

**JUDGES CAPITAL PLC**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2004**

*Co. No. 45753*



# JUDGES CAPITAL PLC

## COMPANY INFORMATION

---

### **Directors**

The Hon. Alexander Robert Hambro (*Non-Executive Chairman*)

David Elie Cicurel (*Chief Executive*)

Ralph Julian Elman (*Finance Director*)

Glynn Carl Reece (*Non-Executive Director*)

### **Company Secretary**

Ralph Julian Elman

### **Registered Office**

1 Bickenhall Mansions

Bickenhall Street

Marylebone

London W1U 6BP

### **Registrar**

Capita IRG plc

The Registry

34 Beckenham Road

Beckenham

Kent BR3 4TU

### **Nominated Advisor**

Shore Capital and Corporate Ltd

Bond Street House

14 Clifford Street

London W1S 4JU

### **Stockbroker**

Shore Capital Stockbrokers Ltd

Bond Street House

14 Clifford Street

London W1S 4JU

### **Auditors**

Grant Thornton UK LLP

Chartered Accountants

& Registered Auditors

8 West Walk

Leicester LE1 7NH

### **Principal Bankers**

Bank of Scotland

14 Friar Lane

Leicester LE1 5RA

### **Solicitors**

Faegre & Benson LLP

7 Pilgrim Street

London EC4V 6LB

**Registered in England and Wales, Company No. 4597315**

# JUDGES CAPITAL PLC

## CONTENTS

---

	<b>Page</b>
Chairman's Statement	1 – 2
Directors' report	3 – 4
Report of the independent auditors	5
Profit and loss account	6
Balance sheet	7
Cash flow statement	8
Notes to the cash flow statement	9
Other notes to the financial statements	10 – 14

**JUDGES CAPITAL PLC**  
**CHAIRMAN'S STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2004**

---

During its second year in operation, your Company continued its strategy as an activist investor in small public companies.

The historic focus of our approach has been to acquire strategic stakes in undervalued quoted companies and propose changes likely to result in enhanced shareholder value, the principal mechanism being the encouragement of public to private transactions in order to take advantage of different perceptions of value between stock market investors and private equity funds.

During the year under review we continued to build our portfolio and, by the middle of the year, the Company was close to being fully invested. This remained the case until the year-end. The net losses for the year, before a provision against investments, amounted to £54K (2003: £126K) and, after provision, totalled £154k (2003: £126K). Net assets amounted to £1.53 million which, together with unrealised profit of £252K, amounted to £1.79 million (2003: £1.78 million) or 84.8p per ordinary share (2003: 84.5p). We continued to maintain strict control of our administrative expenses which amounted to £176K for the period (2003: £205K including £17K relating to an abortive transaction).

During the year we entered into a number of Contract for Difference (CFDs) in respect of certain investment holdings. CFDs effectively represent a financing tool, enabling us to control larger stakes in target companies without having to purchase shares outright, thus providing greater leverage. The use of CFD investment enabled us to retain a significant bank balance (£296K) at the year-end, while still investing an amount equivalent to the funds initially raised.

Our portfolio of active investments at the year-end was as follows:

- a 2.2% shareholding in *Interior Services Group* ("ISG"), half of which was held through CFDs. Together with co-investors we controlled 3.1% of ISG at the year end;
- together with David Cicurel (Investments) and Starlight Investments, an 11.7% shareholding in *Poole Investments plc* (formerly *Pilkington's Tiles*), which owns an attractive real estate site in Poole, Dorset;
- a 3% shareholding in *Dickinson Legg*, a small engineering company;
- a 1.7% shareholding in *Fortress Holdings*, a cash shell which has now entered members' voluntary liquidation. This is the outcome we sought and we are confident that this investment will yield a significant profit;
- a 2.4% shareholding in a small marketing company; and
- a residual investment in *Lionheart*, a cash shell in voluntary liquidation; during the year we received back our original investment and a significant profit. One more distribution is expected.

