

# **CASTLEGATE 211 LIMITED**

**ANNUAL REPORT**

**YEAR ENDED  
28 FEBRUARY 2004**



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Accountants and business advisors

**CASTLEGATE 211 LIMITED**

Company Number: 04292514

**ANNUAL REPORT**

**YEAR ENDED 28 FEBRUARY 2004**

# CASTLEGATE 211 LIMITED

## COMPANY INFORMATION

**Directors** Dr J H W Engler  
Dr N E Rotherham  
M Dunfoy  
S J Kent  
L G Dibden  
Dr E Moses

**Secretary** A D Hampson

**Company Number** 04292514

**Registered Office** Lady Bay House  
Meadow Grove  
Nottingham  
Nottinghamshire  
NG2 3HF

**Auditors** PKF  
Regent House  
Clinton Avenue  
Nottingham  
NG5 1AZ

# CASTLEGATE 211 LIMITED

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**CASTLEGATE 211 LIMITED**  
**DIRECTORS' REPORT**  
**YEAR ENDED 28 FEBRUARY 2004**

The directors submit their report and the consolidated financial statements for the year ended 28 February 2004.

**Results and dividends**

The loss for the year, after taxation, amounted to **£766,000** (2003 - £312,000).

The directors recommend a dividend of £62,000 leaving a deficit of £828,000 which is deducted from retained reserves.

**Principal activity and review of the business**

The company's principal activity during the period was that of a holding company.

The principal activity of the company's subsidiary undertaking ClinPhone Group Limited was the provision of interactive voice response and other services, primarily to the pharmaceutical industry, mainly utilised in the co-ordination of multi-national clinical trials into new medicines.

The directors are satisfied with the result for the year and will continue to develop the business.

**Research and development activities**

The Group has maintained its commitment in the area of research and development. Continuity of investment in this area is essential if the Group is to retain a competitive position in the market.

**Directors**

The directors who served during the year and their interests in the company's issued share capital at the balance sheet date and at the start of the year were:

	<b>"A" Ordinary Shares of 1p each</b>	
	<b>2004</b>	<b>2003</b>
Dr J H W Engler	<b>2,500,100</b>	25,001
Dr N E Rotherham	<b>2,500,100</b>	25,001
J W Sharman (resigned 6 September 2004)	-	-
M Dunfoy	-	-
S J Kent	-	-

L G Dibden and Dr E Moses were appointed as directors on 6 September 2004.

**Employee involvement and employment of disabled persons**

Regular meetings are held between management and employees to allow a free flow of information and ideas, and employees have also been encouraged to present their suggestions and views on the company's performance.

The company gives every consideration to applications for employment from disabled people where the requirements of the job may be adequately covered by a handicapped or disabled person.

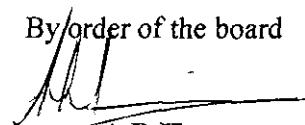
With regard to existing employees and those who have become disabled during the year, the company has continued to examine ways of providing continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

**CASTLEGATE 211 LIMITED**  
**DIRECTORS' REPORT (continued)**  
**YEAR ENDED 28 FEBRUARY 2004**

**Auditors**

The auditors, PKF, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

By order of the board



**A D Hampson**  
Secretary

**CASTLEGATE 211 LIMITED**  
**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 group and of the profit or loss of the group 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 the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the directors' report and other information included in the annual report is prepared in accordance with company law in the United Kingdom.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
CASTLEGATE 211 LIMITED**

We have audited the financial statements of Castlegate 211 Limited for the period ended 28 February 2004 which comprise the Consolidated Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Consolidated Balance Sheet, the Balance Sheet the Consolidated Cash Flow Statement and the related notes. 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 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 directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 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 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and group'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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
CASTLEGATE 211 LIMITED (continued)**

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's and group's affairs as at 28 February 2004 and of the group's loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Nottingham, UK

14 DEC 04



**PKF**  
Registered Auditors

**CASTLEGATE 211 LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 28 FEBRUARY 2004**

	Notes	Year ended 28 February 2004 £000	Sixteen months ended 28 February 2003 £000 (As restated)
<b>TURNOVER</b>	2	22,411	20,309
Cost of sales		(9,181)	(8,477)
<b>GROSS PROFIT</b>		13,230	11,832
Administrative expenses - normal		(10,919)	(9,031)
Administrative expenses - exceptional	3	(180)	(35)
<b>OPERATING PROFIT before amortisation</b>	4	2,131	2,766
Administrative expenses - amortisation		(1,903)	(2,040)
<b>OPERATING PROFIT</b>		228	726
Interest receivable and similar income	8	-	100
Interest payable and similar charges	9	(390)	(557)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(162)	269
<b>TAXATION</b>	10	(604)	(581)
<b>LOSS FOR THE FINANCIAL YEAR</b>	24	(766)	(312)
<b>DIVIDENDS</b>	11	(62)	-
		(828)	(312)

All amounts relate to continuing operations.

