

# CHELGATE LIMITED

Company No. 2262305

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997



# Chelgate Limited

## Report of the Directors

The directors have pleasure in presenting their report and financial statements for the year ended 31 December 1997.

### 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.

On 24 March 1997, Wingate PR Limited, a wholly owned subsidiary of Chelgate Limited, changed its name to Chelgate Asia Limited.

The directors are satisfied with the results of Chelgate Asia Limited and anticipate a continued growth in contribution from the subsidiary.

### Results and Dividend

The results of the company for the year are set out on page 3. The directors do not recommend the payment of a dividend (1996 - £nil) as the funds of the company are fully employed.

The retained profit of £1,093 (1996 - profit of £22,830) has been transferred to reserves.

The results of Chelgate Asia Limited for the year ended 31 March 1998 are set out in Note 10 to the financial statements.

### Directors and their Interests

The directors who served during the year were as follows:

Terence C. Fane-Saunders  
Kilmeny J. Fane-Saunders  
Nicholas J.S. Wood-Dow  
Anthony G. Brown  
N. James Darley

None of the directors has any direct interest in the share capital of the company.

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

The following share options were granted to directors in the year but not exercised:

	No.
Nicholas J. S. Wood-Dow	1,068
Anthony G. Brown	855
N. James Darley	855

### 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 26.1.99

M.S. Lane  
Secretary

15 Hays Mews  
London, W1X 7RR

# **Chelgate Limited**

## **Directors' Responsibilities and Report of the Auditors**

### **Statement of Directors' Responsibilities**

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 and 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.

### **Auditors' Report to the members of Chelgate Limited**

We have audited the financial statements on pages 3 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 5.

#### **Respective Responsibilities of Directors and Auditors**

As described above, the directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### **Basis of Opinion**


We conducted our audit in accordance with 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 affairs of the company at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Quadrant House  
80-82 Regent Street  
London W1R 5PA

  
KINGSTON SMITH  
Chartered Accountants  
and Registered Auditors  
26 June 1999

**Chelgate Limited**  
**Profit and Loss Account**  
**For the year ended 31 December 1997**

	Note	1997	1996
		£	£
Turnover	1(c),2		
Continuing activities		1,160,247	1,424,224
Discontinued activities		<u>-</u>	<u>21,580</u>
		1,160,247	1,445,804
Rechargeable expenses		<u>(183,824)</u>	<u>(117,219)</u>
Gross Profit		976,423	1,328,585
Administrative expenses		<u>(964,671)</u>	<u>(1,293,153)</u>
Operating Profit	4		
Continuing activities		11,752	65,132
Discontinued activities		<u>-</u>	<u>(29,700)</u>
		11,752	35,432
Interest Payable		(3,734)	(2,771)
Interest Receivable		<u>3,891</u>	<u>6,711</u>
Profit on Ordinary Activities Before Taxation		11,909	39,372
Taxation	7	<u>(10,816)</u>	<u>(16,542)</u>
Retained Profit for the Financial Year	8	<u><u>1,093</u></u>	<u><u>22,830</u></u>

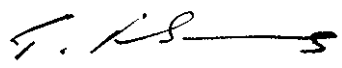
There are no recognised gains and losses in the year other than the profit for the year.

# Chelgate Limited

## Balance Sheet at 31 December 1997

	Note	1997	1996
		£	£
Fixed Assets			
Tangible assets	9	45,458	47,745
Investments	10	134,853	134,853
		<u>180,311</u>	<u>182,598</u>
Current Assets			
Debtors	11	397,024	405,578
Cash at bank and in hand		55,640	66,168
		<u>452,664</u>	<u>471,746</u>
Creditors: Amounts Falling Due Within One Year	12	(398,959)	(421,421)
Net Current Assets		<u>53,705</u>	<u>50,325</u>
Total assets less current liabilities		234,016	232,923
Creditors: Amounts Falling Due After More Than One Year	13	(27,460)	(27,460)
Net Assets		<u>206,556</u>	<u>205,463</u>
Capital and Reserves			
Called up share capital - equity interest	8	25,000	25,000
Profit and loss account	8	181,556	180,463
Shareholders funds	8	<u>206,556</u>	<u>205,463</u>

The financial statements were approved by the Board of Directors on 26.11.99

  
 .....  
 T. Fane-Saunders

- Director

**Chelgate Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 1997**

**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.

**(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	- Over period of the lease
Office and Computer Equipment	- 25% straight line
Fixtures and Fittings	- 25% straight line
Motor Vehicles	- 25% straight line
Race Horses	- 10% straight line

**(c) Turnover**

Turnover represents the invoiced value of services provided net of value added tax.

