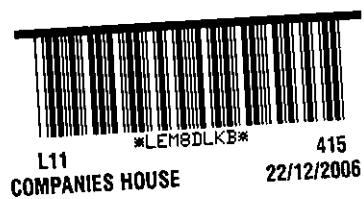


Company Registration No. 03832885 (England and Wales)

**THE SILVER FUND PLC**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2005**



# THE SILVER FUND PLC

## COMPANY INFORMATION

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**Directors**

M James Esq  
M Sherwood Esq (Appointed 29 March 2006)  
C Joll Esq (Appointed 29 March 2006)

**Secretary**

M James Esq

**Company number**

03832885

**Registered office**

1 Duke of York Street  
London  
SW1Y 6JP

**Auditors**

Newman & Partners  
Lynwood House  
373/375 Station Road  
Harrow, Middlesex  
HA1 2AW

**Business address**

1 Duke of York Street  
London  
SW1Y 6JP

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# THE SILVER FUND PLC

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# THE SILVER FUND PLC

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2005

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The directors present their 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 wholesale and specialised retail.

The results for the year and the financial position at the year end were considered satisfactory by the directors who expect reduced losses for the company in the foreseeable future.

The results for the year and the financial position at the year end for Silver Fund Investment.com Limited were also considered satisfactory by the directors given the difficult trading circumstances during the year.

The Silver Fund Inc, the company's subsidiary undertaking in the U.S.A., ceased trading in December 2004.

### Results and dividends

The results for the year are set out on page 5.

The directors have not recommended payment of a dividend.

### Future developments

During the year to 31 March 2005 the company continued to trade through its subsidiary companies from its retail locations in London and New York and through a series of fairs in the United States. However, as previously reported, due to the sharp decline in sales at the New York store, this operation was closed in December 2004. The directors have taken a prudent view and allowed for a full write off of the intercompany balances due from The Silver Fund Inc at the balance sheet date of £502,435 (2004: £846,213). Consequently, the company no longer has a permanent presence in New York however it does continue to trade there by attending shows several times a year. Following the New York store closure, the directors feel that the company will in future reduce its losses substantially.

Turnover of the ongoing business in London and at the fairs increased 4% year on year.

During the year Silver Fund Investment.com Limited opened a concession within Gumps of San Francisco. Unlike the New York operation the overhead costs of the concession are directly proportional to the turnover and fixed overheads are limited to the employment of a single member of staff. This model has so far proved successful in terms of generating both cash and profitability for the company. Gumps achieved sales of £366,000 from September 2004 to March 2005. In the directors opinion the following period should see a substantial increase in Gumps sales as this will include sales for the entire year.

The move into Gumps gives the directors confidence for the future as the company has achieved exceptionally high sales revenues in San Francisco which has outsold every other department in the store. Given the success of the Gumps model in San Francisco, the directors are considering expanding the same model within other prestigious department stores in the US, although to date, no further concessions have been opened or committed during the period.

### Directors

The following directors have held office since 1 April 2004:

A Greenwood Esq	(Resigned 24 March 2006)
M James Esq	
M Sherwood Esq	(Appointed 29 March 2006)
J Crawford Esq	(Resigned 1 February 2005)
C Joll Esq	(Appointed 29 March 2006)
M Sandberg Esq	(Resigned 24 March 2005)

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# THE SILVER FUND PLC

## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

### Directors' interests

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

	Ordinary Shares of 10p each	
	31 March 2005	1 April 2004
A Greenwood Esq	-	-
M James Esq	955,895	955,895

	Deferred Ordinary Shares of 10p each	
	31 March 2005	1 April 2004
A Greenwood Esq	-	-
M James Esq	-	-

### 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.

Whilst the company's policy is to adhere to the above creditor payment policy, due to cashflow restrictions the company has not been able to fully adhere to it's policy this year. We therefore draw your attention to note 1.1 in these financial statements.

### Auditors

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

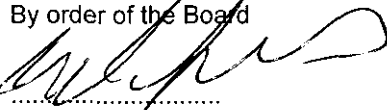
### Directors' responsibilities

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 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



M James Esq

Secretary

14/12/06

# THE SILVER FUND PLC

## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF THE SILVER FUND PLC

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We have audited the financial statements of The Silver Fund Plc for the year ended 31 March 2005 set out on pages 5 to 15. 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 auditors' 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 other transactions 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. However, the evidence available to us was limited because we were not appointed auditors of the company until 5 July 2005 and in consequence it was not possible for us to perform the audit procedures necessary to obtain sufficient appropriate audit evidence as regards to the closing stock.

