

Company Registration No. 2960433 (England and Wales)

C F S INDEPENDENT LIMITED
DIRECTOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2005



C F S INDEPENDENT LIMITED

COMPANY INFORMATION

Director A O Harwood

Secretary D L Scrivener

Company number 2960433

Registered office 2 Fisher Street
London
WC1R 4QA

 **Auditors** Fisher, Sassoon & Marks
Farley Court
Allsop Place
London
NW1 5LG

Business address 2 Fisher Street
London
WC1R 4QA

C F S INDEPENDENT LIMITED

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C F S INDEPENDENT LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 MARCH 2005

The director presents his report and financial statements for the year ended 31 March 2005.

Principal activities and review of the business

The principal activity of the company continued to be that of discretionary fund management and investment advisors.

The results for the year and the financial position at the year end were considered satisfactory by the director who expects continued growth in the foreseeable future.

The company has been subject to an investigation by the Financial Services Authority which has resulted in a £40,000 provision being made in the accounts for potential penalties payable based on the initial ruling of the Regulator. The company believes that the initial findings of the regulator are without foundation and is confident of over turning the decision at appeal.

Results and dividends

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

Post balance sheet events

There are no matters to report.

Introduction of the Euro

We have identified the key risks to the business and have developed a plan to minimise their impact. We have considered not only our own systems but also those of our major suppliers and customers. Although no organisation can guarantee that no problems will arise, we believe that, having identified and removed the major risks to the business in accordance with the plan we have developed, it will be possible to quickly resolve any such problems as may arise without significant additional costs.

Directors

The following directors have held office since 1 April 2004:

A O Harwood
S H Harwood

(Resigned 7 July 2004)

Directors' interests

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

	Ordinary shares of £1 each	
	31 March 2005	1 April 2004
A O Harwood	93,000	35,500

Employee involvement

The company's policy is to consult and discuss with employees at meetings, matters likely to affect employees' interests.

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

C F S INDEPENDENT LIMITED

DIRECTOR'S REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

Creditor payment policy

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

Taxation status

The company was a close company within the provisions of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year.

Auditors

Fisher, Sassoon & Marks were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

Director's responsibilities

Company law requires the director 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 director is 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 director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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



.....
A O Harwood

Director

1/7/05

C F S INDEPENDENT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF C F S INDEPENDENT LIMITED

We have audited the financial statements of C F S Independent Limited on pages 4 to 14 for the year ended 31 March 2005. 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 director and auditors

As described in the statement of director's responsibilities on page 2 the company's director is 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 director's 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 director's remuneration and transactions with the company is not disclosed.

We read the director's report and consider the implications for our report if we become aware of any apparent misstatements within it.

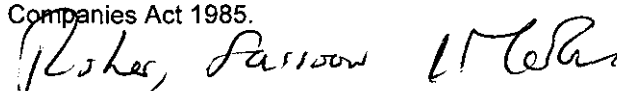
Basis of audit opinion

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 director 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 the company's affairs as at 31 March 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Fisher, Sassoon & Marks
Chartered Accountants
Registered Auditor


Farley Court
Allsop Place
London
NW1 5LG

C F S INDEPENDENT LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005

		2005	2004
	Notes	£	as restated £
Turnover	2	273,336	294,769
Administrative expenses		(336,717)	(298,097)
Operating loss	3	(63,381)	(3,328)
Provision for regulatory fines		(40,000)	-
Loss on ordinary activities before interest		(103,381)	(3,328)
Investment income	4	33,093	13,005
Other interest receivable and similar income		7,127	708
Interest payable and similar charges	5	(6,820)	(31)
(Loss)/profit on ordinary activities before taxation		(69,981)	10,354
Tax on (loss)/profit on ordinary activities	6	49	-
(Loss)/profit on ordinary activities after taxation		(69,932)	10,354
Dividends	7	-	(7,500)
Retained (loss)/profit for the year	16	(69,932)	2,854

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

C F S INDEPENDENT LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2005

	2005 £	2004 £
(Loss)/profit for the financial year	(69,932)	10,354
Prior year adjustment	41,000	-
Total gains and losses recognised since last financial statements	<u>(28,932)</u>	<u>10,354</u>

