

BALMORAL ASSET MANAGEMENT LIMITED

Company No: 182721

FINANCIAL STATEMENTS

- for the year ended -

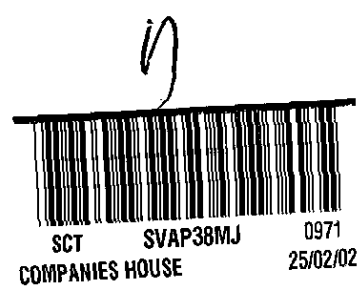
31ST DECEMBER 2001

DAVID MARSHALL ASSOCIATES

Chartered Accountants

6 Hill Street

Edinburgh, EH2 3JZ



BALMORAL ASSET MANAGEMENT LIMITED

DIRECTORS

Stuart MacDonald
Simon P Eaton Turner (resigned 17 September 2001)
J Ritchie W Sherret (resigned 2 August 2001)
Malcolm C.C Ramsay (appointed 7 February 2001)

SECRETARY

Stuart MacDonald

BUSINESS ADDRESS

21 Manor Place
Edinburgh
EH3 7DX

REGISTERED OFFICE

21 Manor Place
Edinburgh
EH3 7DX

AUDITORS

David Marshall Associates
Chartered Accountants
6 Hill Street
Edinburgh
EH2 3JZ

SOLICITORS

Dickson Minto WS
11 Walker Street
Edinburgh
EH3

PRINCIPAL BANKERS

Bank of Scotland
2 North Junction Street
Edinburgh
EH6 6HN

BALMORAL ASSET MANAGEMENT LIMITED

INDEX TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2001

Page

1	Report of the directors
3	Auditors' report
4	Profit and loss account
5	Balance sheet
6	Cash flow statement
7	Notes to the financial statements

BALMORAL ASSET MANAGEMENT LIMITED

REPORT OF THE DIRECTORS

The directors present their report and audited financial statements for the year ended 31 December 2001.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company's principal trading activity is the provision of an Independent Financial Advisory service. The directors are satisfied with the results for the year. The company has continued to expand having again more than doubled turnover compared to the previous year.

In October 2001 the company relocated its operations to the current address. The reported profit for the year has been affected by this move. The directors consider that £20,650 of non-recurring expenses were incurred as a direct result of the move and in addition the company spent a further £16,400 on new fixed assets. The directors consider that the company is now well placed to continue with the development and growth strategy.

DIVIDENDS

The directors do not recommend payment of a dividend.

DIRECTORS AND THEIR INTERESTS

J Ritchie W Sherret and Simon P Eaton Turner are directors of Balmoral Corporate Insurance Brokers Ltd who owned 33 shares in the company. Both these directors resigned and the shares were sold during the year.

	<u>Class of shares</u>	<u>Number of shares</u>	<u>2001</u>	<u>2000</u>
Stuart MacDonald	Ordinary shares Class A		62	66
	Ordinary shares Class B		18	-
Malcolm C.C Ramsay (appointed 7 February 2001)			-	-
	Ordinary shares Class B		5	-

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.

CLOSE COMPANY

The company is a close company as defined by the Income and Corporation Taxes Act 1988.

BALMORAL ASSET MANAGEMENT LIMITED

REPORT OF THE DIRECTORS (Continued)

AUDITORS

The auditors, David Marshall Associates, are willing to be reappointed in accordance with section 385 of the Companies Act 1985.

By Order of the Board

A handwritten signature in black ink, appearing to read 'Stuart MacDonald', written over the printed name.

Date: 22 February 2002

**Stuart MacDonald
Secretary**

BALMORAL ASSET MANAGEMENT LIMITED

AUDITORS' REPORT TO THE MEMBERS OF
BALMORAL ASSET MANAGEMENT LIMITED

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out in note 1 to the financial statements.