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as required under section 227 of the Companies Act 1985. The directors have exercised their right, under section 229 of the Companies Act 1985, to claim an exemption on the grounds that the information necessary for the preparation of group accounts could not be obtained without disproportionate expense and undue delay due to The Silver Fund Inc. In view of the scale of this matter we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

# THE SILVER FUND PLC

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### TO THE SHAREHOLDERS OF THE SILVER FUND PLC

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#### Emphasis of matter


In forming our opinion, we have considered the adequacy of the disclosures made in note 1.1 of the financial statements concerning the continuing support of the directors, creditors and bankers. In view of the significance of the uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

#### Qualified opinion arising from limitation of audit scope

Due to the possible effect of the limitation of evidence available to us, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2005 or of its profit for the year then ended. In all other respects, it is our opinion that the financial statements have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work relating to stock as at 31 March 2005:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- proper accounting records have not been maintained.



Newman & Partners

20 December 2006

Chartered Accountants  
Registered Auditor

Lynwood House  
373/375 Station Road  
Harrow, Middlesex  
HA1 2AW

# THE SILVER FUND PLC

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005

	Notes	2005 £	2004 £
Administrative expenses		(258,965)	(350,726)
Other operating income		250,000	310,000
<b>Operating loss</b>	<b>2</b>	<b>(8,965)</b>	<b>(40,726)</b>
Write off of The Silver Fund Inc debtor	<b>7</b>	<b>(502,435)</b>	<b>(846,213)</b>
<b>Loss on ordinary activities before interest</b>		<b>(511,400)</b>	<b>(886,939)</b>
Other interest receivable and similar income	<b>3</b>	47	3
Amounts written off investments	<b>4</b>	-	(2,500,000)
Interest payable and similar charges	<b>5</b>	(61,940)	(50,387)
<b>Loss on ordinary activities before taxation</b>		<b>(573,293)</b>	<b>(3,437,323)</b>
Tax on loss on ordinary activities	<b>6</b>	-	-
<b>Loss on ordinary activities after taxation</b>	<b>14</b>	<b>(573,293)</b>	<b>(3,437,323)</b>

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.



# THE SILVER FUND PLC

## BALANCE SHEET AS AT 31 MARCH 2005

	Notes	2005 £	£	2004 £	£
<b>Fixed assets</b>					
Investments	8		500,000		500,000
<b>Current assets</b>					
Stocks	9	1,759,977		2,105,063	
Cash at bank and in hand		1,277		48	
		<u>1,761,254</u>		<u>2,105,111</u>	
<b>Creditors: amounts falling due within one year</b>	10	<u>(931,524)</u>		<u>(573,909)</u>	
<b>Net current assets</b>			829,730		1,531,202
<b>Total assets less current liabilities</b>			1,329,730		2,031,202
<b>Creditors: amounts falling due after more than one year</b>	11	<u>(685,527)</u>		<u>(813,706)</u>	
		<u>644,203</u>		<u>1,217,496</u>	
<b>Capital and reserves</b>					
Called up share capital	13	2,336,632		2,336,632	
Share premium account	14	2,681,367		2,681,367	
Profit and loss account	14	<u>(4,373,796)</u>		<u>(3,800,503)</u>	
<b>Shareholders' funds - equity interests</b>	15	<u>644,203</u>		<u>1,217,496</u>	

The financial statements were approved by the Board on 14/12/06

  
M James Esq  
Director

# THE SILVER FUND PLC

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

	£	2005 £	£	2004 £
Net cash inflow from operating activities		213,833		534,628
Returns on investments and servicing of finance				
Interest received	47		3	
Interest paid	(61,940)		(50,387)	
Net cash outflow for returns on investments and servicing of finance		(61,893)		(50,384)
Net cash inflow before management of liquid resources and financing		151,940		484,244
Financing				
New long term bank loan	-		346,330	
Other new short term loans	-		153,600	
Repurchase of debenture loan	(11,930)		(372,624)	
Repayment of long term bank loan	(123,749)		-	
Net cash (outflow)/inflow from financing		(135,679)		127,306
Increase in cash in the year		16,261		611,550

# THE SILVER FUND PLC

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

1	Reconciliation of operating loss to net cash inflow from operating activities	2005	2004
		£	£
	Operating loss	(8,965)	(40,726)
	Decrease/(increase) in stocks	345,086	(78,273)
	(Increase)/decrease in debtors	(502,435)	731,293
	Increase/(decrease) in creditors within one year	380,147	(77,666)
	<b>Net cash inflow from operating activities</b>	<b>213,833</b>	<b>534,628</b>

