

Report of the Directors and
Financial Statements
for the Year Ended 31st March 2005
for
CHANCERY PARTNERSHIP LTD.

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CHANCERY PARTNERSHIP LTD.

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for the Year Ended 31st March 2005

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CHANCERY PARTNERSHIP LTD.

Company Information
for the Year Ended 31st March 2005

DIRECTORS:	P Nichols R Sparrow Miss E S Heesom Mrs K A Nichols S James
SECRETARY:	R Sparrow
REGISTERED OFFICE:	Chancery Pavillion Boycott Avenue Oldbrook Milton Keynes Buckinghamshire MK6 2TA
REGISTERED NUMBER:	3340066
AUDITORS:	L W Hartwell 183 Watling Street West Towcester Northamptonshire. NN12 6BX Chartered Certified Accountant Registered Auditor
BANKERS:	NatWest PO Box 333 Silbury House 300 Silbury Boulevard Milton Keynes Buckinghamshire MK9 2ZF

CHANCERY PARTNERSHIP LTD.

Report of the Directors
for the Year Ended 31st March 2005

The directors present their report with the financial statements of the company for the year ended 31st March 2005.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the provision of Financial Services Authority regulated business services.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

DIVIDENDS

No dividends will be distributed for the year ended 31st March 2005.

DIRECTORS

The directors during the year under review were:

P Nichols
R Sparrow
Miss E S Heesom
Mrs K A Nichols
S James

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

	31.3.05	1.4.04
Ordinary £1 shares		
P Nichols	1,000	1,000
R Sparrow	1,000	1,000
Miss E S Heesom	-	-
Mrs K A Nichols	800	800
S James	1,200	1,200
Ordinary non voting £1 shares		
P Nichols	10	10
R Sparrow	10	10
Miss E S Heesom	10	10
Mrs K A Nichols	10	10
S James	10	10

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 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 to 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.

CHANCERY PARTNERSHIP LTD.

Report of the Directors
for the Year Ended 31st March 2005

AUDITORS

The auditors, L W Hartwell, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink that reads "S James". The signature is written in a cursive style with a large initial 'S'.

S James - Director

20th July 2005

CHANCERY PARTNERSHIP LTD.

Report of the Independent Auditors to the Shareholders of
CHANCERY PARTNERSHIP LTD.

We have audited the financial statements of CHANCERY PARTNERSHIP LTD. for the year ended 31st March 2005 on pages five to seventeen. 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 auditors' 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 on page two the company's directors are responsible for the preparation of 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 Report of the Directors 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 Report of the Directors 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 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 31st March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



L W Hartwell
183 Watling Street West
Towcester
Northamptonshire. NN12 6BX
Chartered Certified Accountant
Registered Auditor

Date: 20/7/05

CHANCERY PARTNERSHIP LTD.

Profit and Loss Account
for the Year Ended 31st March 2005

	Notes	2005 £	2004 £
TURNOVER		2,099,243	2,019,454
Cost of sales		<u>933,421</u>	<u>258,134</u>
GROSS PROFIT		1,165,822	1,761,320
Administrative expenses		<u>1,137,465</u>	<u>1,409,597</u>
		28,357	351,723
Other operating income		<u>1,624</u>	<u>-</u>
OPERATING PROFIT	3	29,981	351,723
Interest payable and similar charges	4	<u>26,317</u>	<u>62,492</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,664	289,231
Tax on profit on ordinary activities	5	<u>2,128</u>	<u>62,210</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		1,536	227,021
Dividends	6	<u>-</u>	<u>225,696</u>
RETAINED PROFIT FOR THE YEAR		<u><u>1,536</u></u>	<u><u>1,325</u></u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current and previous years.

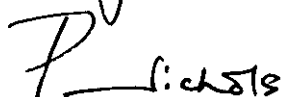
CHANCERY PARTNERSHIP LTD.