Despite our successes, the environment in respect of our business model has remained hostile. The enthusiasm for small companies has continued with the FTSE Small Cap index rising approximately 80% in the space of two years from its low point in March 2003. The continued strength in the share prices of 'Small Cap' companies has resulted in a serious deterioration of the arbitrage opportunity between public and private valuations, a factor that is integral to our strategy. In view of the fact that this public to private arbitrage has reversed, we need to deploy our skills in order to take advantage of the opportunities this change is creating.

As this buoyancy is proving persistent your Board has decided to pursue a new strategy that it believes is more likely to produce satisfactory shareholder returns in this changed environment. We announced today the acquisition of *Fire Testing Technology Limited*, a trading company involved in the manufacture of fire testing instruments. The acquisition amounts to a maximum of £3.7 million plus a working capital adjustment and will be financed by a £956,000 placing and by debt. *Fire Testing Technology Limited* is a solid, cash generative, growing, niche business. The instrument sector consists of a large number of suppliers and we will seek further acquisition opportunities. Full details are provided in the admission document.

With a view to actively pursuing this new strategy we will seek to accelerate the disposal of our share portfolio. After the year-end we disposed of our principal holding, ISG, and realised a net profit of £226K and an annual investment return of 30.5% on our shares (the leverage enabled us to produce a higher return on the CFDs). We have also made a provision of £100k against the carrying value of our other investments which reflects our current view of the net realisable value of the remaining portfolio (excluding ISG). The aforementioned change in strategy means that we may choose to exit from these investments more rapidly than would otherwise have been the case. As a result of this provision, which is calculated on the approximate current market value, the net loss for the year amounts to £154K.

**JUDGES CAPITAL PLC**  
**CHAIRMAN'S STATEMENT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2004**

---

Your Board recognises that our original business model was thwarted by the sudden revival in small public company equity valuations and that, due to our small size, some excellent performances on individual investments have not translated into overall profitability. We are confident that our new direction will produce attractive shareholder returns in this new environment and we thank our shareholders for their continued support.

**Current Trading and Future Prospects**

In January 2005, Judges Capital disposed of its shareholding in ISG plc, a transaction that generated total proceeds of £1,156,000 and a profit on sale of £226,000. Of the proceeds, the sum of £512,000 was used to settle related liabilities under contracts for difference. In addition, Judges received £208,000 post the year-end from the liquidators of Fortress Holdings, an amount that approximates to Judges' original investment.

Alex Hambro  
Chairman  
Date: 29 April 2005



**JUDGES CAPITAL PLC**  
**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 principal activity of the company during the year was that of undertaking investments. A review of the business is provided in the Chairman's statement.

**Results and dividends**

The results for the year are set out on page 6. The directors do not recommend payment of a dividend for the year.

**Directors**

The following directors have held office during the year:

Hon AR Hambro <sup>1</sup> – non executive

Mr DE Cicurel

Mr RJ Elman

Mr GC Reece <sup>1</sup> – non executive

<sup>1</sup> Member of the audit committee and remuneration committee

**Directors' interests**

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

	<b>Ordinary of 5p each</b>	
	<b>31 December 2004 and 2003</b>	
Hon AR Hambro	-	0%
Mr DE Cicurel	526,356*	24.99%
Mr RJ Elman	-	0%
Mr GC Reece	-	0%

\*Held through David Cicurel (Investments) Limited

	<b>Convertible Redeemable of 1p each</b>	
	<b>31 December 2004 and 2003</b>	
Hon AR Hambro	416,667	8.33%
Mr DE Cicurel	4,166,667*	83.33%
Mr RJ Elman	208,333	4.17%
Mr GC Reece	208,333	4.17%

\*Held through David Cicurel (Investments) Limited

The conversion terms of the convertible redeemable shares are detailed in note 10 to the financial statements. Following a full conversion of the shares to ordinary shares the directors' interests in the enlarged share capital of the company would be as follows:

	<b>No of Shares</b>	<b>Percentage</b>
Hon AR Hambro	23,923	1.0%
Mr DE Cicurel	765,590*	32.0%
Mr RJ Elman	11,962	0.5%
Mr GC Reece	11,962	0.5%

\*Held through David Cicurel (Investments) Limited

# JUDGES CAPITAL PLC

## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

---

### Auditors

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004. Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

### Payment policy

The company's policy is to agree terms and conditions with suppliers before business takes place and to pay agreed invoices in accordance with the terms of payment. Trade creditors of the company at the period end amount to 4 days (2003: 12 days).

