

STONEHAGE LIMITED

REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 MARCH 2004**

REGISTERED NUMBER: 1234340

(England and Wales)



A07
COMPANIES HOUSE

AWIKRWAO

0541
26/08/04

STONEHAGE LIMITED

Director's Report

The directors present their annual report and the audited Financial Statements for the year ended 31 March 2004.

Principal Activity

The principal activity of the company is the provision of accounting and consultancy services.

Review of the Business and Future Prospects

The directors consider the state of the company's affairs to be satisfactory.

Results and Dividends

The results for the year are set out in the profit and loss account on page 4. The directors recommend the payment of a final ordinary dividend of £220.143 per share (2003: £261.320 per share) and final deferred ordinary dividend of £6.323 per share (2003: £8.491 per share).

Payments to Creditors

The company agrees payment terms with its suppliers when it enters into binding purchase contracts. The company seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with agreed terms and conditions. The company does not have a standard or code which deals specifically with the payment of suppliers. There were no trade creditors at the year end (2003: Nil).

Charitable Donations

The company made charitable donations of £4,500 in the year (2003: Nil).

Directors and their Interests

The directors of the company during the year and their interests in the shares of the company were as follows: -

	31 March 2004		31 March 2003	
	£ 1 Ordinary	£ 1 Deferred	£ 1 Ordinary	£ 1 Deferred
S. Berman	-	-	-	-
J.E.R. Nolan	-	-	-	-
G.G. Ciucci	-	-	-	-
H.A. Gorvy	-	-	-	-
S.P. Bakos	-	-	-	-
E. Sofer	-	-	-	-
A.H. Sternberg	-	-	-	-

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

Approved by the Board of Directors on 24th May 2004
and signed on behalf of the Board



S. Berman
Secretary

STONEHAGE LIMITED

Directors' Statement of Responsibilities

Company Law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial year 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;
- 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.

The directors confirm that they have complied with the above requirements in completing the financial statements.

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. The directors confirm that the Company Law requirements have been met.

STONEHAGE LIMITED

Independent Auditors Report to the Members of STONEHAGE LIMITED

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit 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 the company's affairs at 31 March 2004 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

Chartered Accountants
and Registered Auditors

Date: 27 March 2004

PricewaterhouseCoopers LLP

Southwark Towers
32 London Bridge Street
London
SE1 9SY

STONEHAGE LIMITED**Profit and loss account
for the year ended 31 March 2004**

	Notes	Year to 31 March 2004 £	Year to 31 March 2003 £
Turnover	1	4,365,620	4,282,718
Cost of sales		<u>(3,147,083)</u>	<u>(3,041,755)</u>
Gross profit		1,218,537	1,240,963
Administrative expenses		<u>(909,008)</u>	<u>(879,946)</u>
Operating profit	2	309,529	361,017
Interest receivable		<u>937</u>	<u>585</u>
Profit on ordinary activities before taxation		310,466	361,602
Tax on profit on ordinary activities	4	<u>(84,000)</u>	<u>(91,791)</u>
Profit on ordinary activities after taxation		226,466	269,811
Dividends payable	6	<u>(226,466)</u>	<u>(269,811)</u>
Retained profit for the year		-	-
Retained profits brought forward		<u>168,319</u>	<u>168,319</u>
Retained profits carried forward		<u>168,319</u>	<u>168,319</u>

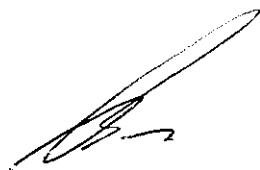
All activities derive from continuing operations.

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

There are no recognised gains and losses for the current financial year and preceding financial year or any other movement in shareholders' funds other than as stated in the profit and loss account.

STONEHAGE LIMITED**Balance sheet
as at 31 March 2004**

	Notes	£	2004	£	£	2003	£
Fixed assets							
Tangible assets	5			231,506			287,143
Current assets							
Debtors	7		3,446,525			582,366	
Cash at bank and in hand			128,086			57,082	
			<u>3,574,611</u>			<u>639,448</u>	
Creditors: Amounts falling due within one year	8		<u>(3,626,548)</u>			<u>(741,722)</u>	
Net current liabilities				<u>(51,937)</u>			<u>(102,274)</u>
Total assets less current liabilities				179,569			184,869
Provision for liabilities and charges	9			(9,250)			(14,550)
Net assets				<u>170,319</u>			<u>170,319</u>
Capital and reserves							
Called up Share Capital	10			2,000			2,000
Reserves							
Profit and loss account				168,319			168,319
Attributable to equity shareholders			169,319			169,319	
Attributable to non-equity shareholders	10		<u>1,000</u>			<u>1,000</u>	
Total Shareholders' Funds	14			<u>170,319</u>			<u>170,319</u>