**CASTLEGATE 211 LIMITED**  
**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**YEAR ENDED 28 FEBRUARY 2004**

	Year ended 28 February 2004 £000	Sixteen months ended 28 February 2003 £000
Loss for the financial year	(766)	(312)
Currency translation differences on foreign currency net investments	(116)	(49)
<b>Total recognised gains and losses relating to the year</b>	<u><u>(882)</u></u>	<u><u>(361)</u></u>

**CASTLEGATE 211 LIMITED**  
**CONSOLIDATED BALANCE SHEET**  
**28 FEBRUARY 2004**

	Notes	2004 £000	2003 £000
<b>FIXED ASSETS</b>			
Intangible	12	25,594	24,630
Tangible	14	1,217	1,685
		<u>26,811</u>	<u>26,315</u>
<b>CURRENT ASSETS</b>			
Stocks	16	441	316
Debtors	17	4,845	4,299
Cash at bank and in hand		502	4,304
		<u>5,788</u>	<u>8,919</u>
<b>CREDITORS: amounts falling due within one year</b>	18	<u>(4,567)</u>	<u>(7,330)</u>
<b>NET CURRENT ASSETS</b>		<u>1,221</u>	<u>1,589</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>28,032</u>	<u>27,904</u>
<b>CREDITORS: amounts falling due after more than one year</b>	19	(5,661)	(4,769)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	21	<u>(180)</u>	<u>-</u>
<b>NET ASSETS</b>		<u><u>22,191</u></u>	<u><u>23,135</u></u>
<b>CAPITAL AND RESERVES</b> (including non-equity interests)			
Called up share capital	22	1,600	1,501
Share premium account	23	21,896	21,995
Profit and loss account	23	(1,305)	(361)
<b>SHAREHOLDERS' FUNDS</b>	24	<u><u>22,191</u></u>	<u><u>23,135</u></u>

The financial statements were approved by the board on 14 December 2004

Signed on behalf of the board of directors

N E Rotherham

Director

S J Kent

Director

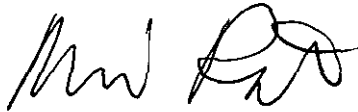
# CASTLEGATE 211 LIMITED

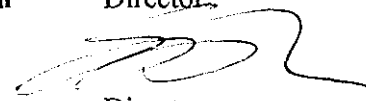
## BALANCE SHEET 28 FEBRUARY 2004

	Notes	2004 £000	2003 £000
<b>FIXED ASSETS</b>			
Investments	15	26,281	26,281
<b>CURRENT ASSETS</b>			
Debtors	17	823	3
Cash at bank and in hand		-	4,003
		<u>823</u>	<u>4,006</u>
<b>CREDITORS: amounts falling due within one year</b>	18	<u>(64)</u>	<u>(4,226)</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		759	(220)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>27,040</u>	<u>26,061</u>
<b>CREDITORS: amounts falling due after more than one year</b>	19	<u>(3,295)</u>	<u>(2,834)</u>
<b>NET ASSETS</b>		<u><u>23,745</u></u>	<u><u>23,227</u></u>
<b>CAPITAL AND RESERVES</b> (including non-equity interests)			
Called up share capital	22	1,600	1,501
Share premium account	23	21,896	21,995
Profit and loss account	23	249	(269)
		<u>23,745</u>	<u>23,227</u>

