

KELLANDS (BRISTOL) LIMITED
REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004



KELLANDS (BRISTOL) LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2004**

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KELLANDS (BRISTOL) LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2004**

DIRECTORS:

S M C Kelland
M H Jacobs
P C Ball

SECRETARY:

M H Jacobs

REGISTERED OFFICE:

Quays Office Park
Conference Avenue
Portishead
Bristol
BS20 7LZ

REGISTERED NUMBER:

04038310 (England and Wales)

AUDITORS:

T P Lewis & Partners (BOS) Limited
Chartered Accountants
& Registered Auditors
3/5 College Street
Burnham on Sea
Somerset
TA8 1AR

BANKERS:

Barclays Bank plc
Bristol Business Centre
P O Box 415
14 - 16 Queen Square
Bristol
BS99 2DG

KELLANDS (BRISTOL) LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2004

The directors present their report with the financial statements of the company for the year ended 31 December 2004.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of independent financial advisors.

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 31 December 2004.

FUTURE DEVELOPMENTS

The board remain confident about the future of the company and see no reason to believe that 2005 will be anything other than a year of growth and progress.

DIRECTORS

The directors during the year under review were:

S M C Kelland
M H Jacobs
P C Ball

The beneficial interests of the directors holding office on 31 December 2004 in the issued share capital of the company were as follows:

	31.12.04	1.1.04
Ordinary £1 shares		
S M C Kelland	49	56
M H Jacobs	10	10
P C Ball	20	20

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;
- 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 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.

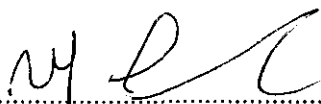
KELLANDS (BRISTOL) LIMITED

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2004**

AUDITORS

The auditors, T P Lewis & Partners (BOS) Limited, 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 dark ink, appearing to be 'M H Jacobs', written over a dotted line.

M H Jacobs - Secretary

Date: 15th October 2005

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF KELLANDS (BRISTOL) LIMITED

We have audited the financial statements of Kellands (Bristol) Limited for the year ended 31 December 2004 on pages six to sixteen. 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

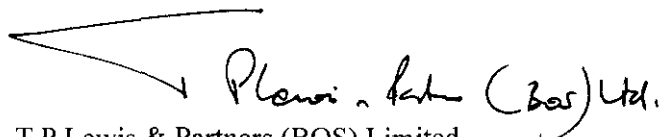
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
KELLANDS (BRISTOL) LIMITED**

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'T P Lewis (BOS) Ltd.', with a long horizontal line above it.

T P Lewis & Partners (BOS) Limited
Chartered Accountants
& Registered Auditors
3/5 College Street
Burnham on Sea
Somerset
TA8 1AR

Date: 27 October 2005

KELLANDS (BRISTOL) LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2004**

		2004	2003
	Notes	£	£
TURNOVER		1,379,668	855,304
Cost of sales		1,042,118	613,459
GROSS PROFIT		337,550	241,845
Administrative expenses		222,154	230,879
OPERATING PROFIT	3	115,396	10,966
Interest receivable and similar income		1,234	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		116,630	10,966
Tax on profit on ordinary activities	4	31,723	2,016
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		84,907	8,950
Retained profit brought forward		27,349	18,399
RETAINED PROFIT CARRIED FORWARD		£112,256	£27,349

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.

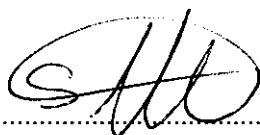
The notes form part of these financial statements

KELLANDS (BRISTOL) LIMITED

**BALANCE SHEET
31 DECEMBER 2004**

		2004		2003	
	Notes	£	£	£	£
FIXED ASSETS:					
Intangible assets	5		80		85
Tangible assets	6		2,171		2,547
			<u>2,251</u>		<u>2,632</u>
CURRENT ASSETS:					
Debtors	7	118,896		78,422	
Cash at bank		314,655		47,956	
		<u>433,551</u>		<u>126,378</u>	
CREDITORS: Amounts falling due within one year	8	323,148		101,077	
NET CURRENT ASSETS:			<u>110,403</u>		<u>25,301</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			112,654		27,933
PROVISIONS FOR LIABILITIES AND CHARGES:	10		298		484
			<u>£112,356</u>		<u>£27,449</u>
CAPITAL AND RESERVES:					
Called up share capital	11		100		100
Profit and loss account			112,256		27,349
SHAREHOLDERS' FUNDS:	13		<u>£112,356</u>		<u>£27,449</u>