Approved by the Board of Directors on 24th May 2004**S. Bakos
DIRECTOR****A. Sternberg
DIRECTOR**

STONEHAGE LIMITED**Cash Flow Statement
for the year ended 31 March 2004**

	Notes	Year to 31 March 2004 £	Year to 31 March 2003 £
Reconciliation of operating profit to net cash inflow from operating activities.			
Operating profit		309,529	361,017
Depreciation charge		72,309	70,329
(Increase)/Decrease in debtors		(2,864,159)	152,741
Increase/(Decrease) in creditors		2,986,451	(227,368)
Net cash inflow from operating activities		504,130	356,719

Cash Flow Statement

Net cash inflow from operating activities		509,430	356,719
Returns on investments and servicing of finance	16	937	585
Taxation		(147,580)	(85,127)
Capital expenditure	16	(16,672)	(85,817)
Equity dividends paid		(269,811)	(265,578)
Increase/(Decrease) in cash		71,004	(79,218)

**Reconciliation of net cash flow to movement in
net funds**

Increase/(Decrease) in cash in the year		71,004	(79,218)
Net funds at 1 April		57,082	136,300
Net funds at 31 March	17	128,086	57,082

STONEHAGE LIMITED

Notes to the Accounts for the year ended 31 March 2004

1. Accounting Policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. The particular accounting policies adopted are described below.

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Turnover

The turnover represents the amount invoiced to other group undertakings during the period, excluding value added tax, for the provision of services carried on in the United Kingdom falling within the company's ordinary activities.

1.3 Tangible fixed assets and depreciation

Depreciation of tangible assets is calculated to write off their cost by equal annual instalments over their estimated useful lives which are considered to be:

Computer equipment	-	5 years
Furniture, fixtures & fittings	-	10 years
Motor vehicles	-	4 years
Short leasehold improvements	-	over the remaining life of the lease

1.4 Deferred taxation

Deferred tax is provided in full in respect of timing differences that have originated but not reversed at the balance sheet date, except where the likelihood of a deferred tax liability crystallising in the foreseeable future is remote. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not provided on permanent differences. Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recoverable. Deferred tax is not discounted.

1.5 Pension costs

The company operates a defined contribution pension scheme. Pension costs are charged to the profit and loss account as incurred.

1.6 Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the lease.

STONEHAGE LIMITED**Notes to the Accounts
for the year ended 31 March 2004**

2. Operating Profit	2004	2003
	£	£
Operating profit is arrived at after charging/(crediting): -		
Auditor's remuneration – audit	14,167	15,025
- non-audit services	2,333	3,250
Depreciation	72,309	70,329
Rental under operating leases: -		
Hire of plant and machinery	7,076	7,499
Other operating leases – land and buildings	278,586	244,681

3. Information regarding directors and employees

	2004	2003
	£	£
Staff costs, including directors, were: -		
Wages and salaries	2,651,393	2,580,009
Social security costs	292,612	262,016
Medical insurance costs	17,090	13,686
Pension costs	166,288	160,044
	<u>3,127,383</u>	<u>3,015,755</u>

The average monthly number of employees, including directors, during the year was: -

	Number	Number
Administration staff	44	48

Directors' remuneration

	2004	2003
	£	£
Aggregate emoluments including fees	995,482	951,349
Payments to money purchase pension schemes	111,000	103,222
	<u>1,106,482</u>	<u>1,054,571</u>

Highest paid director

	2004	2003
	£	£
Aggregate emoluments including fees	158,069	180,700
Payments to money purchase pension schemes	39,600	34,020
	<u>197,669</u>	<u>214,720</u>

During the year six (2003: six) directors were accruing benefits under money purchase pension schemes.

