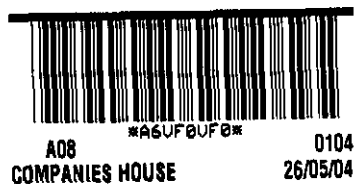


Registered number: 2123798.

ALDER INVESTMENT MANAGEMENT LIMITED

Annual Report

FOR THE YEAR ENDED 31 DECEMBER 2003



ALDER INVESTMENT MANAGEMENT LIMITED
REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2003.

DIRECTORS AND INTERESTS

The directors who served during the year are:

Name

John P.D. Hancox (Chairman)
Ian M. McCulloch
Richard T. A. Postlethwaite
Gordon H. Scrase
Mark D. R. Shapley
Edmund H. Vestey
The Lord Vestey
Geoffrey B.T. Wells

None of the directors had any beneficial interest in the share capital of the company. All of the directors except M.D.R Shapley and G.B.T. Wells are also directors of the company's parent company, Alder Asset Management Limited, and their interests are disclosed in the financial statements of that company.

PRINCIPAL ACTIVITY

The principal activity of the company is the management of clients' investments. The company is authorised and regulated by the Financial Services Authority Limited ("FSA").

FIXED ASSETS

Changes in the fixed assets of the company took place during the year as shown in note 6 to the financial statements.

TRADING

The company's trading results are stated on page 4 of the financial statements.

REVIEW OF THE BUSINESS

The results for the year ended 31 December 2003 were as follows:

(Loss) on ordinary activities after taxation	£ (37,844)
Less: dividends paid	-
	<u>£ (37,844)</u>

The company traded successfully during the year and continues to do so.

The directors do not recommend the payment of a final dividend in respect of the year to 31 December 2003 (2002: nil). Accordingly, £37,844 will be transferred from the company's reserves.

ALDER INVESTMENT MANAGEMENT LIMITED
REPORT OF THE DIRECTORS (continued)

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 and 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;
- * 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 company will continue in business.

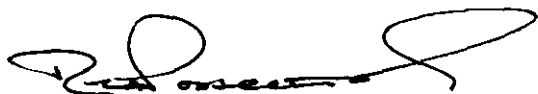
The directors confirm that the above requirements have been followed in preparing the financial statements.

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.

AUDITORS

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

SIGNED ON BEHALF OF THE BOARD



R.T.A. POSTLETHWAITE
Secretary
27 April 2004

ALDER INVESTMENT MANAGEMENT LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE COMPANY

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out in the statement of accounting policies' on page 8.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by prior consent in writing.

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 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 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 company's affairs at 31 December 2003 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London

27 April 2004

ALDER INVESTMENT MANAGEMENT LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2003

		<u>2003</u>	<u>2002</u>
	<u>Notes</u>	£	£
Turnover	2	1,269,656	1,224,105
Operating costs			
Staff costs	3	(999,351)	(923,797)
Other operating costs		<u>(328,458)</u>	<u>(293,410)</u>
Operating (loss)/profit		(58,153)	6,898
Income from fixed asset investments		9,122	8,875
Other interest receivable		<u>10,828</u>	<u>12,077</u>
(Loss)/profit on ordinary activities before taxation	4	(38,203)	27,850
Tax on profit on ordinary activities	5	<u>359</u>	<u>(8,787)</u>
(Loss)/profit on ordinary activities after taxation		(37,844)	19,063
Dividend paid		<u>-</u>	<u>-</u>
Retained (loss)/profit for the year	12	<u>£ (37,844)</u>	<u>£ 19,063</u>

There is no difference between the loss on ordinary activities before taxation and the retained loss above and their historical cost equivalents.

