

Company Registration No. 2728808 (England and Wales)

VERTICAL SPORT PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004



VERTICAL SPORT PLC

COMPANY INFORMATION

Directors	M. Chapman Michael Lindsay (Appointed 8 March 2004)
Secretary	James Butterfield
Company number	2728808
Registered office	25 Manchester Square London W1U 3PY
Auditors	Brett Adams 25 Manchester Square London W1U 3PY
Solicitors	Finers Stephens Innocent 179 Great Portland Street London W1N 6LS

VERTICAL SPORT PLC

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VERTICAL SPORT PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2004

The directors present their report and financial statements for the year ended 31 December 2004.

Principal activities and review of the business

The principal activity of the company continued to be that of an investment holding company.

During the period, the company continued to look for suitable business opportunities.

Should the company not find a suitable business opportunity your board will consider its options for the future of the company.

The financial statements have been drawn up on the basis that its investments in, and loans to, Mottik International Limited, its wholly owned subsidiary, which was placed in administration on 24 October 1994, have no value and therefore it has not been consolidated. The Administrators have indicated that there is no prospect of any dividend being paid to the shareholders and that they expect the company to be liquidated in the future. The directors believe that there is no recourse to Vertical Sport Plc in respect of the debt of the subsidiary.

Results and dividends

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

The directors do not recommend payment of an ordinary dividend.

Directors

The following directors have held office since 1 January 2004:

M. Chapman
Michael Lindsay (Appointed 8 March 2004)

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of 1p each	
	31 December 2004	1 January 2004
M. Chapman	-	-
Michael Lindsay	-	-

	Incentive shares of 1p each	
	31 December 2004	1 January 2004
M. Chapman	-	-
Michael Lindsay	-	-

	Deferred shares of 1p each	
	31 December 2004	1 January 2004
M. Chapman	7,500,000	7,500,000
Michael Lindsay	-	-

Creditor payment policy

The company does not have any trade creditors. All liabilities are met by the director, M Chapman.

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DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Brett Adams 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

On behalf of the board



.....
M. Chapman

Director

.....
9 SEPTEMBER 2005

VERTICAL SPORT PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF VERTICAL SPORT PLC

We have audited the financial statements of Vertical Sport Plc on pages 4 to 9 for the year ended 31 December 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 2 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 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.

Going Concern

In forming our opinion, we have considered the adequacy of the disclosure made in the financial statements concerning the adequacy of the company's working capital. The financial statements have been prepared on a going concern basis, the validity of which depends on future funding being available. The financial statements do not include any adjustments that would result from a failure to obtain funding. In view of the significance of this uncertainty we consider that it should be drawn to your attention. Our opinion is not qualified in this respect.

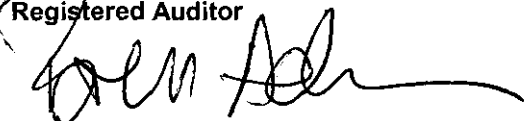
Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Brett Adams

Chartered Accountants

Registered Auditor



9 SEPTEMBER 2005

25 Manchester Square

London

W1U 3PY

VERTICAL SPORT PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £	2003 £
Administrative expenses		(1,469)	(1,175)
		<hr/>	<hr/>
Loss on ordinary activities before taxation	2	(1,469)	(1,175)
Tax on loss on ordinary activities	3	-	-
		<hr/>	<hr/>
Loss on ordinary activities after taxation	6	(1,469)	(1,175)
		<hr/>	<hr/>

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.

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BALANCE SHEET AS AT 31 DECEMBER 2004

	Notes	2004 £	2003 £
Creditors: amounts falling due within one year	4	(72,692)	(71,223)
Total assets less current liabilities		(72,692)	(71,223)
Capital and reserves			
Called up share capital	5	242,500	242,500
Share premium account	6	475,500	475,500
Profit and loss account	6	(790,692)	(789,223)
Shareholders' funds	7	(72,692)	(71,223)
Equity interests		(260,192)	(258,723)
Non-equity interests		187,500	187,500
		(72,692)	(71,223)

The financial statements were approved by the Board on

9 September 2005



M. Chapman
Director

VERTICAL SPORT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The company does not have a bank account and it is dependent upon its major creditor and director, Mr M Chapman, to meet its working capital requirements.

