REGISTRAR

COMPANY REGISTRATION NUMBER SC187613

DOUGLAS BAILLIE LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER 2004



FRENCH DUNCAN LLP
Chartered Accountants & Registered Auditor
375 West George Street
Glasgow
G2 4LW

DOUGLAS BAILLIE LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2004

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DOUGLAS BAILLIE LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	Mr D R G Baillie Mr D S Baillie
Company secretary	Mrs J A Binner
Registered office	Harvard House Perth Airport Scone Perthshire PH2 6PL
Auditors	French Duncan LLP Chartered Accountants & Registered Auditor 375 West George Street Glasgow G2 4LW
Bankers	The Royal Bank of Scotland plc 12 Dunkeld Road Perth
Solicitors	McGrigor Donald 70 Wellington Street Glasgow G2 6SB

DOUGLAS BAILLIE LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31ST DECEMBER 2004

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31st December 2004.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the company during the period was independent financial advisors.

The company continues to attract company pension scheme business, high net worth individuals and companies seeking high quality financial advice at a time when margins are under pressure and the costs of compliance continue to escalate.

RESULTS AND DIVIDENDS

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have recommended the following dividends:

	2004	2003
	£	£
Dividends paid on ordinary shares	**117,350**	75,000

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:

	Ordinary Shares of £1 each	
	At	At
	31 December 2004	1 January 2004
Mr D R G Baillie	**29,025**	43,537
Mr D S Baillie	**14,512**	–

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 at the end of the year and of the profit or loss for the year then ended. In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on pages 11 to 12, and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

DOUGLAS BAILLIE LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31ST DECEMBER 2004

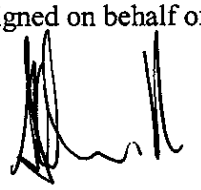
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

Our auditors, French Duncan, have advised us that as of 1 May 2005 they transferred their entire business to French Duncan LLP. Accordingly their existing appointment terminated on 30 April 2005. The directors have appointed French Duncan LLP as auditors with effect from 1 May 2005 and that appointment will fall to be confirmed at the Annual General Meeting.

Registered office:
Harvard House
Perth Airport
Scone
Perthshire
PH2 6PL

Signed on behalf of the directors



Mr D R G Baillie
Director

Approved by the directors on 5th October 2005

DOUGLAS BAILLIE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DOUGLAS BAILLIE LIMITED

YEAR ENDED 31ST DECEMBER 2004

We have audited the financial statements on pages 6 to 19 which have been prepared under the historical cost convention and the accounting policies set out on pages 11 to 12.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders 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 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.

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.

DOUGLAS BAILLIE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DOUGLAS BAILLIE LIMITED *(continued)*

YEAR ENDED 31ST DECEMBER 2004

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st December 2004 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

FRENCH DUNCAN LLP
Chartered Accountants
& Registered Auditor

375 West George Street
Glasgow
G2 4LW

5th October 2005

DOUGLAS BAILLIE LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31ST DECEMBER 2004

	Note	2004 £	2003 *(restated)* £
TURNOVER	2	**570,803**	585,075
Administrative expenses		**447,607**	550,728
Other operating income		**(6,000)**	–
OPERATING PROFIT	3	**129,196**	34,347
Loss on disposal of fixed assets	6	**(2,596)**	(5,847)
		126,600	28,500
Interest receivable		**13**	102
Interest payable and similar charges	7	**(4,750)**	(3,784)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**121,863**	24,818
Tax on profit on ordinary activities	8	**28,852**	11,192
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		**93,011**	13,626
Dividends	9	**117,350**	75,000
LOSS FOR THE FINANCIAL YEAR		**(24,339)**	(61,374)

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

DOUGLAS BAILLIE LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

YEAR ENDED 31ST DECEMBER 2004

	2004	2003 *(restated)*
	£	£
Profit for the financial year attributable to the shareholders	**93,011**	13,626
Total recognised gains and losses relating to the year	**93,011**	13,626
Prior year adjustment *(see note 10)*	**(14,964)**	
Total gains and losses recognised since the last annual report	**78,047**	

