

CHARLES CONNELL & COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 2007

COMPANY NO. SC28024

TUESDAY



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COMPANIES HOUSE

DIRECTORS

C R CONNELL (Chairman)

H C DAVIDSON

MRS T V A CONNELL

SECRETARY

I F BROWN

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 2007

REVIEW OF THE BUSINESS**ACTIVITY**

The Company holds investments and writes call options

FIXED ASSETS

In the opinion of the Directors, the market value at 31st December 2007 of the Company's Land and Buildings exceeds the Balance Sheet value by at least £800,000

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	At 31 12 07	2,363	77,100
	& 31 12 06	(Beneficial)	(Beneficial)
		13,103 (As Trustee)	41,824 (As Trustee)
MRS T V A CONNELL	At 31 12 07	NIL	900
	& At 31 12 06	(Beneficial)	(Beneficial)
		5,138 (As Trustee)	14,500 (As Trustee)
H C DAVIDSON	At 31 12 07		
	& 31 12 06	NIL	NIL

ROTATION OF DIRECTORS

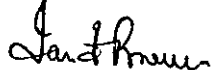
In accordance with the Articles of Association, Mrs T V A Connell retires by rotation and offers herself for re election

DIRECTORS' REPORT (Contd)

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



I F BROWN

Secretary

Woodend,
Craigallan,
Milngavie,
Glasgow, G62 8EN

Date 17th March 2008

YEAR ENDED 31st DECEMBER 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare Financial Statements for each financial period 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.

The Directors of a Company, must, in determining how amounts are presented within items in the profit and loss account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles and practice.

In so far as the Directors are aware

there is no relevant audit information (information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware, and the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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 2007 on pages 6 to 15. These Financial Statements have been prepared under the historical cost convention as modified for the revaluation of Fixed Asset Investments 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 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 (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31st December 2007 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985 and the information given in the Directors' Report is consistent with the financial statements for the year ended 31st December 2007.

**ALEXANDER SLOAN**

Chartered Accountants

Registered Auditors

GLASGOW 17th March 2008

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31st DECEMBER 2007

	Notes	2007 £	2006 £
TURNOVER	2		17,964
Cost of Sales	3		(6,087)
			11,877
Administration Expenses	4	(968,098)	(1,120,244)
		(968,098)	(1,108,367)
Other Operating Income		239	
		(967,859)	(1,108,367)
Other Operating Costs	5	(20,449)	
Operating (Loss)		(988,308)	(1,108,367)
Investment Income less Interest Payable	6	1,774,402	981,065
Profit/(Loss) on ordinary activities before Taxation		786,094	(127,302)
Taxation	8	(10,017)	66,540
Retained Profit/(Loss) for the year		<u>776,077</u>	<u>(60,762)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31st DECEMBER 2007

	£	£
Profit/(Loss) for the Financial Year	776,077	(60,762)
Increase in Value of Investments	105,175	450,636
Total Gains and Loss Recognised since last Financial Accounts	<u>881,252</u>	<u>389,874</u>

BALANCE SHEET

AS AT 31st DECEMBER 2007

	Notes	£	2007 £	£	2006 £
FIXED ASSETS					
Tangible Assets	1 & 9		285,862		293,534
Investments	10		9,274,976		9,597,397
			9,560,838		9,890,931
CURRENT ASSETS					
Stock	1	1,150		2,900	
Debtors	11	197,725		159,203	
Investments	10	11,333,503		10,600,120	
Short Term Deposits		1,548,382		1,272,963	
Cash at Bank and in Hand		2,237		1,914	
		13,082,997		12,037,100	
CREDITORS Amounts falling due within one year	12	(13,997,596)		(14,207,124)	
NET CURRENT (LIABILITIES)			(914,599)		(2,170,024)
TOTAL ASSETS LESS CURRENT LIABILITIES					
			8,646,239		7,720,907
CREDITORS – Amounts falling due after one year	12		(117,869)		(73,789)
			<u>8,528,370</u>		<u>7,647,118</u>
CAPITAL AND RESERVES					
Called up Share Capital	13		450,000		450,000
Reserves	14		8,078,370		7,197,118
TOTAL SHAREHOLDERS' FUNDS	15		<u>8,528,370</u>		<u>7,647,118</u>
Equity shareholders' funds			8,078,470		7,197,218
Non equity shareholders' funds			449,900		449,900
			<u>8,528,370</u>		<u>7,647,118</u>

Authorised for issue on 17th March 2008 by the Board of Directors and signed on behalf of the Board on
17th March 2008

C.R. CONNELL
Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 2007

1 ACCOUNTING POLICIES

- a) The Financial Statements have been prepared under the historical cost convention as modified for the revaluation of Fixed Asset Investments and in accordance with applicable Accounting Standards

b) **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	3 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.

c) **Stocks**

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

d) **Investments**

Listed Fixed Asset Investments are shown at the aggregate of current market valuation. Upward revaluations are credited to the revaluation reserve. Downward revaluations in excess of any previous upward revaluation are taken to the Profit and Loss Account.

