

Speirs & Jeffrey Limited

**Directors' report and financial
statements**

Registered number 98335

10 May 2002



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Directors' report

The directors have pleasure in submitting their report to the members, together with audited financial statements, for the 52 weeks ended 10 May 2002.

Activities

The group's sole activity remains stockbroking and related services.

Business review

Against a background of weak and turbulent stockmarkets throughout the world, we have had another year of progress in terms of increasing our client base, recruiting valuable people and continuing the upgrade of our computer facilities. Trading revenues reflect the volatile market conditions. Whilst we continue to resist the prevailing trend towards clients annual fees, we take comfort that our PEP and ISA operations account for over 30% of our turnover. Nominee services are becoming an increasingly important service to our clients and business activity for the firm.

Financial

The profit for the year is detailed in the attached profit and loss account. An interim dividend of Nil (2001: Nil) per share on the ordinary shares for the year was paid and a final of 215.6p (2001: 200p) is proposed, leaving a balance at credit of profit and loss account of £2,343,000 (2001: £1,448,000) to be carried forward.

Charitable donations made by the company totalled £15,500 (2001: £18,000) during the year.

Directors and directors' interests

The directors during the year and their shareholdings in the company at 10 May 2002 and 11 May 2001 were:

	Ordinary	
	2002	2001
A.A.W. Waddell	17,700	22,000
J.R. McCulloch	20,949	20,949
G.H.W. Waddell	15,600	15,600
W.G. Dickie	14,550	14,550
R.L. Crichton	6,450	6,450
M.J. Wilson	6,450	6,450
S.W.J. Mathieson	-	-
A.A.W. Waddell (appointed 14 May 2001)	4,300	- *

*at date of appointment.

The director retiring by rotation is J.R. McCulloch who, being eligible, offers himself for re-election.

Directors' report *(continued)*

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

A handwritten signature in black ink, appearing to read 'S.W.J. Mathieson', written over a horizontal line.

S.W.J. Mathieson
Director/Company Secretary

36 Renfield Street
Glasgow

31 July 2002

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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

24 Blythswood Square
Glasgow
G2 4QS
United Kingdom

Independent auditors report to the members of Speirs & Jeffrey Limited

We have audited the financial statements on pages 5 to 12.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

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 state of the company's affairs as at 10 May 2002 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

31 July 2002

Profit and loss account

	<i>Note</i>	52 weeks to 10 May 2002 £000	Restated 52 weeks to 11 May 2001 £000
Turnover		8,713	9,391
Interest received	2	295	453
		9,008	9,844
Gain on sale of investments		1,284	-
		10,292	9,844
Deduct:			
Salaries and employment costs	3	6,305	6,889
Other operating expenses	4	2,438	2,648
		8,743	9,537
Profit on ordinary activities before taxation		1,549	307
Taxation	5	(469)	(71)
Profit for the financial year		1,080	236
Dividends paid and proposed	6	(185)	(172)
Profit retained for the financial year	14	895	64

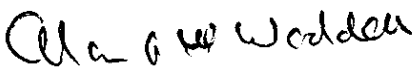
Statement of total recognised gains and losses

	52 weeks to 10 May 2002 £000	Restated 52 weeks to 11 May 2001 £000
Profit for the financial year	1,080	236
Total recognised gains and losses relating to the period	1,080	236
Prior period adjustment (note 16)	72	
Total gains and losses recognised since last financial statements	1,152	

Balance sheet

	Note	10 May 2002		Restated 11 May 2001	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	7		24		44
Investment in subsidiaries	8		-		-
Investment in shares	9		81		-
			105		44
Current assets					
Debtors - market and client balances		22,050		25,285	
- deferred taxation	10	84		72	
Bank balances and cash		9,847		8,325	
		31,981		33,682	
Creditors: amounts falling due within one year					
Market and client balances		22,789		25,711	
Bank overdraft		616		71	
Creditors and accruals	11	6,138		6,296	
		29,543		32,078	
Net current assets			2,438		1,604
Net assets			2,543		1,648
Capital and reserves					
Called up share capital	12		86		86
Capital redemption reserve	13		114		114
Profit and loss account	14		2,343		1,448
Shareholders' funds	15		2,543		1,648

These financial statements were approved by the board of directors on 31 July 2002 and were signed on its behalf by:


A.A.W. Waddell
Director


J.R. McCulloch
Director

Cash flow statement

	52 weeks to 10 May 2002		52 weeks to 11 May 2001	
	£000	£000	£000	£000
Net cash (outflow)/inflow from operating activities				
Profit on ordinary activities before taxation	1,549		307	
Interest received	(295)		(453)	
Gain on sale of investment	(1,284)		-	
Depreciation	24		51	
Change in net market and client balances	313		539	
Change in creditors	(578)		379	
		(271)		823
Returns on investment				
Interest received		295		453
UK corporation tax paid		(74)		(110)
Capital expenditure and financial investment				
Purchase of non-quoted investment	(81)		-	
Purchase of tangible fixed assets	(4)		(30)	
Proceeds from sale of investment	1,284		-	
		1,199		(30)
Equity dividends paid		(172)		-
Net cash inflow		977		1,136
Net cash				
At beginning of period		8,254		7,118
Net inflow		977		1,136
At end of period		9,231		8,254

Notes

(forming part of the financial statements)

