

Company Registration No. 2607380

CLIPS AND CHAINS INTERNATIONAL LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1996



10054-1996

Registered Office
Sceptre House
169/173 Regent Street
London
W1R 7FB

CLIPS AND CHAINS INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1996

The directors present their report and financial statements for the year ended 31 December 1996.

Principal Activities and Review of the Business

The principal activity of the company continued to be that of the provision of administrative services.

Results and Dividends

The results for the year are set out on page 4.

It is proposed that the retained loss of £ 29,160 is transferred to reserves.

Directors

The following directors have held office during the year

| | |
|-------------------|---|
| D. Rudge | (Appointed 20 August 1997) |
| J Butterfield | (Appointed 20 August 1997) |
| F M Forrai | (Appointed 20 August 1997) |
| A.J Weir | (Appointed 1 July 1996) And (Resigned 20 August 1997) |
| C.G.M De Carteret | (Resigned 20 August 1997) |
| D.P Capelen | (Resigned 1 July 1996) |
| J.R. Beardsley | (Resigned 13 December 1996) |
| M.W. Denton | (Resigned 20 August 1997) |

The Directors had no interest in the issued share capital of the company.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Edwards & Co. be reappointed as auditors of the company will be put to the Annual General Meeting.

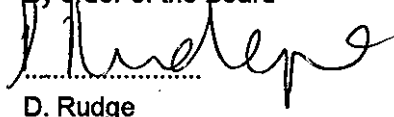
Directors' Responsibilities

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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records 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 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.

By order of the Board


D. Rudge

Date 1/12/97



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E-mail edwards@edsline.demon.co.uk

CLIPS AND CHAINS INTERNATIONAL LIMITED

AUDITORS' REPORT

TO THE SHAREHOLDERS OF CLIPS AND CHAINS INTERNATIONAL LIMITED

We have audited the financial statements on pages 4 to 8 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of 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.

CLIPS AND CHAINS INTERNATIONAL LIMITED

**AUDITORS' REPORT
TO THE SHAREHOLDERS OF CLIPS AND CHAINS INTERNATIONAL LIMITED**

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Edwards & Co.

Edwards & Co.

Chartered Accountants

Registered Auditor

1/12/97
.....

Clinch's House

Lord Street

Douglas

Isle of Man IM99 1RZ

CLIPS AND CHAINS INTERNATIONAL LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1996**

| | Notes | 1996 £ | 1995 £ |
|--|-----------|-----------------|---------------|
| Turnover | 2 | 38,939 | 41,647 |
| Administrative expenses | | (8,477) | (8,101) |
| Operating profit | 3 | 30,462 | 33,546 |
| Other interest receivable and similar income | 4 | 1,582 | 6,839 |
| Interest payable and similar charges | 5 | (614) | - |
| Profit on ordinary activities before taxation | | 31,430 | 40,385 |
| Tax on profit on ordinary activities | 6 | (10,590) | (8,780) |
| Profit on ordinary activities after taxation | | 20,840 | 31,605 |
| Dividends | 7 | (50,000) | - |
| Retained (loss)/profit for the year | 11 | (29,160) | 31,605 |

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

CLIPS AND CHAINS INTERNATIONAL LIMITED

**BALANCE SHEET
AS AT 31 DECEMBER 1996**

| | Notes | 1996 £ | £ | 1995 £ | £ |
|---|-------|------------------|--------------|-----------------|---------------|
| Current Assets | | | | | |
| Debtors | 8 | 5,207 | | 6,559 | |
| Cash at bank and in hand | | 235,421 | | 93,390 | |
| | | <u>240,628</u> | | <u>99,949</u> | |
| Creditors: amounts falling due within one year | 9 | <u>(231,408)</u> | | <u>(61,569)</u> | |
| Total Assets Less Current Liabilities | | | <u>9,220</u> | | <u>38,380</u> |
| Capital and Reserves | | | | | |
| Called up share capital | 10 | | 2 | | 2 |
| Profit and loss account | 11 | | 9,218 | | 38,378 |
| | | | <u>9,220</u> | | <u>38,380</u> |
| Shareholders' Funds - equity interests | 12 | | <u>9,220</u> | | <u>38,380</u> |

The financial statements were approved by the Board on1/12/97



D. Rudge
Director

CLIPS AND CHAINS INTERNATIONAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996**

1 Accounting Policies**1.1 Accounting convention**

The financial statements are prepared under the historical cost convention.

1.2 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

1.3 Cash Flow

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cashflow statement on the grounds that it is a small company.

2 Turnover

Turnover represents the company's income derived from its principal activity.

3 Operating Profit**1996****1995**

£

£

Operating profit is stated after charging:

Auditors' remuneration

800

600

4 Other Interest Receivable and Similar Income**1996****1995**

£

£

Profit on Exchange

-

5,266

Bank interest

1,582

1,573

1,582

6,839

5 Interest Payable and Similar Charges**1996****1995**

£

£

Loss on exchange

614

-

6 Taxation**1996****1995**

£

£

U.K. Current year taxation

U.K. Corporation tax at 33% (1995 - 25%)

10,590

8,780

CLIPS AND CHAINS INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996**

| 7 Dividends | 1996 | 1995 |
|---|-------------|-------------|
| | £ | £ |
| Ordinary interim paid | 50,000 | - |
| | | |
| 8 Debtors | 1996 | 1995 |
| | £ | £ |
| Trade debtors | 2,879 | 6,559 |
| ACT recoverable | 2,128 | - |
| Prepayments and accrued income | 200 | - |
| | 5,207 | 6,559 |
| | | |
| 9 Creditors: amounts falling due within one year | 1996 | 1995 |
| | £ | £ |
| Corporation tax | - | 8,562 |
| Other creditors | 227,124 | 48,730 |
| Accruals and deferred income | 4,284 | 4,277 |
| | 231,408 | 61,569 |

10 Share Capital

The authorised share capital of the Company comprises 10000 ordinary shares of £1 each, of which 2 have been issued and are fully paid up (1995 - 2)

11 Statement of Movements on Profit and Loss Account

| | Profit and loss account |
|-----------------------------|------------------------------------|
| | £ |
| Balance at 1 January 1996 | 38,378 |
| Retained loss for the year | (29,160) |
| | |
| Balance at 31 December 1996 | 9,218 |

CLIPS AND CHAINS INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996**

| 12 Reconciliation of Movements in Shareholders' Funds | 1996 | 1995 |
|--|-------------|-------------|
| | £ | £ |
| Profit for the financial year | 20,840 | 31,605 |
| Dividends | (50,000) | - |
| | <hr/> | <hr/> |
| Net (depletion in)/addition to shareholders' funds | (29,160) | 31,605 |
| Opening shareholders' funds | 38,380 | 6,775 |
| | <hr/> | <hr/> |
| Closing shareholders' funds | 9,220 | 38,380 |
| | <hr/> | <hr/> |

13 Contingent liabilities

There were no known contingent liabilities as at the balance sheet date.

14 Capital Commitments

There were no major capital commitments at the balance sheet date.

15 Employees

Number of employees

There were no employees during the year apart from the directors

16 Ultimate Controlling Party

The directors are not aware of the identity of the ultimate controlling party.