

Company Registration No. SC182721 (Scotland)

BALMORAL ASSET MANAGEMENT LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002



BALMORAL ASSET MANAGEMENT LIMITED

COMPANY INFORMATION

Directors	Stuart Macdonald Allison Macdonald (Appointed 2 August 2002)
Secretary	Stuart Macdonald
Company number	SC182721
Registered office	21 Manor Place Edinburgh EH3 7DX
Auditors	David Marshall Associates 6 Hill Street Edinburgh EH2 3JZ
Business address	21 Manor Place Edinburgh EH3 7DX
Bankers	Bank of Scotland 2 North Junction Street Edinburgh EH6 6HN
Solicitors	Dickson Minto WS 11 Walker Street Edinburgh EH3

BALMORAL ASSET MANAGEMENT LIMITED

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BALMORAL ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002

The directors present their report and financial statements for the year ended 31 December 2002.

Principal activities and review of the business

The principal activity of the company continued to be that of the provision of independent financial advisory services.

Results and dividends

The results for the year are set out on page 4.

An interim ordinary dividend was paid amounting to £22,500. The directors do not recommend payment of a final dividend.

Directors

The following directors have held office since 1 January 2002:

Stuart Macdonald	
Malcolm Ramsay	(Resigned 2 August 2002)
Allison Macdonald	(Appointed 2 August 2002)

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary Shares Class A of £ 1 each	
	31 December 2002	1 January 2002
Stuart Macdonald	32	62
Allison Macdonald	32	-

	Ordinary Shares Class B of £ 1 each	
	31 December 2002	1 January 2002
Stuart Macdonald	12	18
Allison Macdonald	12	-

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that David Marshall Associates be reappointed as auditors of the company will be put to the Annual General Meeting.

BALMORAL ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2002

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.

On behalf of the board



Stuart Macdonald

Director

12 February 2003

BALMORAL ASSET MANAGEMENT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BALMORAL ASSET MANAGEMENT LIMITED

We have audited the financial statements of Balmoral Asset Management Limited on pages 4 to 14 for the year ended 31 December 2002. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the 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 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.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

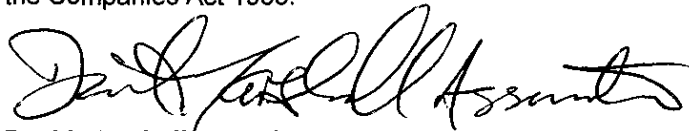
Basis of audit opinion

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 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



David Marshall Associates

12 February 2003

Chartered Accountants
Registered Auditor

6 Hill Street
Edinburgh
EH2 3JZ

BALMORAL ASSET MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	2002 £	2001 £
Turnover	2	711,605	1,039,368
Cost of sales		(435,271)	(700,507)
Gross profit		276,334	338,861
Administrative expenses		(276,695)	(320,803)
Operating (loss)/profit	3	(361)	18,058
Other interest receivable and similar income		1,100	788
Interest payable and similar charges	4	(2,567)	(1,650)
(Loss)/profit on ordinary activities before taxation		(1,828)	17,196
Tax on (loss)/profit on ordinary activities	5	(944)	(2,629)
(Loss)/profit on ordinary activities after taxation		(2,772)	14,567
Dividends	6	(22,500)	-
Retained (loss)/profit for the year	16	(25,272)	14,567

The profit and loss account has been prepared on the basis that all operations are continuing operations.

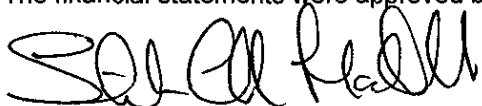
There are no recognised gains and losses other than those passing through the profit and loss account.

BALMORAL ASSET MANAGEMENT LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2002

	Notes	2002 £	£	2001 £	£
Fixed assets					
Tangible assets	7	21,839		47,611	
Investments	8	20,000		20,000	
		<u>41,839</u>		<u>67,611</u>	
Current assets					
Stocks	9	750		-	
Debtors	10	52,454		92,137	
Cash at bank and in hand		88		53,666	
		<u>53,292</u>		<u>145,803</u>	
Creditors: amounts falling due within one year	11	<u>(80,537)</u>		<u>(163,129)</u>	
Net current liabilities			(27,245)		(17,326)
Total assets less current liabilities			<u>14,594</u>		<u>50,285</u>
Creditors: amounts falling due after more than one year	12		-		(11,362)
Provisions for liabilities and charges	13		(944)		-
			<u>13,650</u>		<u>38,923</u>
Capital and reserves					
Called up share capital	15	100		100	
Profit and loss account	16	13,550		38,823	
Shareholders' funds - equity interests	17		<u>13,650</u>		<u>38,923</u>

