

Company Registration No. SC182721 (Scotland)

BALMORAL ASSET MANAGEMENT LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003



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BALMORAL ASSET MANAGEMENT LIMITED

COMPANY INFORMATION

Directors	Stuart Macdonald Allison Macdonald
Secretary	Stuart Macdonald
Company number	SC182721
Registered office	21 Manor Place Edinburgh EH3 7DX
Auditors	Mazars Apex House 9 Haddington Place Edinburgh EH7 4AL
Business address	21 Manor Place Edinburgh EH3 7DX
Bankers	Bank of Scotland 2 North Junction Street Edinburgh EH6 6HN
Solicitors	Dickson Minto WS 16 Charlotte Square Edinburgh EH2 4DF

BALMORAL ASSET MANAGEMENT LIMITED

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BALMORAL ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003

The directors present their report and financial statements for the year ended 31 December 2003.

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.

The results for the year and the financial position at the year end were considered satisfactory by the directors who expect continued growth in the foreseeable future.

Results and dividends

The results for the year are set out on page 5.

An interim ordinary dividend was paid amounting to £30,400. The directors do not recommend payment of a final dividend.

Future developments

The directors are hopeful that profits will continue to increase during the current year.

Directors

The following directors have held office since 1 January 2003:

Stuart Macdonald
Allison Macdonald

Directors' interests

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

	Ordinary Shares Class A of £ 1 each	
	31 December 2003	1 January 2003
Stuart Macdonald	31	31
Allison Macdonald	31	31

	Ordinary Shares Class B of £ 1 each	
	31 December 2003	1 January 2003
Stuart Macdonald	18	15
Allison Macdonald	13	13

Auditors

Since the year-end David Marshall Associates has merged with Mazars. Mazars have been appointed as auditor to the company.

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Mazars be reappointed as auditors of the Company will be put to members at the Annual General Meeting.

BALMORAL ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

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

..... 26/4/04

BALMORAL ASSET MANAGEMENT LIMITED

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

We have audited the financial statements of Balmoral Asset Management Limited, which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement and related notes, for the year ended 31 December 2003. 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 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.

BALMORAL ASSET MANAGEMENT LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE MEMBERS OF BALMORAL ASSET MANAGEMENT LIMITED

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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Mazars

Chartered Accountants and Registered Auditors

26 April 2004

Apex House
9 Haddington Place
Edinburgh
UK
EH7 4AL

BALMORAL ASSET MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 £	2002 £
Turnover	2	444,332	711,605
Cost of sales		(191,320)	(435,271)
Gross profit		253,012	276,334
Administrative expenses		(212,053)	(276,695)
Operating profit/(loss)	3	40,959	(361)
Other interest receivable and similar income		2	1,100
Interest payable and similar charges	4	(1,791)	(2,567)
Profit/(loss) on ordinary activities before taxation		39,170	(1,828)
Tax on profit/(loss) on ordinary activities	5	(9,254)	(944)
Profit/(loss) on ordinary activities after taxation		29,916	(2,772)
Dividends	6	(30,400)	(22,500)
Retained loss for the year	15	(484)	(25,272)

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 2003

	Notes	2003 £	£	2002 £	£
Fixed assets					
Tangible assets	7	12,875		21,839	
Investments	8	20,000		20,000	
		<u>32,875</u>		<u>41,839</u>	
Current assets					
Stocks	9	527		750	
Debtors	10	81,271		52,454	
Cash at bank and in hand		83		88	
		<u>81,881</u>		<u>53,292</u>	
Creditors: amounts falling due within one year	11	(101,590)		(80,537)	
Net current liabilities		(19,709)		(27,245)	
Total assets less current liabilities		<u>13,166</u>		<u>14,594</u>	
Provisions for liabilities and charges	12	-		(944)	
		<u>13,166</u>		<u>13,650</u>	
Capital and reserves					
Called up share capital	14	100		100	
Profit and loss account	15	13,066		13,550	
Shareholders' funds - equity interests	16	<u>13,166</u>		<u>13,650</u>	

The financial statements were approved by the Board on 26/4/04



Stuart Macdonald
Director

BALMORAL ASSET MANAGEMENT LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

	2003		2002	
	£	£	£	£
Net cash inflow/(outflow) from operating activities		26,456		(26,595)
Returns on investments and servicing of finance				
Interest received	2		1,100	
Interest paid	(1,791)		(2,567)	
	<u> </u>		<u> </u>	
Net cash outflow for returns on investments and servicing of finance		(1,789)		(1,467)
Taxation		(151)		(2,642)
Capital expenditure				
Payments to acquire tangible assets	-		(892)	
	<u> </u>		<u> </u>	
Net cash (outflow)/inflow for capital expenditure		-		(892)
Equity dividends paid		(30,400)		(22,500)
		<u> </u>		<u> </u>
Net cash outflow before management of liquid resources and financing		(5,884)		(54,096)
Financing				
Capital element of hire purchase contracts	-		(15,112)	
	<u> </u>		<u> </u>	
Net cash outflow from financing		-		(15,112)
		<u> </u>		<u> </u>
Decrease in cash in the year		(5,884)		(69,208)
		<u> </u>		<u> </u>