**(d) Deferred Taxation**

Deferred taxation is accounted for under the liability method in respect of the taxation effects of all timing differences which are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable.

**(e) Foreign Currencies**

Transactions denominated in foreign currencies are translated into Sterling at an average rate of exchange. Assets and liabilities in foreign currencies are translated into Sterling at rates of exchange ruling at the end of the financial period. All 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.

**(g) Pension**

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.

**Chelgate Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 1997**

2. Turnover

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

	1997 £	1996 £
Geographical Analysis:		
United Kingdom	1,130,881	1,424,224
Far East	29,366	21,580
	<u>1,160,247</u>	<u>1,445,804</u>

3. Analysis of continuing and discontinued activities

	1997 Total £	1996 Continuing £	1996 Discontinued £	1996 Total £
Turnover	1,160,247	1,424,224	21,580	1,445,804
Rechargeable Expenses	(183,824)	(115,113)	(2,106)	(117,219)
Gross Profit	<u>976,423</u>	<u>1,309,111</u>	<u>19,474</u>	<u>1,328,585</u>
Administrative Expenses	(964,671)	(1,243,979)	(49,174)	(1,293,153)
Operating (Loss)/Profit	<u>11,752</u>	<u>65,132</u>	<u>(29,700)</u>	<u>35,432</u>

All of the results for 1997 relate to continuing activities.

4. Operating profit

	1997 £	1996 £
The operating profit is stated after charging:		
Auditors' remuneration	8,539	8,769
Depreciation of tangible fixed assets	15,970	15,999
Loss on disposal of fixed assets	10,248	-
Operating lease rentals:		
Plant and machinery	19,090	22,579
Other	50,906	51,500
Interest on loans repayable in more than five years, not by instalments	<u>3,734</u>	<u>2,771</u>

5. Employee information

The average number of persons employed by the company (including directors) during the year was 17 (1996 - 16).

	1997 £	1996 £
Their total remuneration was:		
Wages and salaries	441,582	617,442
Social security costs	44,158	61,744
Pension costs (note 16)	<u>20,565</u>	<u>10,222</u>
	<u>506,305</u>	<u>689,408</u>

**Chelgate Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 1997**

6. Directors' Emoluments

	1997 £	1996 £
Emoluments (including benefits)	166,426	313,760
Pension contributions	16,600	6,300
	<u>183,026</u>	<u>320,060</u>

During the year, two directors (1996: 2) were members of defined contribution pension schemes.

7. Taxation

	1997 £	1996 £
Corporation tax on the results for the year at 21.75% (1996: 24.25%)	10,947	16,927
Overprovision in previous years	(131)	(385)
	<u>10,816</u>	<u>16,542</u>

8. Shareholders Funds

	Called up Share Capital £	Profit and Loss Account £	Total £
At 1 January 1996	25,000	157,633	182,633
Profit for the financial year	-	22,830	22,830
At 31 December 1996	<u>25,000</u>	<u>180,463</u>	<u>205,463</u>
Profit for the financial year	-	1,093	1,093
At 31 December 1997	<u>25,000</u>	<u>181,556</u>	<u>206,556</u>

The authorised share capital comprises:

	1997 £	1996 £
Authorised:		
1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Called up, allotted and fully paid:		
25,000 ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>



**Chelgate Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 1997**

9. Tangible Assets

	Leasehold Property	Office Equipment	Fixtures, Fittings and Other Assets	Motor Vehicle	Total
Cost					
	£	£	£	£	£
At 1 January 1997	23,111	48,795	83,429	8,200	163,535
Additions	-	11,624	15,548	-	27,172
Disposals	(18,904)	-	(10,950)	-	(29,854)
At 31 December 1997	<u>4,207</u>	<u>60,419</u>	<u>88,027</u>	<u>8,200</u>	<u>160,853</u>
Depreciation					
At 1 January 1997	17,172	41,508	54,718	2,392	115,790
Charge for the year	841	6,412	6,667	2,050	15,970
Disposals	(15,490)	-	(875)	-	(16,365)
At 31 December 1997	<u>2,523</u>	<u>47,920</u>	<u>60,510</u>	<u>4,442</u>	<u>115,395</u>
Net Book Value					
At 31 December 1997	<u>1,684</u>	<u>12,499</u>	<u>27,517</u>	<u>3,758</u>	<u>45,458</u>
At 31 December 1996	<u>5,939</u>	<u>7,287</u>	<u>28,711</u>	<u>5,808</u>	<u>47,745</u>

