

CHELGATE LIMITED

Company No. 2262305

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2001



Chelgate

Chelgate Limited

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Chelgate Limited

Directors and Officers

Directors

T. Fane-Saunders
K. Fane-Saunders
M.S. Lane

Secretary

M.S. Lane

Registered Office

Number One
Tanner Street
London
SE1 3LE

Auditors

Kingston Smith
Quadrant House
80-82 Regent Street
London W1B 5RP

Bankers

Natwest Bank
PO Box 192
116 Fenchurch Street
London EC3M 5AN

Solicitors

Davenport Lyons
1 Old Burlington Street
London W1X 2NL

Chelgate Limited

Report of the Directors

The directors have pleasure in presenting their report and financial statements for the year ended 31 December 2001.

Principal Activities and Business Review

The principal activity of the company throughout the year was that of public relations consultants. The results for the year and the financial position at the year end were considered satisfactory by the directors.

The directors are very disappointed with the results of Chelgate Asia Limited, however steps have been taken to rectify the problems experienced by the subsidiary and the directors are confident that these will allow the business to achieve a better performance in the coming period. The directors are satisfied with the results of Robinson Bamford Limited and anticipate an improving performance this year.

Results and Dividend

The results of the company for the year are set out on page 6. The directors do not recommend the payment of a dividend (2000 - £nil).

The company has a retained profit of £56,629 (2000 - loss £4,547) which has been transferred to reserves.

Directors and their Interests

The directors who served during the year were as follows:

Terence C. Fane-Saunders
Kilmeny J. Fane-Saunders
Mathew S. Lane

None of the directors have any direct interest in the share capital of this company or any other within the group.

Mr. and Mrs. Fane-Saunders have beneficial interests in the whole of the share capital of the ultimate parent undertaking, Kilmeny Holdings Limited, which are disclosed in that company's financial statements.

Share options

The following share options were granted to directors in the year but not exercised:

	Ordinary shares of £1	
	Granted	Total
	during year	at year end
Mathew S. Lane	<u>214</u>	<u>641</u>

The share options can be exercised within 14 days of the company informing the holder that it has either received an offer to acquire the business or in the event of a listing on the London Stock Exchange or Alternative Investment Market.

Continued over page

Chelgate Limited

Report of the Directors (continued)

Donations

The company made no charitable donations during the year (2000 : £500).

Auditors

Kingston Smith have indicated their willingness to continue in office and, in accordance with the provisions of the Companies Act 1985, it is proposed that they be re-appointed for the ensuing year.

By Order of the Board



M.S. Lane
Secretary

Number One
Tanner Street
London
SE1 3LE

Date: 27 April 2002

Chelgate Limited

Directors' Responsibilities and Report of the Auditors

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 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; prepare the financial statements on a going concern basis unless it is inappropriate to assume 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.

Independent Auditors' Report to the Members of Chelgate Limited

We have audited the financial statements of Chelgate Limited for the year ended 31 December 2001 which comprise the Profit & Loss Account, Balance Sheet and related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective Responsibilities of Directors and Auditors

As described in the Statement of Directors' Responsibilities, 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 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 misstatement 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 of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Chelgate Limited
'Independent Auditors' Report to the Members of Chelgate Limited
(continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies

Kingston Smith
KINGSTON SMITH

Chartered Accountants
and Registered Auditors

29 April 2002

Quadrant House
80-82 Regent Street
London W1B 5RP

Chelgate Limited
Profit and Loss Account
For the year ended 31 December 2001

	Note	2001	2000
		£	£
Turnover	1(c), 2	1,448,894	1,172,803
Cost of Sales		<u>(166,214)</u>	<u>(116,978)</u>
Gross Profit		1,282,680	1,055,825
Administration Expenses		<u>(1,206,455)</u>	<u>(1,054,067)</u>
Operating Profit	3	76,225	1,758
Other Interest Receivable and Similar Income		2,631	3,840
Other Interest Payable and Similar Charges	6	<u>(2,478)</u>	<u>(3,176)</u>
Profit on Ordinary Activities Before Taxation		76,378	2,422
Taxation	7	<u>(19,749)</u>	<u>(6,969)</u>
Retained Profit / (Loss) After Taxation Transferred to / (from) Reserve	8	<u>56,629</u>	<u>(4,547)</u>

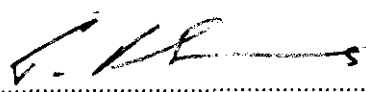
There are no other recognised gains or losses in the year other than the profit for the year.