DOUGLAS BAILLIE LIMITED

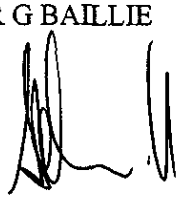
BALANCE SHEET

31ST DECEMBER 2004

	Note	2004 £	2003 (restated) £
FIXED ASSETS			
Intangible assets	11	94,978	119,224
Tangible assets	12	17,587	36,220
		112,565	155,444
CURRENT ASSETS			
Debtors	13	180,842	176,241
Cash at bank and in hand		1,020	1,219
		181,862	177,460
CREDITORS: Amounts falling due within one year	14	177,411	192,366
NET CURRENT ASSETS/(LIABILITIES)		4,451	(14,906)
TOTAL ASSETS LESS CURRENT LIABILITIES		117,016	140,538
CREDITORS: Amounts falling due after more than one year	15	3,875	–
		113,141	140,538
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	17	–	3,058
		113,141	137,480
CAPITAL AND RESERVES			
Called-up equity share capital	19	43,537	43,537
Profit and loss account	20	69,604	93,943
SHAREHOLDERS' FUNDS	21	113,141	137,480

These financial statements were approved by the directors on the 5th October 2005 and are signed on their behalf by:

MR D R G BAILLIE



DOUGLAS BAILLIE LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31ST DECEMBER 2004

	2004	2003 (restated)
	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	134,621	71,036
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	13	102
Interest paid	(4,480)	(2,660)
Interest element of hire purchase	(270)	(1,124)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(4,737)	(3,682)
TAXATION	(8,870)	(33,946)
CAPITAL EXPENDITURE		
Payments to acquire tangible fixed assets	(700)	(5,301)
Receipts from sale of fixed assets	3,025	9,000
NET CASH INFLOW FROM CAPITAL EXPENDITURE	2,325	3,699
EQUITY DIVIDENDS PAID	(117,350)	(75,000)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING	5,989	(37,893)
FINANCING		
Capital element of hire purchase	(1,020)	(5,385)
NET CASH OUTFLOW FROM FINANCING	(1,020)	(5,385)
INCREASE/(DECREASE) IN CASH	4,969	(43,278)

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2004	2003 (restated)
	£	£
Operating profit	129,196	34,347
Amortisation	24,246	24,247
Depreciation	21,054	24,888
Increase in debtors	(4,601)	(6,899)
Decrease in creditors	(35,274)	(5,547)
Net cash inflow from operating activities	134,621	71,036

DOUGLAS BAILLIE LIMITED

CASH FLOW STATEMENT *(continued)*

YEAR ENDED 31ST DECEMBER 2004

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2004	2003 *(restated)*
	£	£
Increase/(decrease) in cash in the period	4,969	(43,278)
Cash outflow in respect of hire purchase	1,020	5,385
Change in net debt resulting from cash flows	5,989	(37,893)
New finance leases	(7,342)	–
Movement in net debt in the period	(1,353)	(37,893)
Net debt at 1 January 2004	(93,104)	(50,158)
Net debt at 31 December 2004	(94,457)	(93,104)

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2004	Cash flows	Other changes	At 31 Dec 2004
	£	£	£	£
Net cash:				
Cash in hand and at bank	1,219	(199)	–	1,020
Overdrafts	(94,323)	5,168	–	(89,155)
	(93,104)	4,969	–	(88,135)
Debt:				
Hire purchase agreements	–	1,020	(7,342)	(6,322)
Net debt	(93,104)	5,989	(7,342)	(94,457)

DOUGLAS BAILLIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2004

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year.

Goodwill

Goodwill is the difference between the fair value of the consideration given on the acquisition of the business and the aggregate fair value of the separable net assets acquired.

Amortisation

Amortisation 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:

Goodwill	-	over 10 years

Fixed assets

All fixed assets are initially recorded at cost.

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:

Fixtures & Fittings	-	20% Straight line
Motor Vehicles	-	20% Straight line
Equipment	-	20% straight line

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

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.

DOUGLAS BAILLIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2004

1. ACCOUNTING POLICIES *(continued)*

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that they are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable. Deferred tax balances are not discounted. Deferred tax assets are only recognised where it is reasonably certain that the asset will be recoverable in the foreseeable future.

