

CHARLES CONNELL & COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2000

COMPANY NO. 28024

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DIRECTORS

C.R. CONNELL (Chairman)

H.C. DAVIDSON, C.A.

SECRETARY

H.C. DAVIDSON, C.A.

AUDITORS

ALEXANDER SLOAN & CO., C.A.

REGISTERED OFFICE

WOODEND,
CRAIGALLIAN,
MILNGAVIE,
GLASGOW
G62 8EN

DIRECTORS' REPORT

The Directors submit their Report and Financial Statements for the year ended 31st December 2000.

REVIEW OF THE BUSINESS

The results for the year are set out in the Profit and Loss Account attached to this Report. It is not proposed to recommend payment of a dividend.

ACTIVITY

The Company provides management and administration services to Group Trading Companies and writes call options.

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year and their interests in the Share Capital of the Parent Undertaking, Charles Connell & Company (Holdings) Limited, were as follows:-

		Ordinary Shares of £5 each	6% Preference Shares of £2.50 each
C.R. CONNELL (including wife's shareholding)	At 31.12.00	2,363	78,000
	& 31.12.99	(Beneficial) 13,013	(Beneficial) 23,660
		(As Trustee)	(As Trustee)
H.C. DAVIDSON	At 31.12.00 & 31.12.99	NIL	NIL

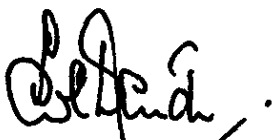
ROTATION OF DIRECTORS

In accordance with the Articles of Association, Mr. C.R. Connell retires by rotation and offers himself for re-election.

AUDITORS

A resolution to re-appoint Alexander Sloan & Co., C.A. as Auditors will be put to the members at the Annual General Meeting.

BY ORDER OF THE BOARD



H.C. DAVIDSON, C.A.
Secretary

Woodend,
Craigallan,
Milngavie,
Glasgow, G62 8EN

26th March 2001

YEAR ENDED 31st DECEMBER 2000

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 judgments 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.

The Directors confirm that the Financial Statements comply with the above requirements.

CHARLES CONNELL & COMPANY LIMITED

We have audited the Financial Statements on pages 5 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective Responsibilities of Directors and Auditors

As described on page 3, the Company's Directors are responsible for the preparation of Financial Statements. It is our responsibility to form an independent opinion, based on our audit, on those Statements and to report our opinion to you.

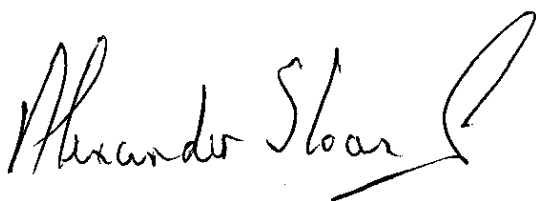
Basis of Opinion

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 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 Company's affairs as at 31st December 2000 and of its results 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 'Alexander Sloan', with a large, stylized flourish at the end.

ALEXANDER SLOAN & CO., C.A.
Registered Auditors

GLASGOW, 26th March 2001

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31st DECEMBER 2000

	Notes	2000 £	1999 £
TURNOVER	2	216,248	342,626
Cost of Sales		25,920	219,236
Gross Profit		190,328	123,390
Administration Expenses	3	1,046,781	1,079,339
Operating (Loss)		(856,453)	(955,949)
Other Operating Income	4	-	20
Other Operating Costs	5	(1,164)	-
		(857,617)	(955,929)
Investment Income less Interest Payable	6	140,521	22,233
(Loss) on ordinary activities before Taxation		(717,096)	(933,696)
Taxation	8	(256,965)	(272,680)
(Loss) on ordinary activities after Taxation		(460,131)	(661,016)
Retained (Loss) for the year	17	(460,131)	(661,016)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31st DECEMBER 2000

The Company made no recognised gains or losses in the years ended 31st December 2000 or 1999 other than the loss for the year.

