

Company Registration No. 03832885 (England and Wales)

THE SILVER FUND PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

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THE SILVER FUND PLC

COMPANY INFORMATION

Directors	M James Esq M Sherwood Esq C Joll Esq
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
Solicitors	Cameron McKenna Mitre House 160 Aldersgate Street London EC1A 4DD

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THE SILVER FUND PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2006

The directors present their report and financial statements for the year ended 31 March 2006

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

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 encountered during the year

The trading environment continues to be competitive and margins remain under pressure. This is evident from the drop in the subsidiary's gross profit margin from 41.49% in 2005 to 41.04% in 2006. The directors continuously monitor the trading activities and potential new markets for its subsidiary to ensure the subsidiary remains competitive.

Overall sales at the company's subsidiary have remained relatively flat. However, the sales mix has changed considerably during the year. Total Gumps department store sales have increased 98% from approximately £366,000 in 2005 to £726,000 in 2006. The concession was set up in September 2004 and therefore only included seven months of trading in 2005. The increase in Gumps sales has offset declines in revenue from both the London shop and various trade fairs held in both the US and UK.

Ignoring the usual business risks, there are few inherent risks in the business. The principal risks and uncertainties affecting the company are those associated with its trading subsidiary. The subsidiary's main financial risks relate to the working capital of the company to meet its business needs and the fluctuations in foreign exchange rates as the majority of sales are made to US customers in US dollars. The financial risks are continuously monitored by the directors to manage these risks in relation to the subsidiary's needs.

Results and dividends

The results for the year are set out on page 6.

The directors have not recommended payment of a dividend.

Future developments

During the year to 31 March 2006 the company continued to trade through its subsidiary company Silver Fund Investment Com Limited in London which operates a series of fairs in the US and UK and also through its concession in Gumps in San Francisco.

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 to during the period.

Since the year end, the company's director, M James Esq has acquired Silver Fund 1 Limited. Silver Fund 1 Limited has made a conditional offer for Silver Fund Investment com Limited and the business of The Silver Fund Plc. At the year end, the amount due in respect of debenture loans to Silver Fund 1 Limited amounted to £687,445.

THE SILVER FUND PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2006

Directors

The following directors have held office since 1 April 2005

M James Esq

M Sherwood Esq

A Greenwood Esq

(Resigned 24 March 2006)

C Joll Esq

Directors' interests

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

	Ordinary Shares of 10p each	
	31 March 2006	1 April 2005
M James Esq	955,895	955,895
M Sherwood Esq	-	-
C Joll Esq	-	-
	Deferred Ordinary Shares of 10p each	
	31 March 2006	1 April 2005
M James Esq	-	-
M Sherwood Esq	-	-
C Joll Esq	-	-

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

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 its 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.

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DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2006

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

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,
- ensure the maintenance and integrity of the corporate and financial information included on the company's website

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.



Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

27/6/07

THE SILVER FUND PLC

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF THE SILVER FUND PLC

We have audited the financial statements of The Silver Fund Plc for the year ended 31 March 2006 set out on pages 6 to 16. These financial statements have been prepared under 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 International Standards on Auditing (UK and Ireland) 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 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 the company did not perform a year end stocktake and consequently 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 and FRS 2 accounting for subsidiary undertakings.

Because of the significance of both of the above items, we have been unable to form a view on the financial statements.

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

Opinion disclaimer on view given by financial statements

Because of the possible effect of the limitation in evidence available to us, we are unable to form an opinion as to whether the financial statements


- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 or of its loss for the year then ended, and
- have been properly prepared in accordance with the Companies Act 1985

In respect solely of the limitation of our work referred to above

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit, and
- we were unable to determine whether proper accounting records had been maintained
- notwithstanding our disclaimer on the view given by the financial statements, in our opinion the information given in the directors' report is consistent with the financial statements

Emphasis of matter

In forming our opinion, we have considered the adequacy of the disclosures made in note 11 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