Chelgate Limited

Balance Sheet at 31 December 2001

	Note	2001		2000	
		£	£	£	£
Fixed Assets					
Tangible assets	9		56,265		40,778
Investments	10		134,852		134,852
			<u>191,117</u>		<u>175,630</u>
Current Assets					
Debtors	11	411,615		385,626	
Cash at bank and in hand		<u>9,201</u>		<u>17,253</u>	
		420,816		402,879	
Creditors: Amounts Falling Due Within One Year	12	<u>(260,046)</u>		<u>(283,251)</u>	
Net Current Assets			<u>160,770</u>		<u>119,628</u>
Total Assets Less Current Liabilities			351,887		295,258
Creditors: Amounts Falling Due After More Than One Year	13		<u>(27,460)</u>		<u>(27,460)</u>
Net Assets			<u>324,427</u>		<u>267,798</u>
Capital and Reserves					
Called up share capital - equity interest	8		25,000		25,000
Profit and loss account			<u>299,427</u>		<u>242,798</u>
Shareholder's funds	8		<u>324,427</u>		<u>267,798</u>

The financial statements were approved by the Board of Directors on 29 April 2002



 T. Fane-Saunders - Director

Chelgate Limited

Notes to the Financial Statements

For the year ended 31 December 2001

1. Accounting Policies

(a) **Accounting Basis and Standards**

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards. The accounting policies remain unchanged from the previous year.

(b) **Depreciation**

Depreciation on fixed assets is provided at rates estimated to write off the cost or revalued amounts, less estimated residual value, of each asset over its expected useful life as follows:

Leasehold Property	- Over period of the lease
Office Equipment	- 25% straight line
Fixtures and Fittings	- 25% straight line
Race Horse	- 10% straight line

(c) **Turnover**

Turnover represents sales and expenses plus commissions invoiced by the company during the year, and is exclusive of value added tax.

(d) **Deferred Taxation**

Deferred taxation is accounted for under the liability method in respect of the taxation effects of all timing differences which are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable.

(e) **Work in progress**

Work in progress represents production costs which have not yet been recharged to clients, and is stated at the lower of cost and net realisable value.

(f) **Foreign Currencies**

Transactions denominated in foreign currencies are translated into Sterling at the rate of exchange at the date of the transaction. Assets and liabilities in foreign currencies are translated into Sterling at rates of exchange ruling at the end of the financial period. Exchange differences arising from the translation of foreign subsidiaries are taken directly to reserves. All other exchange differences are dealt with through the profit and loss account.

(g) **Operating Lease Rentals**

Rentals held under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

(h) **Pensions**

The company makes contributions to certain employees' private pension schemes, the assets of the schemes being held separately from the assets of the company. The pension cost charge represents contributions payable to the schemes.

(i) **Consolidation**

The company has not prepared consolidated accounts due to the exemptions conferred by section 248 of the Companies Act 1985. Accordingly, these financial statements disclose information about the company alone and not the group that it heads.

Chelgate Limited
Notes to the Financial Statements
For the year ended 31 December 2001 (continued)

2 Turnover	2001	2000
	£	£
Geographical Analysis:		
United Kingdom	1,413,006	1,076,166
Europe	-	20,926
Far East	22,757	29,178
United States and Canada	13,131	46,533
	<u>1,448,894</u>	<u>1,172,803</u>

3 Operating profit	£	£
The operating profit is stated after charging:		
Auditors' remuneration	6,618	5,700
Depreciation of owned tangible fixed assets	15,966	10,673
Loss on disposal of fixed assets	-	5,779
Operating lease rentals:		
Plant and machinery	6,826	5,006
Other	17,533	16,775
	<u>17,533</u>	<u>16,775</u>

4 Employee information

The average number of persons employed by the company (including directors) during the year was 21 (2000: 18)

	£	£
Their total remuneration was:		
Wages and salaries	709,163	604,624
Social security costs	75,172	65,221
Pension costs	12,922	12,937
	<u>797,257</u>	<u>682,782</u>

Chelgate Limited

Notes to the Financial Statements

For the year ended 31 December 2001 (continued)

5 Directors' Emoluments

The emoluments of the directors of the company were as follows:

	2001 £	2000 £
Emoluments (including benefits)	126,464	202,754
Pension contributions	9,000	10,321
	<u>135,464</u>	<u>213,075</u>

During the year, 3 directors (2000: 3) were members of defined contribution pension schemes.

Highest Paid Director	£	£
Emoluments (including benefits)	72,316	76,289
Pension contributions	4,800	4,800
	<u>77,116</u>	<u>81,089</u>

6 Interest Payable

	£	£
Bank loans and overdrafts	5	5
Other loans	2,473	3,171
	<u>2,478</u>	<u>3,176</u>

7 Taxation

	£	£
UK Corporation tax on the results for the year at 20% (2000: 20%)	19,749	7,500
Overprovision in previous years	-	(531)
	<u>19,749</u>	<u>6,969</u>

During the year the company has made use of available tax losses from within the group.