All of the amounts above are in respect of continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2003

	<u>2003</u>	<u>2002</u>
	£	£
(Loss)/profit on ordinary activities after taxation	(37,844)	19,063
Surplus on revaluation of investments	<u>16,333</u>	<u>24,317</u>
Total gains and losses relating to the year	<u>£ (21,511)</u>	<u>£ 43,380</u>

ALDER INVESTMENT MANAGEMENT LIMITED

BALANCE SHEET

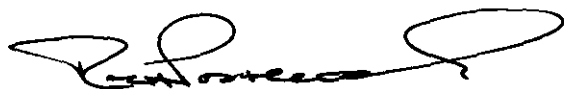
AS AT 31 DECEMBER 2003

	<u>Notes</u>	<u>2003</u>	<u>2002</u>
		£	£
FIXED ASSETS:			
Tangible assets	6	12,220	15,182
Investments	7	428,488	412,155
		<u>440,708</u>	<u>427,337</u>
Current Assets:			
Debtors	8	133,169	158,579
Short term bank deposits		659,501	589,370
Cash at bank and in hand		16,511	144,894
		<u>809,181</u>	<u>892,843</u>
Current Liabilities:			
Creditors: amounts falling due within one year	9	269,254	318,034
NET CURRENT ASSETS		<u>539,927</u>	<u>574,809</u>
NET ASSETS		<u>£ 980,635</u>	<u>£ 1,002,146</u>
Financed by:			
CAPITAL & RESERVES			
Share Capital	10	320,000	320,000
Share Premium Account	11	319,900	319,900
Revaluation Reserve Account	11	119,072	102,739
Profit and Loss Account	11	221,663	259,507
EQUITY SHAREHOLDERS' FUNDS	12	<u>£ 980,635</u>	<u>£ 1,002,146</u>

The financial statements on pages 4 to 14 were approved by the board of directors on 27 April 2004 and were signed on its behalf by:



I.M. McCULLOCH



R.T.A. POSTLETHWAITE

Directors

ALDER INVESTMENT MANAGEMENT LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2003

	<u>Notes</u>	<u>2003</u> £	<u>2003</u> £	<u>2002</u> £	<u>2002</u> £
Net cash (outflow)/inflow from operating activities	(B)		(67,450)		207,959
Returns on investments and servicing of finance					
Interest received		10,828		12,077	
Income from fixed asset investments		<u>9,009</u>		<u>8,834</u>	
			19,837		20,911
Taxation					
UK corporation tax (paid)			<u>(6,517)</u>		<u>(3,199)</u>
			(54,130)		225,671
Capital expenditure					
Purchase of tangible fixed assets			(4,122)		(4,473)
Cash (outflow)/inflow before management of liquid resources and financing			<u>(58,252)</u>		<u>221,198</u>
Management of liquid resources					
(Increase) in short term deposits			(70,131)		(236,817)
(Decrease) in cash during year			<u>£ (128,383)</u>		<u>£ (15,619)</u>

ALDER INVESTMENT MANAGEMENT LIMITED
NOTES TO CASH FLOW STATEMENT

(A) RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	<u>2003</u>	<u>2002</u>
	£	£
Net funds at 1 January	734,264	513,066
Decrease in cash during year	(128,383)	(15,619)
Increase in short term deposits during year	70,131	236,817
Net funds at 31 December	<u>£ 676,012</u>	<u>£ 734,264</u>

(B) RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	<u>2003</u>	<u>2002</u>
	£	£
Operating (loss)/profit	(58,153)	6,898
Depreciation of tangible fixed assets	7,084	6,908
Decrease in debtors	25,882	55,243
(Decrease)/increase in creditors	(42,263)	138,910
Net cash (outflow)/inflow from operating activities	<u>£ (67,450)</u>	<u>£ 207,959</u>

(C) ANALYSIS OF NET FUNDS

	<u>2003</u>	<u>2002</u>	Change in Year £
	£	£	
Cash at bank and in hand	16,511	144,894	(128,383)
Short term bank deposits	659,501	589,370	70,131
At 31 December	<u>£ 676,012</u>	<u>£ 734,264</u>	<u>£ (58,252)</u>

ALDER INVESTMENT MANAGEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2003

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. The company's principal accounting policies, which have been applied consistently except as disclosed below, are as follows.

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention modified to include the revaluation of listed investments which are held for the long term, which are included at their market value at the year end date under the alternative accounting rules of the Companies Act 1985. Any change in value is credited or charged as appropriate to the revaluation reserve.

