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SFIA LIMITED

Company Registration No: 03996410

DIRECTORS' REPORT

AND

FINANCIAL STATEMENTS

31st DECEMBER 2004

P.A. COOK & CO
Chartered Accountants

Crown House
London Road
Loudwater
High Wycombe
Bucks



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COMPANIES HOUSE

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28/10/2005

SFIA LIMITED

DIRECTORS REPORT

FOR THE YEAR ENDED 31st DECEMBER 2004

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31st December 2004.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company was the receipt of income from selling policies to provide for school fees. During the year the company acquired the Goodwill, customer database and other intellectual property of SFIA Mason and Mason, a partnership in which C. Procter and D. Bonnar have a 25% interest (each).

BUSINESS REVIEW

The directors considered the company to have under-performed in the year to 31st December 2004 and have effected a change in management structure and shareholdings in the year to 31st December 2004. These changes are expected to bring significant improvements to company performance and profitability.

RESULTS AND DIVIDENDS

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:-

	<u>Ordinary Shares of £1 each</u>	
	<u>A Ords</u>	<u>A Ords</u>
	<u>31.12.04</u>	<u>01.01.04</u>
	No.	No.
C. Procter	-	2,700
D. Bonnar	-	2,700

SFIA LIMITED

DIRECTORS REPORT

FOR THE YEAR ENDED 31st DECEMBER 2004

STATEMENT OF 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 and loss of the company for that year.

In preparing those financial statements, the directors are required to:

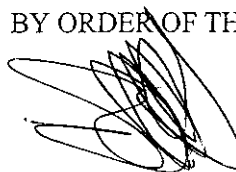
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the Financial Reporting Standard for Smaller Entities has been followed, subject to any material departures disclosed and explained in the financial 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 assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

A resolution to re-appoint P.A. Cook & Co as auditors for the ensuing year will be proposed at the Annual General Meeting in accordance with Section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



C. Procter
DIRECTOR

25/10/2005

Crown House
London Road
Loudwater
High Wycombe
Bucks

INDEPENDENT AUDITORS REPORT

TO THE SHAREHOLDERS OF

SFIA LIMITED

We have audited the financial statements of SFIA Limited for the year ended 31st December 2004 on pages 5 to 12. 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 directors and auditors

As described on page 2 the company's directors are responsible for the preparation of 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 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 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 a 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.

INDEPENDENT AUDITORS REPORT


TO THE SHAREHOLDERS OF

SFIA LIMITED

Opinion

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

Crown House
London Road
Loudwater
High Wycombe
Bucks
HP10 9TJ


P.A. COOK & CO
Registered Auditor &
Chartered Accountant

25/12/2005

SFIA LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31st DECEMBER 2004

	<u>Notes</u>	<u>31.12.04</u> £	<u>31.12.03</u> £
<u>CONTINUING ACTIVITIES</u>			
TURNOVER	2	889,003	634,942
Cost of Sales		385,045	246,516
GROSS PROFIT		<u>503,958</u>	<u>388,426</u>
Administrative Expenses		526,639	354,062
OPERATING PROFIT (LOSS)	3	(22,681)	34,364
Income from shares in group undertakings	5	-	50,000
(LOSS) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(22,681)	84,364
Tax on profit on ordinary activities	6	(2,500)	(11,600)
(LOSS) PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(25,181)	72,764
Proposed Dividend		-	(36,000)
RETAINED (LOSS) PROFIT FOR THE YEAR	14	£(<u>25,181</u>)	£ <u>36,764</u>

There were no acquisitions or discontinued operations during the current or preceding year.

The company has no recognised gains or losses other than the results for the year as set out above.

The Notes to the Financial Statements on pages 8 to 12 form part of these Accounts.