The directors consider that in preparing the financial statements they have taken into account all information that could reasonably be expected to be available. These financial statements have been prepared on the going concern basis, notwithstanding that the net current liabilities at 31 December 2004 was £72,692. The preparation of the financial statements on any other basis would not give rise to any material adjustment to that shown on the balance sheet.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Group accounts

As previously reported, the company's subsidiary, Mottik International Limited, was placed in administration on 26 October 1994. The Administrator has assumed complete control over the operation of the subsidiary's business. Consequently, the directors of the company no longer exercise any influence over its operation. Therefore, severe long term restrictions exist and these financial statements present the accounts of the company as an individual undertaking only.

1.4 Cash flow statement

As the company does not have a bank account and therefore does not have any cash flow, the financial statements do not contain a statement of cash flows as required by Financial Reporting Standard No. 1.

2 Operating loss

	2004	2003
	£	£
Operating loss is stated after charging:		
Auditors' remuneration	1,469	1,175

VERTICAL SPORT PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

3	Taxation		
	Current tax charge	-	-
		<u> </u>	<u> </u>
	Factors affecting the tax charge for the year		
	Loss on ordinary activities before taxation	(1,469)	(1,175)
		<u> </u>	<u> </u>
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2003: 19.00%)	(279)	(223)
		<u> </u>	<u> </u>
	Effects of:		
	Tax losses not utilised/(utilised)	279	223
		<u> </u>	<u> </u>
		279	223
		<u> </u>	<u> </u>
	Current tax charge	-	-
		<u> </u>	<u> </u>
4	Creditors: amounts falling due within one year	2004	2003
		£	£
	Trade creditors	21,000	21,000
	Directors' current accounts	12,735	12,735
	Other creditors	13,000	13,000
	Accruals and deferred income	25,957	24,488
		<u> </u>	<u> </u>
		72,692	71,223
		<u> </u>	<u> </u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

5	Share capital	2004 £	2003 £
	Authorised		
	50,000,000 Ordinary shares of 1p each	500,000	500,000
	3,000,000 Incentive shares of 1p each	30,000	30,000
	15,750,000 Deferred shares of 1p each	157,500	157,500
		<u>687,500</u>	<u>687,500</u>
	Allotted, called up and fully paid		
	5,500,000 Ordinary shares of 1p each	55,000	55,000
	3,000,000 Incentive shares of 1p each	30,000	30,000
	15,750,000 Deferred shares of 1p each	157,500	157,500
		<u>242,500</u>	<u>242,500</u>

The incentive shares were issued to former executive directors. They are non-voting and were convertible to ordinary shares in the event that certain profit targets were attained. As these targets were not met, the incentive shares are no longer convertible. Any incentive shares in issue may be redeemed by the company at a price of 0.0001p per share. In the event of a winding up, the incentive shares rank above the ordinary shares, up to the amount credited as fully paid.

The deferred shares carry no rights to vote or receive a dividend. In the event of a winding up the deferred shares will receive a maximum distribution of 0.001p per share.

The company has not granted any options under the directors' share option scheme.

6 Statement of movements on reserves

	Share premium account £	Profit and loss account £
Balance at 1 January 2004	475,500	(789,223)
Retained loss for the year	-	(1,469)
Balance at 31 December 2004	<u>475,500</u>	<u>(790,692)</u>

7 Reconciliation of movements in shareholders' funds

	2004 £	2003 £
Loss for the financial year	(1,469)	(1,175)
Opening shareholders' funds	<u>(71,223)</u>	<u>(70,048)</u>
Closing shareholders' funds	<u>(72,692)</u>	<u>(71,223)</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 31 DECEMBER 2004**

8 Transactions with directors

Included in other creditors due within one year is an amount of £12,735 (2003 - £12,735) due to Mr M Chapman. There are no terms as to interest or repayment in respect of this balance.

9 Employees

Number of employees

There were no employees during the year apart from the directors.