The financial statements were approved by the Board on 12 February 2003



Stuart Macdonald
Director

BALMORAL ASSET MANAGEMENT LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2002

	2002		2001	
	£	£	£	£
Net cash (outflow)/inflow from operating activities	(26,595)		94,516	
Returns on investments and servicing of finance				
Interest received	1,100		788	
Interest paid	(2,567)		(1,650)	
Net cash outflow for returns on investments and servicing of finance	(1,467)		(862)	
Taxation	(2,642)		13	
Capital expenditure				
Payments to acquire tangible assets	(892)		-	
Net cash inflow/(outflow) for capital expenditure	(892)		-	
Equity dividends paid	(22,500)		-	
Net cash (outflow)/inflow before management of liquid resources and financing	(54,096)		93,667	
Financing				
Repayment of other long term loans	-		(10,000)	
Capital element of hire purchase contracts	(15,112)		(3,750)	
Net cash outflow from financing	(15,112)		(13,750)	
(Decrease)/increase in cash in the year	(69,208)		79,917	

BALMORAL ASSET MANAGEMENT LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2002

1	Reconciliation of operating (loss)/profit to net cash inflow from operating activities	2002	2001
		£	£
	Operating (loss)/profit	(361)	18,058
	Depreciation of tangible assets	11,439	11,890
	Loss on disposal of tangible assets	2,205	-
	(Increase)/decrease in stocks	(750)	-
	Decrease/(increase) in debtors	39,683	(92,137)
	(Decrease)/Increase in creditors within one year	(91,831)	156,705
	Non-cash proceeds from sale of asset	13,020	-
	Net cash inflow from operating activities	(26,595)	94,516

2	Analysis of net (debt)/funds	1 January 2002	Cash flow	Other non-cash changes	31 December 2002
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	53,666	(53,578)	-	88
	Bank overdrafts	(32)	(15,630)	-	(15,662)
		<u>53,634</u>	<u>(69,208)</u>	<u>-</u>	<u>(15,574)</u>
	Debt:				
	Finance leases	(15,112)	15,112	-	-
	Net funds/(debt)	38,522	(54,096)	-	(15,574)

3	Reconciliation of net cash flow to movement in net (debt)/funds	2002	2001
		£	£
	(Decrease)/increase in cash in the year	(69,208)	53,634
	Cash outflow/(inflow) from decrease/(increase) in debt and lease financing	15,112	(15,112)
	Movement in net (debt)/funds in the year	(54,096)	38,522
	Opening net funds	38,522	-
	Closing net (debt)/funds	(15,574)	38,522

BALMORAL ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Plant and machinery	25% straight line
Fixtures, fittings & equipment	25% straight line
Motor vehicles	25% straight line

1.4 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.5 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.6 Stock

Stock is valued at the lower of cost and net realisable value.

1.7 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17.

1.8 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating (loss)/profit

	2002	2001
	£	£
Operating (loss)/profit is stated after charging:		
Depreciation of tangible assets	11,439	11,890
Loss on disposal of tangible assets	2,205	-
Auditors' remuneration	4,112	3,819

BALMORAL ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2002

4	Interest payable	2002	2001
		£	£
	Hire purchase interest	2,567	1,650
		<u> </u>	<u> </u>
5	Taxation	2002	2001
		£	£
	Domestic current year tax		
	U.K. corporation tax	-	2,643
	Adjustment for prior years	-	(14)
		<u> </u>	<u> </u>
	Current tax charge	-	2,629
	Deferred tax		
	Deferred tax charge/credit current year	944	-
		<u> </u>	<u> </u>
		944	2,629
		<u> </u>	<u> </u>
	Factors affecting the tax charge for the year		
	(Loss)/profit on ordinary activities before taxation	(1,828)	17,196
		<u> </u>	<u> </u>
	(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2001 : 20.00%)	(366)	3,439
		<u> </u>	<u> </u>
	Effects of:		
	Non deductible expenses	1,278	1,735
	Depreciation add back	2,288	2,378
	Capital allowances	(1,978)	(4,091)
	Adjustments to previous periods	-	(14)
	Other tax adjustments	(1,222)	(818)
		<u> </u>	<u> </u>
		366	(810)
		<u> </u>	<u> </u>
	Current tax charge	-	2,629
		<u> </u>	<u> </u>
6	Dividends	2002	2001
		£	£
	Ordinary interim paid 22 August 2002	22,500	-
		<u> </u>	<u> </u>

