

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST OCTOBER 2002
FOR
PROFESSIONAL FINANCIAL ADVISERS LIMITED**



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FOR THE YEAR ENDED 31ST OCTOBER 2002**

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PROFESSIONAL FINANCIAL ADVISERS LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31ST OCTOBER 2002**

DIRECTORS:	A J Harvie G M M Cook
SECRETARY:	Ledingham Chalmers
REGISTERED OFFICE:	Johnstone House 52-54 Rose Street Aberdeen AB10 1HA
REGISTERED NUMBER:	109448 (Scotland)
AUDITORS:	Simpson Forsyth Registered Auditors Chartered Accountants 52 Queen's Road Aberdeen AB15 4YE
BANKERS:	Bank of Scotland plc 39 Albyn Place Aberdeen AB10 1YN

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST OCTOBER 2002**

The directors present their report with the financial statements of the company for the year ended 31st October 2002.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of an independent financial adviser regulated by the Financial Services Authority.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

DIVIDENDS

The directors recommend that a final dividend amounting to £5,660 be paid to the "B" shareholders and that no dividend be paid to the "A" shareholders. This results in total dividends of £42,606 payable to the "B" shareholders for the year and retained profits transferred to reserves of £5,635.

FUTURE DEVELOPMENTS

The company has developed a strong client base and the directors are confident that resources are now in place to provide for an increasing volume of business and profitability.

DIRECTORS

The directors during the year under review were:

A J Harvie
G M M Cook
A C Grant

- resigned 27/3/02

The beneficial interests of the directors holding office on 31st October 2002 in the issued share capital of the company were as follows:

	31.10.02	1.11.01
Ordinary shares class A £1.00 shares		
A J Harvie	12,000	12,000
G M M Cook	4,000	4,000
Ordinary shares class B £1.00 shares		
A J Harvie	-	-
G M M Cook	-	-

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;
- 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.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST OCTOBER 2002**

AUDITORS

The auditors, Simpson Forsyth, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:



A J Harvie - Director

28th August 2003

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
PROFESSIONAL FINANCIAL ADVISERS LIMITED**

We have audited the financial statements of Professional Financial Advisers Limited for the year ended 31st October 2002 on pages five 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. Our responsibilities do not extend to any other information.

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st October 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Simpson Forsyth
Registered Auditors
Chartered Accountants
52 Queen's Road
Aberdeen
AB15 4YE

Date: 28th August 2003

PROFESSIONAL FINANCIAL ADVISERS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST OCTOBER 2002**

	Notes	2002 £	2001 £
TURNOVER		345,166	286,868
Cost of sales		<u>(209,138)</u>	<u>(181,878)</u>
GROSS PROFIT		136,028	104,990
Administrative expenses		<u>(74,106)</u>	<u>(69,177)</u>
OPERATING PROFIT	3	61,922	35,813
Interest receivable and similar income		<u>2,184</u>	<u>5,765</u>
		64,106	41,578
Interest payable and similar charges	4	<u>(4,520)</u>	<u>(2,292)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		59,586	39,286
Tax on profit on ordinary activities	5	<u>(11,345)</u>	<u>(7,649)</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		48,241	31,637
Dividends	6	<u>(42,606)</u>	<u>(28,473)</u>
RETAINED PROFIT FOR THE YEAR		<u><u>£5,635</u></u>	<u><u>£3,164</u></u>

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

PROFESSIONAL FINANCIAL ADVISERS LIMITED

**BALANCE SHEET
31ST OCTOBER 2002**

	Notes	2002 £	2001 £
FIXED ASSETS			
Tangible assets	8	45,355	37,180
CURRENT ASSETS			
Debtors	9	102,793	44,841
Cash at bank and in hand		<u>76,894</u>	<u>94,560</u>
		179,687	139,401
CREDITORS			
Amounts falling due within one year	10	<u>(122,372)</u>	<u>(87,919)</u>
NET CURRENT ASSETS		<u>57,315</u>	<u>51,482</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		102,670	88,662
CREDITORS			
Amounts falling due after more than one year	11	<u>(26,690)</u>	<u>(18,317)</u>
		<u>£75,980</u>	<u>£70,345</u>
CAPITAL AND RESERVES			
Called up share capital	14	61,000	61,000
Share premium account	15	1,680	1,680
Profit and loss account	15	<u>13,300</u>	<u>7,665</u>
SHAREHOLDERS' FUNDS	17	<u>£75,980</u>	<u>£70,345</u>