Chelgate Limited
Notes to the Financial Statements
For the year ended 31 December 2001 (continued)

8 Shareholder's Funds

	Called up Share Capital £	Profit and Loss Account £	Total £
At 1 January 2000	25,000	247,345	272,345
Retained loss for the financial year	-	(4,547)	(4,547)
At 31 December 2000	25,000	242,798	267,798
Retained profit for the financial year	-	56,629	56,629
At 31 December 2001	25,000	299,427	324,427

The authorised share capital comprises:

	2001 £	2000 £
Authorised:		
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
Called up, allotted and fully paid:		
25,000 ordinary shares of £1 each	25,000	25,000

9 Tangible Assets

Cost	Leasehold Property £	Office Equipment £	Fixtures, Fittings and Other Assets £	Race Horse £	Total £
At 1 January 2001	19,455	85,951	69,108	-	174,514
Additions	-	13,577	3,376	14,500	31,453
Disposals	-	-	-	-	-
At 31 December 2001	19,455	99,528	72,484	14,500	205,967

Depreciation

At 1 January 2001	1,621	67,737	64,378	-	133,736
Charge for the year	4,864	8,097	1,676	1,329	15,966
Disposals	-	-	-	-	-
At 31 December 2001	6,485	75,834	66,054	1,329	149,702

Net Book Value

At 31 December 2001	12,970	23,694	6,430	13,171	56,265
At 31 December 2000	17,834	18,214	4,730	-	40,778

Chelgate Limited
Notes to the Financial Statements
For the year ended 31 December 2001 (continued)

10 Investments

Shares in subsidiary undertakings:

At 1 January 2000

Acquisition of Robinson Bamford Limited (note 15)

At 31 December 2000 and 2001

£

134,851

1

134,852

	Country of incorporation or registration	Class of shares held	Percentage of ordinary shares	Principal activity
Representing:				
Chelgate Asia Limited	Hong Kong	Ordinary	100%	Public Relations Consultants
Robinson Bamford Limited	England & Wales	Ordinary	100%	Graphic Design

	Profit/(loss) for the financial year £	Aggregate reserves £
Chelgate Asia Limited	<u>(123,983)</u>	<u>28,144</u>
Robinson Bamford Limited	<u>6,307</u>	<u>7,759</u>

11 Debtors

	2001	2000
	£	£
Trade debtors	234,762	218,403
Amounts owed by group undertakings	44,817	30,200
Other debtors	26,648	24,133
Prepayments and accrued income	<u>105,388</u>	<u>112,890</u>
	<u>411,615</u>	<u>385,626</u>

Chelgate Limited
Notes to the Financial Statements
For the year ended 31 December 2001 (continued)

12 Creditors: amounts falling due within one year

	2001	2000
	£	£
Trade creditors	38,499	34,658
Amounts owed to group undertakings	-	46,263
Corporation tax	19,752	7,500
Social security and other taxes	54,105	40,764
Other creditors	121,213	120,388
Accruals and deferred income	26,477	33,678
	<u>260,046</u>	<u>283,251</u>

13 Creditors: amounts falling due after more than one year

	£	£
Loans wholly repayable in more than five years	<u>27,460</u>	<u>27,460</u>

The loan was advanced by NM Life Assurance Limited and is secured on a pension policy held by T. Fane-Saunders, a director of the company, and attracts interest at 3% above the bank base rate. The loan is not repayable by installments and falls due for redemption in 2013.

14 Future financial commitments

At 31 December 2001 the company had annual commitments under operating leases as set out below:

	2001		2000	
	Land and Buildings £	Other £	Land and Buildings £	Other £
Operating Leases which expire:				
within one year	-	7,060	-	277
in the second to fifth year	-	11,950	-	16,947
after five years	75,000	-	75,000	4,823
	<u>75,000</u>	<u>19,010</u>	<u>75,000</u>	<u>22,047</u>

Chelgate Limited

Notes to the Financial Statements

For the year ended 31 December 2001 (continued)

15 Contingent liabilities

Additional capital payments may fall due relating to the acquisition of the entire issued share capital of Robinson Bamford Limited. These amounts are dependant on the attainment of performance targets, over the next two years.

No amounts of contingent liability have been accounted for in the year, as any future liability is not believed to be material to the company's financial statements.

16 Pension Costs

The group contributed to certain employees' personal pension schemes. The total pension cost of £12,922 (2000: £13,847) represents amounts paid into the schemes during the year.

17 Related Party Transactions

An inter-company loan of £14,817 was advanced to Chelgate Asia Limited during the year. During the period under review, management fees were charged from Kilmeny Holdings Limited to Chelgate Limited amounting to £1,864 (2000: £2,221).

Balances due to and from the related parties at the year end are as follows:

	2001 £	2000 £
Included in debtors:		
Loan to Chelgate Asia Limited	14,817	-
Robinson Bamford Limited	30,000	30,000
Chelgate Asia Limited current account	-	200
	<u>44,817</u>	<u>30,200</u>

The loan to Robinson Bamford Limited is interest free and repayable on demand. The loan is secured by a fixed and floating charge over the assets of the company.

	2001 £	2000 £
Included in creditors:		
Loan to Chelgate Limited	-	45,390
HK Dollar current account	-	873
	<u>-</u>	<u>46,263</u>

The loan advanced by Chelgate Asia Limited was repaid during the year under review.

No amounts were written off in respect of these balances during the year (2000: £nil).

Chelgate Limited
Notes to the Financial Statements
For the year ended 31 December 2001 (continued)

18 Ultimate Parent Undertaking and Controlling Party

The company's ultimate parent undertaking is Kilmeny Holdings Limited, a company incorporated in the Channel Islands. Kilmeny Holdings Limited does not prepare consolidated financial statements.

The company is controlled by Mr. and Mrs. Fane-Saunders by virtue of their shareholding in the ultimate parent undertaking.