£
Geographical Analysis:		
United Kingdom	1,095,600	1,308,632
Europe	21,711	7,320
United States and Canada	42,431	1,400
Rest of the World	82,185	287,224
	<u>1,241,927</u>	<u>1,604,576</u>

3 Operating profit

	£	£
The operating profit is stated after charging:		
Auditors' remuneration	5,935	6,330
Depreciation of owned tangible fixed assets	18,459	18,139
(Profit) / Loss on disposal of fixed assets	-	(78)
Operating lease rentals:		
Plant and machinery	5,705	5,704
Other	6,711	15,106
	<u>6,711</u>	<u>15,106</u>

4 Employee information

The average number of persons employed by the company (including directors) during the year was 20 (2002: 22)

	£	£
Their total remuneration was:		
Wages and salaries	649,717	813,485
Social security costs	69,785	83,689
Pension costs	11,941	12,922
	<u>731,443</u>	<u>910,096</u>

Chelgate Limited
Notes to the Financial Statements
For the year ended 31 December 2003 (continued)

5 Directors' Emoluments

The emoluments of the directors of the company were as follows:

	2003 £	2002 £
Emoluments (including benefits)	159,433	171,042
Pension contributions	<u>9,000</u>	<u>9,000</u>
	<u>168,433</u>	<u>180,042</u>

During the year, two directors (2002: 2) were members of defined contribution pension schemes.

6 Interest Payable

	£	£
Bank loans and overdrafts	16	36
Other loans	<u>1,842</u>	<u>1,922</u>
	<u>1,858</u>	<u>1,958</u>

7 Amounts written off loans

	£	£
Robinson Bamford Limited	52,500	-
Chelgate Asia Limited	<u>27,000</u>	<u>81,817</u>
	<u>79,500</u>	<u>81,817</u>

8 Taxation

a) Charge for the year

	£	£
UK Corporation tax on the results for the year at 19% (2002: 20.6%)	3,991	22,928
Overprovision in previous years	<u>(21,020)</u>	<u>(1,829)</u>
	<u>(17,029)</u>	<u>21,099</u>

b) Factors affecting tax charge for the year

	2003 £	2003 £	2002 £	2002 £
Loss on ordinary activities before tax		<u>(10,322)</u>		<u>(115,951)</u>
Theoretical tax charge at 19% (2002: 20.6%)		(1,961)		(23,894)
<i>Effects of:</i>				
Expenses not deductible for tax purposes	18,741		49,758	
Depreciation in excess of capital allowances	468		1,403	
Profit on disposal	-		(16)	
Group relief	(12,155)		(4,323)	
Starting rate relief	(1,102)			
Adjustment to tax charge in respect of prior periods	<u>(21,020)</u>		<u>(1,829)</u>	
		(15,068)		44,993
Current tax charge/(credit) for the period (note 8(a))		<u>(17,029)</u>		<u>21,099</u>

Chelgate Limited
Notes to the Financial Statements
For the year ended 31 December 2003 (continued)

9 Shareholder's Funds

	Called up Share Capital £	Profit and Loss Account £	Total £
At 1 January 2002	25,000	299,427	324,427
Retained loss for the financial year	-	(137,050)	(137,050)
At 31 December 2002	25,000	162,377	187,377
Retained profit for the financial year	-	6,707	6,707
At 31 December 2003	25,000	169,084	194,084

The authorised share capital comprises:

	2003 £	2002 £
Authorised:		
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
Called up, allotted and fully paid:		
25,000 ordinary shares of £1 each	25,000	25,000

10 Tangible Assets

Cost	Leasehold Property £	Office Equipment £	Fixtures and Fittings £	Race Horse £	Total £
At 1 January 2003	19,455	103,266	72,484	14,500	209,705
Additions	-	10,139	1,130	-	11,269
Disposals	-	(67,722)	-	-	(67,722)
At 31 December 2002	19,455	45,683	73,614	14,500	153,252

Depreciation

At 1 January 2003	11,349	85,440	68,193	2,779	167,761
Charge for the year	4,864	9,888	2,257	1,450	18,459
Disposals	-	(67,722)	-	-	(67,722)
At 31 December 2002	16,213	27,606	70,450	4,229	118,498

Net Book Value

At 31 December 2003	3,242	18,077	3,164	10,271	34,754
At 31 December 2002	8,106	17,826	4,291	11,721	41,944

Chelgate Limited
Notes to the Financial Statements
For the year ended 31 December 2003 (continued)

11 Investments

	2003	2002
	£	£
Shares in subsidiary undertakings:		
At 1 January 2003	1	134,852
Amount written off investment	(1)	(134,851)
At 31 December 2003	<u>0</u>	<u>1</u>

The amount written off investment relates to a permanent diminution in value of the company's holding in Chelgate Asia Limited.