Respective responsibilities of the directors and auditors

As described in the Directors' Report the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

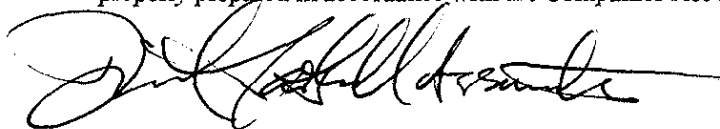
Basis of opinion

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 affairs of the company as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



DAVID MARSHALL ASSOCIATES
Chartered Accountants
Registered Auditors

6 Hill Street
Edinburgh
EH2 3JZ

Date: 22 February 2002

BALMORAL ASSET MANAGEMENT LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2001**

	Notes	2001 £	2000 £
TURNOVER		1,039,367	494,442
Cost of sales		(683,557)	(295,641)
GROSS PROFIT		355,810	198,801
Administrative expenses		(337,756)	(160,600)
OPERATING PROFIT	2	18,054	38,201
Interest receivable	3	788	-
Interest payable	4	(1,650)	(508)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		17,192	37,693
Tax on profit on ordinary activities	7	(2,629)	(4,844)
PROFIT FOR THE FINANCIAL YEAR	14	14,563	32,849

None of the company's activities were acquired or discontinued during the above two financial years.

The company has no recognised gains or losses other than those dealt with in the profit and loss account.

The notes on pages 7 to 13 form part of these financial statements.

BALMORAL ASSET MANAGEMENT LIMITED**BALANCE SHEET AT 31ST DECEMBER 2001**

	Notes	2001 £	2000 £
FIXED ASSETS			
Tangible assets	8	47,611	33,700
Investments		20,000	-
		<u>67,611</u>	<u>33,700</u>
CURRENT ASSETS			
Debtors	9	92,137	70,863
Cash at bank and in hand		53,634	14,893
		<u>145,771</u>	<u>85,756</u>
CREDITORS: Amounts falling due within one year	10	<u>(163,100)</u>	<u>(69,988)</u>
NET CURRENT LIABILITIES		<u>(17,329)</u>	<u>15,768</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>50,282</u>	<u>49,468</u>
CREDITORS: Amounts falling due after more than one year	11	<u>(11,363)</u>	<u>(25,112)</u>
		<u>38,919</u>	<u>24,356</u>
CAPITAL AND RESERVES			
Called up share capital	13	100	100
Profit and loss account	14	38,819	24,256
SHAREHOLDERS FUNDS	15	<u>38,919</u>	<u>24,356</u>

The financial statements were approved
by the board on 22 February 2002
and signed on its behalf by

Stuart MacDonald

Malcolm C.C. Ramsay

) Directors

The notes on pages 7 to 13 form part of these financial statements.

BALMORAL ASSET MANAGEMENT LIMITED**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2001**

	Notes	2001 £	2000 £
CASH FLOW FROM OPERATING ACTIVITIES	16	103,983	21,774
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	17	(862)	(508)
TAXATION		(4,829)	-
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	17	(45,801)	(13,407)
Cash inflow before use of liquid resources and financing		52,491	7,859
FINANCING	17		
Decrease in debt		(13,750)	(938)
		(13,750)	(938)
INCREASE IN CASH IN THE YEAR		<u>38,741</u>	<u>6,921</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT 18

INCREASE IN CASH IN THE YEAR	38,741	6,921
Cash outflow from decrease in debt and lease financing	<u>13,750</u>	<u>938</u>
Change in net debt resulting from cash flows	52,491	7,859
New finance leases	-	(19,800)
Movement in net debt in the year	52,491	(11,941)
Net debt at 1 January 2001	(13,970)	(2,028)
Net funds at 31 December 2001	<u>38,521</u>	<u>(13,969)</u>

The notes on pages 7 to 13 form part of these financial statements.

BALMORAL ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2001

1. ACCOUNTING POLICIES

1.1 BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention.

The financial statements have been prepared on the going concern basis, the applicability of which, is dependent on the continuing financial support of the directors.

1.2 TURNOVER

Turnover represents the commissions received and receivable on business written during the year.

