

Registered number 04306769

**Galahad Finance Limited**

**Directors' report and consolidated financial statements  
for the 8 months ended 31 May 2005**



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## Company information

<b>Directors:</b>	J Barnes P Bridges – Resigned 28 June 2005 S Dichlian G Jones – Resigned 30 June 2005 J MacHale – Resigned 30 June 2005
<b>Secretary:</b>	Norose Company Secretarial Services Ltd
<b>Registered Office:</b>	Kempson House Camomile Street London EC3A 7AN
<b>Registered Number:</b>	04306769 (England and Wales)
<b>Auditors:</b>	KPMG Audit Plc Chartered Accountants Registered Auditor 8 Salisbury Square London EC4Y 8BB

## Directors' report

The directors present their annual report and the audited financial statements for the 8 months period ended 31 May 2005.

### Change of accounting reference date

The Company changed its accounting reference date from 30 September to 31 May on 7 June 2005.

### Principal activities

The principal activity of the Group during the 8 month period under review was that of provision of corporate finance transaction services.

### Results and business review

The profit for the 8 month period after taxation, as shown on page 6, is £1,262,250 (12 months ended 31 September 2004: loss of £1,184,433). The directors regard the development and financial position of the company as satisfactory.

On 28th June 2005, the company reached an agreement with the Group's principal creditors to restructure their loan financing arrangements. Accordingly, in June the company repaid £576,000 of the inter-company loan. The remaining balance was waived and the principal creditor issued a new note in the sum of £1,024,000 to the company's subsidiary Orbis Capital Limited. As a consequence of these events the company's inter-company debtor balance and the group's borrowings were reduced substantially. The new loan financing is due for repayment on 31 May 2010.

### Proposed dividend

The directors do not recommend the payment of a dividend (2004: £nil).

### Directors and directors' interests

The directors during the period under review are shown on page 1.

The beneficial interests of the directors holding office on 31 May 2005 in the issued share capital of the company were as follows:

	31.5.05	at date of appointment
<b>A Ordinary Redeemable Convertible 10p shares</b>		
J Barnes	-	-
P Bridges	-	-
S Dichlian	-	-
G Jones	-	-
J MacHale	-	-
<b>B Ordinary Convertible 10p shares</b>		
J Barnes	46,862	49,860
P Bridges	-	-
S Dichlian	16,005	16,005
G Jones	2,910	2,910
J MacHale	-	-

## Directors' report *(continued)*

### *Directors and directors' interests (continued)*

	31.5.05	at date of appointment
<b>C Ordinary Redeemable Convertible 10p shares</b>		
J Barnes	-	-
P Bridges	-	-
S Dichlian	-	-
G Jones	-	-
J MacHale	12,000	12,000

At 31 May 2005 P Bridges had a beneficial interest in 34 shares of the company and a beneficial interest in £719 of the loan notes issued to the company's immediate subsidiary through the Alchemy Investment Plan ("the Plan") Co-investment scheme.

P Bridges also had an interest in the shares of the company and the loan notes of the immediate subsidiary company held by the Plan through the carried interest arrangements made by the Plan.

J Barnes and S Dichlian, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

### **Auditors**

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



**J Barnes**  
Director

15 March 2006

## 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 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 group 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



**KPMG Audit Plc**  
8 Salisbury Square  
London  
EC4Y 8BB  
United Kingdom

## **Report of the independent auditors to the members of Galahad Finance Limited**

We have audited the financial statements on pages 6 to 19.

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 are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 group is not disclosed.

### **Basis of audit 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 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.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 May 2005 and of the profit of the group for the 8 month period then ended and have been properly prepared in accordance with the Companies Act 1985.