The financial statements were approved by the board on 14 December 2004

Signed on behalf of the board of directors

  
N E Rotherham Director

  
S J Kent Director

**CASTLEGATE 211 LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**YEAR ENDED 28 FEBRUARY 2004**

	Year ended 28 February 2004 £000	Sixteen months ended 28 February 2003 £000
<b>Reconciliation of operating operating profit to net cash inflow from operating activities</b>		
Operating profit	228	726
Amortisation of intangible assets	1,903	2,040
Depreciation of tangible fixed assets	1,065	1,088
Loss/(profit) on sale of fixed assets	4	(5)
Increase in debtors	(821)	(273)
Increase in stocks	(125)	(134)
Increase in creditors	899	166
Provision	180	-
<b>Net cash inflow from operating activities</b>	<b>3,333</b>	<b>3,608</b>
 <b>CASH FLOW STATEMENT (note 25)</b>		
Net cash inflow from operating activities	3,333	3,608
Returns on investments and servicing of finance	(148)	(223)
Taxation	(849)	(1,158)
Capital expenditure	(1,520)	(853)
Acquisitions and disposals	-	(624)
	816	750
<b>Financing</b>	<b>(4,613)</b>	<b>3,575</b>
<b>(Decrease)/increase in cash</b>	<b>(3,797)</b>	<b>4,325</b>
 <b>Reconciliation of net cash flow to movement in net debt (note 26)</b>		
(Decrease)/increase in cash in the year	(3,797)	4,325
Decrease/(increase) in debt financing	4,613	(2,158)
Loans acquired with subsidiary	-	(7,465)
Exchange difference on foreign debt	305	213
Issue costs	(25)	(25)
<b>Change in net debt</b>	<b>1,096</b>	<b>(5,110)</b>
Net debt at 1 March 2003	(5,110)	-
<b>Net debt at 28 February 2004</b>	<b>(4,014)</b>	<b>(5,110)</b>

**CASTLEGATE 211 LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 28 FEBRUARY 2004**

**1 ACCOUNTING POLICIES**

**(a) Basis of preparation of financial statements**

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

The consolidated financial statements comprise the audited financial statements of the company and its subsidiary undertakings made up to 28 February 2004.

A separate profit and loss account for the parent company has not been prepared as permitted by Section 230(2) of the Companies Act 1985.

**(b) Turnover**

Turnover comprises the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts.

Turnover is recognised when services are provided by the group in accordance with contract terms between the group and its clients. Such contracts specify performance benchmarks for billing purposes which form the basis for the turnover recognition.

**(c) Intangible fixed assets**

Goodwill arising on the acquisition of subsidiary undertakings is capitalised and amortised over its useful economic life up to a maximum of twenty years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying amount may not be recoverable.

Licences are stated at cost less amortisation, and amortisation is calculated to write off the costs on a straight line basis over the estimated useful economic life of the licence, up to a maximum of the term of the licence.

Intellectual property rights are stated at cost less amortisation, and amortisation is calculated to write off the costs on a straight line basis over the estimated useful economic life of the rights, which will normally be less than twenty years.

**(d) Tangible fixed assets**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant, machinery, fixtures, fittings and office equipment	over 2-4 years straight line
Motor vehicles	over 4 years straight line

Leasehold improvements are depreciated over the shorter of four years or the remainder of the lease.

**CASTLEGATE 211 LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 28 FEBRUARY 2004**

**1 ACCOUNTING POLICIES (continued)**

**(e) Operating leases**

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

**(f) Investments**

Investments are stated at the lower of cost and net realisable value. A provision is made for permanent diminution in value.

**(g) Work in progress**

Work in progress is stated at the lower of cost and net realisable value. Cost includes all direct costs incurred and attributable overheads. Net realisable value is based on estimated selling price allowing for all further costs of completion and disposal.

**(h) Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Exchange differences are taken to the profit and loss account.

The financial statements of foreign subsidiaries are translated into sterling at the closing rates of exchange and the difference arising from the translation of the opening net investment in subsidiaries at the closing rate and matched long-term foreign currency borrowings are taken directly to reserves.

**(i) Deferred taxation**

Deferred taxation is provided in full on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates which is expected that tax will arise.

A deferred taxation asset is recognised if transactions have occurred at the balance sheet date that give rise to a right to pay less taxation in the future and there is no uncertainty as to the transfer of future economic benefits.

Deferred tax assets and liabilities have not been discounted.

**(j) Derivative financial instruments**

The group uses derivative financial instruments to hedge its exposures to foreign exchange risk and interest rate movements. Gains and losses arising on hedging arrangements are recognised in the profit and loss account on maturity of the underlying transaction. Gains or losses arising on hedging arrangements are netted off and the underlying exposure is taken to the profit and loss account immediately.

The group's objectives in managing the currency exposures arising from its net investment overseas are to maintain a low cost of borrowings whilst hedging against currency depreciation on operational exposures. Gains and losses arising from these structural currency exposures are recognised in the statement of total recognised gains and losses.

