

**CHELGATE LIMITED**

**Company No. 2262305**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 1998**



# Chelgate Limited

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# Chelgate Limited

## Directors and Officers

### Directors

T. Fane-Saunders  
K. Fane-Saunders  
N. Wood-Dow  
A. Brown  
N. Darley  
J. Bene't Steinberg

### Secretary

M. Lane

### Registered Office

15 Hays Mews  
London  
W1X 7RR

### Auditors

Kingston Smith  
Quadrant House  
80-82 Regent Street  
London W1R 5PA

### Bankers

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

### Solicitors

William Heath & Co  
16 Sale Place  
Sussex Gardens  
London W2 1PX

# Chelgate Limited

## Report of the Directors

The directors have pleasure in presenting their report and financial statements for the year ended 31 December 1998.

### 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 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 5. The directors do not recommend the payment of a dividend (1997 - £nil) as the funds of the company are fully employed.

The retained profit of £31,112 (1997 - £1,093) has been transferred to reserves.

The results of Chelgate Asia Limited for the nine months ended 31 December 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  
J. Bene't Steinberg (appointed 8 June 1998)

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:

	Granted during year	Total at year end
Nicholas J. S. Wood-Dow	-	1,068
Anthony G. Brown	-	855
N. James Darley	-	855
J. Bene't Steinberg	<u>214</u>	<u>641</u>

### Donations

The company made charitable donations during the year amounting to £500 (1997 : £683).

### The Year 2000

Assuring the ongoing operation of our business and computer systems into the next millenium is a key focus of the directors. A comprehensive review of all systems is being carried out to ensure that:

- (1) all business and computer systems will correctly process future dates; and
- (2) our trading relationships with suppliers and customers will continue to operate without disruption.

The total estimated costs of these reviews have not been quantified but are not expected to be material.

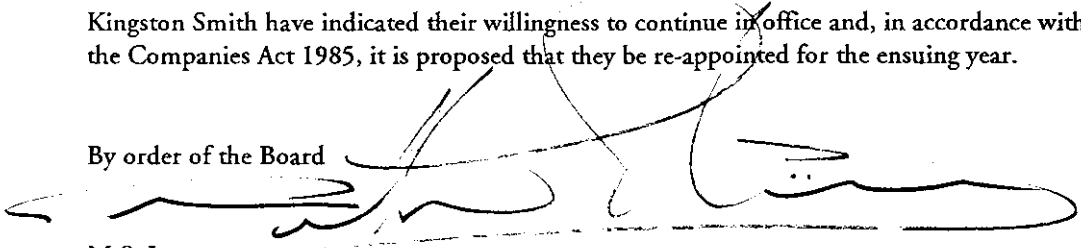
# Chelgate Limited

## Report of the Directors

### 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



M.S. Lane  
Secretary

15 Hays Mews  
London, W1X 7RR

Date: 17 September 1999

# 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 5 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

#### 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
KINGSTON SMITH  
Chartered Accountants  
and Registered Auditors

Quadrant House  
80-82 Regent Street  
London W1R 5PA

Date: 17 September 1999

**Chelgate Limited**  
**Profit and Loss Account**  
**For the year ended 31 December 1998**

	Note	Continuing Operations	
		1998	1997
		£	£
Turnover	1(c),2	1,039,827	1,160,247
Rechargeable expenses		<u>(120,448)</u>	<u>(183,824)</u>
Gross Profit		919,379	976,423
Administrative expenses		<u>(872,555)</u>	<u>(964,671)</u>
Operating Profit	3	46,824	11,752
Interest Payable	6	(4,108)	(3,734)
Interest Receivable		<u>6,896</u>	<u>3,891</u>
Profit on Ordinary Activities Before Taxation		49,612	11,909
Taxation	7	<u>(18,500)</u>	<u>(10,816)</u>
Retained Profit for the Financial Year	8	<u><u>31,112</u></u>	<u><u>1,093</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 1998