BALANCE SHEET

AS AT 31st DECEMBER 2000

	Notes	£	2000 £	£	1999 £
FIXED ASSETS					
Tangible Assets	1 & 9		335,912		330,634
Investment			1		1
			335,913		330,635
CURRENT ASSETS					
Stock	1	1,025		2,300	
Debtors	10	4,252,622		4,267,559	
Investments	11	2,787,947		2,613,228	
Short Term Deposits		56,999		185,704	
Cash at Bank and in Hand		6,649		5,366	
			7,105,242		7,074,157
CREDITORS - Amounts falling due within one year	12	1,104,921		608,427	
NET CURRENT ASSETS			6,000,321		6,465,730
TOTAL ASSETS LESS CURRENT LIABILITIES					
			<u>6,336,234</u>		<u>6,796,365</u>
CAPITAL AND RESERVES					
Called up Share Capital	13		450,000		450,000
Reserves	14		5,886,234		6,346,365
TOTAL SHAREHOLDERS' FUNDS	15		<u>6,336,234</u>		<u>6,796,365</u>
Equity shareholders' funds			5,886,334		6,346,465
Non-equity shareholders' funds			449,900		449,900
			<u>6,336,234</u>		<u>6,796,365</u>

Signed on behalf of the Board on 26th March 2001.

C.R. CONNELL
 Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 2000

1. ACCOUNTING POLICIES

- a) The Financial Statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

b) **Stocks**

Stocks have been stated at the lower of cost or net realisable value.

c) **Depreciation**

Freehold property, vehicles, fittings and equipment are depreciated down to their estimated residual values at the end of their useful lives. The estimated useful lives of the assets are as follows:-

Freehold Property	-	50 years
Vehicles, Fittings and Equipment	-	5 to 10 years

Short leasehold property is depreciated over the period of the lease.

In the case of Land no depreciation is provided. The Company's long leasehold London property has not been depreciated as required by FRS15. The Directors consider that no depreciation is required on the long leasehold property as it has a long useful life and accordingly any depreciation charge would be immaterial. The Directors have also carried out an impairment review on the long leasehold property and they are satisfied that no adjustment is required to the carrying value.

d) **Foreign Currencies**

Transactions in foreign currencies during the year are converted partly at the rate ruling at the date of the transaction and at the rate ruling at 31st December 2000. Assets and liabilities in foreign currencies are also converted at the rate ruling at the date of the transaction.

e) **Pensions**

The Company operates a defined contribution pension scheme. Contributions are charged in the Profit and Loss Account as they become payable.

2. **TURNOVER**

Turnover represents call option business written plus management charges earned by the Company in the ordinary course of business.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31st DECEMBER 2000

3. ADMINISTRATION EXPENSES	2000	1999
	£	£
Comprises:-		
Directors' Remuneration (excluding benefits)	656,726	678,865
Auditors' Remuneration	5,500	5,000
Depreciation	15,383	15,918
Other Expenses	369,172	379,556
	<u>1,046,781</u>	<u>1,079,339</u>
Directors' Remuneration		
For Executive Services	<u>656,726</u>	<u>678,865</u>
Emoluments of the Highest Paid Director (excluding Pension Contributions)	<u>715,437</u>	<u>733,714</u>
4. OTHER OPERATING INCOME		
Gain on Sale of Fixed Assets	<u>-</u>	<u>20</u>
5. OTHER OPERATING COSTS		
(Loss) on Sale of Fixed Assets	<u>(1,164)</u>	<u>-</u>
6. INVESTMENT INCOME LESS INTEREST PAYABLE		
Dividends Receivable - Listed	108,770	64,002
Interest Receivable - Other	9,128	6,442
Gains/(Losses) on Sales of Investments	22,666	(48,102)
Gain on Exchange	-	1
	<u>140,564</u>	<u>22,343</u>
Interest payable on Bank Overdraft	<u>(43)</u>	<u>(110)</u>
	<u>140,521</u>	<u>22,233</u>

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31st DECEMBER 2000

7. EMPLOYEES	2000	1999
The average weekly number of employees (excluding non-Executive Directors) during the year was made up as follows:-	Number	Number
Management and Administration	<u>6</u>	<u>6</u>
Staff Costs for the above employees during the year amounted to:-	£	£
Wages and Salaries	789,357	818,993
Social Security Costs	93,533	96,886
Other Pension Costs	12,025	17,693
	<u>894,915</u>	<u>933,572</u>
 8. TAXATION		
The credit for the year comprises:-		
Current Year		
Tax on Investment Income	10,877	6,103
Group Relief	(268,000)	(285,000)
 Prior Year		
Group Relief	158	6,217
	<u>(256,965)</u>	<u>(272,680)</u>