STONEHAGE LIMITED**Notes to the Accounts
for the year ended 31 March 2004**

4. Tax on profits on ordinary activities	2004	2003
(a) Analysis of charge in the year	£	£
Current tax		
United Kingdom corporation tax at 30% (2003: 30%)	86,697	84,167
Prior year over provision	2,603	6,074
Total current tax (Note 4 (b))	89,300	90,241
Deferred Tax		
Origination and reversal of timing differences	(5,300)	(1,777)
Prior year under provision	-	3,327
Total deferred tax (Note 9)	(5,300)	1,550
 Tax on profit on ordinary activities	 84,000	 91,791

(b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the U.K. The differences are explained below:

	2004	2003
	£	£
Profit on ordinary activities before tax	310,466	361,602
 Profit on ordinary activities multiplied by standard rate of Corporation tax in the U.K. 30% (2003: 30%)	 93,140	 108,480
<i>Effects of:</i>		
Utilisation of group tax losses	(32,095)	(29,864)
Capital allowances in greater than/ (in excess of) depreciation	5,303	(231)
Timing differences (movement in provision)	13,587	2,008
Expenses not deductible for tax purposes	6,762	3,774
Adjustments for prior year	2,603	6,074
 Current tax charge for the year (Note 4 (a))	 89,300	 90,241

5. Tangible fixed assets

	Computer Equipment	Furniture Fixtures & Fittings	Short Leasehold Improvements	Total
Cost	£	£	£	£
At 1 April 2003	356,573	178,569	192,610	727,752
Additions	8,303	6,144	2,225	16,672
Disposals	-	-	-	-
 At 31 March 2004	 364,876	 184,713	 194,835	 744,424
 Depreciation				
At 1 April 2003	259,895	94,883	85,831	440,609
Charge for the year	35,686	17,177	19,446	72,309
On disposals	-	-	-	-
 At 31 March 2004	 295,581	 112,060	 105,277	 512,918
 Net Book Value				
At 31 March 2004	69,295	72,653	89,558	231,506
 At 31 March 2003	 96,678	 83,686	 106,779	 287,143

STONEHAGE LIMITED**Notes to the Accounts
for the year ended 31 March 2004**

6. Dividends	2004 Dividend per share £	2003 Dividend per share £	2004 £	2003 £
Ordinary Dividend				
Final proposed	220.143	261.320	220,143	261,320
Deferred Dividend				
Final proposed	6.323	8.491	6,323	8,491
			<u>226,466</u>	<u>269,811</u>

7. Debtors	2004 £	2003 £
Amounts owed by group undertakings	3,342,374	498,947
Other debtors	74,742	52,021
Prepayments	29,409	31,398
	<u>3,446,525</u>	<u>582,366</u>

All amounts are due within one year.

The group debtors, Stonehage S.A, TriAlpha Investment Advisers Limited, STC International Limited and Stonehage Trust Holdings (Jersey) Limited, have the same ultimate holding company as Stonehage Limited.

8. Creditors – amounts falling due within one year	2004 £	2003 £
Amounts owed to group undertakings	2,888,797	72,657
Corporation tax	25,887	84,167
Other taxation and social security	96,054	81,499
Dividends payable	226,466	269,811
Other creditors	43,847	17,326
Accruals	345,497	216,262
	<u>3,626,548</u>	<u>741,722</u>

The group creditors, Parkway Administration Limited, Stonehage Financial Services Holdings Limited and Stonehage Financial Services Limited, have the same ultimate holding company as Stonehage Limited.

9. Provisions for liabilities and charges	2004 £	2003 £
Deferred Tax		
Pension costs – short term timing differences	(5,200)	(5,200)
Accelerated capital allowances	14,450	19,750
	<u>9,250</u>	<u>14,550</u>

During the year £5,300 (2003: £ 1,550) was transferred to the profit and loss account (Note 4 (a)).

STONEHAGE LIMITED

Notes to the Accounts for the year ended 31 March 2004

10. Authorised and Called up Share Capital	2004 £	2003 £
<u>Authorised</u>		
Equity share capital		
9,000 ordinary shares of £1 each	9,000	9,000
Non-equity share capital		
1,000 deferred shares of £1 each	1,000	1,000
	<u>10,000</u>	<u>10,000</u>
<u>Allotted and fully paid</u>		
Equity share capital		
1,000 ordinary shares of £1 each	1,000	1,000
Non-equity share capital		
1,000 deferred shares of £1 each	1,000	1,000
	<u>2,000</u>	<u>2,000</u>

The deferred shares are non-equity shares and carry no rights to any distribution in the event of a winding up nor to attend or vote at any Annual General Meeting of the company. The deferred shares do have the right to a fixed non-cumulative dividend of 5% per annum out of profits distributed in excess of £100,000.