Other Fixed Asset Investments are shown at cost or at market value

Current Asset Investments which are holdings of Bonds and Government Securities are shown at cost or at market value, if lower than cost as adjusted on a time basis for the amortisation of Discounts or Premiums to redemption value

e) **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 2007. Assets and liabilities in foreign currencies are also converted at the rate ruling at the date of the transaction

NOTES TO THE FINANCIAL STATEMENTS (Contd)

FOR THE YEAR ENDED 31st DECEMBER 2007

1 ACCOUNTING POLICIES (Contd)

f) Pensions

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

g) Leasing

Operating lease rentals are charged to the Profit and Loss Account on an annual basis

2 TURNOVER

Turnover represents call option business written by the Company in the ordinary course of business

3 COST OF SALES

Cost of sales represents call option business closed

4 ADMINISTRATION EXPENSES

	2007	2006
	£	£
Comprises		
Directors' Remuneration (excluding benefits)	580,743	728,065
Auditors' Remuneration	8,813	8,519
Depreciation	11,792	10,469
Other Expenses	366,750	373,191
	<u>968,098</u>	<u>1,120,244</u>
Directors' Remuneration		
For Executive Services	<u>614,256</u>	<u>756,537</u>
 Emoluments of the Highest Paid Director (excluding Pension Contributions)	 <u>551,981</u>	 <u>695,776</u>

NOTES TO THE FINANCIAL STATEMENTS (Contd)

FOR THE YEAR ENDED 31st DECEMBER 2007

5 OTHER OPERATING COSTS

Loss on Sale of Fixed Assets	1,000	
Contribution to Past Pension Costs	19,449	
	<u>20,449</u>	<u> </u>

6 INVESTMENT INCOME LESS INTEREST PAYABLE

	2007 £	2006 £
Dividends Receivable Listed	724,138	795,705
Interest Receivable Other	65,882	41,120
Gains on Sales of Investments	874,945	452,000
Decrease/(Increase) in provision for diminution in value of Investments	151,024	(250,563)
Currency (Loss)	(141)	(1,007)
(Deficit) on Loan Relationships	(42,623)	(60,573)
Partnership Income	1,394	4,597
	<u>1,774,619</u>	<u>981,279</u>
Interest - Bank Overdraft	(217)	(214)
	<u>1,774,402</u>	<u>981,065</u>

7 EMPLOYEES

The average weekly number of employees (excluding non Executive Directors) during the year was made up as follows

	Number	Number
Management and Administration	<u>4</u>	<u>4</u>
Staff Costs for the above employees during the year amounted to	£	£
Wages and Salaries	668,016	811,938
Social Security Costs	84,664	101,891
Other Pension Costs	17,557	17,483
	<u>770,237</u>	<u>931,312</u>

NOTES TO THE FINANCIAL STATEMENTS (Contd)

FOR THE YEAR ENDED 31st DECEMBER 2007

8 TAXATION

The charge for the year comprises

Group Relief – Current Year	1,000	(69,000)
Overseas Tax – Current Year	2,203	2,730
	3,203	(66,270)
Group Relief – Prior Year	6,814	(270)
	<u>10,017</u>	<u>(66,540)</u>

Factors affecting the tax charge for the current period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%) The differences are explained below

	2007 £	2006 £
Profit/(Loss) on ordinary activities before taxation	<u>786,094</u>	<u>(127,302)</u>
Profit on ordinary activities multiplied by standard rate of corporation tax of 30%	235,828	(38,191)
Effect of		
Expenses not deductible for tax purposes	3,472	3,706
Depreciation for period in excess of Capital Allowances	1,451	1,694
Movement on account of tax losses	(110,174)	11,618
Provision for diminution in value of Investments	(45,307)	75,169
Adjustment for Chargeable Gains	(32,850)	(25,359)
Past Pension Contribution paid		(6,900)
Other movements	2,776	620
Rounding Group Relief	(699)	274
Income not subject to tax	(51,294)	(88,901)
	<u>3,203</u>	<u>(66,270)</u>

NOTES TO THE FINANCIAL STATEMENTS (Contd)