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31st DECEMBER 2000

9. TANGIBLE FIXED ASSETS

	Land and Buildings			Vehicles Fittings and Equipment	Total
	Freehold	Long Leasehold	Short Leasehold		
	£	£	£	£	£
Cost					
At 1.1.00	206,337	127,178	37,851	133,844	505,210
Additions	-	-	-	24,068	24,068
Disposals	-	-	-	(25,753)	(25,753)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31.12.00	<u>206,337</u>	<u>127,178</u>	<u>37,851</u>	<u>132,159</u>	<u>503,525</u>
Aggregate Depreciation					
At 1.1.00	37,134	-	37,851	99,591	174,576
Charge for Year	4,126	-	-	11,257	15,383
On Disposals	-	-	-	(22,346)	(22,346)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31.12.00	<u>41,260</u>	<u>-</u>	<u>37,851</u>	<u>88,502</u>	<u>167,613</u>
Net Book Values					
At 31.12.00	<u>165,077</u>	<u>127,178</u>	<u>-</u>	<u>43,657</u>	<u>335,912</u>
At 31.12.99	<u>169,203</u>	<u>127,178</u>	<u>-</u>	<u>34,253</u>	<u>330,634</u>

10. DEBTORS

	2000 £	1999 £
Other Debtors	6	-
Prepayments and Accrued Income	10,865	9,444
Amounts owed by Group Undertakings	4,241,751	4,258,115
	<u> </u>	<u> </u>
	<u>4,252,622</u>	<u>4,267,559</u>

11. INVESTMENTS

Listed at Cost (Market Value - £3,821,981, 1999 - £3,479,812)	<u>2,787,947</u>	<u>2,613,228</u>
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12. CREDITORS - Amounts falling due within one year:-

Other Creditors	5,258	4,008
Current Taxation	-	134
Other Taxes and Social Security	35,670	36,363
Accruals and Deferred Income	508,276	523,102
Amounts owed to Group Undertakings	555,717	44,820
	<u> </u>	<u> </u>
	<u>1,104,921</u>	<u>608,427</u>

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31st DECEMBER 2000

13. CALLED UP SHARE CAPITAL	2000 £	1999 £
Authorised	<u>450,400</u>	<u>450,400</u>
Allotted, Issued and Fully Paid		
100 Ordinary Shares of £1 each	100	100
449,900 4.2% (formerly 6%) Non-Cumulative Preference Shares of £1 each	449,900	449,900
	<u>450,000</u>	<u>450,000</u>

Preference Shares

The non-cumulative preference shares are non-equity shares which carry an entitlement to a dividend at a rate of 4.2p (net) per annum. The preference shares shall not confer the right to receive notice of or to be present or to vote either in person or by proxy at a General Meeting of the Company.

14. RESERVES	Capital Redemption Reserve Fund £	Revenue Reserve £	Profit and Loss Account £	Total £
At 1st January 2000	400	475,695	5,870,270	6,346,365
(Loss) for year	-	-	(460,131)	(460,131)
	<u>400</u>	<u>475,695</u>	<u>5,410,139</u>	<u>5,886,234</u>
At 31st December 2000	<u>400</u>	<u>475,695</u>	<u>5,410,139</u>	<u>5,886,234</u>

15. PARENT UNDERTAKING

The Company's Parent Undertaking is Charles Connell & Company (Holdings) Limited, registered in Scotland.

16. PENSION SCHEME

The Company operates a defined contribution scheme for the benefit of a Director. The employers contribution for the year was £11,202 (1999 - £11,202).

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31st DECEMBER 2000

	2000 £	1999 £
17. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS		
Retained (Loss) for the year	(460,131)	(661,016)
Net (Decrease) in Shareholders' Funds	(460,131)	(661,016)
Opening Shareholders' Funds	6,796,365	7,457,381
Closing Shareholders' Funds	<u>6,336,234</u>	<u>6,796,365</u>

18. TRANSACTIONS WITH RELATED PARTIES

As a wholly owned subsidiary of Charles Connell & Co. (Holdings) Ltd., the Company is exempt from the requirements of FRS 8 to disclose transactions with other group members.

19. COMMITMENTS FOR CAPITAL EXPENDITURE	2000 £	1999 £
At 31 st December 2000 the Company had entered into the following commitments for expenditure of a capital nature not provided for in the Accounts		
Authorised and contracted for	—	—
Authorised and not contracted for	<u>1,000</u>	—

20. OPERATING LEASE COMMITMENTS	2000 Land & Buildings £	1999 Land & Buildings £
In one year or less	<u>10,000</u>	<u>10,000</u>