2. TURNOVER

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

	2004	2003 *(restated)*
	£	£
United Kingdom	**570,803**	585,075

3. OPERATING PROFIT

Operating profit is stated after charging:

	2004	2003 *(restated)*
	£	£
Amortisation	**24,246**	24,247
Depreciation of owned fixed assets	**20,250**	24,888
Depreciation of assets held under hire purchase agreements	**804**	–
Auditors' remuneration		
- as auditors	**2,714**	3,600
- for other services	**9,076**	5,578

DOUGLAS BAILLIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2004

4. PARTICULARS OF EMPLOYEES

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

	2004	2003 (restated)
	No	No
Number of administrative staff	7	7
Number of management staff	2	2
	9	9

The aggregate payroll costs of the above were:

	2004	2003 (restated)
	£	£
Wages and salaries	179,063	256,479
Social security costs	20,552	27,040
Other pension costs	8,531	10,640
	208,146	294,159

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2004	2003 (restated)
	£	£
Aggregate emoluments	72,770	78,764

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

	2004	2003 (restated)
	No	No
Money purchase schemes	2	2

6. LOSS ON DISPOSAL OF FIXED ASSETS

	2004	2003 (restated)
	£	£
Loss on disposal of fixed assets	(2,596)	(5,847)

DOUGLAS BAILLIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2004

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2004	2003 (restated)
	£	£
Interest payable on bank borrowing	**4,480**	1,905
Finance charges	**270**	1,124
Other similar charges payable	**–**	755
	4,750	3,784

8. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2004	2003 (restated)
	£	£
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 19% (2003 - 19%)	**31,910**	10,470
Over/under provision in prior year	**–**	3,568
Total current tax	**31,910**	14,038
Deferred tax:		
Origination and reversal of timing differences		
Other	**(3,058)**	(2,846)
Tax on profit on ordinary activities	**28,852**	11,192

(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% (2003 - 19%).

	2004	2003 (restated)
	£	£
Profit on ordinary activities before taxation	**121,863**	24,818
Profit on ordinary activities by rate of tax	**23,154**	4,716
Expenses not deductible for tax purposes	**850**	10,446
Capital allowances in excess of depreciation	**7,906**	(4,692)
Adjustment in respect of previous year	**–**	3,568
Total current tax (note 8(a))	**31,910**	14,038

DOUGLAS BAILLIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2004

9. DIVIDENDS

The following dividends have been paid in respect of the year:

	2004	2003 *(restated)*
	£	£
Dividend paid on ordinary shares	117,350	75,000

10. PRIOR YEAR ADJUSTMENT

During the year it was noted that expenditure in the year to 31 December 2003 was understated by £12,236 (£9,911 net of tax) and in the years ended 31 December 1999 to 2002 by £6,753 (£5,053 net of tax). This error was caused by the misallocation of directors pension contributions and keyman insurance premiums to the directors current accounts. The error has been corrected by adjusting the opening balances of retained earnings for 2004 and 2003 and restating the comparative information for 2003 as if expenditure had not been understated in that year.

11. INTANGIBLE FIXED ASSETS

	Goodwill £
COST	
At 1st January 2004 and 31st December 2004	242,463
AMORTISATION	
At 1st January 2004	123,239
Charge for the year	24,246
At 31st December 2004	147,485
NET BOOK VALUE	
At 31st December 2004	94,978
At 31st December 2003	119,224

DOUGLAS BAILLIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2004

12. TANGIBLE FIXED ASSETS

	Fixtures & Fittings £	Motor Vehicles £	Equipment £	Total £
COST				
At 1st January 2004	18,895	17,695	82,352	118,942
Additions	–	8,042	–	8,042
Disposals	–	(17,695)	–	(17,695)
At 31st December 2004	18,895	8,042	82,352	109,289
DEPRECIATION				
At 1st January 2004	12,905	12,074	57,743	82,722
Charge for the year	3,779	804	16,471	21,054
On disposals	–	(12,074)	–	(12,074)
At 31st December 2004	16,684	804	74,214	91,702
NET BOOK VALUE				
At 31st December 2004	2,211	7,238	8,138	17,587
At 31st December 2003	5,990	5,621	24,609	36,220

Hire purchase agreements
Included within the net book value of £17,587 is £7,238 (2003 - £Nil) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £804 (2003 - £Nil).