11. Operating lease commitments

The company is committed to making the following payments during the next 12 months.

	2004		2003	
	Land and Buildings £	Other £	Land and Buildings £	Other £
Leases which expire: -				
Under one year	31,200	-	31,200	422
Within two to five years	267,986	7,076	267,986	7,076
After five years	-	-	-	-
	<u>299,186</u>	<u>7,076</u>	<u>299,186</u>	<u>7,499</u>

12. Pension Scheme

The company operates defined contribution personal pension plans for all employees. The total pension costs for the year were £166,288 (2003: £160,044). As at 31 March 2004 there were no additional prepaid or accrued costs.

As at 31 March 2004 there was a creditor of £17,341 (2002: £17,326) in respect of pension contributions.

13. Holding Company

The immediate holding company is Stonehage BV, a company incorporated in the Netherlands.

The ultimate holding company is Stonehage Financial Services Holdings Limited, a company incorporated in Jersey.

STONEHAGE LIMITED

Notes to the Accounts for the year ended 31 March 2004

14. Reconciliation of Movements in Shareholders' Funds

	2004 £	2003 £
Retained profit for the year	-	-
Opening shareholders' funds	<u>170,319</u>	<u>170,319</u>
Closing shareholders' funds	<u>170,319</u>	<u>170,319</u>

15. Related Party Transactions

The following companies are considered to be related parties as they are subsidiaries of Stonehage Financial Services Holdings Limited, the ultimate holding company, and these companies have transactions with Stonehage Limited: -

Stonehage Financial Services Limited
Stonehage S.A.
Parkway Administration Limited
Chesterfield Limited
TriAlpha Investment Advisors Limited
STC International Limited
Stonehage Trust Holdings (Jersey) Limited

Transactions with related parties, for accountancy services and administrative charges, during the year were: -

	2004 £	2003 £
Services provided to related parties	4,365,620	4,199,657
Services provided by related parties	<u>16,000</u>	<u>26,000</u>

16. Gross Cash Flows

	Year to 31 March 2004 £	Year to 31 March 2003 £
Returns on investment and servicing of finance		
Interest received	937	585
Capital expenditure		
Payments to acquire tangible fixed assets	(16,672)	(85,818)
Receipts from sale of tangible fixed assets	<u>-</u>	<u>1</u>
	(16,672)	(85,817)

17. Analysis of changes in net funds

	At 1 April 2003 £	Cash Flows £	At 31 March 2004 £
Year ended 31 March 2004			
Cash in hand and at bank	<u>57,082</u>	<u>71,004</u>	<u>128,086</u>

STONEHAGE LIMITED

Additional Information for the year ended 31 March 2004

The additional information on page 14 has been prepared from the accounting records of the company. While it does not form part of the statutory financial statements, it should be read in conjunction with them and the auditor's report thereon.

STONEHAGE LIMITED**Profit and Loss Account
for the year ended 31 March 2004**

	Year to 31 March 2004		Year to 31 March 2003	
	£	£	£	£
Income				
Accountancy and consultancy fees		<u>4,365,620</u>		<u>4,282,718</u>
Cost of Sales				
Management fees, salaries And employment costs	3,131,083		3,015,755	
Administration fees	<u>16,000</u>		<u>26,000</u>	
		<u>(3,147,083)</u>		<u>(3,041,755)</u>
Gross Profit		1,218,537		1,240,963
Administrative Expenses				
Rent, rates, lighting and heating	391,347		336,834	
Insurance	37,806		37,765	
Office equipment costs	4,740		858	
Computer expenses	41,295		21,095	
Telephone and fax	70,715		61,599	
Printing, stationery and postage	38,685		46,398	
Travelling and entertaining	106,614		143,877	
Motor expenses	3,469		3,940	
Staff recruitment and training	35,365		31,153	
Temporary staff	800		14,624	
Office cleaning and subsistence	43,804		39,756	
Audit fees	16,500		19,775	
Legal and professional	23,403		28,158	
General Expenses	7,090		3,238	
Subscriptions	12,399		16,359	
Bank charges	2,667		4,188	
Depreciation	<u>72,309</u>		<u>70,329</u>	
		(909,008)		(879,946)
Operating Profit		309,529		361,017
Interest Receivable		<u>937</u>		<u>585</u>
Profit before Taxation		<u>310,466</u>		<u>361,602</u>