BALMORAL ASSET MANAGEMENT LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

1	Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities	2003	2002		
		£	£		
	Operating profit/(loss)	40,959	(361)		
	Depreciation of tangible assets	8,964	11,439		
	Loss on disposal of tangible assets	-	2,205		
	Decrease/(increase) in stocks	223	(750)		
	(Increase)/decrease in debtors	(28,817)	39,683		
	Increase/(decrease) in creditors within one year	5,127	(91,831)		
	Non-cash proceeds from sale of asset	-	13,020		
	Net cash inflow/(outflow) from operating activities	26,456	(26,595)		
2	Analysis of net debt	1 January 2003	Cash flow	Other non-cash changes	31 December 2003
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	88	(5)	-	83
	Bank overdrafts	(15,662)	(5,879)	-	(21,541)
		(15,574)	(5,884)	-	(21,458)
	Net debt	(15,574)	(5,884)	-	(21,458)
3	Reconciliation of net cash flow to movement in net debt	2003	2002		
		£	£		
	Decrease in cash in the year	(5,884)	(69,208)		
	Cash (inflow)/outflow from (increase)/decrease in debt	-	15,112		
	Movement in net debt in the year	(5,884)	(54,096)		
	Opening net (debt)/funds	(15,574)	38,522		
	Closing net debt	(21,458)	(15,574)		

BALMORAL ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable UK accounting standards.

1.3 Turnover

Turnover represents amounts receivable for services provided.

1.4 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

1.5 Investments

Fixed asset investments are stated at cost.

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

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19 - Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

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 profit/(loss)

	2003	2002
	£	£
Operating profit/(loss) is stated after charging:		
Depreciation of tangible assets	8,964	11,439
Loss on disposal of tangible assets	-	2,205
Auditors' remuneration	3,000	3,000

BALMORAL ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

4	Interest payable	2003	2002
		£	£
	On bank loans and overdrafts	1,690	-
	Hire purchase interest	-	2,567
	On overdue tax	101	-
		<u>1,791</u>	<u>2,567</u>
5	Taxation	2003	2002
		£	£
	Domestic current year tax		
	U.K. corporation tax	10,047	-
	Adjustment for prior years	151	-
		<u>10,198</u>	<u>-</u>
	Current tax charge		
	Deferred tax credit in respect of accelerated capital allowances	(944)	944
		<u>9,254</u>	<u>944</u>
	Tax charge in period		
		<u>9,254</u>	<u>944</u>
	Factors affecting the tax charge for the year		
	Profit/(loss) on ordinary activities before taxation	39,170	(1,828)
		<u>39,170</u>	<u>(1,828)</u>
	Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2002 : 20.00%)	7,442	(366)
		<u>7,442</u>	<u>(366)</u>
	Effects of:		
	Non deductible expenses	1,404	1,278
	Depreciation add back	1,704	2,288
	Capital allowances	(503)	(1,978)
	Previous year adjustment	151	-
	Other tax adjustments	-	(1,222)
		<u>2,756</u>	<u>366</u>
	Current tax charge	<u>10,198</u>	<u>-</u>
6	Dividends	2003	2002
		£	£
	Interim dividends paid on ordinary A shares	30,400	22,500
		<u>30,400</u>	<u>22,500</u>

BALMORAL ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

7 Tangible fixed assets

	Plant and machinery £	Fixtures, fittings & equipment £	Total £
Cost			
At 1 January 2003 & at 31 December 2003	17,713	22,151	39,864
Depreciation			
At 1 January 2003	9,174	8,851	18,025
Charge for the year	5,250	3,714	8,964
At 31 December 2003	14,424	12,565	26,989
Net book value			
At 31 December 2003	3,289	9,586	12,875
At 31 December 2002	8,539	13,300	21,839

8 Fixed asset investments

	Unlisted investments £
Cost	
At 1 January 2003 & at 31 December 2003	20,000

9 Stocks

	2003 £	2002 £
Consumables	527	750

10 Debtors

	2003 £	2002 £
Trade debtors	65,131	38,935
Prepayments and accrued income	16,140	13,519
	81,271	52,454

BALMORAL ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

11 Creditors: amounts falling due within one year	2003 £	2002 £
Bank loans and overdrafts	21,541	15,662
Trade creditors	60,902	46,323
Corporation tax	10,047	-
Other taxes and social security costs	3,301	11,358
Accruals and deferred income	5,799	7,194
	<u>101,590</u>	<u>80,537</u>

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

12 Provisions for liabilities and charges

	Deferred tax liability £
Balance at 1 January 2003	944
Profit and loss account	(944)
	<u>-</u>
Balance at 31 December 2003	<u>-</u>

13 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.

	2003 £	2002 £
Contributions payable by the company for the year	<u>7,000</u>	<u>34,374</u>

BALMORAL ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

14 Share capital	2003 £	2002 £
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	68
32 Ordinary Shares Class B of £ 1 each	32	32
	<u>100</u>	<u>100</u>

A and B shares carry the same rights in respect of voting and dividends. However, only A shareholders may appoint directors.

B shares have restricted transferability and are subject to mandatory offer from A shareholders under certain circumstances.

15 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2003	13,550
Retained loss for the year	(484)
Balance at 31 December 2003	<u>13,066</u>

16 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Profit/(Loss) for the financial year	29,916	(2,772)
Dividends	(30,400)	(22,500)
Net depletion in shareholders' funds	<u>(484)</u>	<u>(25,272)</u>
Opening shareholders' funds	13,650	38,922
Closing shareholders' funds	<u>13,166</u>	<u>13,650</u>

BALMORAL ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

17 Directors' emoluments	2003 £	2002 £
Emoluments for qualifying services	54,000	215,055
Company pension contributions to money purchase schemes	7,000	29,200
	<u>61,000</u>	<u>244,255</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 2 (2002 - 2).

18 Employees

Number of employees

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

	2003 Number	2002 Number
Fee earning	2	6
Administration	3	3
	<u>5</u>	<u>9</u>

Employment costs

	£	£
Wages and salaries	110,307	437,115
Social security costs	13,490	46,297
Other pension costs	7,000	34,374
	<u>130,797</u>	<u>517,786</u>