



Commonwealth & British Services Limited

Financial statements 31 December 1998
together with directors' and auditors' reports

Company number: 2880545



Directors and advisors

Directors:	Howard B. Miller Alan W. Brooks
Secretary:	Cornhill Secretaries Ltd
Registered office:	2 nd Floor 50 Hans Crescent London SW1 0NA
Auditors:	Arthur Andersen 1 Surrey Street London WC2R 2PS
Company Solicitors:	Nabarro Nathanson 50 Stratton Street London W1X 6NX
Bankers:	National Westminster Bank 186 Brompton Road London SW3 1HH

Directors' report

For the year ended 31 December 1998

The directors present their report and the audited financial statements for the year ended 31 December 1998.

Principal activities and business review

Commonwealth & British Services Limited ("the Company") acts primarily in the provision of procurement services to Commonwealth & British Minerals Limited, its immediate parent company. Commonwealth & British Minerals Limited is a mining company and pursuant to a Group Services Agreement, the Company earns revenue based on its service expenditure.

Results and dividends

The profit for the financial year amounted to £49,403 (1997 - £30,150). The directors recommend that no dividend be paid (1997 - £nil).

Year 2000 compliance

The directors have ensured that an internal review of all computer systems (hardware and software) and equipment have been performed and will ensure the implementation of a Millennium compliance programme by the last quarter of 1999. All costs associated with Year 2000 are written off as incurred and are not expected to be material.

Directors and their interests

The directors who served during the year were:

Howard B. Miller (Chairman)
Alan W. Brooks
Andrew J. King (resigned 12 March 1998)

The directors have no interest directly in the share capital of the Company. The ultimate parent company is an overseas company and disclosure of the interests of the directors in that company is not required. Interests of the directors in the ultimate parent company are given in the financial statements of that company.

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.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

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
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

Directors' report (continued)

Directors' responsibilities (continued)

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

The directors will place a resolution before the annual general meeting to re-appoint Arthur Andersen as auditors for the ensuing financial year.

2nd Floor
50 Hans Crescent
London
SW1 0NA

By Order of the Board



Alan W. Brooks

Director

13 May 1999

ARTHUR ANDERSEN

Auditors' report

London

To the Shareholders of Commonwealth & British Services Limited:

We have audited the financial statements on pages 4 to 11 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 pages 1 and 2, the company's 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 circumstances of the Company, 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.



Arthur Andersen

Chartered accountants and registered auditors

1 Surrey Street
London
WC2R 2PS

13 May 1999

Profit and loss account

For the year ended 31 December 1998

	Notes	1998 £	1997 £
Turnover	1d	640,013	786,474
Administrative expenses		(567,148)	(744,387)
Operating profit		72,865	42,087
Finance charges (net)	2	1,538	46
Profit on ordinary activities before taxation	3	74,403	42,133
Tax on profit on ordinary activities	6	(25,000)	(11,983)
Profit on ordinary activities after taxation	11	49,403	30,150
Profit and loss account, beginning of year		204,457	174,307
Profit and loss account, at end of year		253,860	204,457

The accompanying notes are an integral part of this profit and loss account.

There are no recognised gains or losses in either year other than the profit for that year.

Balance sheet

31 December 1998

	Notes	1998 £	1997 £
Fixed assets			
Tangible assets	7	<u>43,066</u>	<u>82,731</u>
Current assets			
Debtors	8	1,491,365	2,158,195
Cash at bank and in hand		<u>102,870</u>	<u>31,315</u>
		1,594,235	2,189,510
Creditors: Amounts falling due within one year	9	<u>(1,383,440)</u>	<u>(2,067,783)</u>
Net current assets		<u>210,795</u>	<u>121,727</u>
Net assets		<u>253,861</u>	<u>204,458</u>
Capital and reserves			
Called-up equity share capital	10	1	1
Profit and loss account		<u>253,860</u>	<u>204,457</u>
Total equity shareholders' funds	11	<u>253,861</u>	<u>204,458</u>

The accompanying notes are an integral part of this balance sheet.

On behalf of the Board

Alan W. Brooks

Director



13 May 1999

Notes to financial statements

31 December 1998

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

a) *Basis of accounting*

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

b) *Depreciation of tangible fixed assets*

Tangible fixed assets are being depreciated on a straight line basis over their estimated useful economic lives, which are as follows:

Computer equipment	4 years
Furniture and fittings	7 years
Refurbishment expenses	over the minimum term of the associated lease

Fixed assets are shown at net book value.

c) *Foreign currency*

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the transaction is included as an exchange gain or loss in the profit and loss account.

d) *Turnover*

Turnover represents amounts receivable from other group companies in respect of services, including procurement, performed on behalf of Commonwealth & British Minerals Limited, its immediate parent company, pursuant to a joint venture agreement with the Government of the Republic of Tajikistan.

e) *Taxation*

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is provided using the liability method on timing differences only to the extent that they are expected to reverse in the future without being replaced.

f) *Cash flow statement*

The Company has taken advantage of the exemption provided by FRS 1 (Revised) not to include a cash flow statement as it is a wholly owned subsidiary company.

g) *Operating leases*

Rentals under operating lease are charged on a straight line basis over the lease term, even if the payments are made on such a basis.

