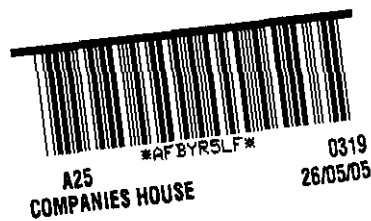


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ALDER INVESTMENT MANAGEMENT LIMITED

Annual Report

FOR THE YEAR ENDED 31 DECEMBER 2004



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 2004.

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 (Retired 30/04/2004)

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 AND FUTURE DEVELOPMENTS

The results for the year ended 31 December 2004 were as follows:

Profit on ordinary activities after taxation	50,070
Less: dividends paid	-
	<u>£ 50,070</u>

The company traded successfully during the year and is expected to continue to do so.

The directors do not recommend the payment of a final dividend in respect of the year to 31 December 2004 (2003: nil). Accordingly, £50,070 will be transferred to 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; and
- * 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 2005

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 into 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 2004 and of its profit 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
17 April 2005

ALDER INVESTMENT MANAGEMENT LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2004

		<u>2004</u>	<u>2003</u>
	<u>Notes</u>	£	£
Turnover	2	1,288,234	1,269,656
Operating costs			
Staff costs	3	(937,983)	(999,351)
Other operating costs		<u>(314,288)</u>	<u>(328,458)</u>
Operating profit/(loss)		35,963	(58,153)
Income from fixed asset investments		9,370	9,122
Other interest receivable		<u>23,800</u>	<u>10,828</u>
Profit/(loss) on ordinary activities before taxation	4	69,133	(38,203)
Tax on profit on ordinary activities	5	<u>(19,063)</u>	<u>359</u>
Profit/(loss) on ordinary activities after taxation		50,070	(37,844)
Dividend paid		<u>-</u>	<u>-</u>
Retained profit/(loss) for the year	12	<u>£ 50,070</u>	<u>£ (37,844)</u>

There is no difference between the profit/(loss) on ordinary activities before taxation and the retained profit/(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 2004

	<u>2004</u>	<u>2003</u>
	£	£
Profit/(loss) on ordinary activities after taxation	50,070	(37,844)
Surplus on revaluation of investments	<u>12,985</u>	<u>16,333</u>
Total gains and losses relating to the year	<u>£ 63,055</u>	<u>£ (21,511)</u>

ALDER INVESTMENT MANAGEMENT LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2004

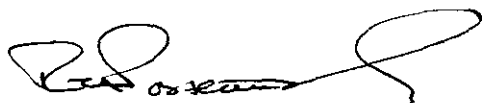
	<u>Notes</u>	<u>2004</u>	<u>2003</u>
		£	£
FIXED ASSETS:			
Tangible assets	6	6,550	12,220
Investments	7	441,473	428,488
		<u>448,023</u>	<u>440,708</u>
Current Assets:			
Debtors	8	131,786	133,169
Cash at bank and in hand		1,244,543	676,012
		<u>1,376,329</u>	<u>809,181</u>
Current Liabilities:			
Creditors: amounts falling due within one year	9	780,662	269,254
NET CURRENT ASSETS		<u>595,667</u>	<u>539,927</u>
NET ASSETS		<u>£ 1,043,690</u>	<u>£ 980,635</u>
Financed by:			
CAPITAL & RESERVES			
Called up share capital	10	320,000	320,000
Share premium account	11	319,900	319,900
Revaluation reserve	11	132,057	119,072
Profit and loss reserve	11	271,733	221,663
EQUITY SHAREHOLDERS' FUNDS	12	<u>£ 1,043,690</u>	<u>£ 980,635</u>

The financial statements on pages 4 to 14 were approved by the board of directors on 27 April 2005 and were signed on its behalf by:



I.M. McCULLOCH

Directors



R.T.A. POSTLETHWAITE

ALDER INVESTMENT MANAGEMENT LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2004

	<u>Notes</u>	<u>2004</u> £	<u>2004</u> £	<u>2003</u> £	<u>2003</u> £
Net cash inflow/(outflow) from operating activities	(B)		544,015		(67,450)
Returns on investments and servicing of finance					
Interest received		23,800		10,828	
Income from fixed asset investments		<u>9,262</u>		<u>9,009</u>	
			33,062		19,837
Taxation					
UK corporation tax paid			<u>(7,648)</u>		<u>(6,517)</u>
			569,429		(54,130)
Capital expenditure					
Purchase of tangible fixed assets			(898)		(4,122)
Cash inflow/(outflow) before management of liquid resources and financing			<u>568,531</u>		<u>(58,252)</u>
Increase/(decrease) in cash during year			<u>£ 568,531</u>		<u>£ (58,252)</u>