ON BEHALF OF THE BOARD:



A J Harvie - Director

Approved by the Board on 28th August 2003

The notes form part of these financial statements

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST OCTOBER 2002

	Notes	2002 £	2001 £
Net cash inflow from operating activities	1	24,826	34,062
Returns on investments and servicing of finance	2	(2,336)	3,473
Taxation	2	(7,649)	(9,295)
Capital expenditure	2	(23,232)	(23,446)
Equity dividends paid		<u>(15,369)</u>	<u>(31,669)</u>
		(23,760)	(26,875)
Financing	2	<u>6,966</u>	<u>8,836</u>
Decrease in cash in the period		<u>£(16,794)</u>	<u>£(18,039)</u>
Reconciliation of net cash flow to movement in net funds	3		
Decrease in cash in the period		(16,794)	(18,039)
Cash inflow from increase in debt and lease financing		<u>(6,966)</u>	<u>(8,836)</u>
Change in net funds resulting from cash flows		<u>(23,760)</u>	<u>(26,875)</u>
Movement in net funds in the period		(23,760)	(26,875)
Net funds at 1st November		<u>65,897</u>	<u>92,772</u>
Net funds at 31st October		<u>£42,137</u>	<u>£65,897</u>

The notes form part of these financial statements

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST OCTOBER 2002**

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

	2002 £	2001 £
Operating profit	61,922	35,813
Depreciation charges	10,823	12,236
Loss on disposal of fixed assets	4,234	-
Increase in debtors	(57,952)	(4,482)
Increase/(Decrease) in creditors	<u>5,799</u>	<u>(9,505)</u>
Net cash inflow from operating activities	<u>24,826</u>	<u>34,062</u>

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

	2002 £	2001 £
Returns on investments and servicing of finance		
Interest received	2,184	5,765
Interest paid	(230)	(360)
Interest element of hire purchase payments	<u>(4,290)</u>	<u>(1,932)</u>
Net cash (outflow)/inflow for returns on investments and servicing of finance	<u>(2,336)</u>	<u>3,473</u>
Taxation		
Taxation paid	(7,649)	(9,778)
Taxation refund	<u>-</u>	<u>483</u>
Net cash outflow for taxation	<u>(7,649)</u>	<u>(9,295)</u>
Capital expenditure		
Purchase of tangible fixed assets	(46,102)	(23,446)
Sale of tangible fixed assets	<u>22,870</u>	<u>-</u>
Net cash outflow for capital expenditure	<u>(23,232)</u>	<u>(23,446)</u>
Financing		
New loans in year	37,620	15,515
Capital repayments in year	<u>(30,654)</u>	<u>(6,679)</u>
Net cash inflow from financing	<u>6,966</u>	<u>8,836</u>

The notes form part of these financial statements



NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST OCTOBER 2002

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.11.01 £	Cash flow £	At 31.10.02 £
Net cash:			
Cash at bank and in hand	94,560	(17,666)	76,894
Bank overdraft	<u>(1,343)</u>	<u>872</u>	<u>(471)</u>
	<u>93,217</u>	<u>(16,794)</u>	<u>76,423</u>
Debt:			
Hire purchase	<u>(27,320)</u>	<u>(6,966)</u>	<u>(34,286)</u>
	<u>(27,320)</u>	<u>(6,966)</u>	<u>(34,286)</u>
Total	<u>65,897</u>	<u>(23,760)</u>	<u>42,137</u>

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST OCTOBER 2002**

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 commissions receivable on life, investment and pension contracts and the total invoice value, excluding value added tax, of services rendered during the year.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Fixtures and fittings	- 25% on reducing balance
Motor vehicles	- 25% on reducing balance
Computer equipment	- 20% straight line

Deferred tax

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

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Pensions

The company operates a money purchase (defined contribution) pension scheme. Contributions payable to this scheme are charged to the profit and loss account in the period to which they relate. These contributions are invested separately from the company's assets.