BALMORAL ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2002

7 Tangible fixed assets

	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2002	17,713	21,259	25,200	64,172
Additions	-	892	-	892
Disposals	-	-	(25,200)	(25,200)
At 31 December 2002	17,713	22,151	-	39,864
Depreciation				
At 1 January 2002	4,746	3,415	8,400	16,561
On disposals	-	-	(9,975)	(9,975)
Charge for the year	4,428	5,436	1,575	11,439
At 31 December 2002	9,174	8,851	-	18,025
Net book value				
At 31 December 2002	8,539	13,300	-	21,839
At 31 December 2001	12,967	17,844	16,800	47,611

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

	Motor vehicles
	£
Net book values	
At 31 December 2002	-
At 31 December 2001	16,800
Depreciation charge for the year	
31 December 2002	-
31 December 2001	6,300

BALMORAL ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2002

8 Fixed asset investments

	Unlisted investments £
Cost	
At 1 January 2002 & at 31 December 2002	20,000

9 Stocks	2002 £	2001 £
Consumables	750	-

10 Debtors	2002 £	2001 £
Trade debtors	38,935	77,505
Prepayments and accrued income	13,519	14,632
	52,454	92,137

11 Creditors: amounts falling due within one year	2002 £	2001 £
Bank loans and overdrafts	15,662	32
Net obligations under hire purchase contracts	-	3,750
Trade creditors	46,323	106,716
Corporation tax	-	2,642
Other taxes and social security costs	11,358	40,882
Accruals and deferred income	7,194	9,107
	80,537	163,129

The bank overdraft is secured by means of a personal guarantee from Stuart Macdonald, company director.

BALMORAL ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2002

12 Creditors: amounts falling due after more than one year	2002 £	2001 £
Net obligations under hire purchase contracts	-	11,362
Net obligations under hire purchase contracts		
Included in liabilities falling due within one year	-	(3,750)
	-	(3,750)

13 Provisions for liabilities and charges

	Deferred tax liability £
Profit and loss account	944
Balance at 31 December 2002	944

The deferred tax liability is made up as follows:

	2002 £	2001 £
Accelerated capital allowances	944	-

14 Pension costs

Defined contribution

The company operates a defined contribution 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 amount to £34,374 (2001 - £23,449).

	2002 £	2001 £
Contributions payable by the company for the year	34,374	23,449

BALMORAL ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2002

15 Share capital	2002 £	2001 £
Authorised		
10,000 Ordinary Shares Class A of £ 1 each	10,000	10,000
10,000 Ordinary Shares Class B of £ 1 each	10,000	10,000
	<u>20,000</u>	<u>20,000</u>
Allotted, called up and fully paid		
68 Ordinary Shares Class A of £ 1 each	68	62
32 Ordinary Shares Class B of £ 1 each	32	38
	<u>100</u>	<u>100</u>
 16 Statement of movements on profit and loss account		Profit and loss account £
Balance at 1 January 2002		38,822
Retained loss for the year		(25,272)
		<u>13,550</u>
 17 Reconciliation of movements in shareholders' funds	2002 £	2001 £
(Loss)/Profit for the financial year	(2,772)	14,567
Dividends	(22,500)	-
	<u>(25,272)</u>	<u>14,567</u>
Net (depletion in)/addition to shareholders' funds	(25,272)	14,567
Opening shareholders' funds	38,923	24,356
	<u>13,650</u>	<u>38,923</u>
Closing shareholders' funds		

BALMORAL ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2002

18 Directors' emoluments	2002 £	2001 £
Emoluments for qualifying services	215,055	311,528
Company pension contributions to money purchase schemes	29,200	16,950
	<u>244,255</u>	<u>328,478</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 2 (2001 - 2).

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	<u>114,792</u>	<u>126,804</u>
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19 Transactions with directors

During the year the company transferred a motor vehicle to Stuart Macdonald, company director, in lieu of services provided. The deemed consideration for the vehicle was £13,020.

20 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2002 Number	2001 Number
Fee earning	6	7
Administration	3	7
	<u>9</u>	<u>14</u>

Employment costs

	£	£
Wages and salaries	437,115	593,159
Social security costs	46,297	63,917
Other pension costs	34,374	23,449
	<u>517,786</u>	<u>680,525</u>