FOR THE YEAR ENDED 31st DECEMBER 2007

9 TANGIBLE FIXED ASSETS

	Land and Buildings			Vehicles Fittings and Equipment	Total
	Freehold £	Long Leasehold £	Short Leasehold £	£	£
Cost					
As at 1st January 2007	206,337	127,178	37,851	93,815	465,181
Additions				34,120	34,120
Disposals				(33,603)	(33,603)
As at 31st December 2007	<u>206,337</u>	<u>127,178</u>	<u>37,851</u>	<u>94,332</u>	<u>465,698</u>
Aggregate Depreciation					
As at 1st January 2007	66,016		37,851	67,780	171,647
On Disposals				(3,603)	(3,603)
Charge for Year	4,126			7,666	11,792
As at 31st December 2007	<u>70,142</u>		<u>37,851</u>	<u>71,843</u>	<u>179,836</u>
Net Book Value					
As at 31st December 2007	<u>136,195</u>	<u>127,178</u>		<u>22,489</u>	<u>285,862</u>
As at 31st December 2006	<u>140,321</u>	<u>127,178</u>		<u>26,035</u>	<u>293,534</u>

10 INVESTMENTS

	Listed £	Unlisted £	Property Partnership £	Total £
Fixed Asset Investments				
Cost				
As at 1st January 2007	6,688,177	1	200,000	6,888,178
Additions	2,848,583			2,848,583
Disposals	(3,276,179)			(3,276,179)
As at 31st December 2007	<u>6,260,581</u>	<u>1</u>	<u>200,000</u>	<u>6,460,582</u>
Valuation Adjustment				
As at 1st January 2007	2,669,219		40,000	2,709,219
Increase in Value	85,175		20,000	105,175
As at 31st December 2007	<u>2,754,394</u>		<u>60,000</u>	<u>2,814,394</u>
Net Values				
As at 31st December 2007	<u>9,014,975</u>	<u>1</u>	<u>260,000</u>	<u>9,274,976</u>
As at 31st December 2006	<u>9,357,396</u>	<u>1</u>	<u>240,000</u>	<u>9,597,397</u>

NOTES TO THE FINANCIAL STATEMENTS (Contd)

FOR THE YEAR ENDED 31st DECEMBER 2007

10	INVESTMENTS (Contd)	2007	2006
		£	£
	Current Asset Investments		
	UK Government Securities and Eurobonds – at Cost less provision for diminution in value		
	(Market Value £11,426,049, 2006 £10,563,405)	<u>11,333,503</u>	<u>10,600,120</u>
11	DEBTORS		
	Amounts falling due within one year:		
	Taxation Recoverable	3,074	3,243
	Other Debtors	1,246	93
	Prepayments and Accrued Income	177,571	148,339
		181,891	151,675
	Amounts falling due after one year:		
	Loan Relationship Deferred Surplus	15,834	7,528
		<u>197,725</u>	<u>159,203</u>
12	CREDITORS		
	Amounts falling due within one year		
	Other Creditors	2,993	3,036
	Other Taxes and Social Security	37,267	36,686
	Accruals and Deferred Income	390,642	558,782
	Amounts owed to Group Undertakings	13,566,694	13,608,620
		<u>13,997,596</u>	<u>14,207,124</u>
	Amounts falling due after one year:		
	Loan Relationship Deferred Deficit	<u>117,869</u>	<u>73,789</u>
13	CALLED UP SHARE CAPITAL		
	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 2% 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.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

FOR THE YEAR ENDED 31st DECEMBER 2007

14	RESERVES	Capital Redemption Reserve Fund £	Revaluation Reserve £	Revenue Reserve £	Profit and Loss Account £	Total £
	As at 1st January 2007	400	2,709,219	475,695	4,011,804	7,197,118
	Increase in Value of Investments		105,175			105,175
	Profit for year				776,077	776,077
	As at 31st December 2007	<u>400</u>	<u>2,814,394</u>	<u>475,695</u>	<u>4,787,881</u>	<u>8,078,370</u>

15	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2007 £	2006 £
	Retained Profit/(Loss) for the year	776,077	(60,762)
	Increase in value of Investments	105,175	450,636
	Net Increase in Shareholders' Funds	881,252	389,874
	Opening Shareholders' Funds	7,647,118	7,257,244
	Closing Shareholders' Funds	<u>8,528,370</u>	<u>7,647,118</u>

16 PARENT UNDERTAKING

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

17 PENSION SCHEME

The Company operated a defined contribution scheme for the benefit of a Director The employer's contribution for the year was £16,000 (2006 £16,000)

Included in Other Creditors at the year end are outstanding pension contributions of £NIL (2006 £193)

NOTES TO THE FINANCIAL STATEMENTS (Contd)

FOR THE YEAR ENDED 31st DECEMBER 2007

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 OPERATING LEASE COMMITMENTS

	2007 Land & Buildings £	2006 Land & Buildings £
In one year or less	<u>10,000</u>	<u>10,000</u>