  
**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor

17 March 2006

## Consolidated profit and loss account

*for the 8 month period ended 31 May 2005 and the year ended 30 September 2004*

	<i>Note</i>	2005 £	2004 £
<b>Turnover</b>	<i>1</i>	2,515,826	346,176
Administrative expenses		(992,340)	(1,124,782)
<b>Group operating profit/(loss)</b>		<b>1,523,486</b>	<b>(778,606)</b>
Interest receivable and similar income	<i>5</i>	1,099	4,534
Interest payable and similar charges	<i>6</i>	(262,335)	(410,361)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>1,262,250</b>	<b>(1,184,433)</b>
Tax on profit on ordinary activities	<i>7</i>	-	-
<b>Profit/(loss) on ordinary activities after taxation</b>		<b>1,262,250</b>	<b>(1,184,433)</b>
<b>Retained loss brought forward</b>		<b>(3,146,872)</b>	<b>(1,962,439)</b>
<b>Retained loss carried forward</b>		<b>(1,884,622)</b>	<b>(3,146,872)</b>

All activities derive from continuing operations.

There are no recognised gains or losses other than the loss for the above two financial years. Accordingly, no statement of total recognised gains and losses is given.



## Consolidated balance sheet

at 31 May 2005 and 30 September 2004

	<i>Note</i>	<b>2005</b> £	<b>2005</b> £	2004 £	2004 £
<b>Fixed assets</b>					
Tangible fixed assets	8		2,981		5,025
<b>Current assets</b>					
Debtors	9	77,683		47,493	
Cash at bank and in hand		1,643,060		26,913	
<b>Creditors: amounts falling due within one year</b>	10	1,720,743 (486,565)		74,406 (366,857)	
<b>Net current assets/(liabilities)</b>		1,234,178		(292,451)	
<b>Total assets less current liabilities</b>			1,237,159		(287,426)
<b>Creditors: amounts falling due after more than one year</b>	11		(2,854,406)		(2,592,071)
<b>Net liabilities</b>			(1,617,247)		(2,879,497)
<b>Capital and reserves</b>					
Called up share capital	12		29,973		29,973
Share premium account	13		237,402		237,402
Profit and loss account	13		(1,884,622)		(3,146,872)
<b>Shareholders' funds</b>			(1,617,247)		(2,879,497)

These financial statements were approved by the board of directors on 15 March 2006 and were signed on its behalf by:

**J Barnes**


Director

## Company balance sheet

at 31 May 2005 and 30 September 2004

	Note	2005 £	2005 £	2004 £	2004 £
Fixed assets					
Tangible assets	8		1,662		2,210
Investments	8		1		1
			<hr/>		<hr/>
			1,663		2,211
Current assets					
Debtors	9	2,352,629		2,066,240	
Cash at bank and in hand		3,901		1,954	
		<hr/>		<hr/>	
		2,356,530		2,068,194	
Creditors: Amounts falling due within one year	10	(163,433)		(137,979)	
		<hr/>		<hr/>	
Net current assets		2,193,097		1,930,215	
			<hr/>		<hr/>
Total assets less current liabilities			2,194,760		1,932,426
Creditors:	11		(2,854,405)		(2,592,071)
Amounts falling due after more than one year					
			<hr/>		<hr/>
Net liabilities			(659,645)		(659,645)
			<hr/>		<hr/>
Capital and reserves:					
Called up share capital	12		29,973		29,973
Share premium	13		237,402		237,402
Profit and loss account	13		(927,020)		(927,020)
			<hr/>		<hr/>
Equity shareholders' funds			(659,645)		(659,645)
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 15 March 2006 and were signed on its behalf by:



**J Barnes**

Director

## Consolidated cash flow statement

*for the 8 month period ended 31 May 2005 and the year ended 30 September 2004*

	<i>Note</i>	<b>2005</b> £	2004 £
<b>Cash flow statement</b>			
Cash flow from operating activities	<i>14</i>	<b>1,615,161</b>	719,053
Returns on investment and servicing of finance		<b>1,099</b>	4,534
Capital expenditure and financial investment – purchase of tangible fixed assets		<b>(113)</b>	(4,825)
		<hr/>	<hr/>
<b>Cash (outflow)/inflow before financing</b>		<b>1,616,147</b>	718,762
<i>Financing – repayment of unsecured loan notes 2006</i>		-	(893,460)
		<hr/>	<hr/>
<b>Increase/(decrease) in cash in the period</b>		<b>1,616,147</b>	(174,698)
		<hr/>	<hr/>
<b>Reconciliation of net cash flow to movement in net debt</b>			
<b>Increase/(decrease) in cash in the period</b>		<b>1,616,147</b>	(174,698)
Cash outflow from decrease in debt financing		-	893,460
		<hr/>	<hr/>
<b>Change in net debt resulting from cash flows</b>	<i>15</i>	<b>1,616,147</b>	718,762
Amortisation of discount on unsecured loan notes	<i>15</i>	<b>(262,335)</b>	(410,364)
		<hr/>	<hr/>
<b>Movement in net debt in the period</b>		<b>1,353,812</b>	308,398
<b>Net debt at the start of the period</b>	<i>15</i>	<b>(2,565,158)</b>	(2,873,556)
		<hr/>	<hr/>
<b>Net debt at the end of the period</b>	<i>15</i>	<b>(1,211,346)</b>	(2,565,158)
		<hr/>	<hr/>

**Reconciliations of movements in shareholders' funds**  
*for the 8 month period ended 31 May 2005 and the year ended 30 September 2004*

	Group 2005 £	2004 £	Company 2005 £	2004 £
Profit/(Loss) for the financial year	1,262,250	(1,695,064)	-	-
Opening shareholders' funds	(2,879,497)	(1,184,433)	(659,645)	(659,645)
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	(1,617,247)	(2,879,497)	(659,645)	(659,645)
	<hr/>	<hr/>	<hr/>	<hr/>

## **Notes to the financial statements** *(forming part of the financial statements)*

### **1 Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

#### ***Basis of preparation***

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

#### ***Basis of consolidation***

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account. The company's profit for the 8 month period ended 31 May 2005 was £nil (year ended 30 September 2004: £nil).

#### ***Tangible fixed assets and depreciation***

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Office equipment - 5 years

Furniture & fixtures - 5 years

#### ***Deferred tax***

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

#### ***Pensions***

The company makes contributions to individuals' personal pension plans. Contributions payable for the period are charged in the profit and loss account.

#### ***Turnover***

Turnover represents amounts earned for the provision of services in the period and is recognised on an accruals basis.

#### ***Cash***

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

## Notes (continued)

### 2 Profit/(loss) on ordinary activities before taxation

	2005 £	2004 £
<i>Profit/(loss) on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Group - audit	5,500	5,500
- fees paid to the auditors and its associates in respect of other services	2,000	2,000
Company - audit	1,000	1,000
Depreciation and other amounts written off tangible fixed assets:		
Owned	2,157	4,496

### 3 Remuneration of directors

	2005 £	2004 £
Directors' emoluments	231,620	332,669
Company contributions to money purchase pension schemes	38,826	54,410

The aggregate of emoluments of the highest paid director was £92,667 (2004: £100,000), and company pension contributions of £6,667 (2004: £10,000) were made to a money purchase scheme on his behalf.

	Number of directors 2005	2004
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	2	2

No directors had interests in any share options over the company, nor did any directors receive shares in respect of long term incentive schemes.

## Notes (continued)

### 4 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year was as follows:

	Number of employees	
	2005	2004
The average number of persons employed by the group (including directors) during the year was as follows	8	8

The aggregate payroll costs of these persons were as follows:

	2005	2004
	£	£
Wages and salaries	701,803	664,211
Social security costs	77,136	71,009
Other pension costs	46,712	66,891
	<u>825,651</u>	<u>802,111</u>

### 5 Other interest receivable and similar income - Group

	2005	2004
	£	£
Other	1,099	4,534
	<u>1,099</u>	<u>4,534</u>

### 6 Interest payable and similar charges - Group

	2005	2004
	£	£
On discounted unsecured loan notes 2006	(262,335)	(410,361)

## Notes (continued)

### 7 Taxation

#### Analysis of charge in period

Analysis of charge in period	2005 £	2004 £
<i>UK corporation tax</i>		
Adjustment in respect of previous year	-	-
Current tax on income for the period	-	-
	<hr/>	<hr/>
Total current tax	-	-
Deferred tax	-	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	-	-
	<hr/>	<hr/>

#### Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2004: lower) than the standard rate of corporation tax in the UK (30%, 2004: 30%). The differences are explained below:

	2005 £	2004 £
<i>Current tax reconciliation</i>		
Current tax reconciliation		
Profit/(Loss) on ordinary activities before taxation	1,262,250	(1,184,433)
Current tax at 30%	378,675	(355,330)
Effects of:		
(Utilisation)/Origination of brought forward tax losses	(380,619)	351,241
Expenses not deductible for tax purposes	1,937	3,609
Depreciation in excess of capital allowances	7	480
	<hr/>	<hr/>
Total current tax charge (see above)	-	-
	<hr/>	<hr/>



## Notes (continued)

### 8 Tangible fixed assets

Group	Plant and machinery £	Computer Equipment £	Total £
<b>Cost</b>			
At beginning of year	4,108	10,752	14,860
Additions	-	113	113
	<hr/>	<hr/>	<hr/>
At end of year	<b>4,108</b>	<b>10,865</b>	<b>14,973</b>
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At beginning of year	1,898	7,937	9,835
Charge for year	548	1,609	2,157
	<hr/>	<hr/>	<hr/>
At end of year	<b>2,446</b>	<b>9,546</b>	<b>11,992</b>
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
<b>31 May 2005</b>	<b>1,662</b>	<b>1,319</b>	<b>2,981</b>
	<hr/>	<hr/>	<hr/>
At 30 September 2004	2,210	2,815	5,025
	<hr/>	<hr/>	<hr/>
<i>Depreciation in 2004</i>	822	3,674	4,496
	<hr/>	<hr/>	<hr/>

Company	Plant and machinery £
<b>Cost</b>	
At beginning of year	4,108
Additions	0
	<hr/>
At end of year	<b>4,108</b>
	<hr/>
<b>Depreciation</b>	
At beginning of year	1,898
Charge for year	548
	<hr/>
At end of year	<b>2,446</b>
	<hr/>
<b>Net book value</b>	
<b>31 May 2005</b>	<b>1,662</b>
	<hr/>
At 30 September 2004	2,210
	<hr/>
<i>Depreciation in 2004</i>	822
	<hr/>

## Notes (continued)

### 8 Tangible fixed assets (continued)

	Shares in group undertaking £
<b>Company</b>	
<b>Cost</b>	
At beginning of year	1
	<hr/>
At end of year	1
	<hr/>
<b>Provisions</b>	
At beginning of year	-
	<hr/>
At end of year	-
	<hr/>

The subsidiary undertakings of the Company are as follows:

	Principal Activity	Class and percentage of shares held Group Company
<b>Subsidiary undertakings</b>		
Columbine Finance Company Limited	Financing of group companies	- Ordinary shares 100%
Orbis Capital Limited	Provision of corporate finance advice	Ordinary shares 100% -

### 9 Debtors

	2005 £	Group 2004 £	2005 £	Company 2004 £
Trade debtors	52,544	9,062	-	-
Amounts owed by group undertakings	-	-	2,353,629	2,066,240
Other debtors	-	8,715	-	-
Prepayments and accrued income	25,139	29,716	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	77,683	47,493	2,353,629	2,066,240
	<hr/>	<hr/>	<hr/>	<hr/>

Under the previous arrangement £800,000 of the inter-company debtor balance was not due to be repaid until 30 November 2006. On 28th June 2005, the company reached an agreement with the Group's principal creditors to restructure their loan financing arrangements. Accordingly, in June the company repaid £576,000 of the inter-company loan. The remaining balance was waived and the principal creditor issued a new note in the sum of £1,024,000 to the company's subsidiary Orbis Capital Limited. As a consequence of these events the company's inter-company debtor balance and the group's borrowings (see note 11) were reduced substantially.