2	Analysis of net debt	1 April 2004	Cash flow	Other non-cash changes	31 March 2005
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	48	1,229	-	1,277
	Bank overdrafts	(15,459)	15,032	-	(427)
		(15,411)	16,261	-	850
	Bank deposits	-	-	-	-
	Debt:				
	Debts falling due within one year	(213,600)	7,500	-	(206,100)
	Debts falling due after one year	(813,706)	128,179	-	(685,527)
		(1,027,306)	135,679	-	(891,627)
	<b>Net debt</b>	<b>(1,042,717)</b>	<b>151,940</b>	<b>-</b>	<b>(890,777)</b>

3	Reconciliation of net cash flow to movement in net debt	2005	2004
		£	£
	Increase in cash in the year	16,261	611,550
	Cash outflow/(inflow) from decrease/(increase) in debt	135,679	(127,306)
	<b>Movement in net debt in the year</b>	<b>151,940</b>	<b>484,244</b>
	Opening net debt	(1,042,717)	(1,526,961)
	<b>Closing net debt</b>	<b>(890,777)</b>	<b>(1,042,717)</b>

# THE SILVER FUND PLC

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

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### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future.

The validity of this assumption depends on the continued support of the directors, creditors and bankers.

The directors are in the process of re-negotiating payment amounts and terms of creditors to ensure the company continues trading within its working capital requirements.

If the company were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise, and reclassify fixed assets as current assets and long term liabilities as current liabilities.

#### 1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards, which have been applied consistently (except as otherwise stated).

#### 1.3 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

#### 1.4 Stock

Stock is valued at the lower of cost and net realisable value.

#### 1.5 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

#### 1.6 Deferred taxation

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.

#### 1.7 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as under section 227 of the Companies Act 1985 the accounts do not give a true and fair view of the state of affairs as at the end of the financial year, and of the loss for the financial year.

### 2 Operating loss

	2005	2004
	£	£
Operating loss is stated after charging:		
Auditors' remuneration	8,000	5,000

# THE SILVER FUND PLC

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

<b>3</b>	<b>Investment income</b>	<b>2005</b>	<b>2004</b>
		<b>£</b>	<b>£</b>
	Bank interest	47	3
		<u>          </u>	<u>          </u>
<b>4</b>	<b>Amounts written off investments</b>	<b>2005</b>	<b>2004</b>
		<b>£</b>	<b>£</b>
	Amounts written off fixed asset investments:		
	- permanent diminution in value	-	2,500,000
		<u>          </u>	<u>          </u>
<b>5</b>	<b>Interest payable</b>	<b>2005</b>	<b>2004</b>
		<b>£</b>	<b>£</b>
	On bank loans and overdrafts	31,474	-
	Other interest	30,466	50,387
		<u>          </u>	<u>          </u>
		61,940	50,387
		<u>          </u>	<u>          </u>
<b>6</b>	<b>Taxation</b>	<b>2005</b>	<b>2004</b>
	<b>Current tax charge</b>	<b>-</b>	<b>-</b>
		<u>          </u>	<u>          </u>
	<b>Factors affecting the tax charge for the year</b>		
	Loss on ordinary activities before taxation	(573,293)	(3,437,323)
		<u>          </u>	<u>          </u>
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 0.00% (2004 - 0.00%)	-	-
		<u>          </u>	<u>          </u>
	<b>Current tax charge</b>	<b>-</b>	<b>-</b>
		<u>          </u>	<u>          </u>

On the basis of these financial statements no provision has been made for corporation tax due to trading losses made during the year.

### 7 Exceptional item

The exceptional item of £502,435 (2004: £846,213) relates to the balance due from The Silver Fund Inc which is no longer recoverable as the company ceased trading in December 2004 and does not have any distributable assets. Since The Silver Fund Inc ceased trading, the New York operation is now a discontinued operation as far as the company and group are concerned.

# THE SILVER FUND PLC

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

### 8 Fixed asset investments

	Shares in subsidiary undertakings £
<b>Cost</b>	
At 1 April 2004 & at 31 March 2005	3,000,000
<b>Provisions for diminution in value</b>	
At 1 April 2004 & at 31 March 2005	2,500,000
<b>Net book value</b>	
At 31 March 2005	500,000
At 31 March 2004	500,000

#### Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
<b>Subsidiary undertakings</b>			
Silver Fund Investment.com Limited	England & Wales	Ordinary	100.00
The Silver Fund Inc	United States	Ordinary	100.00

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

		Capital and reserves 2005 £	Profit for the year 2005 £
	<b>Principal activity</b>		
Silver Fund Investment.com Limited	Antique silver dealing	(7,634)	(140,125)
The Silver Fund Inc	Antique silver dealing	-	-

