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Company Registration No. 4514621 (England and Wales)

COMPANIES HOUSE COPY

FORMATION CAPITAL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2003



 **Hacker
Young**
Chartered Accountants

St Alphage House 2 Fore Street London EC2Y 5DH

FORMATION CAPITAL LIMITED

COMPANY INFORMATION

Directors	N Jackson	(Appointed 19 August 2002)
	N A Nicholson	(Appointed 19 August 2002)
Secretary	Hampton Secretaries	
Company number	4514621	
Registered office	Suite 21 3 Ludgate Square London United Kingdom EC4M 7AS	
Auditors	Hacker Young St Alphage House 2 Fore Street London EC2Y 5DH	
Bankers	Lloyds Bank Plc 79 Brompton Road London SW3 1DD	

FORMATION CAPITAL LIMITED

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FORMATION CAPITAL LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2003

The directors present their report and financial statements for the period ended 31 December 2003.

Principal activities and review of the business

The company provides corporate finance advisory services.

The company was incorporated on 19 August 2002 as Guildhall Advisory Partners Limited. The company changed its name to Formation Capital Limited on 2 October 2002. Since obtaining authorisation to conduct regulated activities from the Financial Services Authority on 14 March 2003, the company has invested significant time and effort in order to develop market visibility and expects to benefit from this investment in future years.

Results and dividends

The results for the period are set out on page 4.

The directors do not recommend the payment of any dividend.

Directors

The following directors have held office since 19 August 2002:

N Jackson	(Appointed 19 August 2002)
N A Nicholson	(Appointed 19 August 2002)
Incorporate Directors Limited	(Appointed 19 August 2002 and resigned 19 August 2002)

Directors' interests

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

	£1 ordinary shares of £ 1 each	
	31 December 2003	19 August 2002
N Jackson	7,500	500
N A Nicholson	7,500	500

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Hacker Young be reappointed as auditors of the company will be put to the Annual General Meeting.

FORMATION CAPITAL LIMITED

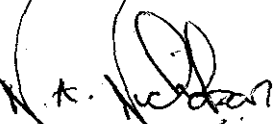
DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2003

Directors' responsibilities

Directors are required by the Companies Act 1985 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for that period. It is also the directors' responsibility to maintain adequate accounting records, safeguard the assets of the company and take reasonable steps in preventing and detecting fraud and other irregularities.

The directors confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements on a going concern basis.

On behalf of the board



N A Nicholson

Director

23 March 2004

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF FORMATION CAPITAL LIMITED**

We have audited the financial statements of Formation Capital Limited on pages 4 to 10 for the period ended 31 December 2003. 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 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

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and 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.

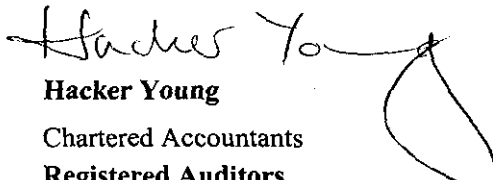
Basis of opinion

We conducted our audit in accordance with 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


Hacker Young
Chartered Accountants
Registered Auditors

23 March 2004

FORMATION CAPITAL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 DECEMBER 2003

		Period ended 31 December 2003 £
	Notes	
Turnover	2	16,859
Administrative expenses		(18,035)
Operating loss	3	(1,176)
Other interest receivable and similar income	4	81
Loss on ordinary activities before taxation		(1,095)
Tax on loss on ordinary activities	5	-
Loss on ordinary activities after taxation	9	(1,095)

The company's operation in the period continued unchanged; no operations were disposed of or acquired.

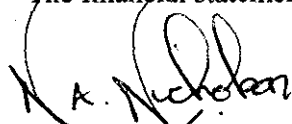
There are no recognised gains and losses other than those passing through the profit and loss account.

FORMATION CAPITAL LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2003

	Notes	2003 £	£
Current assets			
Debtors	6	539	
Cash at bank and in hand		16,591	
		<u>17,130</u>	
Creditors: amounts falling due within one year	7	(3,225)	
		<u></u>	
Total assets less current liabilities			<u>13,905</u>
Capital and reserves			
Called up share capital	8		15,000
Profit and loss account	9		(1,095)
			<u></u>
Shareholders' funds - equity interests	13		<u>13,905</u>

The financial statements were approved by the Board on 23 March 2004



N A Nicholson
Director

FORMATION CAPITAL LIMITED

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2003

			Period ended 31 December 2003 £
	Notes	£	£
Net cash inflow/(outflow) from operating activities	10		1,510
Returns on investments and servicing of finance			
Interest received		81	
Net cash inflow/(outflow) for returns on investments and servicing of finance			81
Net cash inflow/(outflow) before management of liquid resources and financing			1,591
Financing			
Issue of ordinary share capital		15,000	
Net cash inflow/(outflow) from financing			15,000
Increase/(decrease) in cash in the period	11		16,591

FORMATION CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2003

1 Accounting policies

1.1 Basis of preparation

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

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.3 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. Any deferred tax balance so arising is not discounted.

1.4 Foreign currency translation

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

2 Turnover

Geographical market

Turnover
2003
£

UK	6,208
Rest of world	10,651
	<u>16,859</u>

3 Operating loss

2003
£

Operating loss is stated after charging:
Auditors' remuneration

1,000

4 Other interest receivable and similar income

2003
£

Bank interest	<u>81</u>
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FORMATION CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2003

5	Taxation	2003
		£
	Current tax charge	-
	Factors affecting the tax charge for the period	
	Loss on ordinary activities before taxation	(1,095)
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 0.00 %.	-
	Effects of:	
	Current tax charge	-
	The standard rate of corporation tax on profits below £10,000 is nil.	
6	Debtors	2003
		£
	Prepayments and accrued income	539
7	Creditors: amounts falling due within one year	2003
		£
	Taxes and social security costs	108
	Accruals and deferred income	3,117
		3,225

FORMATION CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2003

8 Share capital	2003
	£
Authorised	
50,000 £1 ordinary shares of £ 1 each	50,000

Allotted, called up and fully paid	
15,000 £1 ordinary shares of £ 1 each	15,000

The company was formed on 19 August 2002 with £1,000 of authorised, allotted and fully paid up share capital. The authorised share capital was increased to £50,000 on 10 October 2002 and a further £14,000 of share capital was allotted and fully paid up on 13 March 2003.

9 Statement of movements on profit and loss account

	Profit and loss account
	£
Retained loss for the period	(1,095)

10 Reconciliation of operating loss to net cash inflow/(outflow) from operating activities	2003
	£
Operating (loss)/profit	(1,176)
Increase in debtors	(539)
Increase in creditors within one year	3,225
Net cash inflow/(outflow) from operating activities	1,510

11 Analysis of net debt	19 August 2002	Cash flow	31 December 2003
	£	£	£
Net cash:			
Cash at bank and in hand	-	16,591	16,591
Net debt	-	16,591	16,591

FORMATION CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2003

12 Reconciliation of net cash flow to movement in net debt	2003
	£
Increase in cash in the period	16,591
Movement in net funds in the period	16,591
Closing net funds	16,591
13 Reconciliation of movements in shareholders' funds	2003
	£
Loss for the financial period	(1,095)
Proceeds from issue of shares	15,000
Net addition to shareholders' funds	13,905
Opening shareholders' funds	-
Closing shareholders' funds	13,905
14 Directors' emoluments	2003
	£
Emoluments for qualifying services	3,000
15 Employees	
Number of employees	
There were no employees during the period apart from the directors.	
Employment costs	2003
	£
Wages and salaries	3,000