ON BEHALF OF THE BOARD:



S M C Kelland - Director

Approved by the Board on ²⁴October 2005

The notes form part of these financial statements

KELLANDS (BRISTOL) LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2004**

		2004	2003
	Notes	<u>£</u>	<u>£</u>
Net cash inflow from operating activities	1	267,447	12,196
Returns on investments and servicing of finance	2	1,234	-
Taxation		(1,358)	(5,500)
Capital expenditure	2	<u>(1,020)</u>	<u>(1,030)</u>
Increase in cash in the period		<u>£266,303</u>	<u>£5,666</u>
Reconciliation of net cash flow to movement in net funds	3		
Increase in cash in the period		<u>266,303</u>	<u>5,666</u>
Change in net funds resulting from cash flows		<u>266,303</u>	<u>5,666</u>
Movement in net funds in the period		<u>266,303</u>	<u>5,666</u>
Net funds at 1 January		<u>47,956</u>	<u>42,290</u>
Net funds at 31 December		<u><u>£314,259</u></u>	<u><u>£47,956</u></u>

The notes form part of these financial statements

KELLANDS (BRISTOL) LIMITED

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

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2004 £	2003 £
Operating profit	115,396	10,966
Depreciation charges	1,402	1,134
(Increase)/Decrease in debtors	(41,152)	37,825
Increase/(Decrease) in creditors	191,801	(37,729)
	<u> </u>	<u> </u>
Net cash inflow from operating activities	<u><u>267,447</u></u>	<u><u>12,196</u></u>

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

	2004 £	2003 £
Returns on investments and servicing of finance		
Interest received	1,234	-
	<u> </u>	<u> </u>
Net cash inflow for returns on investments and servicing of finance	<u><u>1,234</u></u>	<u><u>-</u></u>
 Capital expenditure		
Purchase of tangible fixed assets	(1,020)	(1,030)
	<u> </u>	<u> </u>
Net cash outflow for capital expenditure	<u><u>(1,020)</u></u>	<u><u>(1,030)</u></u>

The notes form part of these financial statements

KELLANDS (BRISTOL) LIMITED

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

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.04 £	Cash flow £	At 31.12.04 £
Net cash:			
Cash at bank	47,956	266,699	314,655
Bank overdraft	-	(396)	(396)
	<u>47,956</u>	<u>266,303</u>	<u>314,259</u>
 Total	 <u>47,956</u>	 <u>266,303</u>	 <u>314,259</u>
 Analysed in Balance Sheet			
 Cash at bank	 47,956		 314,655
Bank overdraft	-		(396)
	<u>47,956</u>		<u>314,259</u>

The notes form part of these financial statements

KELLANDS (BRISTOL) LIMITED

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

1. ACCOUNTING POLICIES

Accounting convention

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

Turnover

Turnover represents the amount derived from the provision of services, excluding value added tax.

Goodwill

Goodwill, being the amount paid in connection with the acquisition of the business, is being written off evenly over its expected useful life of twenty years.

Tangible fixed assets

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

Office equipment - 25% on cost

Deferred tax

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

Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions payable for the year are charged in the profit and loss account.

2. STAFF COSTS

	2004	2003
	£	£
Wages and salaries	149,102	159,470
Social security costs	15,080	15,244
Other pension costs	2,205	2,601
	<u>166,387</u>	<u>177,315</u>

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

	2004	2003
Management & administration	<u>6</u>	<u>6</u>

KELLANDS (BRISTOL) LIMITED

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

3. OPERATING PROFIT

The operating profit is stated after charging:

	2004	2003
	£	£
Depreciation - owned assets	1,397	1,129
Goodwill written off	5	5
Auditors' remuneration	5,400	4,938
	<u> </u>	<u> </u>
Directors' emoluments	62,775	60,000
	<u> </u>	<u> </u>

4. TAXATION

Analysis of the tax charge

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

	2004	2003
	£	£
Current tax:		
UK corporation tax	31,909	2,035
Deferred taxation	(186)	(19)
	<u> </u>	<u> </u>
Tax on profit on ordinary activities	31,723	2,016
	<u> </u>	<u> </u>

Factors affecting the tax charge

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

	2004	2003
	£	£
Profit on ordinary activities before tax	116,630	10,966
	<u> </u>	<u> </u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003 - 30%)	34,989	3,290
Effects of:		
Expenses not deductible for tax purposes	240	-
Capital allowances for year not in excess of depreciation	298	31
Small companies tax rate	-	(1,218)
Marginal tax relief	(3,618)	(68)
	<u> </u>	<u> </u>
Current tax charge	31,909	2,035
	<u> </u>	<u> </u>