### Directors' responsibilities

United Kingdom 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 judgments 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, as well as ensuring that the directors' report and other information included in the annual report is prepared in accordance with company law in the United Kingdom. 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.

### International Financial Reporting Standards

The company intends to adopt IFRS in line with the expected AIM mandatory adoption timetable.

### Corporate Governance

The Directors have established an audit committee and a remuneration committee with formally delegated duties and responsibilities. The members of both committees are the non-executive Directors.

*The audit committee determines the terms of engagement of the company's auditors and, in consultation with the company's auditors, the scope of the audit. The audit committee has unrestricted access to the company's auditors. The remuneration committee reviews the scale and structure of the executive Directors' remuneration and the terms of their service contracts. The remuneration of the non-executive Directors is determined by the Board as a whole. No directors participate in setting their own pay.*

### Post balance sheet events

On 29 April 2005, the Company announced its intention (subject to shareholder approval) to acquire the entire issued share capital of Fire Testing Technology Limited for a maximum of £3,700,000 (plus a working capital adjustment). The terms of the acquisition, and information on Fire Testing Technology Limited, are set out in more detail in the document sent to shareholders on 29 April 2005.

In January 2005, the Company sold its holding of shares in ISG plc, generating total proceeds of £1,156,000 and a profit on sale of £226,000. £512,000 of the proceeds were used to settle related liabilities under Contracts for Difference. In addition, Judges received £208,000 since the year-end from the liquidators of Fortress Holdings, which is approximately the amount of Judges' investment.

On behalf of the board

  
RJ Elman

29 April 2005

**JUDGES CAPITAL PLC**  
**REPORT OF THE INDEPENDENT AUDITORS**  
**TO THE MEMBERS OF JUDGES CAPITAL PLC**

---

We have audited the financial statements of Judges Capital plc for the year ended 31 December 2004 which comprise the profit and loss account, the balance sheet, the cashflow statement and associated notes 1 to 3 and notes 1 to 18 to the financial statements. 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 the directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

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 whether the financial statements have been 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 other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

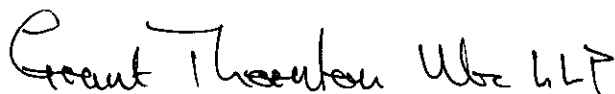
**Basis of opinion**

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 judgments 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 affairs of the company at 31 December 2004 and of the loss for the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Grant Thornton UK LLP**  
Chartered Accountants  
Registered Auditor  
29 April 2005

8 West Walk  
Leicester  
LE1 7NH



# JUDGES CAPITAL PLC

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2004

---

		Year ended 31 December 2004	Period ended 31 December 2003
	Notes	£	£
Administrative expenses		(175,535)	(204,859)
<b>Operating loss</b>		(175,535)	(204,859)
Profit on disposal of investments		57,654	30,049
Provision against investments		(100,000)	-
Investment income	3	61,912	14,750
Net interest receivable and similar income	4	2,441	34,188
<b>Loss on ordinary activities before taxation</b>	2	(153,528)	(125,872)
Tax on loss on ordinary activities	5	-	-
<b>Loss on ordinary activities after taxation</b>	11	(153,528)	(125,872)
Loss per ordinary share	6	(7.3p)	(6.7p)

All operations are continuing operations.

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

The accompanying notes form an integral part of these financial statements.

