

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST OCTOBER 2004
FOR
PROFESSIONAL FINANCIAL ADVISERS LIMITED**



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PROFESSIONAL FINANCIAL ADVISERS LIMITED

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FOR THE YEAR ENDED 31ST OCTOBER 2004**

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PROFESSIONAL FINANCIAL ADVISERS LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31ST OCTOBER 2004**

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 2004

The directors present their report with the financial statements of the company for the year ended 31st October 2004.

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 £40,588 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 2004 in the issued share capital of the company were as follows:

	31.10.04	1.11.03
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 2004**

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

30th August 2005

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 2004 on pages five to fifteen. 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 2004 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

30th August 2005

PROFESSIONAL FINANCIAL ADVISERS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST OCTOBER 2004**

	Notes	2004 £	2003 £
TURNOVER		352,278	311,834
Cost of sales		<u>(231,681)</u>	<u>(228,209)</u>
GROSS PROFIT		120,597	83,625
Administrative expenses		<u>(69,390)</u>	<u>(67,685)</u>
OPERATING PROFIT	3	51,207	15,940
Interest receivable and similar income		<u>1,619</u>	<u>1,865</u>
		52,826	17,805
Interest payable and similar charges	4	<u>(2,681)</u>	<u>(2,502)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		50,145	15,303
Tax on profit on ordinary activities	5	<u>(10,164)</u>	<u>(1,719)</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		39,981	13,584
Dividends	6	<u>(40,588)</u>	<u>(19,478)</u>
DEFICIT FOR THE YEAR		<u>(607)</u>	<u>(5,894)</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 2004**

	Notes	2004 £	2003 £
FIXED ASSETS			
Tangible assets	8	26,780	36,670
CURRENT ASSETS			
Stocks	9	16,125	-
Debtors	10	111,812	74,613
Cash at bank and in hand		49,353	68,882
		<u>177,290</u>	<u>143,495</u>
CREDITORS			
Amounts falling due within one year	11	(128,496)	(84,004)
NET CURRENT ASSETS		<u>48,794</u>	<u>59,491</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>75,574</u>	<u>96,161</u>
CREDITORS			
Amounts falling due after more than one year	12	-	(19,895)
PROVISIONS FOR LIABILITIES AND CHARGES	15	(6,095)	(6,180)
		<u>69,479</u>	<u>70,086</u>
CAPITAL AND RESERVES			
Called up share capital	16	61,000	61,000
Share premium account	17	1,680	1,680
Profit and loss account	17	6,799	7,406
SHAREHOLDERS' FUNDS	19	<u>69,479</u>	<u>70,086</u>

ON BEHALF OF THE BOARD:



A J Harvie - Director



G M M Cook - Director

Approved by the Board on 30th August 2005

The notes form part of these financial statements



PROFESSIONAL FINANCIAL ADVISERS LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST OCTOBER 2004**

	Notes	2004 £	2003 £
Net cash inflow from operating activities	1	13,992	43,688
Returns on investments and servicing of finance	2	(1,062)	(637)
Taxation		(13,064)	-
Capital expenditure	2	(679)	(4,332)
Equity dividends paid		(14,634)	(39,235)
		(15,447)	(516)
Financing	2	(6,796)	(7,595)
Decrease in cash in the period		<u>(22,243)</u>	<u>(8,111)</u>
Reconciliation of net cash flow to movement in net funds	3		
Decrease in cash in the period		(22,243)	(8,111)
Cash outflow from decrease in debt and lease financing		<u>6,796</u>	<u>7,595</u>
Change in net funds resulting from cash flows		(15,447)	(516)
Movement in net funds in the period		(15,447)	(516)
Net funds at 1st November		<u>41,621</u>	<u>42,137</u>
Net funds at 31st October		<u>26,174</u>	<u>41,621</u>

The notes form part of these financial statements



NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST OCTOBER 2004

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

	2004 £	2003 £
Operating profit	51,207	15,940
Depreciation charges	10,569	13,017
Provision for commission clawback	(85)	6,180
Increase in stocks	(16,125)	-
(Increase)/Decrease in debtors	(37,199)	28,180
Increase/(Decrease) in creditors	5,625	(19,629)
Net cash inflow from operating activities	13,992	43,688

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

	2004 £	2003 £
Returns on investments and servicing of finance		
Interest received	1,619	1,865
Interest paid	(461)	(72)
Interest element of hire purchase payments	(2,220)	(2,430)
Net cash outflow for returns on investments and servicing of finance	(1,062)	(637)
Capital expenditure		
Purchase of tangible fixed assets	(679)	(4,332)
Net cash outflow for capital expenditure	(679)	(4,332)
Financing		
Capital repayments in year	(6,796)	(7,595)
Net cash outflow from financing	(6,796)	(7,595)

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.11.03 £	Cash flow £	At 31.10.04 £
Net cash:			
Cash at bank and in hand	68,882	(19,529)	49,353
Bank overdraft	(570)	(2,714)	(3,284)
	<u>68,312</u>	<u>(22,243)</u>	<u>46,069</u>
Debt:			
Hire purchase	(26,691)	6,796	(19,895)
	<u>(26,691)</u>	<u>6,796</u>	<u>(19,895)</u>
Total	<u>41,621</u>	<u>(15,447)</u>	<u>26,174</u>

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST OCTOBER 2004

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

Stocks

Work in progress represents the cost of fee based work carried out during the year which has not been invoiced at the year end.