Balance Sheet
31st March 2005

	Notes	2005		2004	
		£	£	£	£
FIXED ASSETS					
Intangible assets	7		-		8,750
Tangible assets	8		-		<u>145,816</u>
			-		154,566
CURRENT ASSETS					
Stocks	9	500		306,926	
Debtors	10	1,793,915		1,310,338	
Cash in hand		-		42	
		1,794,415		1,617,306	
CREDITORS					
Amounts falling due within one year	11	<u>1,749,279</u>		<u>1,587,174</u>	
NET CURRENT ASSETS			<u>45,136</u>		<u>30,132</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			45,136		184,698
CREDITORS					
Amounts falling due after more than one year	12		-		<u>141,098</u>
			<u>45,136</u>		<u>43,600</u>
CAPITAL AND RESERVES					
Called up share capital	14		4,270		4,270
Profit and loss account	15		<u>40,866</u>		<u>39,330</u>
SHAREHOLDERS' FUNDS	17		<u>45,136</u>		<u>43,600</u>

ON BEHALF OF THE BOARD:


S James - Director


P Nichols - Director

Approved by the Board on 20th July 2005

CHANCERY PARTNERSHIP LTD.

Cash Flow Statement
for the Year Ended 31st March 2005

	Notes	£	2005	£	2004	£
Net cash inflow/(outflow) from operating activities	1		733,567		(123,806)	
Returns on investments and servicing of finance	2		(26,317)		(62,492)	
Taxation			(2,128)		(62,210)	
Capital expenditure	2		145,816		(40,731)	
Equity dividends paid			-		(225,696)	
			850,938		(514,935)	
Financing	2		(202,106)		325,149	
Increase/(Decrease) in cash in the period			<u>648,832</u>		<u>(189,786)</u>	
<hr/>						
Reconciliation of net cash flow to movement in net debt	3					
Increase/(Decrease) in cash in the period		648,832		(189,786)		
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing		<u>192,490</u>		<u>(323,374)</u>		
Change in net debt resulting from cash flows			<u>841,322</u>		<u>(513,160)</u>	
Movement in net debt in the period			841,322		(513,160)	
Net debt at 1st April			<u>(1,015,569)</u>		<u>(502,409)</u>	
Net debt at 31st March			<u>(174,247)</u>		<u>(1,015,569)</u>	

The notes form part of these financial statements

CHANCERY PARTNERSHIP LTD.

Notes to the Cash Flow Statement
for the Year Ended 31st March 2005

1. **RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES**

	2005 £	2004 £
Operating profit	29,981	351,723
Depreciation charges	8,750	49,538
Profit on disposal of fixed assets	-	(1,972)
Decrease/(Increase) in stocks	306,426	(56,709)
Increase in debtors	(483,577)	(826,096)
Increase in creditors	<u>871,987</u>	<u>359,710</u>
Net cash inflow/(outflow) from operating activities	<u>733,567</u>	<u>(123,806)</u>

2. **ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	2005 £	2004 £
Returns on investments and servicing of finance		
Interest paid	(26,317)	(62,150)
Interest element of hire purchase or finance lease rentals payments	<u>-</u>	<u>(342)</u>
Net cash outflow for returns on investments and servicing of finance	<u>(26,317)</u>	<u>(62,492)</u>
Capital expenditure		
Purchase of tangible fixed assets	-	(45,330)
Sale of tangible fixed assets	<u>145,816</u>	<u>4,599</u>
Net cash inflow/(outflow) for capital expenditure	<u>145,816</u>	<u>(40,731)</u>
Financing		
New loans in year	-	355,000
Loan repayments in year	(191,290)	(26,722)
Capital repayments in year	-	(4,904)
Amount introduced by directors	-	1,775
Amount withdrawn by directors	<u>(10,816)</u>	<u>-</u>
Net cash (outflow)/inflow from financing	<u>(202,106)</u>	<u>325,149</u>

CHANCERY PARTNERSHIP LTD.