### 9 Stocks

	2005 £	2004 £
Goods for resale	1,759,977	2,105,063

# THE SILVER FUND PLC

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

<b>10 Creditors: amounts falling due within one year</b>	<b>2005 £</b>	<b>2004 £</b>
Debenture loans	70,500	60,000
Bank loans and overdrafts	136,027	169,059
Amounts owed to subsidiary undertakings	413,898	118,499
Taxes and social security costs	188,371	221,351
Other creditors	12,254	-
Accruals and deferred income	110,474	5,000
	<u>931,524</u>	<u>573,909</u>
Debt due in one year or less	<u>206,100</u>	<u>213,600</u>

The debenture loan relates to a Loan Note raised in favour of Silver Fund 1 Limited, a related party undertaking which matured in 2004. Interest is paid on a floating rate basis based on the LIBOR rate and is payable monthly. Silver Fund 1 Limited has agreed to an extension of the debenture loan.

<b>11 Creditors: amounts falling due after more than one year</b>	<b>2005 £</b>	<b>2004 £</b>
Debenture loans	444,946	467,376
Bank loans	240,581	346,330
	<u>685,527</u>	<u>813,706</u>
<b>Analysis of loans</b>		
Wholly repayable within five years	891,627	1,027,306
	<u>891,627</u>	<u>1,027,306</u>
Included in current liabilities	(206,100)	(213,600)
	<u>685,527</u>	<u>813,706</u>
<b>Loan maturity analysis</b>		
In more than one year but not more than two years	240,600	213,600
In more than two years but not more than five years	444,927	372,730
In more than five years	-	227,376
	<u>685,527</u>	<u>813,706</u>

The aggregate amount of creditors for which security has been given amounted to £891,627 (2004: £1,027,306).

# THE SILVER FUND PLC

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

### 12 Pension costs

#### Defined contribution

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

	2005 £	2004 £
Contributions payable by the company for the year	-	958

### 13 Share capital

#### Authorised

	2005 £	2004 £
31,838,000 Ordinary Shares of 10p each	3,183,800	3,183,800
18,162,000 Deferred Ordinary Shares of 10p each	1,816,200	1,816,200
	<u>5,000,000</u>	<u>5,000,000</u>

#### Allotted, called up and fully paid

5,204,320 Ordinary Shares of 10p each	520,432	520,432
18,162,000 Deferred Ordinary Shares of 10p each	1,816,200	1,816,200
	<u>2,336,632</u>	<u>2,336,632</u>

The Deferred Ordinary Shares do not have a right to receive any dividend or to receive notice of, attend or vote at any general meeting of the company. On a return of capital on a winding-up or otherwise, the holders of the Deferred Ordinary Shares shall be entitled to receive 1p in respect of each Deferred Ordinary Share in issue after the repayment of capital paid up on the Ordinary Shares for the time being in issue, the payment of all other amounts payable to the holders of any other class of shares and the payment of £5,000 on each Ordinary Share for the time being in issue.

### 14 Statement of movements on reserves

	Share premium account £	Profit and loss account £
Balance at 1 April 2004	2,681,367	(3,800,503)
Retained loss for the year	-	(573,293)
Balance at 31 March 2005	<u>2,681,367</u>	<u>(4,373,796)</u>



# THE SILVER FUND PLC

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

15 Reconciliation of movements in shareholders' funds	2005 £	2004 £
Loss for the financial year	(573,293)	(3,437,323)
Opening shareholders' funds	1,217,496	4,654,819
Closing shareholders' funds	644,203	1,217,496

16 Directors' emoluments	2005 £	2004 £
Emoluments for qualifying services	135,180	154,250
Company pension contributions to money purchase schemes	-	491
	135,180	154,741

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2004 - 1).

### 17 Employees

#### Number of employees

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

	2005 Number	2004 Number
Directors	2	5
Other employees	4	4
	6	9

Employment costs	2005 £	2004 £
Wages and salaries	228,221	312,047
Social security costs	22,744	32,721
Other pension costs	-	958
	250,965	345,726

### 18 Control

In the opinion of the directors, no one party has overall control of the company.

# THE SILVER FUND PLC

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

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### 19 Related party transactions

Included within creditors is an amount of £413,898 (2004: £118,499) due to Silver Fund Investment.com Limited.

During the year the company transferred £345,086 (2004: £470,000) of stock at cost to Silver Fund Investment.com Limited and also charged Silver Fund Investment.com Limited a management charge of £250,000 (2004: £248,000).

During the year the company charged a management fee of nil (2004: £62,000) to The Silver Fund Inc and has written off £502,435 (2004: £846,213) due from The Silver Fund Inc.