**CASTLEGATE 211 LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 28 FEBRUARY 2004**

**1 ACCOUNTING POLICIES (continued)**

**(k) Pensions**

The group companies contribute to various group personal and independent defined contribution pension schemes in the countries it operates in.

The pension cost charge represents contributions payable by that company to these funds in respect of the period.

**(l) Research and development**

Development costs are written off to the profit and loss account in the year they are incurred unless it is possible to estimate the useful economic life, then the development expenditure is capitalised and amortised over its estimated useful economic life.

**2 TURNOVER**

Turnover is attributable to one class of business.

Turnover is analysed by geographical market as follows:

	Year ended 28 February 2004 £000	Sixteen months ended 28 February 2003 £000
United Kingdom	4,571	3,561
European Union	1,831	1,866
United States	13,622	12,624
Other	2,387	2,258
Total	<u>22,411</u>	<u>20,309</u>

**3 EXCEPTIONAL ITEMS**

	Year ended 28 February 2004 £000	Sixteen months ended 28 February 2003 £000
Corporate finance costs	-	35
US property lease	180	-
	<u>180</u>	<u>35</u>

**CASTLEGATE 211 LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 28 FEBRUARY 2004**

**4 OPERATING PROFIT**

The operating profit is stated after charging:

	Year ended 28 February 2004 £000	Sixteen months ended 28 February 2003 £000
Amortisation of intangible assets	1,903	2,040
Depreciation of tangible fixed assets:		
- owned by the company	1,065	1,088
Audit fees	32	37
Auditors' remuneration - non-audit services	28	55
Operating lease rentals:		
- plant & machinery	86	110
- other	789	554
Research and development costs	1,023	923
	<u>          </u>	<u>          </u>

During the year £1,008,000 of costs have been reclassified from cost of sales to administrative expenses. This is considered to be a more appropriate accounting treatment given the nature of the expenses involved. The comparative figures have been restated accordingly and amounted to £921,000.

**5 DIRECTORS' EMOLUMENTS AND BENEFITS**

	Year ended 28 February 2004 £000	Sixteen months ended 28 February 2003 £000
Directors' emoluments	442	343
Contributions to money purchase pension schemes	64	56
	<u>          </u>	<u>          </u>

The number of directors accruing benefits under pension schemes were:

	No	No
Money purchase schemes	3	3
	<u>          </u>	<u>          </u>

The highest paid director received emoluments and benefits as follows:

	Year ended 28 February 2004 £000	Sixteen months ended 28 February 2003 £000
Emoluments	146	144
Contributions to money purchase pension schemes	26	27
	<u>          </u>	<u>          </u>

**CASTLEGATE 211 LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 28 FEBRUARY 2004**

**6 STAFF COSTS**

Staff costs, including directors' emoluments, were as follows:

	Year ended 28 February 2004 £000	Sixteen months ended 28 February 2003 £000
Wages and salaries	10,425	8,813
Social security costs	996	708
Other pension costs	511	304
	<u>11,932</u>	<u>9,825</u>

The average monthly number of employees, including executive directors, during the year was:

	No	No
Operations	225	210
Sales and administration	134	93
	<u>359</u>	<u>303</u>

**7 PENSION COSTS**

The group companies contribute to various group personal and independent defined contribution pension schemes in the countries it operates in.

Contributions made by the group to these schemes during the year amounted to £511,000 (2003 - £304,000).

**8 INTEREST RECEIVABLE AND SIMILAR INCOME**

	Year ended 28 February 2004 £000	Sixteen months ended 28 February 2003 £000
Other interest receivable	-	100
	<u>-</u>	<u>100</u>

**9 INTEREST PAYABLE AND SIMILAR CHARGES**

	Year ended 28 February 2004 £000	Sixteen months ended 28 February 2003 £000
Bank loans and overdrafts	148	215
Other loans	242	342
	<u>390</u>	<u>557</u>

**CASTLEGATE 211 LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 28 FEBRUARY 2004**

**10 TAXATION**

	<b>Year ended 28 February 2004 £000</b>	<b>Sixteen months ended 28 February 2003 £000</b>
<b>(a) Analysis of charge in year</b>		
<b>UK corporation tax</b>		
Current tax on income for the year	512	568
Adjustments in respect of prior periods	-	(167)
<b>Total UK taxation</b>	<u>512</u>	<u>401</u>
<b>Foreign tax</b>		
Current tax on income for the year	213	233
Adjustments in respect of prior periods	-	(10)
	<u>213</u>	<u>223</u>
<b>Total current tax</b>	<u>725</u>	<u>624</u>
<b>Deferred tax</b>		
Current tax on income for the period	(121)	(43)
	<u>604</u>	<u>581</u>