ALDER INVESTMENT MANAGEMENT LIMITED
NOTES TO CASH FLOW STATEMENT

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

	<u>2004</u>	<u>2003</u>
	£	£
Net funds at 1 January	676,012	734,264
Increase/(decrease) in cash during year	<u>568,531</u>	<u>(58,252)</u>
Net funds at 31 December	<u>£ 1,244,543</u>	<u>£ 676,012</u>

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

	<u>2004</u>	<u>2003</u>
	£	£
Operating profit/(loss)	35,963	(58,153)
Depreciation of tangible fixed assets	6,568	7,084
(Increase)/decrease in debtors	(561)	25,882
Increase/(decrease) in creditors	<u>502,045</u>	<u>(42,263)</u>
Net cash inflow/(outflow) from operating activities	<u>£ 544,015</u>	<u>£ (67,450)</u>

ALDER INVESTMENT MANAGEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

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, 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>2004</u>	<u>2003</u>
	£	£
Wages and salaries	723,284	759,409
Social security costs	75,123	75,546
Pension scheme	139,576	164,396
	<u>£ 937,983</u>	<u>£ 999,351</u>

The average number of employees (including directors) during the year was 15 (2003: 16)

DIRECTORS' EMOLUMENTS

Aggregate emoluments and benefits	<u>£ 435,190</u>	<u>£ 480,908</u>
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Directors' emoluments are stated in respect of 8 (2003: 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 3 (2003: 4) directors under the defined benefit scheme.

The highest paid director's emoluments totalled £170,716 (2003: £165,858) and his accrued pension entitlement at the end of the year was £99,146 (2003: £93,152).

4. PROFIT ON ORDINARY ACTIVITIES

	<u>2004</u>	<u>2003</u>
	£	£
Profit on ordinary activities before taxation is stated after charging:		
Depreciation	6,568	7,084
Hire of equipment and vehicles	11,985	15,423
Rent on property (recharged from parent undertaking)	49,935	44,806
Auditors' remuneration for audit	8,402	7,924
Auditors' remuneration for other services	3,313	3,233
	<u> </u>	<u> </u>

5. TAXATION

	<u>2004</u>	<u>2003</u>
	£	£
(a) Analysis of the charge in the year		
<i>Current tax:</i>		
UK corporation tax on result for the year	9,363	-
Adjustment in respect of previous periods	<u>7,648</u>	<u>-</u>
	17,011	-
<i>Deferred tax:</i>		
Origination and reversal of timing differences	11,145	(359)
Effect of increased tax rate on opening asset	<u>(9,093)</u>	<u>-</u>
	<u>£ 19,063</u>	<u>£ (359)</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 lower than the standard UK corporation tax rate (30%). The differences are explained below:

	<u>2004</u>	<u>2003</u>
	£	£
Profit/(loss) on ordinary activities before tax	<u>69,133</u>	<u>(38,203)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003: Smaller companies rate of 19%)	20,740	(7,259)
<i>Effects of:</i>		
Revaluation of investments	(588)	910
Expenses not deductible for tax purposes	353	50
Capital allowances for period less than depreciation	1,263	359
Utilisation of tax losses	(12,405)	-
Adjustments in respect of prior periods	7,648	
Group relief	-	5,940
Current tax charge for period (note 5(a))	<u>£ 17,011</u>	<u>£ -</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 78% of those losses. 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, and the timing differences arising from capital allowances, on the balance sheet.

6. TANGIBLE FIXED ASSETS

	<u>Fixtures and Fittings</u>
	£
Cost	
At 1 January 2004	47,344
Additions	898
Disposals	-
At 31 December 2004	<u>48,242</u>
Accumulated depreciation	
At 1 January 2004	35,124
Charge for the year	6,568
Eliminated in respect of disposals	-
At 31 December 2004	<u>41,692</u>
Net book value as at 31 December 2004	<u>£ 6,550</u>
Net book value as at 31 December 2003	<u>£ 12,220</u>

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

7. INVESTMENTS

	<u>2004</u>	<u>2003</u>
	£	£
UK Government stock at market value		
At 1 January	428,488	412,155
Surplus on revaluation	12,985	16,333
At 31 December	<u>£ 441,473</u>	<u>£ 428,488</u>

The historic cost of UK Government stock is £309,416 (2003: £309,416) and the accumulated unrealised surplus on revaluation is £132,057 (2003: £119,072).