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the leases.

Indemnity commission

A provision of 2.5% of premiums received on life policies and pension contracts is made to cover the liability of repayment in the event that premiums cease within the indemnity period. Provision is made only if the amount involved is material.

2. STAFF COSTS

	2002 £	2001 £
Wages and salaries	169,888	147,638
Social security costs	17,462	14,481
Other pension costs	5,204	767
	<u>192,554</u>	<u>162,886</u>

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

	2002	2001
Administration	6	5
Sales	3	3
	<u>9</u>	<u>8</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST OCTOBER 2002**

3. OPERATING PROFIT

The operating profit is stated after charging:

	2002	2001
	£	£
Other operating leases	10,422	10,422
Depreciation - owned assets	2,753	3,196
Depreciation - assets on hire purchase contracts	8,070	9,040
Loss on disposal of fixed assets	4,234	-
Auditors remuneration	<u>2,056</u>	<u>1,175</u>

Directors' emoluments	<u>96,048</u>	<u>99,835</u>
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4. INTEREST PAYABLE AND SIMILAR CHARGES

	2002	2001
	£	£
Bank interest	230	360
Hire purchase	<u>4,290</u>	<u>1,932</u>
	<u>4,520</u>	<u>2,292</u>

5. TAXATION**Analysis of the tax charge**

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

	2002	2001
	£	£
Current tax:		
UK corporation tax	<u>11,345</u>	<u>7,649</u>
Tax on profit on ordinary activities	<u>11,345</u>	<u>7,649</u>

Factors affecting the tax charge

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

	2002	2001
	£	£
Profit on ordinary activities before tax	<u>59,586</u>	<u>39,286</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2001 - 20%)	11,321	7,857
Effects of:		
Expenses not deductible for tax purposes	206	136
Capital allowances for period in excess of depreciation	(424)	(83)
Effect of tax rate change	242	-
Marginal relief	-	(261)
Current tax charge	<u>11,345</u>	<u>7,649</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST OCTOBER 2002**

6. DIVIDENDS

	2002 £	2001 £
Equity shares: 45,000 Ordinary shares class B shares of £1.00 each		
Interim	<u>42,606</u>	<u>28,473</u>
	<u>42,606</u>	<u>28,473</u>

7. PENSION COSTS

The company operates a money purchase (defined contribution) pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £5,204.21 (2001: £766.64).

8. TANGIBLE FIXED ASSETS

	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
COST:				
At 1st November 2001	7,319	40,400	9,892	57,611
Additions	4,161	41,120	821	46,102
Disposals	<u>(1,234)</u>	<u>(40,400)</u>	<u>-</u>	<u>(41,634)</u>
At 31st October 2002	<u>10,246</u>	<u>41,120</u>	<u>10,713</u>	<u>62,079</u>
DEPRECIATION:				
At 1st November 2001	2,439	14,530	3,462	20,431
Charge for year	1,952	6,720	2,151	10,823
Eliminated on disposal	<u>-</u>	<u>(14,530)</u>	<u>-</u>	<u>(14,530)</u>
At 31st October 2002	<u>4,391</u>	<u>6,720</u>	<u>5,613</u>	<u>16,724</u>
NET BOOK VALUE:				
At 31st October 2002	<u>5,855</u>	<u>34,400</u>	<u>5,100</u>	<u>45,355</u>
At 31st October 2001	<u>4,880</u>	<u>25,870</u>	<u>6,430</u>	<u>37,180</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST OCTOBER 2002**

8. TANGIBLE FIXED ASSETS - continued

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Motor vehicles £	Computer equipment £	Totals £
COST:			
At 1st November 2001	35,400	6,766	42,166
Additions	41,120	-	41,120
Disposals	(35,400)	-	(35,400)
At 31st October 2002	<u>41,120</u>	<u>6,766</u>	<u>47,886</u>
DEPRECIATION:			
At 1st November 2001	12,340	2,716	15,056
Charge for year	6,720	1,350	8,070
Eliminated on disposal	(12,340)	-	(12,340)
At 31st October 2002	<u>6,720</u>	<u>4,066</u>	<u>10,786</u>
NET BOOK VALUE:			
At 31st October 2002	<u>34,400</u>	<u>2,700</u>	<u>37,100</u>
At 31st October 2001	<u>23,060</u>	<u>4,050</u>	<u>27,110</u>