Notes to the Cash Flow Statement
for the Year Ended 31st March 2005

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.4.04 £	Cash flow £	At 31.3.05 £
Net cash:			
Cash at bank and in hand	42	(42)	-
Bank overdraft	<u>(651,512)</u>	<u>648,874</u>	<u>(2,638)</u>
	<u>(651,470)</u>	<u>648,832</u>	<u>(2,638)</u>
Debt:			
Debts falling due within one year	(223,001)	51,392	(171,609)
Debts falling due after one year	<u>(141,098)</u>	<u>141,098</u>	<u>-</u>
	<u>(364,099)</u>	<u>192,490</u>	<u>(171,609)</u>
Total	<u>(1,015,569)</u>	<u>841,322</u>	<u>(174,247)</u>

Notes to the Financial Statements

1. **ACCOUNTING POLICIES**

Accounting convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents revenue earned under a wide variety of contracts to provide professional services. Revenue is recognised as earned when, and to the extent that, the firm obtains the right to consideration in exchange for its performance under these contracts. It is measured at the fair value of the right to consideration in exchange for its performance under these contracts.

Goodwill

Goodwill, being the amount paid in connection with the acquisition of a business in 1999, has been fully amortised as at 31 March 2005 following an impairment review.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Improvements to property	- 20% on cost
Plant and machinery	- 15% on cost
Fixtures and fittings	- 15% on cost
Motor vehicles	- 25% on reducing balance
Computer equipment	- 33% on cost

The assets were transferred to Chancery Tax LLP at 1 April 2004 at their opening net book value.

Stocks and work-in-progress

Stocks and work-in-progress is valued at the lower of cost and net realisable value. Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

Deferred tax

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

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

2. **STAFF COSTS**

	2005	2004
	£	£
Wages and salaries	25,959	627,745
Social security costs	1,589	68,003
Other pension costs	1,960	80,341
	<u>29,508</u>	<u>776,089</u>

CHANCERY PARTNERSHIP LTD.

Notes to the Financial Statements

2. **STAFF COSTS - continued**

The average monthly number of employees during the year was as follows:

2005	2004
-	29
<u>-</u>	<u>29</u>

3. **OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

	2005	2004
	£	£
Hire of plant and machinery	-	15,352
Depreciation - owned assets	-	47,296
Depreciation - assets on hire purchase contracts or finance leases	-	1,617
Profit on disposal of fixed assets	-	(1,972)
Goodwill amortisation	8,750	625
Auditors remuneration	1,300	4,479
	<u>1,300</u>	<u>4,479</u>
Directors' emoluments	-	227,639
	<u>-</u>	<u>227,639</u>

4. **INTEREST PAYABLE AND SIMILAR CHARGES**

	2005	2004
	£	£
Bank interest	8,178	33,439
Bank loan interest	16,952	28,610
Interest on late tax	1,187	101
Hire purchase	-	342
	<u>26,317</u>	<u>62,492</u>

5. **TAXATION**

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	2005	2004
	£	£
Current tax:		
UK corporation tax	-	58,000
Under provision in prior years	2,128	4,210
	<u>2,128</u>	<u>4,210</u>
Tax on profit on ordinary activities	<u>2,128</u>	<u>62,210</u>

UK corporation tax has been charged at 19% (2004 - 19%).

CHANCERY PARTNERSHIP LTD.

Notes to the Financial Statements

5. **TAXATION - continued**

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2005 £	2004 £
Profit on ordinary activities before tax	<u>3,664</u>	<u>289,231</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2004 - 30%)	696	86,769
Effects of:		
Expenses not deductible for tax purposes excess of depreciation	-	5,000
Depreciation for year in excess of capital allowances	-	1,519
Adjustments to tax charge in respect of small companies rate and marginal rate relief	-	(31,815)
Adjustments to tax charge in respect of previous year	2,128	4,210
Tax charge not provided in year	<u>(696)</u>	<u>(3,473)</u>
Current tax charge	<u>2,128</u>	<u>62,210</u>

No provision has been made for notional deferred taxation owing to the absence of material accelerated capital allowances.