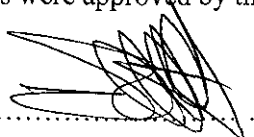
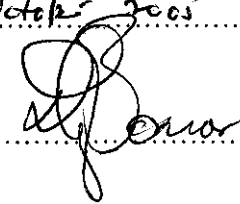
SFIA LIMITED

BALANCE SHEET

AS AT 31st DECEMBER 2004

	<u>Notes</u>	<u>31.12.04</u> £	<u>31.12.03</u> £
<u>FIXED ASSETS</u>			
Goodwill	7	176,000	-
Investments	8	-	645,978
<u>CURRENT ASSETS</u>			
Debtors	9	18,706	775,325
Cash at Bank		<u>12,544</u>	<u>10,243</u>
		31,250	785,568
<u>CREDITORS</u> - Amounts falling due within one year	10	<u>137,494</u>	<u>1,077,153</u>
NET CURRENT ASSETS/(LIABILITIES)		(106,244)	(291,585)
<hr/>			
TOTAL ASSETS LESS CURRENT LIABILITIES		69,756	354,393
<u>CREDITORS</u> - Amounts falling due after one year	11	-	(259,456)
NET ASSETS		£ <u>69,756</u>	£ <u>94,937</u>
<u>CAPITAL AND RESERVES</u>			
Called up Share Capital (equity interests)	12	12,000	12,000
Share Premium Account	13	19,400	19,400
Profit and Loss Account	14	38,356	63,537
SHAREHOLDERS FUNDS	15	£ <u>69,756</u>	£ <u>94,937</u>

The Accounts were approved by the Board on 25 October 2005

C. Procter  D. Bonnar 
Director Director

The Notes to the Financial Statements on pages 8 to 12 form part of these Accounts.

SFIA LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31st DECEMBER 2004

	<u>31.12.04</u>	<u>31.12.03</u>
	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	4,801	5,487
<u>CAPITAL EXPENDITURE</u>		
Taxation Paid	(2,500)	(11,600)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING	£ <u>2,301</u>	£(<u>6,113</u>)
RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Operating Profit (Loss)	(22,681)	48,364
(Acquisition) Disposal of fixed assets	(220,000)	2,186
Disposal of Investment	645,978	-
Movement in Debtors	756,619	(695,679)
(Decrease)/Increase in Creditors	(1,199,115)	650,616
Non Cash expenses in Profit and Loss Account	44,000	-
NET CASH INFLOW FROM OPERATING ACTIVITIES	£ <u>4,801</u>	£ <u>5,487</u>
Analysis of change in Net Debt	<u>31.12.04</u>	<u>Cash Flow</u>
	£	£
Cash at Bank	<u>12,544</u>	<u>2,301</u>
		<u>10,243</u>

SFIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 2004

1 ACCOUNTING POLICIES

Basis of Accounting

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

Turnover

Turnover represents commissions earned from the company's principal activity. Renewals are accounted for when received.

Recharged Expenses

The company does not incur any direct costs or certain administrative overheads. A recharge of costs is made by the holding company in proportion to the company's contribution to group turnover.

Goodwill

Purchased Goodwill is written off over 5 years on a straight line basis.

2 TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

3	<u>OPERATING PROFIT</u>	<u>31.12.04</u>	<u>31.12.03</u>
		£	£
	Operating Profit is stated after charging:		
	Auditors Remuneration (Recharged)	4,113	4,113
	Recharged Expenses	-	18,413
	Goodwill Written Off	<u>44,000</u>	<u>-</u>

4 PARTICULARS OF EMPLOYEES

Staff costs recharged from group company:

Wages, Salaries, Social Security Costs and Pensions	-	128,098
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The average number of staff employed by the company during the year was:	<u>No.</u>	<u>No.</u>
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Directors	2	4
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Recharged directors remuneration	£ <u>-</u>	£ <u>28,236</u>
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SFIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 2004

5 <u>INCOME FROM GROUP UNDERTAKINGS</u>	<u>2004</u>	<u>2003</u>
	£	£
Dividends Received from Subsidiary Company	-	50,000

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

a) Analysis of the charge for the year:

Current Tax		
UK Corporation Tax at 19%	<u>2,500</u>	<u>11,200</u>

b) **Factors that may affect future tax charges:**

The company has no plans to invest in capital equipment, therefore no capital allowances can be claimed and no provision for deferred tax is required.

