

CHARLES CONNELL & COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2001

COMPANY NO. 28024



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COMPANIES HOUSE

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19/08/02

DIRECTORS

C.R. CONNELL (Chairman)

H.C. DAVIDSON, C.A.

SECRETARY

H.C. DAVIDSON, C.A.

AUDITORS

ALEXANDER SLOAN
Chartered Accountants

REGISTERED OFFICE

WOODEND,
CRAIGALLIAN,
MILNGAVIE,
GLASGOW G62 8EN

DIRECTORS' REPORT

The Directors submit their Report and Financial Statements for the year ended 31st December 2001.

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.

FIXED ASSETS

In the opinion of the Directors, the market value at 31st December 2001 of the Company's Land and Buildings exceeds the Balance Sheet value by at least £500,000.

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 31.12.01	2,363	78,000
		(Beneficial)	(Beneficial)
		13,013	15,560
		(As Trustee)	(As Trustee)
	At 31.12.00	2,363	78,000
		(Beneficial)	(Beneficial)
		13,013	23,660
		(As Trustee)	(As Trustee)
H.C. DAVIDSON	At 31.12.01 & 31.12.00	NIL	NIL

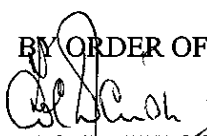
ROTATION OF DIRECTORS

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

AUDITORS

A resolution to re-appoint Alexander Sloan, Chartered Accountants, 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

19th March 2002

YEAR ENDED 31st DECEMBER 2001

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 of Charles Connell & Company Limited for the year ended 31st December 2001 on pages 5 to 12. These Financial Statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective Responsibilities of Directors and Auditors

As described in the Statement of Directors' Responsibilities, the Company's Directors are responsible for the preparation of the 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 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 Directors' Report and consider the implications for our Report if we become aware of any apparent misstatements within it.

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 Company's affairs as at 31st December 2001 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**ALEXANDER SLOAN**

Chartered Accountants
Registered Auditors

GLASGOW, 19th March 2002

PROFIT AND LOSS ACCOUNT**FOR THE YEAR ENDED 31st DECEMBER 2001**

	Notes	2001 £	2000 £
TURNOVER	2	283,378	216,248
Cost of Sales		(75,401)	(25,920)
Gross Profit		207,977	190,328
Administration Expenses	3	(544,117)	(1,046,781)
Operating (Loss)		(336,140)	(856,453)
Other Operating Costs	4	(782)	(1,164)
		(336,922)	(857,617)
Investment Income less Interest Payable	5	436,426	140,521
Profit/(Loss) on ordinary activities before Taxation		99,504	(717,096)
Taxation	7	(34,877)	(256,965)
Retained Profit/(Loss) for the year	16	<u>64,627</u>	<u>(460,131)</u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31st DECEMBER 2001**

The Company made no recognised gains or losses in the years ended 31st December 2001 or 2000 other than the profit/(loss) for the year.

BALANCE SHEET

AS AT 31st DECEMBER 2001

	Notes	£	2001 £	£	2000 £
FIXED ASSETS					
Tangible Assets	1 & 8		320,445		335,912
Investment			1		1
			320,446		335,913
CURRENT ASSETS					
Stock	1	2,500		1,025	
Debtors	9	2,301,550		4,252,622	
Investments	10	3,849,026		2,787,947	
Short Term Deposits		100,739		56,999	
Cash at Bank and in Hand		4,767		6,649	
			6,258,582	7,105,242	
CREDITORS - Amounts falling due within one year	11	(178,167)		(1,104,921)	
NET CURRENT ASSETS			6,080,415		6,000,321
TOTAL ASSETS LESS CURRENT LIABILITIES					
			<u>6,400,861</u>		<u>6,336,234</u>
CAPITAL AND RESERVES					
Called up Share Capital	12		450,000		450,000
Reserves	13		5,950,861		5,886,234
TOTAL SHAREHOLDERS' FUNDS	16		<u>6,400,861</u>		<u>6,336,234</u>
Equity shareholders' funds			5,950,961		5,886,334
Non-equity shareholders' funds			449,900		449,900
			<u>6,400,861</u>		<u>6,336,234</u>

Signed on behalf of the Board on 19th March 2002


C.R. CONNELL
Director

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31st DECEMBER 2001****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 2001. 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 2001

3. ADMINISTRATION EXPENSES	2001	2000
	£	£
Comprises:-		
Directors' Remuneration (excluding benefits)	229,700	656,726
Auditors' Remuneration	5,800	5,500
Depreciation	12,378	15,383
Other Expenses	296,239	369,172
	<u>544,117</u>	<u>1,046,781</u>
Directors' Remuneration		
For Executive Services	<u>229,700</u>	<u>656,726</u>
Emoluments of the Highest Paid Director (excluding Pension Contributions)	<u>295,127</u>	<u>715,437</u>
4. OTHER OPERATING COSTS		
(Loss) on Sale of Fixed Assets	<u>(782)</u>	<u>(1,164)</u>
5. INVESTMENT INCOME LESS INTEREST PAYABLE		
Dividends Receivable - Listed	128,678	108,770
Interest Receivable - Other	7,814	9,128
Gains on Sales of Investments	427,179	22,666
Provision for Diminution in value of Investments	(127,079)	-
Currency Loss	(144)	-
	<u>436,448</u>	<u>140,564</u>
Interest payable on Bank Overdraft	<u>(22)</u>	<u>(43)</u>
	<u>436,426</u>	<u>140,521</u>

