

REGISTERED NUMBER: 109448 (Scotland)

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST OCTOBER 2003
FOR
PROFESSIONAL FINANCIAL ADVISERS LIMITED**

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PROFESSIONAL FINANCIAL ADVISERS LIMITED

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FOR THE YEAR ENDED 31ST OCTOBER 2003**

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PROFESSIONAL FINANCIAL ADVISERS LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31ST OCTOBER 2003**

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

PROFESSIONAL FINANCIAL ADVISERS LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST OCTOBER 2003

The directors present their report with the financial statements of the company for the year ended 31st October 2003.

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 dividend of £19,478 be paid to the "B" shareholders and that no dividend be paid to the "A" shareholders.

FUTURE DEVELOPMENTS

The company has developed a strong client base and the directors are confident that resources are 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

The beneficial interests of the directors holding office on 31st October 2003 in the issued share capital of the company were as follows:

	31.10.03	1.11.02
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.

PROFESSIONAL FINANCIAL ADVISERS LIMITED

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST OCTOBER 2003**

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

Date: 30th August 2004

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 2003 on pages five to seventeen. 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.

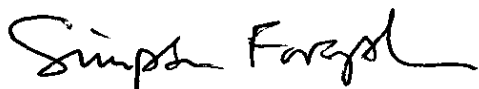
Basis of audit opinion

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 2003 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: 30th August 2004

PROFESSIONAL FINANCIAL ADVISERS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST OCTOBER 2003**

	Notes	2003 £	2002 £
TURNOVER		311,834	345,166
Cost of sales		<u>(228,209)</u>	<u>(209,138)</u>
GROSS PROFIT		83,625	136,028
Administrative expenses		<u>(67,685)</u>	<u>(74,106)</u>
OPERATING PROFIT	3	15,940	61,922
Interest receivable and similar income		<u>1,865</u>	<u>2,184</u>
		17,805	64,106
Interest payable and similar charges	4	<u>(2,502)</u>	<u>(4,520)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		15,303	59,586
Tax on profit on ordinary activities	5	<u>(1,719)</u>	<u>(11,345)</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		13,584	48,241
Dividends	6	<u>(19,478)</u>	<u>(42,606)</u>
(DEFICIT)/RETAINED PROFIT FOR THE YEAR		<u>(5,894)</u>	<u>5,635</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.

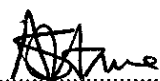
The notes form part of these financial statements

PROFESSIONAL FINANCIAL ADVISERS LIMITED

**BALANCE SHEET
31ST OCTOBER 2003**

	Notes	2003 £	2002 £
FIXED ASSETS			
Tangible assets	8	36,670	45,355
CURRENT ASSETS			
Debtors	9	74,613	102,793
Cash at bank and in hand		68,882	76,894
		<u>143,495</u>	<u>179,687</u>
CREDITORS			
Amounts falling due within one year	10	<u>(84,004)</u>	<u>(122,372)</u>
NET CURRENT ASSETS		<u>59,491</u>	<u>57,315</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>96,161</u>	<u>102,670</u>
CREDITORS			
Amounts falling due after more than one year	11	(19,895)	(26,690)
PROVISIONS FOR LIABILITIES AND CHARGES	14	<u>(6,180)</u>	<u>-</u>
		<u>70,086</u>	<u>75,980</u>
CAPITAL AND RESERVES			
Called up share capital	15	61,000	61,000
Share premium account	16	1,680	1,680
Profit and loss account	16	7,406	13,300
SHAREHOLDERS' FUNDS	18	<u>70,086</u>	<u>75,980</u>

ON BEHALF OF THE BOARD:



 A J Harvie - Director

Approved by the Board on 30th August 2004

The notes form part of these financial statements

PROFESSIONAL FINANCIAL ADVISERS LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST OCTOBER 2003**

	Notes	2003 £	2002 £
Net cash inflow from operating activities	1	43,687	24,826
Returns on investments and servicing of finance	2	(637)	(2,336)
Taxation		-	(7,649)
Capital expenditure	2	(4,332)	(23,232)
Equity dividends paid		(39,234)	(15,369)
		<u>(516)</u>	<u>(23,760)</u>
Financing	2	<u>(7,595)</u>	<u>6,966</u>
Decrease in cash in the period		<u><u>(8,111)</u></u>	<u><u>(16,794)</u></u>
Reconciliation of net cash flow to movement in net funds	3		
Decrease in cash in the period		(8,111)	(16,794)
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing		<u>7,595</u>	<u>(6,966)</u>
Change in net funds resulting from cash flows		<u>(516)</u>	<u>(23,760)</u>
Movement in net funds in the period		(516)	(23,760)
Net funds at 1st November		<u>42,137</u>	<u>65,897</u>
Net funds at 31st October		<u><u>41,621</u></u>	<u><u>42,137</u></u>

The notes form part of these financial statements

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST OCTOBER 2003

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

	2003 £	2002 £
Operating profit	15,939	61,922
Depreciation charges	13,017	10,823
Loss on disposal of fixed assets	-	4,234
Provision for commission clawback	6,180	-
Decrease/(Increase) in debtors	28,180	(57,952)
(Decrease)/Increase in creditors	(19,629)	5,799
Net cash inflow from operating activities	43,687	24,826

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

	2003 £	2002 £
Returns on investments and servicing of finance		
Interest received	1,865	2,184
Interest paid	(72)	(230)
Interest element of hire purchase payments	(2,430)	(4,290)
Net cash outflow for returns on investments and servicing of finance	(637)	(2,336)
Capital expenditure		
Purchase of tangible fixed assets	(4,332)	(46,102)
Sale of tangible fixed assets	-	22,870
Net cash outflow for capital expenditure	(4,332)	(23,232)
Financing		
New loans in year	-	37,620
Capital repayments in year	(7,595)	(30,654)
Net cash (outflow)/inflow from financing	(7,595)	6,966

The notes form part of these financial statements

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST OCTOBER 2003

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.11.02 £	Cash flow £	At 31.10.03 £
Net cash:			
Cash at bank and in hand	76,894	(8,012)	68,882
Bank overdraft	(471)	(99)	(570)
	<u>76,423</u>	<u>(8,111)</u>	<u>68,312</u>
Debt:			
Hire purchase	(34,286)	7,595	(26,691)
	<u>(34,286)</u>	<u>7,595</u>	<u>(26,691)</u>
Total	<u>42,137</u>	<u>(516)</u>	<u>41,621</u>

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST OCTOBER 2003

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

2. STAFF COSTS

	2003	2002
	£	£
Wages and salaries	174,213	169,888
Social security costs	17,856	17,462
Other pension costs	7,396	5,204
	<u>199,465</u>	<u>192,554</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST OCTOBER 2003

2. STAFF COSTS - continued

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

	2003	2002
Administration	6	6
Sales	3	3
	<u>9</u>	<u>9</u>

3. OPERATING PROFIT

The operating profit is stated after charging:

	2003 £	2002 £
Other operating leases	11,422	10,422
Depreciation - owned assets	4,418	2,753
Depreciation - assets on hire purchase contracts	8,600	8,070
Loss on disposal of fixed assets	-	4,234
Auditors remuneration	2,938	2,056
	<u>68,447</u>	<u>96,048</u>
Directors' emoluments		
	<u>68,447</u>	<u>96,048</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2003 £	2002 £
Bank interest	72	230
Hire purchase	2,430	4,290
	<u>2,502</u>	<u>4,520</u>

5. TAXATION

Analysis of the tax charge

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

	2003 £	2002 £
Current tax:		
UK corporation tax	1,719	11,345
	<u>1,719</u>	<u>11,345</u>
Tax on profit on ordinary activities		
	<u>1,719</u>	<u>11,345</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST OCTOBER 2003

5. TAXATION - continued

Factors affecting the tax charge

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

	2003 £	2002 £
Profit on ordinary activities before tax	<u>15,303</u>	<u>59,586</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2002 - 19%)	2,908	11,321
Effects of:		
Expenses not deductible for tax purposes	61	206
Capital allowances for period in excess of depreciation	306	(424)
Effect of tax rate change	-	242
Marginal relief	(1,556)	-
Current tax charge	<u>1,719</u>	<u>11,345</u>

6. DIVIDENDS

	2003 £	2002 £
Equity shares:		
45,000 Ordinary shares class B shares of £1.00 each		
Interim	<u>19,478</u>	<u>42,606</u>
	<u>19,478</u>	<u>42,606</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 £7,395.64 (2002: £5,204.21).