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

	2004	2003
	£	£
Wages and salaries	178,592	174,213
Social security costs	19,063	17,856
Other pension costs	4,981	7,396
	<u>202,636</u>	<u>199,465</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST OCTOBER 2004

2. STAFF COSTS - continued

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

	2004	2003
Administration	6	6
Sales	3	3
	<u>9</u>	<u>9</u>

3. OPERATING PROFIT

The operating profit is stated after charging:

	2004	2003
	£	£
Other operating leases	13,452	11,422
Depreciation - owned assets	4,119	4,418
Depreciation - assets on hire purchase contracts	6,450	8,600
Auditors remuneration	<u>2,938</u>	<u>2,938</u>
	<u>70,487</u>	<u>68,447</u>
Directors' emoluments		

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2004	2003
	£	£
Bank interest	89	72
Other interest	372	-
Hire purchase	<u>2,220</u>	<u>2,430</u>
	<u>2,681</u>	<u>2,502</u>

5. TAXATION

Analysis of the tax charge

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

	2004	2003
	£	£
Current tax:		
UK corporation tax	<u>10,164</u>	<u>1,719</u>
Tax on profit on ordinary activities	<u>10,164</u>	<u>1,719</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST OCTOBER 2004

5. TAXATION - continued

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:

	2004 £	2003 £
Profit on ordinary activities before tax	<u>50,145</u>	<u>15,303</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2003 - 19%)	9,528	2,908
Effects of:		
Expenses not deductible for tax purposes	39	61
Capital allowances for period in excess of depreciation	597	306
Marginal relief	-	(1,556)
Current tax charge	<u>10,164</u>	<u>1,719</u>

6. DIVIDENDS

	2004 £	2003 £
Equity shares:		
Ordinary shares class B shares of £1.00 each		
Interim	40,588	19,478
	<u>40,588</u>	<u>19,478</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 £4,981 (2003: £7,396).

8. TANGIBLE FIXED ASSETS

	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
COST				
At 1st November 2003	10,716	41,120	14,576	66,412
Additions	679	-	-	679
At 31st October 2004	<u>11,395</u>	<u>41,120</u>	<u>14,576</u>	<u>67,091</u>
DEPRECIATION				
At 1st November 2003	5,896	15,320	8,526	29,742
Charge for year	1,209	6,450	2,910	10,569
At 31st October 2004	<u>7,105</u>	<u>21,770</u>	<u>11,436</u>	<u>40,311</u>
NET BOOK VALUE				
At 31st October 2004	<u>4,290</u>	<u>19,350</u>	<u>3,140</u>	<u>26,780</u>
At 31st October 2003	<u>4,820</u>	<u>25,800</u>	<u>6,050</u>	<u>36,670</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST OCTOBER 2004

8. TANGIBLE FIXED ASSETS - continued

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

	Motor vehicles £
COST	
At 1st November 2003 and 31st October 2004	<u>41,120</u>
DEPRECIATION	
At 1st November 2003	15,320
Charge for year	<u>6,450</u>
At 31st October 2004	<u>21,770</u>
NET BOOK VALUE	
At 31st October 2004	<u>19,350</u>
At 31st October 2003	<u>25,800</u>

9. STOCKS

	2004 £	2003 £
Work-in-progress	<u>16,125</u>	<u>-</u>

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £	2003 £
Trade debtors	59,415	71,976
Other debtors	1,232	2,386
Prepayments and accrued income	51,165	251
	<u>111,812</u>	<u>74,613</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £	2003 £
Bank loans and overdrafts (see note 13)	3,284	570
Hire purchase contracts (see note 14)	19,895	6,796
Trade creditors	10,009	-
Corporation tax	10,164	13,064
Social security and other taxes	5,167	4,555
VAT	3,747	2,080
Proposed dividends	52,407	26,453
Other creditors	100	-
Directors' loan accounts	14,249	13,249
Accrued expenses	9,474	17,237
	<u>128,496</u>	<u>84,004</u>

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

	2004 £	2003 £
Hire purchase contracts (see note 14)	<u>-</u>	<u>19,895</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST OCTOBER 2004

13. LOANS

An analysis of the maturity of loans is given below:

	2004 £	2003 £
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>3,284</u>	<u>570</u>

14. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

	2004 £	Hire purchase contracts 2003 £
Gross obligations repayable:		
Within one year	20,778	9,016
Between one and five years	<u>-</u>	<u>20,778</u>
	<u>20,778</u>	<u>29,794</u>
Finance charges repayable:		
Within one year	883	2,220
Between one and five years	<u>-</u>	<u>883</u>
	<u>883</u>	<u>3,103</u>
Net obligations repayable:		
Within one year	19,895	6,796
Between one and five years	<u>-</u>	<u>19,895</u>
	<u>19,895</u>	<u>26,691</u>

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

	2004 £	Land and buildings 2003 £
Expiring:		
Between one and five years	<u>14,334</u>	<u>11,422</u>

15. PROVISION FOR LIABILITIES AND CHARGES

	2004 £	2003 £
Other provisions		
Provision for commission clawback	<u>6,095</u>	<u>6,180</u>
	<u>6,095</u>	<u>6,180</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST OCTOBER 2004

16. CALLED UP SHARE CAPITAL

Authorised:		Nominal value:	2004	2003
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:	2004	2003
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.

17. RESERVES

	Profit and loss account	Share premium account	Totals
	£	£	£
At 1st November 2003	7,406	1,680	9,086
Deficit for the year	(607)	-	(607)
At 31st October 2004	<u>6,799</u>	<u>1,680</u>	<u>8,479</u>

18. RELATED PARTY DISCLOSURES

£1,000 has been added to Mr A J Harvie's loan account being net remuneration unpaid during the year.

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004	2003
	£	£
Profit for the financial year	39,981	13,584
Dividends	(40,588)	(19,478)
Net reduction of shareholders' funds	(607)	(5,894)
Opening shareholders' funds	70,086	75,980
Closing shareholders' funds	69,479	70,086
Equity interests	69,479	70,086