# JUDGES CAPITAL PLC

## BALANCE SHEET AS AT 31 DECEMBER 2004

		2004	2003
	Notes	£	£
<b>Current assets</b>			
Debtors	7	8,230	18,912
Investments	8	1,702,075	1,007,336
Cash at bank and in hand		296,073	703,647
		<u>2,006,378</u>	<u>1,729,895</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>(472,466)</u>	<u>(42,455)</u>
<b>Total assets less current liabilities</b>		<u>1,533,912</u>	<u>1,687,440</u>
<b>Capital and reserves</b>			
Called up share capital	10	117,818	117,818
Share premium account	11	1,695,494	1,695,494
Profit and loss account	11	(279,400)	(125,872)
<b>Shareholders' funds</b>	12	<u>1,533,912</u>	<u>1,687,440</u>
Equity interests		1,521,412	1,674,940
Non-equity interests		12,500	12,500
		<u>1,533,912</u>	<u>1,687,440</u>

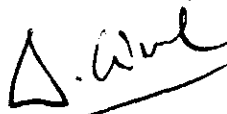
The accompanying notes form an integral part of these financial statements.

The financial statements were approved by the Board on 29 April 2005



RJ Elman

Director



DE Cicurel

Director

# JUDGES CAPITAL PLC

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2004

	Year ended		Period ended	
	31 December 2004		31 December 2003	
	£	£	£	£
<b>Net cash outflow from operating activities</b>		(195,365)		(166,566)
<b>Returns on investments and servicing of finance</b>				
Interest received	25,279		34,188	
Interest paid	(360)		-	
Dividends received	58,462		-	
		<u>83,381</u>		<u>34,188</u>
<b>Net cash outflow before management of liquid resources and financing</b>		(111,984)		(132,378)
<b>Management of liquid resources</b>				
Purchase of investments	(650,790)		(1,039,372)	
Sale of investments	412,500		62,085	
		<u>(238,290)</u>		<u>(977,287)</u>
<b>Net cash outflow from management of liquid resources</b>		(238,290)		(977,287)
<b>Net cash outflow before financing</b>		<u>(350,274)</u>		<u>(1,109,665)</u>
<b>Financing</b>				
Issue of Ordinary shares	-		2,001,002	
Issue of convertible Redeemable shares	-		12,500	
Expenses paid in connection with share issue	-		(200,190)	
Payments for CFDs	(57,300)		-	
		<u>(57,300)</u>		<u>1,813,312</u>
<b>Net cash (outflow)/inflow from financing</b>		(57,300)		1,813,312
<b>(Decrease)/increase in cash in the period</b>		<u>(407,574)</u>		<u>703,647</u>

The accompanying notes form an integral part of these financial statements.

# JUDGES CAPITAL PLC

## NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

<b>1 Reconciliation of operating loss to net cash outflow from operating activities</b>		<b>2004</b>	<b>2003</b>
		£	£
Operating loss		(175,535)	(204,859)
Increase in debtors		(4,068)	(4,162)
(Decrease)/increase in creditors due within one year		(15,762)	42,455
		<u>          </u>	<u>          </u>
<b>Net cash outflow from operating activities</b>		<b>(195,365)</b>	<b>(166,566)</b>
		<u>          </u>	<u>          </u>
<b>2 Analysis of net funds</b>		<b>1</b>	<b>31</b>
	<b>January</b>	<b>Cash flow</b>	<b>Non cash</b>
	<b>2004</b>		<b>movements</b>
	£	£	£
Net cash:			
Cash at bank and in hand	703,647	(407,574)	-
	<u>          </u>	<u>          </u>	<u>          </u>
Liquid resources:			
Current asset investments	1,007,336	238,290	456,449
Amount outstanding under CFDs	-	-	(451,421)
	<u>          </u>	<u>          </u>	<u>          </u>
	1,007,336	238,290	5,028
	<u>          </u>	<u>          </u>	<u>          </u>
Net funds	1,710,983	(169,284)	5,028
	<u>          </u>	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>3 Reconciliation of net cash flow to movement in net funds</b>		<b>2004</b>	<b>2003</b>
		£	£
(Decrease)/increase in cash in the period		(407,574)	703,647
Cash outflow from increase in liquid resources		238,290	977,287
Profit on disposal of investments		57,654	30,049
Transactions in investments under CFDs		498,795	-
Amount outstanding under CFDs		(451,421)	-
Provision against investments		(100,000)	-
		<u>          </u>	<u>          </u>
<b>Movement in net funds in the period</b>		<b>(164,256)</b>	<b>1,710,983</b>
Opening net funds		1,710,983	-
		<u>          </u>	<u>          </u>
<b>Closing net funds</b>		<b>1,546,727</b>	<b>1,710,983</b>
		<u>          </u>	<u>          </u>
		<u>          </u>	<u>          </u>