**CASTLEGATE 211 LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 28 FEBRUARY 2004**

**10 TAXATION (continued)**

**(b) Factors affecting the tax charge for the year**

The tax assessed for the year does not reflect a credit equivalent to the loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	Year ended 28 February 2004 £000	Sixteen months ended 28 February 2003 £000
(Loss)/profit on ordinary activities before tax	(162)	269
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax of 30% (2003 - 30%)	(49)	81
Effects of:		
Expenses not deductible for tax purposes	24	24
Depreciation in excess of capital allowances	164	150
Goodwill amortisation not deductible for tax purposes	527	612
Adjustments in respect of prior periods	-	(177)
Tax rates effective in other jurisdictions	19	51
Other timing differences	40	17
Additional tax relief for research and development	-	(130)
Marginal relief	-	(4)
Current tax charge for the year	725	624

A group company has submitted a research and development tax claim in respect of 2001 and 2002 giving rise to a tax repayment in 2003.

**11 DIVIDENDS**

	Year ended 28 February 2004 £000	Sixteen months ended 28 February 2003 £000
<b>B Ordinary shares</b>		
Final proposed	62	-
of which:		
Dividends on equity shares	62	-

**CASTLEGATE 211 LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 28 FEBRUARY 2004**

**12 INTANGIBLE FIXED ASSETS**

**Group**

	<b>Licences £000</b>	<b>Goodwill £000</b>	<b>Total £000</b>
<b>Cost</b>			
At 1 March 2003	-	26,669	26,669
Additions	1,167	1,700	2,867
At 28 February 2004	<u>1,167</u>	<u>28,369</u>	<u>29,536</u>
<b>Amortisation</b>			
At 1 March 2003	-	2,039	2,039
Charge for the year	107	1,796	1,903
At 28 February 2004	<u>107</u>	<u>3,835</u>	<u>3,942</u>
<b>Net book amount</b>			
At 28 February 2004	<u>1,060</u>	<u>24,534</u>	<u>25,594</u>
At 28 February 2003	<u>-</u>	<u>24,630</u>	<u>24,630</u>

Goodwill brought forward includes £26,388,695 that arose from the acquisition on 28 February 2002 of ClinPhone Group Limited. This is being amortised over fifteen years.

The goodwill addition in the year arose on the acquisition of the trade and assets of TrialTrac Inc., a company incorporated in the United States of America. The acquisition was made in January 2004, and the goodwill is being amortised over four years.

The licence was purchased in September 2003 and is being amortised over five years.

**CASTLEGATE 211 LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 28 FEBRUARY 2004**

**13 ACQUISITIONS AND DISPOSALS**

The group acquired the trade and assets of TrialTrac Inc, a California corporation, on 9 January 2004.

The substantial acquisition disclosures have not been made for this acquisition, because it is not an acquisition of a substantial existing business. The trade and assets of TrialTrac Inc. were acquired for their development potential, not their existing trading performance.

	Book Value £000	Other fair value adjustments £000	Fair value £000
Intellectual property	100	-	100
Tangible fixed assets	5	(5)	-
	<hr/>	<hr/>	<hr/>
Net assets acquired	105	(5)	100
Goodwill arising	1,695	5	1,700
	<hr/>	<hr/>	<hr/>
	1,800	-	1,800
	<hr/>	<hr/>	<hr/>
<b>Satisfied by:</b>			
Cash			397
Deferred consideration			1,403
			<hr/>
Total consideration for acquisitions in the year			1,800
			<hr/>

**CASTLEGATE 211 LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**14 TANGIBLE FIXED ASSETS**

**Group**

	Leasehold improvements £000	Plant and machinery £000	Motor vehicles £000	Total £000
<b>Cost</b>				
At 1 March 2003	1,040	2,949	22	4,011
Additions	47	582	-	629
Disposals	-	-	(5)	(5)
Exchange differences	(2)	(55)	(3)	(60)
At 28 February 2004	<u>1,085</u>	<u>3,476</u>	<u>14</u>	<u>4,575</u>
<b>Depreciation</b>				
At 1 March 2003	573	1,737	16	2,326
Charge for year	263	801	1	1,065
On disposals	-	-	(1)	(1)
Exchange differences	-	(30)	(2)	(32)
At 28 February 2004	<u>836</u>	<u>2,508</u>	<u>14</u>	<u>3,358</u>
<b>Net book amount</b>				
At 28 February 2004	<u>249</u>	<u>968</u>	<u>-</u>	<u>1,217</u>
At 28 February 2003	<u>467</u>	<u>1,212</u>	<u>6</u>	<u>1,685</u>