	Note	1998	1997
		£	£
Fixed Assets			
Tangible assets	9	24,409	45,458
Investments	10	<u>134,851</u>	<u>134,853</u>
		159,260	180,311
Current Assets			
Debtors	11	290,933	397,024
Cash at bank and in hand		<u>91,103</u>	<u>55,640</u>
		382,036	452,664
Creditors: Amounts Falling Due Within One Year	12	<u>(276,168)</u>	<u>(398,959)</u>
Net Current Assets		<u>105,868</u>	<u>53,705</u>
Total assets less current liabilities		265,128	234,016
Creditors: Amounts Falling Due After More Than One Year	13	<u>(27,460)</u>	<u>(27,460)</u>
Net Assets		<u><u>237,668</u></u>	<u><u>206,556</u></u>
Capital and Reserves			
Called up share capital - equity interest	8	25,000	25,000
Profit and loss account	8	<u>212,668</u>	<u>181,556</u>
Shareholders funds	8	<u><u>237,668</u></u>	<u><u>206,556</u></u>

The financial statements were approved by the Board of Directors on 17 September 1999



.....  
T. Fane-Saunders - Director



**Chelgate Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 1998**

**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 sales and expenses plus commissions invoiced by the company during the year, and is exclusive 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.

**(h) Group Accounts**

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.

**Chelgate Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 1998**

2. Turnover	1998	1997
	£	£
Geographical Analysis:		
United Kingdom	1,028,684	1,130,881
Europe	2,100	-
Far East	4,043	29,366
Rest of the World	5,000	-
	<u>1,039,827</u>	<u>1,160,247</u>

3. Operating profit	1998	1997
	£	£
The operating profit is stated after charging:		
Auditors' remuneration	5,074	8,539
Depreciation of tangible fixed assets	14,619	15,970
Loss on disposal of fixed assets	6,681	10,248
Operating lease rentals:		
Plant and machinery	23,100	19,090
Other	39,657	50,906
Foreign Exchange loss/(gain)	150	(109)
Interest on loans repayable in more than five years, not by instalments	<u>4,108</u>	<u>3,734</u>

4. Employee information

The average number of persons employed by the company (including directors) during the year was 15 (1997 - 17).

	1998	1997
	£	£
Their total remuneration was:		
Wages and salaries	504,503	441,582
Social security costs	48,433	44,158
Pension costs (note 16)	11,630	20,565
	<u>564,566</u>	<u>506,305</u>

5. Directors' Emoluments

	1998	1997
	£	£
Emoluments (including benefits)	299,427	166,426
Pension contributions	11,630	16,600
	<u>311,057</u>	<u>183,026</u>

During the year, three directors (1997: 2) were members of defined contribution pension schemes.

The emoluments of the highest paid director were £65,960 (1997: £53,099).

**Chelgate Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 1998**

**6. Interest Payable**

	1998	1997
	£	£
Bank loans and overdrafts	3	-
Other loans	3,070	3,734
Other interest	1,035	-
	<u>4,108</u>	<u>3,734</u>

**7. Taxation**

	1998	1997
	£	£
Corporation tax on the results for the year at 21% (1997: 21.75%)	18,500	10,947
Overprovision in previous years	-	(131)
	<u>18,500</u>	<u>10,816</u>

**8. Shareholders Funds**

	Called up Share Capital	Profit and Loss Account	Total
	£	£	£
At 1 January 1997	25,000	180,463	205,463
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>
Profit for the financial year	-	31,112	31,112
At 31 December 1998	<u>25,000</u>	<u>212,668</u>	<u>237,668</u>

The authorised share capital comprises:

	1998	1997
	£	£
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 1998**

**9. Tangible Assets**

	Leasehold Property	Office Equipment	Fixtures, Fittings and Other Assets	Motor Vehicle	Total
<b>Cost</b>					
	£	£	£	£	£
At 1 January 1998	4,207	60,419	88,027	8,200	160,853
Additions	-	2,696	-	-	2,696
Disposals	-	-	(12,100)	-	(12,100)
At 31 December 1998	<u>4,207</u>	<u>63,115</u>	<u>75,927</u>	<u>8,200</u>	<u>151,449</u>
<b>Depreciation</b>					
At 1 January 1998	2,523	47,920	60,510	4,442	115,395
Charge for the year	1,052	6,456	5,061	2,050	14,619
Disposals	-	-	(2,974)	-	(2,974)
At 31 December 1998	<u>3,575</u>	<u>54,376</u>	<u>62,597</u>	<u>6,492</u>	<u>127,040</u>
<b>Net Book Value</b>					
At 31 December 1998	<u>632</u>	<u>8,739</u>	<u>13,330</u>	<u>1,708</u>	<u>24,409</u>
At 31 December 1997	<u>1,684</u>	<u>12,499</u>	<u>27,517</u>	<u>3,758</u>	<u>45,458</u>

**10. Investments**

	1998 £	1997 £
<b>Shares in subsidiary undertakings</b>		
At 1 January	134,853	134,853
Dissolution of Chelgate Marketing Limited	(2)	-
At 31 December	<u>134,851</u>	<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 loss for the period £
Chelgate Asia Limited	Hong Kong	Ordinary	100%	Public Relations Consultants	31,054	(16,585)

The results of Chelgate Asia Limited are for the 9 months ended 31 December 1998.

Chelgate Marketing Limited, a dormant subsidiary company, was dissolved during the financial year.

**Chelgate Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 1998**

**11. Debtors**

	1998	1997
	£	£
Trade debtors	171,027	228,688
Amounts owed by group undertakings	32,157	23,000
Other debtors	4,117	27,741
Prepayments and accrued income	83,632	117,595
	<u>290,933</u>	<u>397,024</u>

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

	1998	1997
	£	£
Trade creditors	37,582	109,472
Amounts owed to group undertakings	2,358	2,358
Corporation tax	29,447	29,452
Social security and other taxes	53,735	58,015
Other creditors	126,781	132,913
Accruals and deferred income	26,265	66,749
	<u>276,168</u>	<u>398,959</u>

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

	1998	1997
	£	£
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.

**14. Future financial commitments**

At 31 December 1998 the company had annual commitments under operating leases as set out below:

	1998		1997	
	Land and Buildings	Other	Land and Buildings	Other
	£	£	£	£
Operating Leases which expire:				
within one year	39,000	9,657	-	-
in the second to fifth year	-	7,681	39,000	22,616
	<u>39,000</u>	<u>17,338</u>	<u>39,000</u>	<u>22,616</u>

# Chelgate Limited

## Notes to the Financial Statements

### For the year ended 31 December 1998

#### 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 contributes to certain employees' personal pension schemes. The total pension cost of £11,630 (1997 - £20,565) represents amounts paid into the schemes during the year.

#### 17. Related Party Transactions

Chelgate Limited advanced a further loan of £4,255 to Chelgate Asia Limited during the year and a further loan of £2,000 to Kilmeny Holdings Limited, the ultimate parent undertaking.

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

	1998 £	1997 £
Included in debtors:		
Loan to Chelgate Asia Limited	26,563	20,000
Chelgate Asia Limited current account	594	-
Loan to Kilmeny Holdings Limited	5,000	3,000
	<u>32,157</u>	<u>23,000</u>

A loan of £20,000 was advanced to Chelgate Asia Limited in 1997 and is repayable on demand at the local equivalent of £20,000 at the rate of exchange prevailing at the time of repayment. The loan attracts interest at the rate of 4% over National Westminster Bank plc base rate.

Included in creditors:

Chelgate Asia Limited		
HK Dollar current account	<u>2,358</u>	<u>2,358</u>

No amounts were written off in respect of these balances during the year.

#### 18. 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.