1 Accounting policies

- (a) By virtue of the exemption contained in s229 of the Companies Act 1985, the company is not required to present consolidated financial statements on the basis that exclusion of the subsidiary undertakings has no material impact on the financial statements.
- (b) The financial statements have been prepared under the historical cost convention and in accordance with S226 and S227 of, and Schedule 4 to, the Companies Act 1985 and in accordance with applicable accounting standards.
- (c) Turnover comprises gross commission, PEP and ISA management fees and sundry income all of which arises in the UK.
- (d) Depreciation is provided by the company to write off the cost of fixed tangible assets over their estimated useful economic lives as follows:
Office equipment - 25% straight line
- (e) Except where otherwise required by accounting standards, full provision for deferred taxation without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date. A deferred taxation asset is recognised when it can be regarded as more likely than not that the asset is recoverable against suitable taxable profits. This represents a change in accounting policy as a result of adopting FRS 19 on Deferred Tax. Prior year comparatives have been restated to reflect the change.
- (f) Balances on foreign currency transactions have been translated into pounds sterling at the rate of exchange ruling at the balance sheet date.
- (g) Equity shares are carried at historical cost.

2 Interest

	2002 £000	2001 £000
Bank interest received	295	453

3 Salaries and employment costs

	2002 £000	2001 £000
Salaries and commission	5,228	5,780
Social security	642	622
Pension	435	487
	<u>6,305</u>	<u>6,889</u>
Average number employed	<u>108</u>	<u>105</u>

Notes (continued)

3 Salaries and employment costs (continued)

	2002	2001
	£000	£000
<i>Directors' remuneration</i>		
Aggregate emoluments	2,716	2,939
Highest paid director	622	709
	<u>622</u>	<u>709</u>

4 Other operating expenses

Other operating expenses include:

	2002	2001
	£000	£000
Auditors' remuneration - audit services	25	24
- non-audit services	5	7
Depreciation	24	51
	<u>24</u>	<u>51</u>

5 Taxation

Analysis of charge in period:

	2002	2001
	£000	£000
<i>Current tax</i>		
UK corporation tax at 30% (2001: 22%) on profits of the period	481	80
<i>Deferred tax</i>		
Origination and reversal of timing differences	(12)	(9)
	<u>469</u>	<u>71</u>
Taxation on profit on ordinary activities	<u>469</u>	<u>71</u>

6 Dividends

	2002	2001
	£000	£000
Equity - ordinary shares - final proposed	185	172
	<u>185</u>	<u>172</u>

Notes (continued)

7 Fixed tangible assets

	Fittings and equipment £000
Cost	
At 11 May 2001	566
Additions	4
At 10 May 2002	570
Depreciation	
At 11 May 2001	522
Charge for year	24
At 10 May 2002	546
Net book value	
At 10 May 2002	<u>24</u>
At 11 May 2001	<u>44</u>

8 Investment in subsidiaries

Details of the subsidiaries are as follows:

Speirs & Jeffrey Fund Management Limited	-	nominee company.
Speirs & Jeffrey Portfolio Management Limited	-	nominee company.
Speirs & Jeffrey Client Nominees Limited	-	nominee company.

All companies are wholly owned subsidiaries registered in Scotland.

9 Investment in shares

	2002 £000	2001 £000
Non-quoted investments	81	-
Quoted investments	-	-
	81	-

Quoted investments are held at cost. Market value at 10 May 2002 was £3,241,000 (2001: £Nil).

Notes (continued)

10 Deferred taxation

	2002 £000	2001 £000
Timing differences between capital allowances and depreciation at 30%	84	72
At 11 May 2001	72	
Credit for the financial year	12	
At 10 May 2002	84	

11 Creditors and accruals: amounts falling due within one year

	2002 £000	2001 £000
Trade creditors	131	72
Accruals	4,764	5,325
Other tax and social security	569	645
UK corporation tax	489	82
Proposed dividend	185	172
	6,138	6,296

12 Called up share capital

	2002 £000	2001 £000
<i>Authorised</i>		
Equity:		
100,000 ordinary shares of £1 each	100	100
Non-equity:		
100,000 7% redeemable preference shares of £1 each	100	100
<i>Allotted, called up and fully paid</i>		
Equity:		
86,000 ordinary shares of £1 each	86	86

Notes (continued)

13 Capital redemption reserve

	2002 £000	2001 £000
At 11 May 2001 and 10 May 2002	<u>114</u>	<u>114</u>

14 Profit and loss account

	2002 £000	2001 £000
At 11 May 2001 – as previously reported	1,376	1,321
Prior period adjustment (note 16)	72	63
	<u>1,448</u>	<u>1,384</u>
At 11 May 2001 as restated	1,448	1,384
Profit retained for the financial year	895	64
	<u>2,343</u>	<u>1,448</u>
At 10 May 2002	<u>2,343</u>	<u>1,448</u>

15 Reconciliation of movement in shareholders' funds

	2002 £000	Restated 2001 £000
Profit for the financial year	1,080	236
Dividends paid and proposed	(185)	(172)
	<u>895</u>	<u>64</u>
Profit retained for the financial year	895	64
Balance brought forward	1,648	1,584
	<u>2,543</u>	<u>1,648</u>
Balance carried forward	<u>2,543</u>	<u>1,648</u>
Shareholders' funds comprise:		
Equity	2,543	1,648
Non-equity	-	-
	<u>2,543</u>	<u>1,648</u>

16 Prior period adjustment

In accordance with FRS 19 on Deferred Tax, a deferred taxation asset has been recognised in the balance sheet. The implementation of FRS 19 has increased the profit and loss account by £84,000 (2001: £72,000). The effect on profit for the financial year is an increase of £12,000 (2001: increase of £9,000).