6. **DIVIDENDS**

	2005 £	2004 £
Equity shares:		
Ordinary non voting shares of £1 each		
Interim	<u>-</u>	<u>225,696</u>
	<u>-</u>	<u>225,696</u>

7. **INTANGIBLE FIXED ASSETS**

	Goodwill £
COST	
At 1st April 2004 and 31st March 2005	<u>12,500</u>
AMORTISATION	
At 1st April 2004	3,750
Amortisation for year	<u>8,750</u>
At 31st March 2005	<u>12,500</u>
NET BOOK VALUE	
At 31st March 2005	<u>-</u>
At 31st March 2004	<u>8,750</u>

Notes to the Financial Statements

8. TANGIBLE FIXED ASSETS

	Improvements to property £	Plant and machinery £	Fixtures and fittings £
COST			
At 1st April 2004	44,730	10,894	164,628
Disposals	<u>(44,730)</u>	<u>(10,894)</u>	<u>(164,628)</u>
At 31st March 2005	-	-	-
DEPRECIATION			
At 1st April 2004	24,204	2,899	67,307
Eliminated on disposal	<u>(24,204)</u>	<u>(2,899)</u>	<u>(67,307)</u>
At 31st March 2005	-	-	-
NET BOOK VALUE			
At 31st March 2005	-	-	-
At 31st March 2004	<u>20,526</u>	<u>7,995</u>	<u>97,321</u>
	Motor vehicles £	Computer equipment £	Totals £
COST			
At 1st April 2004	15,328	77,524	313,104
Disposals	<u>(15,328)</u>	<u>(77,524)</u>	<u>(313,104)</u>
At 31st March 2005	-	-	-
DEPRECIATION			
At 1st April 2004	10,478	62,400	167,288
Eliminated on disposal	<u>(10,478)</u>	<u>(62,400)</u>	<u>(167,288)</u>
At 31st March 2005	-	-	-
NET BOOK VALUE			
At 31st March 2005	-	-	-
At 31st March 2004	<u>4,850</u>	<u>15,124</u>	<u>145,816</u>

The tangible fixed assets were transferred to Chancery Tax LLP at 1 April 2004 at their opening net book value.

CHANCERY PARTNERSHIP LTD.

Notes to the Financial Statements

8. **TANGIBLE FIXED ASSETS - continued**

Fixed assets, included in the above, which are held under hire purchase contracts or finance leases are as follows:

	Motor vehicles £
COST	
At 1st April 2004	15,328
Disposals	<u>(15,328)</u>
At 31st March 2005	-
DEPRECIATION	
At 1st April 2004	10,478
Eliminated on disposal	<u>(10,478)</u>
At 31st March 2005	-
NET BOOK VALUE	
At 31st March 2005	-
At 31st March 2004	<u>4,850</u>

9. **STOCKS**

	2005 £	2004 £
Work in progress	-	296,926
Stock	<u>500</u>	<u>10,000</u>
	<u>500</u>	<u>306,926</u>

10. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2005 £	2004 £
Trade debtors	100,986	192,186
Other debtors	587,777	1,090,293
Amounts owing from Chancery (UK) LLP	6,813	2,975
Provision for bad debts	-	(14,647)
Amounts owing from Chancery Tax LLP	1,098,339	-
Prepayments	<u>-</u>	<u>39,531</u>
	<u>1,793,915</u>	<u>1,310,338</u>

CHANCERY PARTNERSHIP LTD.