1.3 DEPRECIATION

Depreciation is provided using the following rates and bases to reduce by annual instalments the cost, less estimated residual value, of the tangible assets over their estimated useful lives:-

Computer equipment	25% Straight line
Fixtures and fittings	25% Straight line
Motor vehicles	25% Straight line

1.4 DEFERRED TAXATION

Deferred taxation is provided where there is a reasonable probability of the amount becoming payable in the foreseeable future.

1.5 LEASING AND HIRE PURCHASE

Assets acquired under finance leases or hire purchase contracts are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Finance charges and interest are taken to the profit and loss account in constant proportion to the remaining balance of capital repayments or net obligations outstanding.

1.6 PENSIONS

Pension contributions are charged to the profit and loss account as incurred. These contributions are invested separately from the company's assets.

2. OPERATING PROFIT

	2001 £	2000 £
The operating profit is stated after charging:		
Depreciation	11,890	3,669

3. INTEREST RECEIVABLE

	2001 £	2000 £
Bank and other interest receivable	788	-

BALMORAL ASSET MANAGEMENT LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2001****4. INTEREST PAYABLE**

	2001 £	2000 £
Hire purchase interest	1,650	508
	<u>1,650</u>	<u>508</u>

5. DIRECTORS AND EMPLOYEES

	2001 £	2000 £
Staff costs:		
Wages and salaries	593,159	235,105
Social security costs	63,917	12,407
Other pension costs	23,449	10,200
	<u>680,525</u>	<u>257,712</u>

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

	Number	Number
Fee earning	7	6
Administration	7	4
	<u>14</u>	<u>10</u>

Directors' emoluments:

	£	£
Remuneration for management services	313,564	110,681
Pension contributions	16,950	9,000
	<u>330,514</u>	<u>119,681</u>

The number of directors for whom payments have been made into the following pension schemes:

	Number	Number
Money purchase	1	1
	<u>1</u>	<u>1</u>

The division of directors' emoluments is as follows:

	£	£
£Nil - £5,000	1	1
£5,001 - £10,000	-	1
£45,001 - £50,000	-	-
£125,001 - £150,000	1	1

6. PENSION COSTS

The company operates a money purchase pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions payable by the company amounted to £23,449. (2000£10,200). All contributions were paid in the year.

BALMORAL ASSET MANAGEMENT LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2001****7. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2001 £	2000 £
The taxation charge comprises:		
U.K. corporation tax at 20% (2000 - 20%)	2,643	4,844
	2,643	4,844
Adjustment in respect of prior years	(14)	-
	2,629	4,844

8. TANGIBLE ASSETS

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
<u>Cost</u>				
At 1 January 2001	7,929	5,242	25,200	38,371
Additions	9,784	16,017	-	25,801
At 31 December 2001	17,713	21,259	25,200	64,172
<u>Depreciation</u>				
At 1 January 2001	1,610	961	2,100	4,671
Charge for year	3,136	2,454	6,300	11,890
At 31 December 2001	4,746	3,415	8,400	16,561
<u>Net book value at 31 December 2001</u>	12,967	17,844	16,800	47,611
<u>Net book value at 31 December 2000</u>	6,319	4,281	23,100	33,700

Included above are assets held under finance leases or hire purchase contracts as follows:

	2001 £	2000 £
Net book values:		
Motor vehicles	16,800	23,100
Depreciation charge for the year:		
Motor vehicles	6,300	2,100

Net obligations under finance leases and hire purchase contracts are secured on the assets acquired.

BALMORAL ASSET MANAGEMENT LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2001****9. DEBTORS**

	2001 £	2000 £
Trade debtors	77,505	65,545
Prepayments and accrued income	14,632	5,318
	<u>92,137</u>	<u>70,863</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Trade creditors	106,716	46,334
Corporation tax	2,643	4,844
Other taxes and social security costs	40,883	9,726
Net obligations under finance lease and hire purchase contracts	3,750	3,750
Accruals and deferred income	9,108	5,334
	<u>163,100</u>	<u>69,988</u>

During the year the company made purchases of £69,424 (£70,218) for goods, services and commissions from Balmoral Corporate Insurance Brokers Ltd of which J Ritchie W Sherret and Simon P Eaton Turner are directors. The balance outstanding at the balance sheet date was £nil (£1,293). The transactions were made on normal commercial terms.

