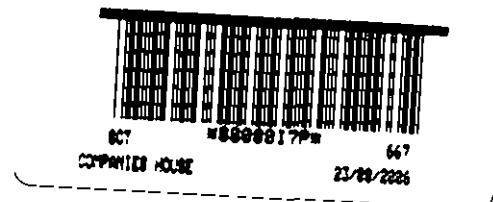




Balmoral Asset Management Ltd
Financial Statements
For
31st December 2005

Company Registration Number SC182721



CARTERS ACCOUNTANTS LLP
Chartered Accountants & Registered Auditors
Pentland House
Saltire Centre
Glenrothes
Fife
KY6 2AH

Balmoral Asset Management Ltd

Financial Statements

Year Ended 31st December 2005

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Balmoral Asset Management Ltd

Officers and Professional Advisers

The Board of Directors

Stuart MacDonald
Alan Reid
Mark Burrell

Company Secretary

Stuart Macdonald

Registered Office

21 Manor Place
Edinburgh
EH3 7DX

Auditor

Carters Accountants LLP
Chartered Accountants
& Registered Auditors
Pentland House
Saltire Centre
Glenrothes
Fife
KY6 2AH

Bankers

Bank of Scotland
2 North Junction Street
Edinburgh
EH6 6HN

Solicitors

Dickson Minto WS
16 Charlotte Square
Edinburgh
EH2 4DF

Balmoral Asset Management Ltd

The Directors' Report

Year Ended 31st December 2005

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31st December 2005.

Principal Activities and Business Review

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

During the year, the company enjoyed a planned period of sustainable growth. During 2006 the intention is to consolidate and the expectation is there will be modest growth of approximately 10%.

Results and Dividends

The profit for the year, after taxation, amounted to £73,280. Particulars of dividends paid are detailed in note 10 to the financial statements.

The Directors and their Interests in the Shares of the Company

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows

		At 31 December 2005	At 1 January 2005
Stuart MacDonald	Ordinary Class A Shares	62	62
	Ordinary Class B Shares	2	19
Alan Reid	Ordinary Class A Shares	-	-
	Ordinary Class B Shares	20	10
Mark Burrell	Ordinary Class A Shares	-	-
	Ordinary Class B Shares	10	3

Directors' Responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

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 year

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on pages 10 to 11, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

Balmoral Asset Management Ltd

The Directors' Report *(continued)*

Year Ended 31st December 2005

The directors are responsible for keeping proper accounting records that 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. The directors 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.

Donations

During the year the company made the following contributions:

	2005	2004
	£	£
Charitable	<u>1,000</u>	<u>950</u>

Registered office.
21 Manor Place
Edinburgh
EH3 7DX

Signed by order of the directors



Stuart Macdonald
Company Secretary

Approved by the directors on . . 31/12/05

Balmoral Asset Management Ltd

Independent Auditor's Report to the Shareholders of Balmoral Asset Management Ltd

Year Ended 31st December 2005

We have audited the financial statements of Balmoral Asset Management Ltd for the year ended 31 December 2005 on pages 6 to 17 which have been prepared on the basis of the accounting policies set out on pages 10 to 11.

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 auditor's 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 Auditor

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 Ltd

Independent Auditor's Report to the Shareholders of Balmoral Asset Management Ltd *(continued)*

Year Ended 31st December 2005

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31st December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985



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Our audit was completed on3/8/06..... and our opinion was expressed at that date

Balmoral Asset Management Ltd

Profit and Loss Account

Year Ended 31st December 2005

	Note	2005 £	2004 £
Sales	2	1,112,643	881,180
Cost of sales		407,791	346,064
Gross Profit		704,852	535,116
Administrative expenses		604,168	327,256
Other operating income		(769)	-
Operating Profit	3	101,453	207,860
Interest receivable	6	5,093	360
Amounts written off investments	7	(10,000)	-
Interest payable and similar charges	8	(39)	-
Profit on Ordinary Activities Before Taxation		96,507	208,220
Tax on profit on ordinary activities	9	23,227	43,710
Profit for the Financial Year		73,280	164,510

All of the activities of the company are classed as continuing.

Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £73,280 attributable to the shareholders for the year ended 31st December 2005 (2004 - profit of £164,510).

The notes on page 6 form part of these financial statements.

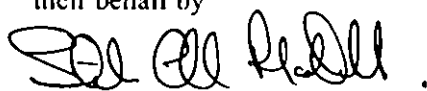
Balmoral Asset Management Ltd

Balance Sheet

31st December 2005

	Note	2005 £	£	2004 £
Fixed Assets				
Tangible assets	11		11,875	12,826
Investments	12		10,000	20,000
			<u>21,875</u>	<u>32,826</u>
Current Assets				
Stocks	13	3,050		1,140
Debtors	14	239,362		211,848
Cash at bank and in hand		196,093		24,036
		<u>438,505</u>		<u>237,024</u>
Creditors: Amounts Falling due Within One Year	15	<u>420,224</u>		<u>181,974</u>
Net Current Assets			18,281	55,050
Total Assets Less Current Liabilities			<u>40,156</u>	<u>87,876</u>
Capital and Reserves				
Called-up equity share capital	18		100	100
Profit and loss account	19		40,056	87,776
Shareholders' Funds	20		<u>40,156</u>	<u>87,876</u>

These financial statements were approved by the directors on the 31/12/05 and are signed on their behalf by



Stuart MacDonald



Mark Burrell

The notes on page 7 form part of these financial statements.