10. Investments

	£
Shares in subsidiary undertakings at 31 December 1996 and 31 December 1997	<u>134,853</u>

Representing:	Country of incorporation or registration	Class of shares held	Percentage of ordinary shares	Nature of business	Aggregate capital and reserves £	Retained profit for the year £
Chelgate Asia Limited	Hong Kong	Ordinary	100%	Public Relations Consultants	47,280	10,078
Chelgate Marketing Limited	England & Wales	Ordinary	100%	Dormant	2	-

# Chelgate Limited

## Notes to the Financial Statements

### For the year ended 31 December 1997

#### 10. Investments (cont.)

The profit for the year attributable to Chelgate Asia Limited is for the year ended 31 March 1998.

The company has taken advantage of the exemption conferred by S.248(1) of the Companies Act 1985 not to prepare consolidated financial statements as the group that it heads is a small group. Accordingly, these financial statements disclose information about the company alone, and not the group that it heads.

#### 11. Debtors

	1997	1996
	£	£
Trade debtors	228,688	280,446
Amounts owed by group undertakings	23,000	-
Other debtors	27,741	41,594
Prepayments and accrued income	117,595	83,538
	<u>397,024</u>	<u>405,578</u>

#### 12. Creditors: amounts falling due within one year

	1997	1996
	£	£
Trade creditors	109,472	49,178
Amounts owed to group undertakings	2,358	-
Corporation tax	29,452	16,933
Social security and other taxes	58,015	72,832
Other creditors	132,913	257,026
Accruals and deferred income	66,749	25,452
	<u>398,959</u>	<u>421,421</u>

#### 13. Creditors: amounts falling due after more than one year

	1997	1996
	£	£
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 instalments and falls due for redemption in 2013.

# Chelgate Limited

## Notes to the Financial Statements

### For the year ended 31 December 1997

#### 14. Future financial commitments

At 31 December 1997 the company had annual commitments under operating leases as set out below:

	1997		1996	
	Land and Buildings £	Other £	Land and Buildings £	Other £
Operating Leases which expire:				
within one year	-	-	12,500	1,194
in the second to fifth year	39,000	22,616	39,000	17,896
	<u>39,000</u>	<u>22,616</u>	<u>51,500</u>	<u>19,090</u>

#### 15. Contingent liabilities

Additional capital payments may fall due relating to the acquisition of the entire issued share capital of Chelgate Asia Limited, dependant on the attainment of performance targets. The directors best estimate of the maximum amount due has been provided in these financial statements. In any event, the additional extra consideration payable cannot exceed HK\$ 1,500,000.

#### 16. Pension Costs

The company contributed to certain employees personal pension schemes. The total pension cost of £20,565 (1996 - £10,222) represents amounts paid into the schemes during the year.

#### 17. Directors' Loans

The maximum amount available during the financial year to T. Fane-Saunders, a director of the company, was £nil (1996: £19,970) No amounts were outstanding at either 31 December 1997 or 31 December 1996.

#### 18. Related Party Transactions

Chelgate Limited advanced a loan of £20,000 to Chelgate Asia Limited during the year and a loan of £3,000 to Kilmeny Holdings Limited, the ultimate parent undertaking.

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

	1997 £	1996 £
Included in debtors:		
Loan to Chelgate Asia Limited	20,000	-
Loan to Kilmeny Holdings Limited	3,000	-
	<u>23,000</u>	<u>-</u>
Included in creditors:		
HK Dollar current account	<u>2,358</u>	<u>-</u>

There were no amounts written off during the year.

#### 19. Ultimate Parent Undertaking and Controlling Party

The company's ultimate parent undertaking is Kilmeny Holdings Limited, a company incorporated in the Channel Islands. The company is controlled by Mr and Mrs Fane-Saunders by virtue of their shareholding in the ultimate parent undertaking.