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

	2001 £	2000 £
Loans	-	10,000
Net obligations under finance leases and hire purchase contracts	11,363	15,112
	<u>11,363</u>	<u>25,112</u>

BALMORAL ASSET MANAGEMENT LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2001****12. NET OBLIGATIONS UNDER FINANCE LEASES
AND HIRE PURCHASE CONTRACTS**

	2001 £	2000 £
<u>The company's net obligations under finance leases and hire purchase contracts are repayable as follows:</u>		
In one year, or less or on demand	3,750	3,750
Between one and two years	3,750	3,750
Between two and five years	7,612	11,362
	15,112	18,862
Included in current liabilities	(3,750)	(3,750)
	<u>11,362</u>	<u>15,112</u>

13. SHARE CAPITAL

	2001 £	2000 £
<u>Authorised</u>		
Equity interests:		
10,000 Ordinary shares Class A of £1 each	10,000	10,000
10,000 Ordinary shares Class B of £1 each	10,000	-
	<u>20,000</u>	<u>10,000</u>
<u>Allotted, called up and fully paid</u>		
Equity interests:		
62 Ordinary shares Class A of £1 each	62	100
38 Ordinary shares Class B of £1 each	38	-
	<u>100</u>	<u>100</u>

During the year the issued share capital of 100 ordinary shares were reclassified as 62 Ordinary A Class Shares and 32 Ordinary B Class shares.

14. PROFIT AND LOSS ACCOUNT

	2001 £	2000 £
Retained profits at 1 January 2001	24,256	(8,593)
Profit for the financial year	14,563	32,849
	<u>38,819</u>	<u>24,256</u>
Retained profits at 31 December 2001		

BALMORAL ASSET MANAGEMENT LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2001****15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2001 £	2000 £
Profit for the financial year	14,563	32,849
Shareholders' funds at 1 January 2001	24,356	(8,493)
Shareholders' funds at 31 December 2001	38,919	24,356
Represented by:-		
Equity interests	38,919	24,356
	38,919	24,356

16. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2001 £	2000 £
Operating profit	18,054	38,201
Depreciation	11,890	3,669
Increase in debtors	(21,274)	(29,280)
Increase in creditors due within one year	95,313	9,184
Cash flow from operating activities	103,983	21,774

BALMORAL ASSET MANAGEMENT LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2001****17. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	2001 £	2000 £
Returns on investments and servicing of finance		
Interest received	788	-
Interest element on hire purchase contracts	(1,650)	(508)
Net cash outflow from returns on investments and servicing of finance	<u>(862)</u>	<u>(508)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(25,801)	(13,407)
Purchase of other investments	(20,000)	-
Net cash outflow from capital expenditure and financial investment	<u>(45,801)</u>	<u>(13,407)</u>
Financing		
Debt due beyond one year		
Repayment of other long term loans	(10,000)	-
Repayment of capital on hire purchase contracts and finance leases rentals	(3,750)	(938)
Net cash outflow from financing	<u>(13,750)</u>	<u>(938)</u>

18. ANALYSIS OF NET DEBT

	Beginning of year £	2001 Cash flow £	Other movements £	End of year £
Cash at bank and in hand	14,893	38,741	-	53,634
Debt due after one year	(10,000)	10,000	-	-
Finance leases	(18,863)	3,750	-	(15,113)
	<u>(13,970)</u>	<u>52,491</u>	<u>-</u>	<u>38,521</u>

The movement in net debt includes £3,750 of leases reclassified from liabilities falling due after more than one year to liabilities falling due within one year.