C F S INDEPENDENT LIMITED

BALANCE SHEET AS AT 31 MARCH 2005

		2005		2004	
				as restated	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	8		5,180		5,636
Current assets					
Debtors	9	97,667		56,211	
Investments	10	31,071		38,384	
Cash at bank and in hand		167,426		7,609	
		<u>296,164</u>		<u>102,204</u>	
Creditors: amounts falling due within one year	11	<u>(45,622)</u>		<u>(25,186)</u>	
Net current assets			250,542		77,018
Total assets less current liabilities			<u>255,722</u>		<u>82,654</u>
Creditors: amounts falling due after more than one year	12		(88,000)		-
Provisions for liabilities and charges	13		<u>(40,000)</u>		<u>-</u>
			<u>127,722</u>		<u>82,654</u>
Capital and reserves					
Called up share capital	15	186,000		71,000	
Profit and loss account	16	(58,278)		11,654	
Shareholders' funds - equity interests	17	<u>127,722</u>		<u>82,654</u>	

The financial statements were approved by the Board on 17/05



A O Harwood
Director

C F S INDEPENDENT LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

	£	2005 £	£	2004 £
Net cash outflow from operating activities		(80,330)		(52,190)
Returns on investments and servicing of finance				
Interest received	7,127		708	
Interest paid	-		(31)	
Net cash inflow for returns on investments and servicing of finance		7,127		677
Taxation		49		-
Capital expenditure and financial investment				
Payments to acquire tangible assets	(1,888)		(2,608)	
Receipts from sales of investments	33,093		13,005	
Net cash inflow for capital expenditure		31,205		10,397
Equity dividends paid		-		(7,500)
Net cash outflow before management of liquid resources and financing		(41,949)		(48,616)
Management of liquid resources				
Current asset investments	7,313		1,785	
		7,313		1,785
Financing				
Issue of ordinary share capital	115,000		70,000	
Other new long term loans	88,000		-	
Repayment of other short term loans	-		(70,000)	
Net cash inflow/(outflow) from financing		203,000		-
Increase/(decrease) in cash in the year		168,364		(46,831)

C F S INDEPENDENT LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

1	Reconciliation of operating loss to net cash outflow from operating activities	2005	2004
		£	£
	Operating loss	(63,381)	(3,328)
	Depreciation of tangible assets	2,344	2,919
	Increase in debtors	(41,456)	(50,650)
	Increase/(decrease) in creditors within one year	22,163	(1,131)
	Net cash outflow from operating activities	(80,330)	(52,190)

2	Analysis of net funds	1 April 2004	Cash flow	Other non- 31 March 2005 cash changes
		£	£	£
	Net cash:			
	Cash at bank and in hand	7,609	159,817	-
	Bank overdrafts	(9,067)	8,547	-
		<u>(1,458)</u>	<u>168,364</u>	<u>-</u>
	Liquid resources:			
	Current asset investments	38,384	(7,313)	-
		<u>38,384</u>	<u>(7,313)</u>	<u>-</u>
	Debt:			
	Debts falling due after one year	-	(88,000)	-
		<u>-</u>	<u>(88,000)</u>	<u>-</u>
	Net funds	36,926	73,051	109,977

3	Reconciliation of net cash flow to movement in net funds	2005	2004
		£	£
	Increase/(decrease) in cash in the year	168,364	(46,831)
	Cash inflow from decrease in liquid resources	(7,313)	(1,785)
	Cash (inflow)/outflow from (increase)/decrease in debt	(88,000)	70,000
	Movement in net funds in the year	73,051	21,384
	Opening net funds	36,926	15,542
	Closing net funds	109,977	36,926

C F S INDEPENDENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention. The accounting policy on fund management is to recognise income where the company has partially performed its contractual obligations and is valued at fair value of the right to consideration. The previous accounting policy was to recognise income at the date of invoicing. The effect of the change in policy on the current accounting period is to increase turnover by £34,500 (2004 - £41,000) and net assets by £27,900 (2004 - £41,000).

1.2 Compliance with accounting standards

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

1.3 Turnover

Turnover represents amounts receivable for undertaking discretionary fund management and investment advice net of VAT and client rebates.

Income is recognised on discretionary fund management activity by including in the profit and loss account turnover and related costs as contract activity progresses on a time basis.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment	25 % - 33 % reducing balance
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1.5 Investments

Current asset investments are stated at the lower of cost and net realisable value.

1.6 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17.