**CASTLEGATE 211 LIMITED**  
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**15 FIXED ASSET INVESTMENTS**

**Company**

**Shares in  
subsidiary  
undertakings  
£000**

**Cost**

At 1 March 2003 and  
28 February 2004

**26,281**

Castlegate 211 Limited is a parent company and has the following subsidiary undertakings:

<b>Name</b>	<b>Nature of business</b>	<b>Shares held</b>	<b>Interest in shares Company</b>	<b>Interest in shares Group</b>
ClinPhone Group Limited	Provision of interactive voice response services	100,000 ordinary 1p shares	100%	100%
ClinPhone Limited (formerly Castlegate 283 Limited)	Research and development	1 ordinary £1 share	-%	100%
ClinPhone Inc	Provision of interactive voice response services	100 fully paid non-assessable shares of 1 cent each	-%	100%
Castlegate 252 Limited	Dormant	1,000 ordinary £1 shares	-%	100%
Random Access Services Limited	Dormant	31,000 "A" ordinary £1 shares	-%	100%
'Allo Language Services Limited	Translation services	2 "A" ordinary shares	-%	100%
Castlegate 284 Limited	Holding company	24,000,000 ordinary £1 shares	-%	100%
Castlegate 283 Limited (formerly ClinPhone Limited)	Dormant	36,480 "A" ordinary 1p shares and 913,920 "B" ordinary shares	-%	100%

ClinPhone Inc is registered in the USA. All other subsidiaries are registered in England.

**CASTLEGATE 211 LIMITED**  
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**16 STOCKS**

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Work in progress	<u>441</u>	<u>316</u>	<u>-</u>	<u>-</u>

**17 DEBTORS**

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Due within one year</b>				
Trade debtors	3,834	3,533	-	-
Amounts due from group undertakings	-	-	823	3
Other debtors	303	244	-	-
Prepayments and accrued income	<u>560</u>	<u>491</u>	<u>-</u>	<u>-</u>
	<u>4,697</u>	<u>4,268</u>	<u>823</u>	<u>3</u>
<b>Due after one year</b>				
Net deferred tax asset (note 21)	<u>148</u>	<u>31</u>	<u>-</u>	<u>-</u>
	<u>4,845</u>	<u>4,299</u>	<u>823</u>	<u>3</u>

**18 CREDITORS**

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year</b>				
Debenture loans (note 20)	-	4,000	-	4,000
Bank loans (note 20)	553	645	-	-
Trade creditors	1,005	987	-	-
Amounts owed to group undertakings	-	-	2	-
Corporation tax	110	234	-	-
Other tax and social security	229	206	-	-
Proposed dividends	62	-	62	-
Other creditors	892	50	-	-
Accruals and deferred income	<u>1,716</u>	<u>1,208</u>	<u>-</u>	<u>226</u>
	<u>4,567</u>	<u>7,330</u>	<u>64</u>	<u>4,226</u>

**CASTLEGATE 211 LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**19 CREDITORS**

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Amounts falling due after more than one year</b>				
Debenture loans (note 20)	2,858	2,834	2,858	2,834
Bank loans (note 20)	1,105	1,935	-	-
Other creditors	1,261	-	-	-
Accruals and deferred income	437	-	437	-
	<u>5,661</u>	<u>4,769</u>	<u>3,295</u>	<u>2,834</u>

Included within creditors falling due after more than one year above are amounts in respect of debts not wholly payable within five years of the balance sheet date as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Debenture loans	-	2,381	-	2,381

**CASTLEGATE 211 LIMITED**  
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**20 LOANS**

Loans fall due for payment as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Debenture loans</b>				
Within one year	-	4,000	-	4,000
Between two and five years	2,858	453	2,858	453
After more than five years	-	2,381	-	2,381
	<u>2,858</u>	<u>6,834</u>	<u>2,858</u>	<u>6,834</u>
	<u><u>2,858</u></u>	<u><u>6,834</u></u>	<u><u>2,858</u></u>	<u><u>6,834</u></u>
<b>Bank loans</b>				
Within one year	553	645	-	-
Between one and two years	553	645	-	-
Between two and five years	552	1,290	-	-
	<u>1,658</u>	<u>2,580</u>	<u>-</u>	<u>-</u>
	<u><u>1,658</u></u>	<u><u>2,580</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

The £475,000 6.5% loan stock is redeemable at par on or before 28 February 2008. This loan stock is unsecured. £17,637 of finance costs has been deducted from the loan stock balance and is being charged to the profit and loss account over the term of the instrument.