Balmoral Asset Management Ltd

Cash Flow Statement

Year Ended 31st December 2005

	2005	2004
	£	£
Net Cash Inflow From Operating Activities	338,765	154,594
Returns on Investments and Servicing of Finance		
Interest received	5,093	360
Interest paid	(39)	—
Net Cash Inflow From Returns on Investments and Servicing of Finance	5,054	360
Taxation	(43,710)	(10,047)
Capital Expenditure		
Payments to acquire tangible fixed assets	(7,052)	(9,613)
Net Cash Outflow From Capital Expenditure	(7,052)	(9,613)
Equity Dividends Paid	(121,000)	(89,800)
Increase in Cash	<u>172,057</u>	<u>45,494</u>
Reconciliation of Operating Profit to Net Cash Inflow From Operating Activities		
	2005	2004
	£	£
Operating profit	101,453	207,860
Depreciation	8,003	9,662
Increase in stocks	(1,910)	(613)
Increase in debtors	(27,514)	(130,577)
Increase in creditors	258,733	68,262
Net cash inflow from operating activities	<u>338,765</u>	<u>154,594</u>

The notes on page 8 form part of these financial statements.

Balmoral Asset Management Ltd

Cash Flow Statement *(continued)*

Year Ended 31st December 2005

Reconciliation of Net Cash Flow to Movement in Net Funds

	2005	2004
	£	£
Increase in cash in the period	172,057	45,494
Movement in net funds in the period	172,057	45,494
Net funds at 1 January 2005	24,036	(21,458)
Net funds at 31 December 2005	196,093	24,036

Analysis of Changes in Net Funds

	At 1 Jan 2005 £	Cash flows £	At 31 Dec 2005 £
Net cash:			
Cash in hand and at bank	24,036	172,057	196,093
Net funds	24,036	172,057	196,093

The notes on page 9 form part of these financial statements.

Balmoral Asset Management Ltd

Notes to the Financial Statements

Year Ended 31st December 2005

1. Accounting Policies

Basis of Accounting

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

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

Turnover

The turnover shown in the profit and loss account represents amounts receivable for services provided

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant & Machinery	- 25% Straight Line
Fixtures, Fittings & Equipment	- 25% Straight Line

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Operating Lease Agreements

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 lease.

Pension Costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account

Balmoral Asset Management Ltd

Notes to the Financial Statements

Year Ended 31st December 2005

1. Accounting Policies *(continued)*

Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exception:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Investments

Investments are included at cost less amounts written off. Profits or losses arising from disposal of fixed asset investments are treated as part of the result from ordinary activities

2. Sales

The sales and profit before tax are attributable to the one principal activity of the company.
An analysis of sales is given below:

	2005 £	2004 £
United Kingdom	<u>1,112,643</u>	<u>881,180</u>

3. Operating Profit

Operating profit is stated after charging:

	2005 £	2004 £
Depreciation of owned fixed assets	8,003	9,662
Auditor's remuneration		
- as auditor	3,500	3,000
Operating lease costs:		
Other	<u>36,228</u>	<u>35,250</u>

Balmoral Asset Management Ltd

Notes to the Financial Statements

Year Ended 31st December 2005

4. Particulars of Employees

The average number of staff employed by the company during the financial year amounted to:

	2005	2004
	No	No
Fee earning	5	5
Administration	6	4
	<u>11</u>	<u>9</u>

The aggregate payroll costs of the above were:

	2005	2004
	£	£
Wages and salaries	408,265	262,912
Social security costs	43,723	30,014
Other pension costs	25,256	21,750
	<u>477,244</u>	<u>314,676</u>

5. Directors' Emoluments

The directors' aggregate emoluments in respect of qualifying services were

	2005	2004
	£	£
Emoluments receivable	197,311	135,006
Value of company pension contributions to money purchase schemes	25,256	21,750
	<u>222,567</u>	<u>156,756</u>

The number of directors who accrued benefits under company pension schemes was as follows:

	2005	2004
	No	No
Money purchase schemes	<u>2</u>	<u>2</u>

6. Interest Receivable

	2005	2004
	£	£
Bank interest receivable	5,086	360
Other interest received	7	—
	<u>5,093</u>	<u>360</u>

Balmoral Asset Management Ltd

Notes to the Financial Statements

Year Ended 31st December 2005

7. Amounts Written Off Investments

	2005 £	2004 £
Amount written off investments	<u>10,000</u>	<u>-</u>

8. Interest Payable and Similar Charges

	2005 £	2004 £
Other similar charges payable	<u>39</u>	<u>-</u>

9. Taxation on Ordinary Activities

(a) Analysis of charge in the year

	2005 £	2004 £
Current tax:		
UK Corporation tax based on the results for the year at 19% (2004 - 19%)	<u>23,227</u>	<u>43,710</u>
Total current tax	<u>23,227</u>	<u>43,710</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 19% (2004 - 19%)