# JUDGES CAPITAL PLC

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

### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

#### 1.2 Investments

All investments are treated as current assets reflecting the company's strategic investment policy to actively pursue appropriate and profitable exit routes on all investments. Current asset investments are stated at the lower of cost and net realisable value.

#### 1.3 Investment income

Investment income comprises dividends declared during the accounting period and interest receivable on quoted and unquoted investments.

#### 1.4 Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is not discounted and is measured using rates of tax that have been enacted or substantively enacted by the balance date.

#### 1.5 Cashflow statement

Movement of liquid resources relates to net cash cost of current investments acquired and sold in the year. All current asset investments are held as liquid resources.

#### 1.6 Contracts for Difference

As part of its normal operations, the company may periodically fund the acquisition of rights over shares by the use of Contracts for Difference (CFDs). CFDs are a financing tool, in that they provide access to economic benefits (the underlying investments) in return for an ongoing financing cost. Investments purchased using CFDs are therefore treated as owned investments, with the gross CFD liability treated as debt. The carrying costs of CFDs are treated as finance costs and charged to the profit and loss account as incurred.

### 2 Loss on ordinary activities before taxation

	Year ended 31 December 2004 £	Period ended 31 December 2003 £
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Profit on disposal of investments	(57,654)	(30,049)
Provision against investments	100,000	-
Costs relating to abortive transaction	-	17,297
Auditors' remuneration	7,000	7,000
Remuneration of auditors for non-audit work (tax advisory)	1,500	9,594
	<u>          </u>	<u>          </u>

In addition fees were paid to the auditors in 2003 in respect of work undertaken as part of the flotation of the company. The costs of £9,400 were charged against share premium.

### 3 Investment income

	Year ended 31 December 2004 £	Period ended 31 December 2003 £
Income from current asset investments	61,912	14,750
	<u>          </u>	<u>          </u>

### 4 Net interest receivable and similar income

	Year ended 31 December 2004 £	Period ended 31 December 2003 £
Interest receivable	27,465	34,188
CFD finance charges	(24,664)	-
Interest payable	(360)	-
	<u>          </u>	<u>          </u>
	2,441	34,188
	<u>          </u>	<u>          </u>

# JUDGES CAPITAL PLC

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

5 Taxation	2004	2003
	£	£
Current tax charge	-	-
<b>Factors affecting the tax charge for the period</b>		
Loss on ordinary activities before taxation	(153,528)	(125,872)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30%.	(46,058)	(37,762)
Provision disallowed for tax	30,000	-
Losses carried forward	16,058	37,762

The company has unrelieved tax losses at 31 December 2004 of £53,820 (2003: £37,762). The company has not recognised a deferred tax asset in respect of these losses as the timing and extent of recovery is insufficiently certain.

### 6 Loss per ordinary share

Loss per share is calculated by dividing the loss for the period of £153,528 (2003: £125,872) by the weighted average number of shares in issue during the period of 2,106,356 (2003: 1,888,649). As there is a loss for the period there is no dilutive effect arising from the convertible redeemable shares.