The £2,500,000 7.5% loan stock is redeemable at par on or before 28 February 2009. The interest rate increases to 9% on 1 March 2005. This loan stock is unsecured. £99,458 of finance costs has been deducted from the loan stock balance and is being charged to the profit and loss account over the term of the instrument.

The bank loans are repayable over a four year period and interest is charged at 2% per annum over the bank's base rate. Interest hedging arrangements were in place on part of the above loans.

The bank loans are secured by a fixed charge over the group's leasehold property, a first fixed charge over book and other debts and chattels both present and future, and a first floating charge over all assets and undertakings both present and future.

**CASTLEGATE 211 LIMITED**  
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**21 PROVISIONS FOR LIABILITIES AND CHARGES**

<b>Group</b>	<b>Deferred taxation £000</b>	<b>Other provisions £000</b>
At 1 March 2003	(31)	-
(Credited)/charged to profit	(121)	180
Exchange difference	4	-
<b>At 28 February 2004</b>	<b>(148)</b>	<b>180</b>

Deferred tax is analysed as follows:

	<b>2004 £000</b>	<b>2003 £000</b>
Capital allowances	(112)	(6)
Other timing differences	(36)	(25)
	<b>(148)</b>	<b>(31)</b>

The £180,000 provision has been made for the expected costs of exiting a property lease.

**22 SHARE CAPITAL**

	<b>Authorised £000</b>	<b>Allotted, called up and fully paid No</b>	<b>£000</b>
At 1 March 2003			
"A" Ordinary shares of 1p each	1	51,434	1
"B" Ordinary shares of 1p each	1	48,296	-
Preference shares of £1 each	1,500	1,500,000	1,500
	<u>1,502</u>	<u>1,599,730</u>	<u>1,501</u>
Movements in year:			
"A" Ordinary shares of 1p each	60	5,091,966	51
"B" Ordinary shares of 1p each	48	4,781,304	48
	<u>108</u>	<u>9,873,270</u>	<u>99</u>
<b>At 28 February 2004</b>			
"A" Ordinary shares of 1p each	61	5,143,400	52
"B" Ordinary shares of 1p each	49	4,829,600	48
Preference shares of £1 each	1,500	1,500,000	1,500
	<u>1,610</u>	<u>11,473,000</u>	<u>1,600</u>

**CASTLEGATE 211 LIMITED**  
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**22 SHARE CAPITAL (continued)**

During the year 5,091,966 "A" Ordinary shares with an aggregate nominal value of £51,000 were issued in payment of a dividend of £51,000 allotting 99 fully paid "A" Ordinary shares in respect of every "A" Ordinary share held

During the year 4,781,304 "B" Ordinary shares with an aggregate nominal value of £48,000 were issued in payment of a dividend of £48,000 allotting 99 fully paid "B" Ordinary shares in respect of every "B" Ordinary share held

The Preference shares have a cumulative dividend at the following rates: 2006 3%, 2007 9%, 2008 onwards 18%. Interest at 3% over base rate is incurred on any unpaid portion of the dividend. The preference shares must be redeemed within seven years, with the redemption value depending on the redemption date. The shares rank first among shareholders on winding up.

"B" Ordinary shares have a cumulative dividend at the following rates: 2004 6%, 2005 9%, 2006 onwards 12%. Interest at 3% over base rate is incurred on any unpaid portion of the dividend. If the dividend is unpaid, loan stock is in arrears or the fundamental future of the company is being discussed then the voting rights of the "B" Ordinary shares will be enhanced to give them 76% of the votes. On winding up of the company, the "B" Ordinary shareholders rank second among shareholders for £6.06 per share, and any balance is divided with the "A" Ordinary shareholders.

"A" Ordinary shares rank equally with the "B" Ordinary shares for voting rights, unless the special conditions described above apply. On winding up of the company, the "A" Ordinary shareholders rank third among shareholders for £1 a share, and any balance is shared with the "B" Ordinary shareholders.