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST OCTOBER 2003

8. TANGIBLE FIXED ASSETS

	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
COST				
At 1st November 2002	10,246	41,120	10,714	62,080
Additions	470	-	3,862	4,332
At 31st October 2003	10,716	41,120	14,576	66,412
DEPRECIATION				
At 1st November 2002	4,390	6,720	5,614	16,724
Charge for year	1,506	8,600	2,912	13,018
At 31st October 2003	5,896	15,320	8,526	29,742
NET BOOK VALUE				
At 31st October 2003	4,820	25,800	6,050	36,670
At 31st October 2002	5,856	34,400	5,100	45,356

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 2002	41,120	6,766	47,886
Transfer to ownership	-	(6,766)	(6,766)
At 31st October 2003	41,120	-	41,120
DEPRECIATION			
At 1st November 2002	6,720	4,066	10,786
Charge for year	8,600	-	8,600
Transfer to ownership	-	(4,066)	(4,066)
At 31st October 2003	15,320	-	15,320
NET BOOK VALUE			
At 31st October 2003	25,800	-	25,800
At 31st October 2002	34,400	2,700	37,100

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	2002 £
Trade debtors	71,976	98,660
Other debtors	2,637	4,133
	74,613	102,793

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST OCTOBER 2003

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003	2002
	£	£
Bank loans and overdrafts (see note 12)	570	471
Hire purchase contracts (see note 13)	6,796	7,596
Trade creditors	17,237	28,215
Corporation tax	13,064	11,345
Social security and other taxes	4,555	5,592
VAT	2,080	3,194
Proposed dividends	26,453	46,210
Directors' loan accounts	13,249	19,749
	<u>84,004</u>	<u>122,372</u>

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

	2003	2002
	£	£
Hire purchase contracts (see note 13)	<u>19,895</u>	<u>26,690</u>

12. LOANS

An analysis of the maturity of loans is given below:

	2003	2002
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>570</u>	<u>471</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST OCTOBER 2003

13. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

	Hire purchase contracts	
	2003	2002
	£	£
Gross obligations repayable:		
Within one year	9,016	10,026
Between one and five years	20,778	29,793
	<u>29,794</u>	<u>39,819</u>
Finance charges repayable:		
Within one year	2,220	2,430
Between one and five years	883	3,103
	<u>3,103</u>	<u>5,533</u>
Net obligations repayable:		
Within one year	6,796	7,596
Between one and five years	19,895	26,690
	<u>26,691</u>	<u>34,286</u>

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

	Land and buildings operating leases	
	2003	2002
	£	£
Expiring:		
Between one and five years	11,422	10,422

14. PROVISION FOR LIABILITIES AND CHARGES

	2003	2002
	£	£
Other provisions		
Provision for commission clawback	6,180	-
	<u>6,180</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST OCTOBER 2003

15. CALLED UP SHARE CAPITAL

Authorised:		Nominal value:	2003	2002
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:	2003	2002
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.

16. RESERVES

	Profit and loss account	Share premium account	Totals
	£	£	£
At 1st November 2002	13,300	1,680	14,980
Deficit for the year	(5,894)	-	(5,894)
At 31st October 2003	<u>7,406</u>	<u>1,680</u>	<u>9,086</u>

17. RELATED PARTY DISCLOSURES

£6,500 (2002: £3,500) 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.

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
Profit for the financial year	13,584	48,241
Dividends	(19,478)	(42,606)
Net (reduction)/addition to shareholders' funds	(5,894)	5,635
Opening shareholders' funds	75,980	70,345
Closing shareholders' funds	70,086	75,980
Equity interests	70,086	75,980