Company Registration No. 4514621 (England and Wales)

FORMATION CAPITAL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

COMPANIES HOUSE COPY



UHY Hacker Young
Chartered Accountants

FORMATION CAPITAL LIMITED

COMPANY INFORMATION

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

FORMATION CAPITAL LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Independent auditors' report	3
Profit and loss account	4
Balance sheet	5
Cash flow statement	6
Notes to the financial statements	7 - 10

FORMATION CAPITAL LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2004

The directors present their report and financial statements for the year ended 31 December 2004.

Principal activities and review of the business
The company provides corporate finance advisory services.

The results for the year and the financial position at the year end were considered satisfactory by the directors who expect continued growth in the foreseeable future.

Results and dividends
The results for the year are set out on page 4.

The directors do not recommend the payment of any dividend.

Directors
The following directors have held office since 1 January 2004:

N Jackson
N A Nicholson

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

	£1 ordinary shares of £ 1 each	
	31 December 2004	1 January 2004
N Jackson	7,500	7,500
N A Nicholson	7,500	7,500

Auditors
In accordance with Section 385 of the Companies Act 1985, a resolution proposing that UHY Hacker Young, formerly known as 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 YEAR ENDED 31 DECEMBER 2004

Directors' responsibilities

Directors are required by the Companies Act 1985 to prepare financial statements for each financial year 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
31 March 2005

UHY Hacker Young
Chartered Accountants

St Alphage House
2 Fore Street
London EC2Y 5DH

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 year ended 31 December 2004. 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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

UHY Hacker Young

UHY Hacker Young

Chartered Accountants
Registered Auditors

31 March 2005

FORMATION CAPITAL LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £	2003 £
Turnover	2	22,794	16,859
Administrative expenses		(17,723)	(18,035)
Operating profit/(loss)	3	5,071	(1,176)
Other interest receivable and similar income	4	263	81
Profit/(loss) on ordinary activities *before taxation*		5,334	(1,095)
Tax on profit/(loss) on ordinary activities	5	-	-
Profit/(loss) on ordinary activities after taxation	9	5,334	(1,095)

The company's operation in the year 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 2004

	Notes	2004 £	£	2003 £	£
Current assets					
Debtors	6	525		539	
Cash at bank and in hand		20,605		16,591	
		21,130		17,130	
Creditors: amounts falling due within one year	7	(1,891)		(3,225)	
Total assets less current liabilities			19,239		13,905
Capital and reserves					
Called up share capital	8		15,000		15,000
Profit and loss account	9		4,239		(1,095)
Shareholders' funds - equity interests	13		19,239		13,905

The financial statements were approved by the Board on 31 March 2005

N A Nicholson
Director

FORMATION CAPITAL LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	£	2004 £	£	2003 £
Net cash inflow from operating activities	**10**		3,751		1,510
Returns on investments and servicing of finance					
Interest received		263		81	
Net cash inflow for returns on investments and servicing of finance			263		81
Net cash inflow before management of liquid resources and financing			4,014		1,591
Financing					
Issue of ordinary share capital		-		15,000	
Net cash (outflow)/inflow from financing			-		15,000
Increase in cash in the year	**11**		4,014		16,591

FORMATION CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

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 tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been 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	
	2004	**2003**
	£	**£**
UK	2,292	6,208
Rest of world	20,502	10,651
	22,794	16,859

3 Operating profit/(loss)

	2004	**2003**
	£	**£**
Operating profit/(loss) is stated after charging:		
Auditors' remuneration	1,000	1,000

4 Other interest receivable and similar income

	2004	**2003**
	£	**£**
Bank interest	263	81

5 Taxation

	2004 £	2003 £
Current tax charge	-	-
Factors affecting the tax charge for the year		
Profit/(loss) on ordinary activities before taxation	5,334	(1,095)
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2003: 19.00%)	1,013	(208)
Effects of:		
Non deductible expenses	815	863
Other tax adjustments	(1,828)	(655)
	(1,013)	208
Current tax charge	-	-

6 Debtors

	2004 £	2003 £
Prepayments and accrued income	525	539

7 Creditors: amounts falling due within one year

	2004 £	2003 £
Taxes and social security costs	-	108
Accruals and deferred income	1,891	3,117
	1,891	3,225

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

8 Share capital

	2004 £	2003 £
Authorised		
50,000 £1 ordinary shares of £1 each	50,000	50,000
Allotted, called up and fully paid		
15,000 £1 ordinary shares of £1 each	15,000	15,000

9 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2004	(1,095)
Retained profit for the year	5,334
Balance at 31 December 2004	4,239

10 Reconciliation of operating profit/(loss) to net cash inflow from operating activities

	2004 £	2003 £
Operating profit/(loss)	5,071	(1,176)
Decrease/(increase) in debtors	14	(539)
(Decrease)/Increase in creditors within one year	(1,334)	3,225
Net cash inflow from operating activities	3,751	1,510

11 Analysis of net debt

	1 January 2004 £	Cash flow £	31 December 2004 £
Net cash:			
Cash at bank and in hand	16,591	4,014	20,605
Net (debt)/funds	16,591	4,014	20,605

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2004

12 Reconciliation of net cash flow to movement in net debt

	2004	2003
	£	£
Increase in cash in the year	4,014	16,591
Movement in net funds in the year	4,014	16,591
Opening net funds	16,591	-
Closing net funds	20,605	16,591

13 Reconciliation of movements in shareholders' funds

	2004	2003
	£	£
Profit/(Loss) for the financial year	5,334	(1,095)
Proceeds from issue of shares	-	15,000
Net addition to shareholders' funds	5,334	13,905
Opening shareholders' funds	13,905	-
Closing shareholders' funds	19,239	13,905

14 Directors' emoluments

	2004	2003
	£	£
Emoluments for qualifying services	2,000	3,000

15 Employees

Number of employees

There were no employees during the year apart from the directors.

Employment costs	2004	2003
	£	£
Wages and salaries	2,000	3,000