8. DEBTORS

	<u>2004</u>	<u>2003</u>
	£	£
Amounts falling due within one year:		
Trade debtors	41,255	38,141
Other debtors	8,253	6,849
Prepayments and accrued income	<u>68,626</u>	<u>72,474</u>
	118,134	117,465
Amounts falling due after more than one year:		
Deferred taxation (note 14)	13,652	15,704
	<u>£ 131,786</u>	<u>£ 133,169</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 2004	-	£ 165	£ 217
At 31 December 2004	-	£ 171	-
Maximum during year	<u>£ 1,603</u>	<u>£ 1,800</u>	<u>£ 217</u>

9. CREDITORS

	<u>2004</u>	<u>2003</u>
	£	£
Trade creditors	21,143	18,414
Amount owed to parent undertaking	640,074	146,039
Corporation tax	9,363	-
Other taxation and social security	92,312	92,439
Accruals	<u>17,770</u>	<u>12,362</u>
	<u>£ 780,662</u>	<u>£ 269,254</u>

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

10. SHARE CAPITAL

	<u>2004</u> £	<u>2003</u> £
Authorised:		
400,000 (2003: 400,000) £1 Ordinary shares	<u>£ 400,000</u>	<u>£ 400,000</u>
Allotted, called up and fully paid:		
320,000 (2003: 320,000) £1 Ordinary shares	<u>£ 320,000</u>	<u>£ 320,000</u>

11. RESERVES

	<u>2004</u> £
PROFIT AND LOSS ACCOUNT	
As at 1 January	221,663
Retained profit for the year on ordinary activities after taxation and dividends	<u>50,070</u>
As at 31 December	<u>£ 271,733</u>
SHARE PREMIUM ACCOUNT	
As at 1 January and 31 December	<u>£ 319,900</u>
REVALUATION RESERVE ACCOUNT	
As at 1 January	119,072
Surplus on revaluation of investments	<u>12,985</u>
As at 31 December	<u>£ 132,057</u>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2004</u> £
As at 1 January	980,635
Profit on ordinary activities after taxation	<u>50,070</u>
	1,030,705
Surplus on revaluation of investments	<u>12,985</u>
As at 31 December	<u>1,043,690</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 2004 which expire as follows:

	<u>2004</u>	<u>2003</u>
	£	£
Expiring within 1 year	-	12,736
Expiring between 1 and 5 years	11,876	-
	<u>£ 11,876</u>	<u>£ 12,736</u>

14. DEFERRED TAXATION

Deferred tax arose as follows:

	<u>2004</u>	<u>2003</u>
	£	£
Tax losses	13,496	16,405
Other timing differences	156	(701)
	<u>£ 13,652</u>	<u>£ 15,704</u>
As at 1 January 2004	15,704	
Deferred tax charge in profit and loss account	(2,052)	
As at 31 December 2004	<u>£ 13,652</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 21% of pensionable salaries in 2004 (2003: 24%).

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 2004 financial statements was £139,576 (2003: £164,396). There were no outstanding or prepaid contributions at the balance sheet date (2003: 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 2003 by Hewitt Bacon & Woodrow Limited, Consulting Actuaries, using the projected unit method. This valuation has been updated to 31 December 2004 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% (where guaranteed) and price inflation of 2.9% per annum. The updated valuation measured the value of the liabilities as £344.9m which, compared with assets of £392.7m at market value, gave a surplus of £47.8m. Further details of these FRS 17 calculations are included in the accounts of Western United Investment Company Limited.

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

16. RELATED PARTY DISCLOSURE

100% 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 £51,154 (2003: £44,806) 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. As at 31 December 2004 rent prepaid amounted to £11,651 (2003: £11,651).

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 12 clients)	<u>£ 110,980</u>
E.H. Vestey (in relation to 3 clients)	<u>£ 5,485</u>

Of these amounts none was outstanding at 31 December 2004 (2003: 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.