The company's planned rate of expansion will lead to a corresponding increase in corporation tax payable, subject to changes in rates.

7 <u>GOODWILL</u>	£
Acquisition in the year at cost	<u>220,000</u>
At Cost 31st December 2004	£ <u>220,000</u>
<u>Depreciation</u>	
For the year	<u>44,000</u>
At 31st December 2004	<u>44,000</u>
Net Book Value 31st December 2004	£ <u>176,000</u>

8 INVESTMENT

<u>Investment in Subsidiary</u>	£
<u>Cost</u>	
At 1st January 2004	645,979
Disposal	(645,979)
At 31st December 2004	£ <u>-</u>

The investment was transferred to the holding company, SFIA Group Limited, at cost.

SFIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 2004

9	<u>DEBTORS</u>	<u>31.12.04</u>	<u>31.12.03</u>
		£	£
	Dividend Receivable from Subsidiary Company	-	50,000
	Trade Debtors	821	12,866
	Owed from related undertakings (Note 17)	6,485	701,044
	Other Debtors	11,400	11,415
		<u>18,706</u>	<u>775,325</u>
10	<u>CREDITORS</u> - Amounts falling due within one year:		
	Proposed Dividend	-	36,000
	Trade Creditors	12,104	6,103
	Owing to group undertaking (Note 17)	81,247	853,860
	Corporation Tax	19,886	17,800
	Subsidiary company acquisition	-	121,094
	Other Creditors	24,257	42,296
		<u>137,494</u>	<u>1,077,153</u>
11	<u>CREDITORS</u> - Amounts falling due after one year:	<u>31.12.04</u>	<u>31.12.03</u>
		£	£
	Other Creditors	-	259,456

This sum representing the outstanding purchase price for the subsidiary company was transferred to the holding company during the year.

SFIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 2004

12 SHARE CAPITAL

"A" £1
Ordinary
Shares

"B" £1
Ordinary
Shares

Authorised:

Ordinary shares of £1 each at

31st December 2003 and 31st December 2004

20,000

Called up, allotted and fully paid:

At 31st December 2003 and at

31st December 2004

5,400

6,600

"A" Ordinary Shares carry voting rights, "B" Ordinary Shares carry no voting rights. Different rates of dividend may be declared on different classes of shares.

13 SHARE PREMIUM

£

At 1st January 2004 and at

31st December 2004

19,400

14 PROFIT AND LOSS ACCOUNT

31.12.04
£

31.12.03
£

At 1st January 2004

63,537

26,773

(Loss) Profit for the year

(25,181)

36,764

£ 38,356

£ 63,537

15 RECONCILIATION OF MOVEMENT IN
SHAREHOLDERS FUNDS

At 1st January 2004

94,937

58,173

Result for the year

(25,181)

36,764

Shareholders Funds at 31st December
2004 (equity interests)

£ 69,756

£ 94,937

16 PARENT UNDERTAKING & CONTROL

The company's immediate parent undertaking is SFIA Group Limited, a company incorporated in England.

Group accounts for the parent undertaking incorporating SFIA Limited are on public record at Companies House.

The parent undertaking is controlled by common Directors, C. Procter and D. Bonnar.

SFIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 2004

17 RELATED PARTY TRANSACTIONS

Advantage has been taken of the exemption from the disclosure of related party transactions on the grounds that the company is a member of a group where more than 90% of the voting rights are controlled within the group, and whose accounts are publicly available.

18 TRANSACTIONS WITH DIRECTORS

	<u>Transaction</u>	<u>Balance</u>
	£	£
i) Owing to SFIA Mason & Mason, a partnership which the Directors are partners		6,297
Repayment of loans of monies	700,856	-
ii) Owing from SFIA Consultancy, a partnership of the Directors		
Repayment of loans of money	14	-
iii) Directors Loans		
Balances owing to the Directors at 31st December 2004		
C. Procter		18,007
D. Bonnar		6,249

The loans are interest free and there are no repayment dates. The maximum amounts outstanding during the year were £23,000 and £10,000 Respectively.