	Country of incorporation and registration	Class of shares held	Percentage of ordinary shares	Principal activity
Representing:				
Chelgate Asia Limited	Hong Kong	Ordinary	99%	Public Relations Consultants
Robinson Bamford Limited	England & Wales	Ordinary	100%	Graphic Design

	Retained loss for the period £	Aggregate reserves £
Chelgate Asia Limited (10 months ended 31 October 2003)	(28,726)	(96,877)
Robinson Bamford Limited (9 months ended 30 September 2003)	<u>(30,091)</u>	<u>(43,359)</u>

Since the year end both of the above subsidiaries have been put into liquidation.

12 Debtors

	2003	2002
	£	£
Trade debtors	169,740	167,784
Amounts owed by group undertakings	-	23,000
Other debtors	54,896	29,650
Prepayments and accrued income	<u>104,738</u>	<u>101,313</u>
	<u>329,374</u>	<u>321,747</u>

Chelgate Limited
Notes to the Financial Statements
For the year ended 31 December 2003 (continued)

13 Creditors: amounts falling due within one year

	2003	2002
	£	£
Trade creditors	16,292	12,322
Amounts owed to group undertakings	-	137
Corporation tax	-	22,928
Social security and other taxes	42,982	45,975
Other creditors	177,740	178,350
Accruals and deferred income	27,457	51,258
	<u>264,471</u>	<u>310,970</u>

A £50,000 overdraft facility has been granted by National Westminster Bank and is secured by a debenture over the assets of the Company and attracts interest at 2% above the bank base rate.

14 Creditors: amounts falling due after more than one year

	£	£
Loans wholly repayable in more than five years	<u>27,460</u>	<u>27,460</u>

The loan was advanced by NM Life Assurance Limited and is secured on a pension policy held by T. Fane-Saunders, a director of the company, and attracts interest at 3% above the bank base rate. The loan is not repayable by installments and falls due for redemption in 2013.

15 Future financial commitments

At 31 December 2003 the company had annual commitments under operating leases as set out below:

	2003		2002	
	Land and Buildings £	Other £	Land and Buildings £	Other £
Operating Leases which expire:				
within one year	11,800	-	9,700	-
in the second to fifth year	-	5,704	-	5,704
after five years	75,000	-	75,000	-
	<u>86,800</u>	<u>5,704</u>	<u>84,700</u>	<u>5,704</u>

Chelgate Limited
Notes to the Financial Statements
For the year ended 31 December 2003 (continued)

16 Contingent liabilities

There are no outstanding contingent liabilities.

17 Pension Costs

The group contributed to certain employees' personal pension schemes. The total pension cost of £11,941 (2002: £12,922) represents amounts paid into the schemes during the year.

18 Related Party Transactions

The only related party transactions during the year were with subsidiaries of the company. A new inter-company loan was advanced to Chelgate Asia Limited of £27,000 (2002: £nil) during the year, however, in light of Chelgate Asia's performance and position it was decided to write off this loan in its entirety. The Robinson Bamford inter-company loan was increased by £29,500 (2002: £7,000) during the year, however, in light of Robinson Bamford's performance it was decided to write off this loan in its entirety. In addition, Chelgate purchased services from Robinson Bamford to the value of £4,164 (2002: £66,078). During the period under review, management fees were charged from Kilmeny Holdings Limited to Chelgate Limited amounting to £5,089 (2002: £2,097).

Balances due to and from the related parties at the year end are as follows:

	2003 £	2002 £
Included in debtors:		
Loan to Chelgate Asia Limited	-	-
Robinson Bamford Limited	-	23,000
Chelgate Asia Limited current account	-	-
	<u>-</u>	<u>23,000</u>

The loan to Robinson Bamford Limited is interest free and repayable on demand. The loan is secured by a fixed and floating charge over the assets of the company.

	2003 £	2002 £
Included in creditors:		
Robinson Bamford current account	-	137
	<u>-</u>	<u>137</u>

Chelgate Limited
Notes to the Financial Statements
For the year ended 31 December 2003 (continued)

19 Director's loan

Terence Fane-Saunders, a director, owed the company money during the year:

	2003	2002
	£	£
Balance outstanding at 31 December 2003	5,000	5,000
Maximum balance during the year	<u>5,000</u>	<u>5,000</u>

20 Ultimate Parent Undertaking and Controlling Party

The company's ultimate parent undertaking is Kilmeny Holdings Limited, a company incorporated in the Channel Islands. Kilmeny Holdings Limited does not prepare consolidated financial statements.

The company is controlled by Mr. and Mrs. Fane-Saunders by virtue of their shareholding in the ultimate parent undertaking.