7 Debtors	2004	2003
	£	£
Other debtors	3,875	14,750
Prepayments and accrued income	4,355	4,162
	8,230	18,912

### 8 Current asset investments

	Historical Cost	Period end value		Total Valuation
		Market valuation	Directors' valuation	
	£	£	£	£
Unquoted investments	227,399	-	260,000	260,000
Quoted investments	1,574,676	1,693,601	-	1,693,601
Less: provision against investments	(100,000)	-	-	-
<b>At 31 December 2004</b>	<b>1,702,075</b>	<b>1,693,601</b>	<b>260,000</b>	<b>1,953,601</b>
<b>Net unrealised gain at 31 December 2004</b>	<b>-</b>	<b>218,925</b>	<b>32,601</b>	<b>251,526</b>

	Historical Cost	Period end value		Total Valuation
		Market valuation	Directors' valuation	
	£	£	£	£
Unquoted investments	368,467	-	420,750	420,750
Quoted investments	638,869	679,756	-	679,756
<b>At 31 December 2003</b>	<b>1,007,336</b>	<b>679,756</b>	<b>420,750</b>	<b>1,100,506</b>
<b>Net unrealised gain at 31 December 2003</b>	<b>-</b>	<b>40,887</b>	<b>52,283</b>	<b>93,170</b>

# JUDGES CAPITAL PLC

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

9 Creditors: amounts falling due within one year	2004	2003
	£	£
Trade creditors	453,517	6,273
Accruals and deferred income	16,174	33,470
Social security and other taxes	2,775	2,712
	<u>472,466</u>	<u>42,455</u>

Included within trade creditors is £451,421 (2003:nil) representing the gross amount outstanding in respect of Contracts for Difference.

10 Share capital	2004	2003
	£	£
<b>Authorised</b>		
10,000,000 Ordinary shares of 5p each	500,000	500,000
5,000,000 Convertible Redeemable shares of 1p each	50,000	50,000
	<u>550,000</u>	<u>550,000</u>
<b>Allotted, called up and fully paid</b>		
2,106,356 Ordinary shares of 5p each	105,318	105,318
5,000,000 Convertible Redeemable shares of 1p each, quarter paid	12,500	12,500
	<u>117,818</u>	<u>117,818</u>

### Convertible Redeemable Shares

The principal terms of the Convertible Redeemable Shares are as follows:

- There is no right to participate in the profits of the company.
- On a winding up or other return of capital the surplus assets remaining after payment of liabilities shall be applied:
  - i) First in repaying the capital paid up on the Ordinary Shares;
  - ii) Secondly in repaying the capital paid up on the Convertible Redeemable Shares; and
  - iii) Thirdly distributed amongst the holders of the Ordinary Shares according to the amounts paid up.
- The holders of the Convertible Redeemable Shares are not entitled to attend or vote at General Meetings of the company unless the meeting considers a resolution for winding up the company.
- On payment to the company of the aggregate of (i) a sum equal to any amount which has not been called or which is otherwise unpaid in respect of all of the Convertible Redeemable Shares to be converted and (ii) a further sum equal to 95 pence multiplied by the number of Ordinary Shares to be issued as a result of the conversion less the amount paid up or deemed paid up (including the amount referred to in (i) above) in respect of the Convertible Redeemable Shares to be converted ("Conversion Price"), each holder of Convertible Redeemable Shares shall be entitled to convert all or any of his Convertible Redeemable Shares into such number of fully paid Ordinary Shares which represents 0.24 per cent of the number of Ordinary Shares in issue, assuming that all the Convertible Redeemable Shares remaining capable of being convertible into Ordinary Shares at the date of which the conversion takes place had been converted at the time, for every 100,000 Convertible Redeemable Shares so converted and so in proportion for any greater or lesser number of Convertible Redeemable Shares ("Conversion Rate").
- The holders of Convertible Redeemable Shares shall (subject to the provisions of the Companies Act) be entitled at anytime to redeem all or any of the Convertible Redeemable Shares outstanding out of any profits or monies of the company which may lawfully be applied for that purpose.