Newman & Partners

28 June 2007

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 2006

	Notes	2006 £	2005 £
Administrative expenses		(248,507)	(258,965)
Other operating income		250,000	250,000
Operating profit/(loss)	2	1,493	(8,965)
Write off of The Silver Fund Inc debtor		-	(502,435)
Profit/(loss) on ordinary activities before interest		1,493	(511,400)
Other interest receivable and similar income	3	4	47
Interest payable and similar charges	4	(57,233)	(61,940)
Loss on ordinary activities before taxation		(55,736)	(573,293)
Tax on loss on ordinary activities	5	-	-
Loss for the year	12	(55,736)	(573,293)

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

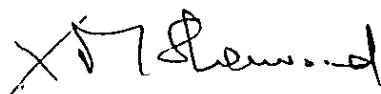
THE SILVER FUND PLC

BALANCE SHEET

AS AT 31 MARCH 2006

	Notes	2006 £	£	2005 £	£
Fixed assets					
Investments	6		500,000		500,000
Current assets					
Stocks	7	1,323,081		1,759,977	
Debtors	8	177,159		-	
Cash at bank and in hand		266		1,277	
		<u>1,500,506</u>		<u>1,761,254</u>	
Creditors: amounts falling due within one year	9	<u>(912,365)</u>		<u>(931,524)</u>	
Net current assets			588,141		829,730
Total assets less current liabilities			<u>1,088,141</u>		<u>1,329,730</u>
Creditors, amounts falling due after more than one year	10		<u>(499,674)</u>		<u>(685,527)</u>
			<u>588,467</u>		<u>644,203</u>
Capital and reserves					
Called up share capital	11		2,336,632		2,336,632
Share premium account	12		2,681,367		2,681,367
Profit and loss account	12		<u>(4,429,532)</u>		<u>(4,373,796)</u>
Shareholders' funds	13		<u>588,467</u>		<u>644,203</u>

Approved by the Board and authorised for issue on 27/6/07



Director

THE SILVER FUND PLC

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

	£	2006 £	£	2005 £
Net cash inflow from operating activities		17,400		213,833
Returns on investments and servicing of finance				
Interest received	4		47	
Interest paid	(57,233)		(61,940)	
Net cash outflow for returns on investments and servicing of finance		(57,229)		(61,893)
Net cash (outflow)/inflow before management of liquid resources and financing		(39,829)		151,940
Financing				
New debenture loan	190,586		-	
Repurchase of debenture loan	(18,587)		(11,930)	
Repayment of long term bank loan	(132,766)		(123,749)	
Net cash inflow/(outflow) from financing		39,233		(135,679)
(Decrease)/increase in cash in the year		(596)		16,261

THE SILVER FUND PLC

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

1	Reconciliation of operating profit/(loss) to net cash inflow from operating activities		2006	2005
			£	£
	Operating profit/(loss)		1,493	(8,965)
	Decrease in stocks		436,896	345,086
	Increase in debtors		(177,159)	(502,435)
	(Decrease)/Increase in creditors within one year		(243,830)	380,147
	Net cash inflow from operating activities		17,400	213,833
2	Analysis of net debt	1 April 2005	Cash flow	Other non- 31 March 2006 cash changes
		£	£	£
	Net cash			
	Cash at bank and in hand	1,277	(1,011)	- 266
	Bank overdrafts	(427)	415	- (12)
		850	(596)	- 254
	Bank deposits	-	-	- -
	Debt			
	Debts falling due within one year	(206,100)	(225,086)	- (431,186)
	Debts falling due after one year	(685,527)	185,853	- (499,674)
		(891,627)	(39,233)	- (930,860)
	Net debt	(890,777)	(39,829)	- (930,606)
3	Reconciliation of net cash flow to movement in net debt		2006	2005
			£	£
	(Decrease)/increase in cash in the year		(596)	16,261
	Cash (inflow)/outflow from (increase)/decrease in debt		(39,233)	135,679
	Movement in net debt in the year		(39,829)	151,940
	Opening net debt		(890,777)	(1,042,717)
	Closing net debt		(930,606)	(890,777)

THE SILVER FUND PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), 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 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group

2 Operating profit/(loss)	2006	2005
	£	£
Operating profit/(loss) is stated after charging		
Auditors' remuneration	6,000	8,000
	<u> </u>	<u> </u>
3 Investment income	2006	2005
	£	£
Bank interest	4	47
	<u> </u>	<u> </u>