DEPRECIATION

Depreciation is charged on a straight line basis at a rate of 25% a year so as to write off the cost of tangible assets, less their estimated residual values, over the expected useful economic lives of the assets concerned. Computer software costs are expensed as incurred.

FIXED ASSET INVESTMENTS

The listed fixed asset investments are carried at their market value (excluding any accrued interest) at the year end date. Any change in value is credited or charged as appropriate to the revaluation reserve. Interest income from investments is recognised on the accruals basis.

TURNOVER

Turnover represents the value of services rendered in the ordinary course of business during the year, excluding value added tax, and is accounted for on the accruals basis.

FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. Fees receivable in foreign currencies are recognised in the profit and loss account at the rates of exchange ruling at the date they were invoiced and foreign exchange differences are taken to the profit and loss account on the date the fees are received.

PENSION SCHEME

As more fully explained in note 15, the costs of providing defined benefit pensions and other post-retirement benefits are treated as if they were to a defined contributions scheme. Accordingly the cost of the scheme charged to the profit and loss account is the contributions payable to the scheme for the accounting period on the accruals basis.

EXPENSES

Expenses are accounted for on the accruals basis. Costs in respect of operating leases are charged on a straight line basis over the lease term.

DEFERRED TAX

Deferred tax is recognised as a liability or an asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation, or a right to pay less taxation, in future. An asset is only recognised to the extent that it is more likely than not that there will be a transfer of economic benefits in future. Deferred tax assets and liabilities are not discounted.

ALDER INVESTMENT MANAGEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

2. TURNOVER

Turnover relates to the company's principal activity.

3. STAFF COSTS

	<u>2003</u>	<u>2002</u>
	£	£
Wages and salaries	759,409	694,191
Social security costs	75,546	67,955
Pension scheme	164,396	161,651
	<u>£ 999,351</u>	<u>£ 923,797</u>

The average number of employees (including directors) during the year was 16 (2002: 15)

DIRECTORS' EMOLUMENTS

Aggregate emoluments and benefits	<u>£ 480,908</u>	<u>£ 447,364</u>
-----------------------------------	------------------	------------------

Directors' emoluments are stated in respect of 8 (2002: 8) directors. All of the directors, except M D R Shapley and G B T Wells, are directors of the parent company, Alder Asset Management Limited. The directors consider that it is not possible to accurately apportion their time between Alder Investment Management Limited and Alder Asset Management Limited and accordingly the emoluments disclosed represent the total in respect of services to both companies where appropriate.

Retirement benefits are accruing to 4 (2002: 4) directors under the defined benefit scheme.

The highest paid director's emoluments totalled £165,858 (2002: £161,147) and his accrued pension entitlement at the end of the year was £93,152 (2002: £87,426).

4. PROFIT ON ORDINARY ACTIVITIES

	<u>2003</u>	<u>2002</u>
	£	£
Profit on ordinary activities before taxation		
is stated after charging:		
Depreciation	7,084	6,908
Hire of equipment and vehicles	15,423	12,146
Rent on property (recharged from parent undertaking)	44,806	41,450
Auditors' remuneration for audit	7,924	7,546
Auditors' remuneration for other services	3,233	3,080
	<u> </u>	<u> </u>

5. TAXATION

	<u>2003</u>	<u>2002</u>
	£	£
(a) Analysis of the charge in the year		
<i>Current tax:</i>		
UK corporation tax on result for the year	-	6,517
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(359)	1,389
Effect of decreased tax rate on opening asset	-	881
	<u>£ (359)</u>	<u>£ 8,787</u>

ALDER INVESTMENT MANAGEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

5. TAXATION (continued)

(b) Factors affecting the tax charge for the year

The tax assessed for the period is higher than the standard smaller companies rate of corporation tax in the UK (19.00% average for the year). The differences are explained below:

	<u>2003</u>	<u>2002</u>
	£	£
(Loss)/profit on ordinary activities before tax	<u>(38,203)</u>	<u>27,850</u>
(Loss)/profit on ordinary activities multiplied by the standard smaller companies rate of corporation tax in the UK of 19.00% (2002: 19.25%)	(7,259)	5,361
<i>Effects of:</i>		
Revaluation of investments	910	2,484
Expenses not deductible for tax purposes	50	80
Capital allowances for period in excess of depreciation	359	(147)
Utilisation of tax losses	-	(1,261)
Group relief	5,940	-
Current tax charge for period (note 5(a))	<u>£ -</u>	<u>£ 6,517</u>

(c) Factors affecting future tax charges

The company accumulated significant tax losses in the 1999 financial year as a result of an exceptional payment to enable the company to join the Western United Group Pension Scheme. Since that time the company has traded successfully and has utilised approximately 58% of those losses. Despite the loss in the 2003 financial year the company expects to generate taxable profits in the coming years, which will further reduce and ultimately extinguish these losses. Accordingly the company has reflected these losses, less the timing differences arising from accelerated capital allowances, on the balance sheet.

6. TANGIBLE FIXED ASSETS

	Fixtures and Fittings £
Cost	
At 1 January 2003	52,939
Additions	4,122
Disposals	<u>(9,717)</u>
At 31 December 2003	<u>47,344</u>
Accumulated depreciation	
At 1 January 2003	37,757
Charge for the year	7,084
Eliminated in respect of disposals	<u>(9,717)</u>
At 31 December 2003	<u>35,124</u>
Net book value as at 31 December 2003	<u>£ 12,220</u>
Net book value as at 31 December 2002	<u>£ 15,182</u>

ALDER INVESTMENT MANAGEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS

	<u>2003</u>	<u>2002</u>
	£	£
UK Government stock at market value	412,155	387,838
At 1 January	16,333	24,317
Surplus on revaluation	<u>£ 428,488</u>	<u>£ 412,155</u>
At 31 December		

The historic cost of UK Government stock is £309,416 (2002: £309,416) and the accumulated unrealised surplus on revaluation is £119,072 (2002: £102,739).

8. DEBTORS

	<u>2003</u>	<u>2002</u>
	£	£
Amounts falling due within one year:		
Trade debtors	38,141	80,172
Other debtors	6,849	5,341
Prepayments and accrued income	<u>72,474</u>	<u>57,721</u>
	117,465	143,234
Amounts falling due after more than one year:		
Deferred taxation (note 14)	15,704	15,345
	<u>£ 133,169</u>	<u>£ 158,579</u>

Included in other debtors are loans to the following directors from the company:

	R.T.A.Postlethwaite	M.D.R.Shapley	G.B.T.Wells
At 1 January 2003	-	£ 173	£ 214
At 31 December 2003	-	£ 165	£ 217
Maximum during year	<u>£ 1,532</u>	<u>£ 1,905</u>	<u>£ 2,387</u>

9. CREDITORS

	<u>2003</u>	<u>2002</u>
	£	£
Trade creditors	18,414	8,682
Amount owed to parent undertaking	146,039	198,838
Corporation tax	-	6,517
Other taxation and social security	92,439	89,137
Accruals	<u>12,362</u>	<u>14,860</u>
	<u>£ 269,254</u>	<u>£ 318,034</u>

ALDER INVESTMENT MANAGEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

10. SHARE CAPITAL

	<u>2003</u> £	<u>2002</u> £
Authorised:		
400,000 (2002: 400,000) £1 Ordinary shares	<u>£ 400,000</u>	<u>£ 400,000</u>
Allotted, called up and fully paid:		
320,000 (2002: 320,000) £1 Ordinary shares	<u>£ 320,000</u>	<u>£ 320,000</u>

11. RESERVES

	<u>2003</u> £
PROFIT AND LOSS ACCOUNT	
As at 1 January	259,507
Retained loss for the year on ordinary activities after taxation and dividends	<u>(37,844)</u>
As at 31 December	<u>£ 221,663</u>
SHARE PREMIUM ACCOUNT	
As at 1 January and 31 December	<u>£ 319,900</u>
REVALUATION RESERVE ACCOUNT	
As at 1 January	102,739
Surplus on revaluation of investments	<u>16,333</u>
As at 31 December	<u>£ 119,072</u>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2003</u> £
As at 1 January	1,002,146
(Loss) on ordinary activities after taxation	<u>(37,844)</u>
	964,302
Surplus on revaluation of investments	<u>16,333</u>
As at 31 December	<u>£ 980,635</u>