**Notes (continued)**

**10 Creditors: amounts falling due within one year**

	2005 £	Group 2004 £	2005 £	Company 2004 £
Trade creditors	15,159	14,612	14,612	14,612
Amounts owed to group undertakings	-	-	1	1
Taxation and social security	29,398	22,203	-	-
Accruals and deferred income	442,008	330,042	148,820	123,366
	<u>486,565</u>	<u>366,857</u>	<u>163,433</u>	<u>137,979</u>

**11 Creditors: amounts falling due after more than one year**

	2005 £	Group 2004 £	2005 £	Company 2004 £
Unsecured loan notes 2006	2,854,406	2,592,071	-	-
Amounts owed to group undertakings	-	-	2,854,405	2,592,071
	<u>2,854,406</u>	<u>2,592,071</u>	<u>2,854,405</u>	<u>2,592,071</u>

**Analysis of debt:**

	2005 £	Group 2004 £	2005 £	Company 2004 £
Debt can be analysed as falling due:				
Between one and two years	2,854,406	2,592,071	2,854,405	2,592,071
	<u>2,854,406</u>	<u>2,592,071</u>	<u>2,854,405</u>	<u>2,592,071</u>

## Notes (continued)

### 12 Called up share capital

	2005 £	2004 £
<i>Authorised:</i>		
279,000 A Ordinary Redeemable Convertible shares of 10p each	27,900	27,900
174,000 B Ordinary Convertible shares of 10p each	17,400	17,400
12,000 C Ordinary Redeemable Convertible shares of 10p each	1,200	1,200
650,000 Ordinary Deferred shares of 20p each	130,000	130,000
	<hr/>	<hr/>
	176,500	176,500
	<hr/>	<hr/>
<i>Allotted, issued and fully paid:</i>		
114,000 A Ordinary Redeemable Convertible shares of 10p each	11,400	11,400
173,730 B Ordinary Convertible shares of 10p each	17,373	17,373
12,000 C Ordinary Redeemable Convertible shares of 10p each	1,200	1,200
0 Ordinary Deferred shares of 20p each	-	-
	<hr/>	<hr/>
	29,973	29,973
	<hr/>	<hr/>

### 13 Share premium and reserves

	Group Share premium account £	Profit and loss account £
At beginning of year	237,402	(3,146,872)
Retained profit for the year	-	1,262,250
	<hr/>	<hr/>
At end of year	237,402	(1,884,622)
	<hr/>	<hr/>

	Company Share premium account £	Profit and loss account £
At beginning of year	237,402	(927,020)
Retained profit for the year	-	-
	<hr/>	<hr/>
At end of year	237,402	(927,020)
	<hr/>	<hr/>

## Notes (continued)

### 14 Reconciliation of operating profit/(loss) to operating cash flows

	2005 £	2004 £
Operating profit	1,523,488	(778,606)
Depreciation charges	2,157	4,496
(Increase)/decrease in debtors	(29,190)	1,228,357
Increase in creditors	118,708	264,806
	<hr/>	<hr/>
Net cash inflow/outflow from operating activities	1,615,161	719,053
	<hr/>	<hr/>

### 15 Analysis of net debt

	At beginning of year £	Cash flow £	Other non cash changes £	At end of year £
Cash in hand, at bank	26,913	1,616,147	-	1,643,060
Debt due after one year	(2,592,071)	-	(262,335)	(2,854,406)
	<hr/>	<hr/>	<hr/>	<hr/>
Total	(2,565,168)	1,616,147	(262,335)	(1,211,346)
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 14 Reconciliation of operating profit/(loss) to operating cash flows

	2005 £	2004 £
Operating profit	1,523,488	(778,606)
Depreciation charges	2,157	4,496
(Increase)/decrease in debtors	(29,190)	1,228,357
Increase in creditors	118,708	264,806
	<hr/>	<hr/>
<b>Net cash inflow/outflow from operating activities</b>	<b>1,615,161</b>	<b>719,053</b>
	<hr/> <hr/>	<hr/> <hr/>

### 15 Analysis of net debt

	At beginning of year £	Cash flow £	Other non cash changes £	At end of year £
Cash in hand, at bank	26,913	1,616,147	-	1,643,060
Debt due after one year	(2,592,071)	-	(262,335)	(2,854,406)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>(2,565,158)</b>	<b>1,616,147</b>	<b>(262,335)</b>	<b>(1,211,346)</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>