THE SILVER FUND PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

4	Interest payable	2006 £	2005 £
	On bank loans and overdrafts	22,909	31,474
	Other interest	34,324	30,466
		<u>57,233</u>	<u>61,940</u>
5	Taxation	2006	2005
	Current tax charge	-	-
	Factors affecting the tax charge for the year		
	Loss on ordinary activities before taxation	(55,736)	(573,293)
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 0.00% (2005 - 0.00%)	-	-
	Current tax charge	-	-

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

6 Fixed asset investments

	Shares in subsidiary undertakings £
Cost	
At 1 April 2005 & at 31 March 2006	3,000,000
Provisions for diminution in value	
At 1 April 2005 & at 31 March 2006	2,500,000
Net book value	
At 31 March 2006	500,000
At 31 March 2005	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	Class	Shares held %
Subsidiary undertakings			
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 2006 £	Profit for the year 2006 £
Silver Fund Investment com Limited	Principal activity Antique silver dealing	(242,067)	(234,433)
The Silver Fund Inc	Antique silver dealing	-	-

7 Stocks	2006 £	2005 £
Goods for resale	1,323,081	1,759,977

THE SILVER FUND PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

8	Debtors	2006 £	2005 £
	Amounts owed by subsidiary undertakings	177,159	-
		<u>177,159</u>	<u>-</u>
9	Creditors amounts falling due within one year	2006 £	2005 £
	Debenture loans	295,586	70,500
	Bank loans and overdrafts	135,612	136,027
	Amounts owed to subsidiary undertakings	-	413,898
	Taxes and social security costs	179,145	188,371
	Other creditors	12,000	12,254
	Accruals and deferred income	290,022	110,474
		<u>912,365</u>	<u>931,524</u>
	Debt due in one year or less	<u>431,186</u>	<u>206,100</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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

10 Creditors amounts falling due after more than one year	2006 £	2005 £
Debenture loans	391,859	444,946
Bank loans	107,815	240,581
	<u>499,674</u>	<u>685,527</u>
Analysis of loans		
Wholly repayable within five years	930,860	891,627
	<u>930,860</u>	<u>891,627</u>
Included in current liabilities	(431,186)	(206,100)
	<u>499,674</u>	<u>685,527</u>
Loan maturity analysis		
In more than one year but not more than two years	221,815	240,600
In more than two years but not more than five years	277,859	444,927
	<u>221,815</u>	<u>444,927</u>

The aggregate amount of creditors for which security has been given amounted to £930,872 (2005 £891,627). The security relates to two debentures over the company's assets in favour of Lloyds TSB Bank Plc in regard to bank loans and Silver Fund 1 Limited in regard to debenture loans.

11 Share capital	2006 £	2005 £
Authorised		
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 have no 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.

THE SILVER FUND PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

12 Statement of movements on reserves

	Share premium account £	Profit and loss account £
Balance at 1 April 2005	2,681,367	(4,373,796)
Loss for the year	-	(55,736)
Balance at 31 March 2006	<u>2,681,367</u>	<u>(4,429,532)</u>

13 Reconciliation of movements in shareholders' funds

	2006 £	2005 £
Loss for the financial year	(55,736)	(573,293)
Opening shareholders' funds	644,203	1,217,496
Closing shareholders' funds	<u>588,467</u>	<u>644,203</u>

14 Directors' emoluments

	2006 £	2005 £
Emoluments for qualifying services	<u>132,395</u>	<u>135,180</u>

THE SILVER FUND PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

15 Employees

Number of employees

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

	2006 Number	2005 Number
Directors	2	2
Other employees	3	4
	<u>5</u>	<u>6</u>

Employment costs

	2006 £	2005 £
Wages and salaries	220,518	228,221
Social security costs	21,428	22,744
	<u>241,946</u>	<u>250,965</u>

16 Control

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

17 Related party transactions

Included within debtors is an amount of £177,159 (2005 £413,898 included within creditors) due from Silver Fund Investment com Limited, the company's subsidiary undertaking

During the year the company transferred £436,896 (2005 £345,086) of stock at cost to Silver Fund Investment com Limited and also charged Silver Fund Investment com Limited a management charge of £250,000 (2005 £250,000) The transactions took place at arms length

Included within creditors due within one year is an amount of £163,784 (2005 £58,784) due to the director and shareholder M James Esq