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Trade debtors	98,660	43,412
Other debtors	4,133	1,429
	<u>102,793</u>	<u>44,841</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Bank loans and overdrafts (see note 12)	471	1,343
Hire purchase contracts (see note 13)	7,596	9,003
Trade creditors	28,215	13,060
Corporation tax	11,345	7,649
Social security and other taxes	5,592	11,171
VAT	3,194	3,471
Proposed dividends	46,210	18,973
Directors' loan accounts	19,749	23,249
	<u>122,372</u>	<u>87,919</u>

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002 £	2001 £
Hire purchase contracts (see note 13)	<u>26,690</u>	<u>18,317</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST OCTOBER 2002

12. LOANS

An analysis of the maturity of loans is given below:

	2002 £	2001 £
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>471</u>	<u>1,343</u>

13. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

	Hire purchase contracts	
	2002 £	2001 £
Gross obligations repayable:		
Within one year	10,026	11,496
Between one and five years	<u>29,793</u>	<u>19,936</u>
	<u>39,819</u>	<u>31,432</u>
Finance charges repayable:		
Within one year	2,430	2,493
Between one and five years	<u>3,103</u>	<u>1,619</u>
	<u>5,533</u>	<u>4,112</u>
Net obligations repayable:		
Within one year	7,596	9,003
Between one and five years	<u>26,690</u>	<u>18,317</u>
	<u>34,286</u>	<u>27,320</u>

The following payments are committed to be paid within one year:

	Land and buildings operating leases	
	2002 £	2001 £
Expiring:		
Between one and five years	<u>10,422</u>	<u>10,422</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST OCTOBER 2002**

14. CALLED UP SHARE CAPITAL

Authorised:		Nominal value:	2002 £	2001 £
Number:	Class:			
23,999	Ordinary shares class A	£1.00	23,999	23,999
75,000	Ordinary shares class B	£1.00	75,000	75,000
			<u>98,999</u>	<u>98,999</u>
Allotted, issued and fully paid:		Nominal value:	2002 £	2001 £
Number:	Class:			
16,000	Ordinary shares class A	£1.00	16,000	16,000
45,000	Ordinary shares class B	£1.00	45,000	45,000
			<u>61,000</u>	<u>61,000</u>

The 'A' Voting shares and the 'B' Non Voting shares have the same rights as if they constituted one class except to the extent to which the Articles provide to the contrary.

The 'B' shares are entitled to receive a distribution equal to the aggregate of the following:

1. interest on the sum subscribed by it for its shares in the company at the Bank's base rate plus 2%.
2. an amount equal to 25% of all revenue generated for the company in the previous financial year and derived from new business and existing clients introduced by the shareholder to the company; and
3. a share with all other subscribers of 25% of the profit before tax of the company less 1) and 2) in respect of its preceeding financial year with each subscribers interest in this proportion of the profits being determined directly on the basis of the relative new business revenue contribution made by each subscriber in the preceeding financial year.

Upon winding up all the members rank in the company's assets as determined by the liquidator.

15. RESERVES

	Profit and loss account £	Share premium account £	Totals £
At 1st November 2001	7,665	1,680	9,345
Retained profit for the year	5,635	-	5,635
At 31st October 2002	<u>13,300</u>	<u>1,680</u>	<u>14,980</u>

16. RELATED PARTY DISCLOSURES

£3,500 (2001: £6,000) was paid to Mr A J Harvie being part repayment of his loan to the company as detailed in Note 10 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST OCTOBER 2002

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002	2001
	£	£
Profit for the financial year	48,241	31,637
Dividends	(42,606)	(28,473)
Net addition to shareholders' funds	5,635	3,164
Opening shareholders' funds	<u>70,345</u>	<u>67,181</u>
Closing shareholders' funds	<u>75,980</u>	<u>70,345</u>
 Equity interests	 <u>75,980</u>	 <u>70,345</u>