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31st DECEMBER 2001

6. EMPLOYEES	2001	2000
The average weekly number of employees (excluding non-Executive Directors) during the year was made up as follows:-	Number	Number
Management and Administration	<u>5</u>	<u>6</u>
Staff Costs for the above employees during the year amounted to:-	£	£
Wages and Salaries	360,575	789,357
Social Security Costs	43,444	93,533
Other Pension Costs	6,909	12,025
	<u>410,928</u>	<u>894,915</u>
7. TAXATION		
The charge/(credit) for the year comprises:-		
Current Year		
Tax on Investment Income	12,868	10,877
Group Relief	22,000	(268,000)
Prior Year		
Group Relief	9	158
	<u>34,877</u>	<u>(256,965)</u>

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31st DECEMBER 2001

8. TANGIBLE FIXED ASSETS

	Land and Buildings			Vehicles Fittings and Equipment	Total
	Freehold £	Long Leasehold £	Short Leasehold £	£	£
Cost					
At 1 st January 2001	206,337	127,178	37,851	132,159	503,525
Additions	-	-	-	828	828
Disposals	-	-	-	(9,120)	(9,120)
	<u>206,337</u>	<u>127,178</u>	<u>37,851</u>	<u>123,867</u>	<u>495,233</u>
Aggregate Depreciation					
At 1 st January 2001	41,260	-	37,851	88,502	167,613
Charge for Year	4,126	-	-	8,252	12,378
On Disposals	-	-	-	(5,203)	(5,203)
	<u>45,386</u>	<u>-</u>	<u>37,851</u>	<u>91,551</u>	<u>174,788</u>
Net Book Values					
At 31 st December 2001	<u>160,951</u>	<u>127,178</u>	<u>-</u>	<u>32,316</u>	<u>320,445</u>
At 31 st December 2000	<u>165,077</u>	<u>127,178</u>	<u>-</u>	<u>43,657</u>	<u>335,912</u>

9. DEBTORS

	2001 £	2000 £
Other Debtors	1,927	6
Prepayments and Accrued Income	10,038	10,865
Amounts owed by Group Undertakings	2,289,585	4,241,751
	<u>2,301,550</u>	<u>4,252,622</u>

10. INVESTMENTS

Listed at Cost less Provision (Market Value - £3,849,026, 2000 - £3,821,981)	<u>3,849,026</u>	<u>2,787,947</u>
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11. CREDITORS - Amounts falling due within one year:-

Other Creditors	7,117	5,258
Other Taxes and Social Security	34,641	35,670
Accruals and Deferred Income	18,694	508,276
Amounts owed to Group Undertakings	117,715	555,717
	<u>178,167</u>	<u>1,104,921</u>

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31st DECEMBER 2001

12. CALLED UP SHARE CAPITAL	2001 £	2000 £
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.

13. RESERVES	Capital Redemption Reserve Fund £	Revenue Reserve £	Profit and Loss Account £	Total £
At 1st January 2001	400	475,695	5,410,139	5,886,234
Profit for year	-	-	64,627	64,627
	<u>-</u>	<u>-</u>	<u>64,627</u>	<u>64,627</u>
At 31st December 2001	<u>-</u>	<u>-</u>	<u>5,474,766</u>	<u>5,950,861</u>

14. PARENT UNDERTAKING

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

15. PENSION SCHEME

The Company operates a defined contribution scheme for the benefit of a Director. The employers contribution for the year was £6,000 (2000 - £11,202).

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31st DECEMBER 2001

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2001 £	2000 £
Retained Profit/(Loss) for the year	<u>64,627</u>	<u>(460,131)</u>
Net Increase/(Decrease) in Shareholders' Funds	64,627	(460,131)
Opening Shareholders' Funds	6,336,234	6,796,365
Closing Shareholders' Funds	<u>6,400,861</u>	<u>6,336,234</u>

17. 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.

18. COMMITMENTS FOR CAPITAL EXPENDITURE	2001 £	2000 £
At 31 st December 2001 the Company had entered into the following commitments for expenditure of a capital nature not provided for in the Accounts		
Authorised and contracted for	<u>—</u>	<u>—</u>
Authorised and not contracted for	<u>—</u>	<u>1,000</u>

19. OPERATING LEASE COMMITMENTS	2001 Land & Buildings £	2000 Land & Buildings £
In one year or less	<u>10,000</u>	<u>10,000</u>