Notes to financial statements (continued)

2 Finance charges (net)

	1998 £	1997 £
Interest receivable and similar income	3,739	7,096
Interest payable and similar charges	(2,201)	(7,050)
	<u>1,538</u>	<u>46</u>

3 Profit on ordinary activities before taxation

Profit on ordinary activities is stated after charging:

	1998 £	1997 £
Auditors' remuneration		
- audit fees	-	20,000
Depreciation and amounts written off tangible fixed assets	50,928	49,358
Operating lease rentals	73,869	73,869
Staff costs (see note 4)	<u>395,362</u>	<u>357,202</u>

Auditor's remuneration of £20,000 for 1998 has been paid by Nelson Gold Corporation.

4 Staff costs

Staff costs during the year were as follows:

	1998 £	1997 £
Wages and salaries	554,025	752,506
Social security costs	<u>38,648</u>	<u>59,117</u>
	592,673	811,623
Less: recharge to mining joint ventures	(84,274)	(233,520)
recharge to immediate parent company	<u>(113,037)</u>	<u>(220,901)</u>
	<u>395,362</u>	<u>357,202</u>

The average monthly number of persons employed by the Company during the current and prior year was as follows:

	1998 Number	1997 Number
Administration	<u>12</u>	<u>15</u>

Notes to financial statements (continued)

5 Directors' emoluments

(i) Remuneration

Staff costs charged to the Company, and other group companies and the mining joint venture, include the following emoluments in respect of directors of the Company:

	1998 £	1997 £
Emoluments	249,358	393,874
Company contributions to money purchase pension schemes	5,273	14,975
	<u>254,631</u>	<u>408,849</u>

(ii) Pensions

The number of directors who were members of the pension scheme was as follows:

	1998 Number	1997 Number
Money purchase schemes	<u>2</u>	<u>3</u>

(iii) Highest-paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	1998 £	1997 £
Emoluments	<u>140,000</u>	<u>140,000</u>

The company does not make any contributions to any pension schemes for the highest-paid director.

6 Tax on profit on ordinary activities

The tax charge is based on the profit for the years and comprises:

	1998 £	1997 £
Corporation tax	25,000	19,283
Adjustment in respect of prior years	<u>-</u>	<u>(7,300)</u>
	<u>25,000</u>	<u>11,983</u>

Notes to financial statements (continued)

7 Tangible fixed assets

	Fixtures and fittings £	Computer equipment £	Refurbishment £	Total £
Cost				
At 1 January 1998	64,215	73,863	78,615	216,693
Additions	-	2,900	8,363	11,263
Disposals	-	-	(78,615)	(78,615)
At 31 December 1998	<u>64,215</u>	<u>76,763</u>	<u>8,363</u>	<u>149,341</u>
Depreciation				
At 1 January 1998	26,811	51,003	56,148	133,962
Charge	9,632	18,829	22,467	50,928
Eliminated on disposal	-	-	(78,615)	(78,615)
At 31 December 1998	<u>36,443</u>	<u>69,832</u>	<u>-</u>	<u>106,275</u>
Net book value				
At 31 December 1998	<u>27,772</u>	<u>6,931</u>	<u>8,363</u>	<u>43,066</u>
At 31 December 1997	<u>37,404</u>	<u>22,860</u>	<u>22,467</u>	<u>82,731</u>

8 Debtors

Amounts falling due within one year:

	1998 £	1997 £
Amounts due from group companies	1,456,954	2,061,896
VAT	25,542	45,989
Other debtors	1,219	11,096
Prepayments	<u>7,650</u>	<u>39,214</u>
	<u>1,491,365</u>	<u>2,158,195</u>

Amounts due from group companies are interest free and have no fixed repayment dates.

Notes to financial statements (continued)

9 Creditors

Amounts falling due within one year:

	1998 £	1997 £
Trade creditors	598,052	1,207,872
Amounts owed to group companies	742,105	742,472
UK corporation tax payable	43,283	53,291
Accruals	-	64,148
	<u>1,383,440</u>	<u>2,067,783</u>

Amounts due to group companies are interest free and have no fixed repayment dates.

10 Called-up equity share capital

	1998 £	1997 £
<i>Authorised:</i>		
1,000 ordinary equity shares of £1 each	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called up and fully paid:</i>		
1 ordinary equity share of £1 each	<u>1</u>	<u>1</u>

11 Reconciliation of movements in equity shareholders' funds

	1998 £	1997 £
Profit for the financial year	49,403	30,150
Opening equity shareholders' funds	<u>204,458</u>	<u>174,308</u>
Closing equity shareholders' funds	<u>253,861</u>	<u>204,458</u>

12 Financial commitments

Annual commitments under non-cancellable operating leases are as follows:

	1998 £	1997 £
Expiry date - less than one year	-	73,869
- one to two years	<u>67,000</u>	<u>-</u>
	<u>67,000</u>	<u>73,869</u>

Notes to financial statements (continued)

13 Application of going concern basis of accounting

The Company's ability to meet its liabilities as they fall due is dependent upon the provision of additional funding from fellow group companies. The ultimate parent company has confirmed that it will provide future funding as required. Accordingly, the directors have prepared the financial statements on the going concern basis of accounting.

14 Ultimate parent company

The ultimate parent company is Nelson Gold Corporation Limited, incorporated in Bermuda. The largest group in which the financial statements of the Company are consolidated is that headed by Nelson Gold Corporation Limited.

The address from which copies of the consolidated financial statements of Nelson Gold Corporation Limited may be obtained is Bermuda Commercial Bank building, 44 Church Street, Hamilton, HM12, Bermuda.