ALDER INVESTMENT MANAGEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

13. FINANCIAL COMMITMENTS

The company had annual commitments under operating leases at 31 December 2003 which expire as follows:

	<u>2003</u>	<u>2002</u>
	£	£
Expiring within 1 year	12,736	-
Expiring between 1 and 5 years	-	14,162
	<u>£ 12,736</u>	<u>£ 14,162</u>

14. DEFERRED TAXATION

Deferred tax arose as follows:

	<u>2003</u>	<u>2002</u>
	£	£
Tax losses	16,405	16,405
Other timing differences	(701)	(1,060)
	<u>£ 15,704</u>	<u>£ 15,345</u>
As at 1 January 2003	15,345	
Deferred tax charge in profit and loss account	359	
As at 31 December 2003	<u>£ 15,704</u>	

15. PENSION SCHEME

Alder Investment Management Limited and its parent company participated throughout the year in the Western United Group Pension Scheme, a contracted out contributory scheme which provides defined benefits based on length of pensionable service and pensionable salary at retirement. The rate of contribution by Alder to the scheme is determined by the scheme's actuary and amounted to 24% of pensionable salaries in 2003 (2002: 25%). This rate decreased to 21% of pensionable salaries on 1 January 2004.

While the contributions may be affected by a surplus or deficit in the scheme, the company is not able to identify its own share of the underlying assets and liabilities of the scheme on a consistent and reliable basis. Accordingly, in accordance with Financial Reporting Standard 17 "Retirement Benefits", the contributions are accounted for as if it were a defined contributions scheme and therefore contributions payable to the scheme for the accounting period are charged to the profit and loss account as they arise.

The total pension cost charged in the 2003 financial statements was £164,396 (2002: £161,651). There were no outstanding or prepaid contributions at the balance sheet date (2002: nil).

Formal actuarial valuations of the scheme are carried out at least every three years, the last of which was performed as at 31 December 2000 by Hewitt Bacon & Woodrow Limited, Consulting Actuaries, using the projected unit method. This valuation has been updated to 31 December 2003 by that firm of independent actuaries in accordance with FRS 17. The major assumptions used by the actuary were a discount rate of 5.3%, increases in pensions in payment of 2.7% and price inflation of 2.8% per annum. The updated valuation measured the value of the liabilities as £353.3m which, compared with assets of £375.3m at market value, gave a surplus of £22.0m. Further details of these FRS 17 calculations are included in the accounts of Western United Investment Company Limited. The formal actuarial valuation as at 31 December 2003 is in progress but the results are not available at the date of this report.

ALDER INVESTMENT MANAGEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

16. RELATED PARTY DISCLOSURE

99.20% of the company's income arises from services provided to members of the Vestey Family (two of whom are directors of the company), their spouses and pension funds set up to provide benefits for current and previous employees of companies controlled or formerly controlled by members of the Vestey Family. All fees charged are at arm's length on commercial terms.

The company made payments totalling £44,806 (2002: £41,450) during the year to Western United Investment Company Limited ("Western") and subsidiaries thereof. Western is a company related to members of the Vestey Family (two of whom are directors of the company) in respect of rent for its office accommodation and other services provided under contract with Alder Asset Management Limited. As at 31 December 2003 rent prepaid amounted to £11,651 (2002: £9,672).

Fees received by the company during the year from clients who are related parties of directors (or directors themselves) were:

The Lord Vestey (in relation to 14 clients)	<u>£ 108,125</u>
E.H. Vestey (in relation to 4 clients)	<u>£ 258,875</u>

Of these amounts none were outstanding at 31 December 2003 (2002: nil).

17. ULTIMATE PARENT COMPANY

The company's ultimate parent and controlling company is Alder Asset Management Limited, which is registered in England and Wales. The accounts of the parent company are available at 16 St John's Lane, London EC1M 4EY.