KELLANDS (BRISTOL) LIMITED

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

5. INTANGIBLE FIXED ASSETS

	<u>Goodwill</u>
	£
COST:	
At 1 January 2004	
and 31 December 2004	100
	<u> </u>
AMORTISATION:	
At 1 January 2004	15
Charge for year	5
	<u> </u>
At 31 December 2004	20
	<u> </u>
NET BOOK VALUE:	
At 31 December 2004	80
	<u> </u>
At 31 December 2003	85
	<u> </u>

6. TANGIBLE FIXED ASSETS

	<u>Office equipment</u>
	£
COST:	
At 1 January 2004	5,118
Additions	1,020
	<u> </u>
At 31 December 2004	6,138
	<u> </u>
DEPRECIATION:	
At 1 January 2004	2,570
Charge for year	1,397
	<u> </u>
At 31 December 2004	3,967
	<u> </u>
NET BOOK VALUE:	
At 31 December 2004	2,171
	<u> </u>
At 31 December 2003	2,547
	<u> </u>

KELLANDS (BRISTOL) LIMITED

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

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

	2004 £	2003 £
Trade debtors	103,432	50,927
Prepayments	15,366	9,036
Due from associated companies	-	17,684
Called up share capital not paid	98	98
Corporation tax recoverable	-	677
	<u>118,896</u>	<u>78,422</u>

**8. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	2004 £	2003 £
Bank loans and overdrafts (see note 9)	396	-
Trade creditors	131,088	67,050
Due to associated companies	130,370	8,337
Social security & other taxes	5,265	4,557
Taxation	31,909	2,035
Accrued expenses	24,120	19,098
	<u>323,148</u>	<u>101,077</u>

9. LOANS AND OVERDRAFTS

An analysis of the maturity of loans and overdrafts is given below:

	2004 £	2003 £
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>396</u>	<u>-</u>

10. PROVISIONS FOR LIABILITIES AND CHARGES

	2004 £	2003 £
Deferred tax	<u>298</u>	<u>484</u>

KELLANDS (BRISTOL) LIMITED

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

10. PROVISIONS FOR LIABILITIES AND CHARGES - continued

	Deferred tax £	
Balance at 1 January 2004	484	
Transfer to profit and loss account	(186)	
	<u> </u>	
Balance at 31 December 2004	298	
	<u> </u>	
Deferred tax provision	2004	2003
	£	£
Capital allowances in excess of depreciation	298	484
	<u> </u>	<u> </u>
	298	484
	<u> </u>	<u> </u>

11. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	2004	2003
			£	£
100	Ordinary	£1	100	100
			<u> </u>	<u> </u>
Allotted and issued:				
Number:	Class:	Nominal value:	2004	2003
			£	£
100	Ordinary	£1	100	100
			<u> </u>	<u> </u>

KELLANDS (BRISTOL) LIMITED

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

12. RELATED PARTY DISCLOSURES

During the year, the company was under the control of the director, S M C Kelland, who owned 56% of the issued share capital. On 14 December 2004, S M C Kelland's shareholding was reduced to 49%.

S M C Kelland also controls Kellands Limited, a company which sold a number of its branch operations by way of franchise agreements. With effect from 1 January 2001, Kellands (Bristol) Limited acquired the business of independent financial advisors as carried out at the Bristol branch. As at 31 December 2004, Kellands (Bristol) Limited owed Kellands Limited £14,731 (2003 £8,337).

Likewise, S M C Kelland controls Akumulus Limited (formerly Kelland & Partners Limited), a company which provides Independent Financial Advisor (IFA) consultancy services to franchisee companies regulated by the Financial Services Authority (FSA), in return for a share of their commission income. During the year ended 31 December 2004, Kellands (Bristol) Limited have incurred franchise fees of £207,405 (2003 £99,787).

In addition, Kellands (Bristol) Limited share premises costs with Akumulus Limited on an equal basis. Kellands (Bristol) Limited owed Akumulus Limited £115,639 as at 31 December 2004 (2003 Akumulus Limited owed Kellands (Bristol) Limited £14,539).

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004	2003
	£	£
Profit for the financial year	84,907	8,950
Issue of ordinary shares		
Net addition to shareholders' funds	84,907	8,950
Opening shareholders' funds	27,449	18,499
Closing shareholders' funds	112,356	27,449
Equity interests	112,356	27,449