# JUDGES CAPITAL PLC

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

11	Statement of movements on reserves	Share premium account £	Profit and loss account £
	Balance at 31 December 2003	1,695,494	(125,872)
	Retained loss for the year	-	(153,528)
	Balance at 31 December 2004	<u>1,695,494</u>	<u>(279,400)</u>
12	Reconciliation of movements in shareholders' funds	2004 £	2003 £
	Loss for the financial period	(153,528)	(125,872)
	Proceeds from issue of shares	-	1,813,312
	Net addition to shareholders' funds	(153,528)	1,687,440
	Opening shareholders' funds	1,687,440	-
	Closing shareholders' funds	<u>1,533,912</u>	<u>1,687,440</u>
13	Directors' emoluments	Year ended 31 December 2004 £	Period ended 31 December 2003 £
	Emoluments	62,000	62,786
	Highest paid director	<u>25,000</u>	<u>25,000</u>

### 14 Employees

#### Number of employees

There were no employees during the period apart from the four directors.

#### Employment costs

	Year ended 31 December 2004 £	Period ended 31 December 2003 £
Wages and salaries	60,825	62,000
Social security costs	5,242	5,057
	<u>66,067</u>	<u>67,057</u>

### 15 Related Party Transactions

In addition to the amounts paid to the directors the following transactions took place:

#### D Cicurel

Amounts of £25,000 (2003: £25,000) were paid to David Cicurel (Investments) Limited, a company indirectly controlled by The David Cicurel Settlement, of which David Cicurel is a potential beneficiary. This represents a contribution towards the costs of using the offices and administrative services of that company. This arrangement is monitored by the non-executive Directors.

#### R Elman

R Elman is a partner of Elman Wall, a firm of Chartered Accountants who provide bookkeeping and accounting services to the company, at a cost of £12,000 (2003: £12,000) in the period.



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

---

### 16 Financial Instruments

The company uses financial instruments, other than derivatives comprising borrowings (including Contracts for Difference), cash and various items such as short term debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

Interest is received on bank balances based on a floating rate which represents base less 0.25 per cent. Interest is paid on the gross amount outstanding in respect of Contracts for Difference based on a floating rate which represents approximately 7 per cent.

The main risk arising from the company's financial instruments is liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

#### **Management of liquid resources**

Judges Capital endeavours to balance its portfolio with approximately five positions at any one time. These special situations will, ideally, be at different stages of maturity, in different sectors and will involve different levels of management co-operation.

The company has used CFDs (i) to increase its investment in equities up to the level of its own shareholders' funds and still keep prudent cash balances and (ii) to enhance returns on one particular holding where the risk is low but the potential uplift is less than the company's target.

Judges Capital may also invite co-investors to participate in an individual transaction for which they will pay Judges Capital a share of their profits. This could serve to boost the return on the funds invested in a target and enable Judges Capital to pursue a strategy, such as an outright bid for a target, that might otherwise lead to an imbalance in the portfolio.

### 17 Share options

In lieu of payment for advisory services to the company Shore Capital and Corporate Limited was granted the right to subscribe for 100,000 Ordinary Shares at a subscription price of 102.5 pence per share. This right was not exercised and has lapsed.

### 18 Post balance sheet events

On 29 April 2005, the Company announced its intention (subject to shareholder approval) to acquire the entire issued share capital of Fire Testing Technology Limited for a maximum of £3,700,000 (plus a working capital adjustment). The terms of the acquisition, and information on Fire Testing Technology Limited, are set out in more detail in the document sent to shareholders on 29 April 2005.

In January 2005, the Company sold its holding of shares in ISG plc, generating total proceeds of £1,156,000 and a profit on sale of £226,000. £512,000 of the proceeds were used to settle related liabilities under Contracts for Difference. In addition, Judges received £208,000 since the year-end from the liquidators of Fortress Holdings, which is approximately the amount of Judges' investment.

Judges Capital PLC  
14 New Burlington Street  
London W1S 3BQ  
Tel: 020 7437 4037  
Fax: 020 7437 2607  
E-mail: [DECicurel@judges.uk.com](mailto:DECicurel@judges.uk.com)