Rights to options over the company's "A" Ordinary shares have been granted at £100 per share. The date from which these options can be exercised, and the number of shares which may be acquired are dependant on uncertain future events. If the options are not capable of exercise within 10 years from the date of grant they will lapse. The exercise price is equal to the market value of the shares at the date of grant, so no charge arises under UITF 17 accounting requirements.

**CASTLEGATE 211 LIMITED**  
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**23 RESERVES**

	<b>Group</b>	<b>Company</b>
	<b>£000</b>	<b>£000</b>
<b>Share premium account</b>		
At 1 March 2003	21,995	21,995
Bonus share issue	(99)	(99)
At 28 February 2004	<u>21,896</u>	<u>21,896</u>
<b>Profit and loss account</b>	<b>£000</b>	<b>£000</b>
At 1 March 2003	(361)	(269)
(Loss)/Profit for the year	(766)	580
Dividends	(62)	(62)
Movement on foreign currency borrowings	(116)	-
At 28 February 2004	<u>(1,305)</u>	<u>249</u>

As permitted by Section 230 of the Companies Act 1985, Castlegate 211 Limited has not presented its own profit and loss account. The profit after taxation in the accounts of Castlegate 211 Limited for the year amounted to £580,000 (2003 - £(269,000)).

**24 SHAREHOLDERS' FUNDS**

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Shareholders' funds at 1 March 2003	23,135	-
Loss for the year	(766)	(312)
Other recognised gains and losses	(116)	(49)
Dividends	(62)	-
Other movements:		
New shares issued	-	23,496
Shareholders' funds at 28 February 2004	<u>22,191</u>	<u>23,135</u>
Shareholders' funds include amounts attributable to non-equity interests as follows:		
Preference shares	1,500	1,500
Equity interests	20,691	21,635
Total	<u>22,191</u>	<u>23,135</u>

**CASTLEGATE 211 LIMITED**  
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**25 GROSS CASH FLOWS**

	Year ended 28 February 2004 £000	Sixteen months ended 28 February 2003 £000
<b>Returns on investments and servicing of finance</b>		
Interest received	-	100
Interest paid	(148)	(323)
	<u>(148)</u>	<u>(223)</u>
<b>Capital expenditure</b>		
Payments to acquire intangible fixed assets	(891)	-
Payments to acquire tangible fixed assets	(629)	(918)
Receipts from sales of tangible fixed assets	-	65
	<u>(1,520)</u>	<u>(853)</u>
<b>Acquisitions and disposals</b>		
Purchase of subsidiary undertakings	-	(542)
Net overdrafts acquired with subsidiaries	-	(82)
	<u>-</u>	<u>(624)</u>
<b>Financing</b>		
Issue of share capital	-	1,500
Expenses paid in connection with the issue of shares	-	(83)
New loans	-	3,234
Loans repaid	(4,613)	(1,076)
	<u>(4,613)</u>	<u>3,575</u>

**26 ANALYSIS OF CHANGES IN NET DEBT**

	At 1 March 2003 £000	Cash flows £000	Other changes £000	At 28 February 2004 £000
Cash at bank and in hand	4,304	(3,797)	(5)	502
Debt due within 1 year	(4,645)	4,580	(488)	(553)
Debt due after 1 year	(4,769)	33	773	(3,963)
Total	<u>(5,110)</u>	<u>816</u>	<u>280</u>	<u>(4,014)</u>

Other changes include exchange differences of £305,000 (2003 - £213,000), issue costs amortised of £25,000 (2003 - £25,000) and a movement from debt due after one year to debt due within one year of £570,000 (2003 - £693,000).

**CASTLEGATE 211 LIMITED**  
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**27 CAPITAL COMMITMENTS**

At 28 February 2004, the group had entered into forward foreign exchange contracts and other hedging arrangements to sell US dollars against sterling, amounting to £5,645,000 (2003 - £3,628,000).

**28 OTHER COMMITMENTS**

**Group**

At 28 February 2004 the group had annual commitments under operating leases as follows:

	<b>Land and buildings</b>		<b>Other</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Expiry date:</b>				
Between one and five years	<b>452</b>	<b>373</b>	<b>70</b>	<b>83</b>
After more than five years	<b>399</b>	<b>739</b>	<b>-</b>	<b>-</b>
	<u><b>          </b></u>	<u><b>          </b></u>	<u><b>          </b></u>	<u><b>          </b></u>

**29 TRANSACTIONS WITH RELATED PARTIES**

The group has taken advantage of the exemption provision under FRS8 from disclosing transactions with other group companies.