1.7 Deferred taxation

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19 - Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating loss

	2005	2004
	£	£
Operating loss is stated after charging:		
Depreciation of tangible assets	2,344	2,919
Auditors' remuneration	4,500	3,000
Remuneration of auditors for non-audit work	8,178	8,042

C F S INDEPENDENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

4	Investment income	2005	2004
		£	£
	Income from fixed asset investments	33,093	13,005
		<u> </u>	<u> </u>
5	Interest payable	2005	2004
		£	£
	On bank loans and overdrafts	-	31
	Other interest	6,820	-
		<u> </u>	<u> </u>
		6,820	31
		<u> </u>	<u> </u>
6	Taxation	2005	2004
		£	£
	Domestic current year tax		
	Adjustment for prior years	(49)	-
		<u> </u>	<u> </u>
	Current tax charge	(49)	-
		<u> </u>	<u> </u>
The company has estimated losses of £ 10,000 (2004: £ 26,888) available for carry forward against future trading profits.			
7	Dividends	2005	2004
		£	£
	Ordinary interim paid	-	7,500
		<u> </u>	<u> </u>

C F S INDEPENDENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

8 Tangible fixed assets

	Fixtures, fittings & equipment £
Cost	
At 1 April 2004	60,053
Additions	1,888
	<hr/>
At 31 March 2005	61,941
	<hr/>
Depreciation	
At 1 April 2004	54,417
Charge for the year	2,344
	<hr/>
At 31 March 2005	56,761
	<hr/>
Net book value	
At 31 March 2005	5,180
	<hr/>
At 31 March 2004	5,636
	<hr/>

9 Debtors	2005 £	2004 £
Trade debtors	520	2,939
Other debtors	10,404	10,672
Prepayments and accrued income	86,743	42,600
	<hr/>	<hr/>
	97,667	56,211
	<hr/>	<hr/>

10 Current asset investments	2005 £	2004 £
Listed investments	31,071	38,384
	<hr/>	<hr/>
Market valuation of listed investments	51,867	51,860
	<hr/>	<hr/>

C F S INDEPENDENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

11 Creditors: amounts falling due within one year	2005	2004
	£	£
Bank loans and overdrafts	520	9,067
Trade creditors	29,658	-
Taxes and social security costs	4,124	4,200
Accruals and deferred income	11,320	11,919
	<u>45,622</u>	<u>25,186</u>
12 Creditors: amounts falling due after more than one year	2005	2004
	£	£
Other loans	<u>88,000</u>	<u>-</u>
Analysis of loans		
Wholly repayable within five years	<u>88,000</u>	<u>-</u>
	<u>88,000</u>	<u>-</u>
Loan maturity analysis		
In more than five years	<u>88,000</u>	<u>-</u>
13 Provisions for liabilities and charges		Other
		£
Profit and loss account		<u>40,000</u>
Balance at 31 March 2005		<u>40,000</u>
14 Pension costs		
Defined contribution		
	2005	2004
	£	£
Contributions payable by the company for the year	<u>4,105</u>	<u>4,654</u>

C F S INDEPENDENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

15 Share capital	2005	2004
	£	£
Authorised		
500,000 Ordinary shares of £1 each	500,000	500,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
186,000 Ordinary shares of £1 each	186,000	71,000
	<u> </u>	<u> </u>
 16 Statement of movements on profit and loss account		Profit and loss account
		£
Balance at 1 April 2004 as previously reported		(29,346)
Prior year adjustment		41,000
		<u> </u>
Balance at 1 April 2004 as restated		11,654
Retained loss for the year		(69,932)
		<u> </u>
Balance at 31 March 2005		(58,278)
		<u> </u>
 17 Reconciliation of movements in shareholders' funds	2005	2004
	£	£
(Loss)/Profit for the financial year	(69,932)	10,354
Dividends	-	(7,500)
	<u> </u>	<u> </u>
	(69,932)	2,854
Proceeds from issue of shares	115,000	70,000
	<u> </u>	<u> </u>
Net addition to shareholders' funds	45,068	72,854
Opening shareholders' funds	82,654	9,800
	<u> </u>	<u> </u>
Closing shareholders' funds	127,722	82,654
	<u> </u>	<u> </u>

Opening shareholders' funds were originally £41,654 before adding prior year adjustments of £41,000.

Following the issue of UITF 40 fees receivable from investment management are recognised as the contract is performed to the extent that it has obtained the right to consideration. The previous accounting policy was to recognise the income at the date of invoicing.

C F S INDEPENDENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

18 Directors' emoluments	2005 £	2004 £
Emoluments for qualifying services	53,854	41,004

19 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2005 Number	2004 Number
Financial services and management	3	3
Administration	3	2
	6	5

Employment costs

	£	£
Wages and salaries	145,242	137,831
Social security costs	15,949	14,630
Other pension costs	4,105	4,654
	165,296	157,115

20 Control

Mr and Mrs A Harwood have a controlling interest in the company.

21 Related party transactions

During the year the company paid A Harwood rent on its premises in the sum of £21,204 (2004 - £21,987).

A Harwood entered into a subordinated loan agreement with the company in the sum of £88,000. The loan is for a term exceeding five years and interest is payable by reference to the Bank Rate of the Royal Bank of Scotland plus 3 per cent.

22 Post balance sheet events

There are no matters to report.