	2005 £	2004 £
Profit on ordinary activities before taxation	<u>96,507</u>	<u>208,220</u>
Profit/(loss) on ordinary activities by rate of tax	18,336	39,562
Expenses not deductible for tax purposes	4,515	3,488
Capital allowances for period in excess of depreciation	<u>376</u>	<u>660</u>
Total current tax (note 9(a))	<u>23,227</u>	<u>43,710</u>

Balmoral Asset Management Ltd

Notes to the Financial Statements

Year Ended 31st December 2005

10. Dividends

Dividends on equity shares

	2005 £	2004 £
Paid		
Equity dividends on Ordinary Class A Shares	59,605	89,800
Equity dividends on Ordinary Class B Shares	61,395	—
	<u>121,000</u>	<u>89,800</u>

Dividends were paid during the year, which were, at the time, considered to be paid out of distributable reserves. Dividend waivers were in place, however, the level of dividends would have been in excess of the reserves available for distribution, had the waivers not been in place.

11. Tangible Fixed Assets

	Plant & Machinery £	Fixtures, Fittings and Equipment £	Total £
Cost			
At 1st January 2005	21,838	27,639	49,477
Additions	5,781	1,271	7,052
At 31st December 2005	<u>27,619</u>	<u>28,910</u>	<u>56,529</u>
Depreciation			
At 1st January 2005	17,231	19,420	36,651
Charge for the year	3,329	4,674	8,003
At 31st December 2005	<u>20,560</u>	<u>24,094</u>	<u>44,654</u>
Net Book Value			
At 31st December 2005	<u>7,059</u>	<u>4,816</u>	<u>11,875</u>
At 31st December 2004	<u>4,607</u>	<u>8,219</u>	<u>12,826</u>

Balmoral Asset Management Ltd

Notes to the Financial Statements

Year Ended 31st December 2005

12. Investments

	Unlisted Investments £
Cost	
At 1st January 2005 and 31st December 2005	<u>20,000</u>
Amounts Written Off	
Written off in year	<u>10,000</u>
At 31st December 2005	<u>10,000</u>
Net Book Value	
At 31st December 2005	<u>10,000</u>
At 31st December 2004	<u>20,000</u>

13. Stocks

	2005 £	2004 £
Stock	<u>3,050</u>	<u>1,140</u>

14. Debtors

	2005 £	2004 £
Trade debtors	203,077	173,263
Other debtors	5,624	3,721
Prepayments and accrued income	30,661	34,864
	<u>239,362</u>	<u>211,848</u>

15. Creditors: Amounts Falling due Within One Year

	2005 £	2004 £
Trade creditors	35,354	49,720
Corporation tax	23,227	43,710
PAYE and social security	15,022	13,232
Other creditors	145,761	67,962
Accruals and deferred income	200,860	7,350
	<u>420,224</u>	<u>181,974</u>

Balmoral Asset Management Ltd

Notes to the Financial Statements

Year Ended 31st December 2005

16. Commitments under Operating Leases

At 31st December 2005 the company had annual commitments under non-cancellable operating leases as set out below

	Land & Buildings	
	2005	2004
	£	£
Operating leases which expire:		
Within 2 to 5 years	<u>37,600</u>	<u>-</u>

17. Related Party Transactions

The company was under the control of Stuart Macdonald throughout the current and previous year.

Included in other creditors are amounts due to the directors in respect of commissions payable of £136,467 (2004 - £67,962).

18. Share Capital

Authorised share capital:

	2005	2004
	£	£
10,000 Ordinary Class A shares of £1 each	10,000	10,000
10,000 Ordinary Class B shares of £1 each	10,000	10,000
	<u>20,000</u>	<u>20,000</u>

Allotted, called up and fully paid:

	2005		2004	
	No	£	No	£
Ordinary Class A shares of £1 each	62	62	62	62
Ordinary Class B shares of £1 each	38	38	38	38
	<u>100</u>	<u>100</u>	<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.

Balmoral Asset Management Ltd

Notes to the Financial Statements

Year Ended 31st December 2005

19. Profit and Loss Account

	2005	2004
	£	£
Balance brought forward	87,776	13,066
Profit for the financial year	73,280	164,510
Equity dividends paid	(121,000)	(89,800)
Balance carried forward	<u>40,056</u>	<u>87,776</u>

20. Reconciliation of Movements in Shareholders' Funds

	2005	2004
	£	£
Profit for the financial year	73,280	164,510
Equity dividends paid	(121,000)	(89,800)
Net (reduction)/addition to shareholders' funds	<u>(47,720)</u>	<u>74,710</u>
Opening shareholders' funds	87,876	13,166
Closing shareholders' funds	<u>40,156</u>	<u>87,876</u>