13. DEBTORS

	2004 £	2003 *(restated)* £
Trade debtors	10,409	25,358
Other debtors	45,747	30,910
Directors current accounts	122,016	117,261
Prepayments and accrued income	2,670	2,712
	180,842	176,241

The overdrawn directors current account balance is made up as follows: -

Mr D R G Baillie £110,687 (2003 - £115,785).
Mr D S Baillie £11,329 (2003 - £1,476).

The maximum amounts outstanding during the year were £141,104 for Mr D R G Baillie and £26,329 for Mr D S Baillie.

DOUGLAS BAILLIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2004

14. CREDITORS: Amounts falling due within one year

	2004	2003 (restated)
	£	£
Bank loans and overdrafts	89,155	94,323
Trade creditors	4,943	6,767
Corporation tax	54,933	31,893
PAYE and social security	4,804	6,847
Hire purchase agreements	2,447	–
Other creditors	11,786	40,330
Accruals and deferred income	9,343	12,206
	177,411	192,366

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2004	2003 (restated)
	£	£
Bank loans and overdrafts	89,155	94,323

Mr D R G Baillie has provided a personal guarantee in favour of The Royal Bank of Scotland.

15. CREDITORS: Amounts falling due after more than one year

	2004	2003 (restated)
	£	£
Hire purchase agreements	3,875	–

16. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	2004	2003 (restated)
	£	£
Amounts payable within 1 year	2,447	–
Amounts payable between 1 and 2 years	3,875	–
	6,322	–

DOUGLAS BAILLIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2004

17. DEFERRED TAXATION

	2004	2003 (restated)
	£	£
The movement in the deferred taxation provision during the year was:		
Provision brought forward	3,058	5,904
Profit and loss account movement arising during the year	(3,058)	(2,846)
Provision carried forward	–	3,058

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2004	2003 (restated)
	£	£
Other timing differences	–	3,058
	–	3,058

18. RELATED PARTY TRANSACTIONS

During the year the company had the following transactions with related parties:

The company met expenditure amounting to £405 on behalf of Douglas Baillie Consultancy, the sole trader business of Mr D R G Baillie. This business is no longer trading and an amount owed to the company of £27,860 was written off to Mr D R G Baillie's directors' loan account.

The company also advanced funds and met expenditure for the following Limited Liability Partnerships, all of which are under the control of Mr D R G Baillie.

Douglas Baillie Consultancy LLP - £9,490. The amount owed to the company at the balance sheet date was £9,490 (2003 - £Nil).

Access Pensions LLP - £5,525. The amount owed to the company at the balance sheet date was £5,525 (2003 - £Nil).

Compliance Masters LLP - £228. The amount owed to the company at the balance sheet date was £228 (2003 - £Nil).

The company was under the control of Mr D R G Baillie throughout the current and previous year. Mr Baillie is the managing director and majority shareholder.

DOUGLAS BAILLIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2004

19. SHARE CAPITAL

Authorised share capital:

	2004	2003 (restated)
	£	£
60,000 Ordinary shares of £1 each	**60,000**	60,000

Allotted, called up and fully paid:

	2004		2003	
	No	£	No	£
Ordinary shares of £1 each	**43,537**	**43,537**	43,537	43,537

20. PROFIT AND LOSS ACCOUNT

	2004	2003 (restated)
	£	£
Original balance brought forward	**108,907**	155,317
Prior year adjustment (note 10)	**(14,964)**	–
Restated balance brought forward	**93,943**	155,317
Accumulated loss for the financial year	**(24,339)**	(61,374)
Balance carried forward	**69,604**	93,943

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004	2003 (restated)
	£	£
Profit for the financial year	**93,011**	13,626
Dividends	**(117,350)**	(75,000)
	(24,339)	(61,374)
Opening shareholders' equity funds	**152,444**	198,854
Prior year adjustment (see note 10)	**(14,964)**	–
	137,480	198,854
Closing shareholders' equity funds	**113,141**	137,480