Notes to the Financial Statements

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004
	£	£
Bank loans and overdrafts (see note 13)	174,247	840,763
Other loans (see note 13)	-	33,750
Trade creditors	47,341	306,291
Social security and other taxes	-	19,198
VAT	39,177	21,819
Amounts owing to Chancery Independent Advisers Limited	17,025	67,063
Taxation	-	118,210
Directors' current accounts	-	9,616
Accruals & sundry creditors	<u>1,471,489</u>	<u>170,464</u>
	<u>1,749,279</u>	<u>1,587,174</u>

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2005	2004
	£	£
Other loans (see note 13)	<u>-</u>	<u>141,098</u>

13. LOANS

An analysis of the maturity of loans is given below:

	2005	2004
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	2,638	651,512
Bank loans	171,609	189,251
Loans from employees	-	32,550
Loans from directors	<u>-</u>	<u>1,200</u>
	<u>174,247</u>	<u>874,513</u>

Amounts falling due between one and two years:

Other loans - 1-2 years	-	3,600
Trade creditors +1 year	<u>-</u>	<u>1,200</u>
	<u>-</u>	<u>4,800</u>

Amounts falling due between two and five years:

Other loans - 2-5 years	-	10,800
Personal loan	<u>-</u>	<u>3,600</u>
	<u>-</u>	<u>14,400</u>

Amounts falling due in more than five years:

Repayable by instalments		
Loans from employees	-	68,948
Loans from directors	<u>-</u>	<u>52,950</u>
	<u>-</u>	<u>121,898</u>

CHANCERY PARTNERSHIP LTD.

Notes to the Financial Statements

14. **CALLED UP SHARE CAPITAL**

Authorised:		Nominal value:	2005	2004
Number:	Class:		£	£
10,000	Ordinary	£1	10,000	10,000
270	Ordinary non voting	£1	<u>270</u>	<u>270</u>
			<u>10,270</u>	<u>10,270</u>

Allotted, issued and fully paid:		Nominal value:	2005	2004
Number:	Class:		£	£
4,000	Ordinary	£1	4,270	4,000
270	Ordinary non voting	£1	<u>-</u>	<u>270</u>
			<u>4,270</u>	<u>4,270</u>

15. **RESERVES**

	Profit and loss account £
At 1st April 2004	39,330
Retained profit for the year	<u>1,536</u>
At 31st March 2005	<u>40,866</u>

16. **RELATED PARTY DISCLOSURES**

The directors of the company with the exception of Miss ES Heesom are also directors of Chancery Independent Advisers Limited. At the beginning of the year the company owed Chancery Independent Advisers Limited £67,063. During the year both companies have paid expenses and transferred funds on behalf of each other to aid their respective cash flows. The overall effect of the transactions has led to a decrease in the liability owed by £50,038 to £17,025 at 31 March 2005. No interest is due on this loan, and the loan is unsecured.

The directors are designated members of Chancery (UK) LLP.

The directors, with the exception of R Sparrow and Miss E Heesom, are also members of Chancery Tax LLP.

At 1 April 2004, the company transferred net assets of £120,287 to Chancery Tax LLP and £45,050 to Chancery (UK) LLP. At this date, the two limited liability partnerships jointly took over the majority of the principal activity of the company.

During the year the company and the two limited liability partnerships have paid expenses and transferred funds on behalf of each other to aid their respective cash flows. In addition the company was invoiced by Chancery Tax LLP amounts totalling £1,065,000 in respect of management charges. The overall effect of the transactions has led to Chancery Tax LLP owing the company £1,098,339, and Chancery (UK) LLP owing the company £6,813 at 31 March 2005. Both balances are included within debtors and are unsecured. No interest is charged on outstanding amounts.

During the year the company raised sales invoices to Extralife Limited in respect of professional services amounting to £25,830. The directors P Nichols and S James are also directors of this company. There was no outstanding debtor balance at 31 March 2005.

CHANCERY PARTNERSHIP LTD.

Notes to the Financial Statements

17. **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2005	2004
	£	£
Profit for the financial year	1,536	227,021
Dividends	-	(225,696)
Issue of ordinary non-voting shares	<u> </u>	<u> </u>
Net addition to shareholders' funds	1,536	1,325
Opening shareholders' funds	<u>43,600</u>	<u>42,275</u>
Closing shareholders' funds	<u>45,136</u>	<u>43,600</u>
Equity interests	<u>45,136</u>	<u>43,600</u>