

MILLBANK FINANCIAL SERVICES LIMITED

REPORT AND ACCOUNTS

For the year ended

31 DECEMBER 2000



MILLBANK FINANCIAL SERVICES LIMITED

CONTENTS

Pages

Directors and advisors

2

Report of the directors

3-4

Statement of directors' responsibilities
in respect of the accounts

5

Report of the auditors

6

Profit and loss account

7

Balance sheet

8

Cash flow statement

9

Notes to the accounts

10-15

MILLBANK FINANCIAL SERVICES LIMITED

DIRECTORS AND ADVISORS

DIRECTORS

M W Burrell
L Petts
B T George
The Hon C A Pearson
The Countess of Iveagh
The Hon M T Stopford Sackville (alternate)
The Hon W K Gibson
H H J Carter

SECRETARY

M K Coen

REGISTERED OFFICE

Pollen House
10/12 Cork Street
London
W1X 1PD

BANKERS

The Royal Bank of Scotland
119/121 Victoria Street
London
SW1E 6RA

AUDITORS

Smith & Williamson
Chartered Accountants
No 1 Riding House Street
London W1A 3AS

SOLICITORS

Currey & Co
21 Buckingham Gate
London
SW1E 6LS

COMPANY'S REGISTERED NUMBER

2081191

MILLBANK FINANCIAL SERVICES LIMITED

REPORT OF THE DIRECTORS

The directors submit their report and accounts for the year ended 31 December 2000.

Principal activities

The principal activity of the company is to carry on the business of providing a management and advisory service in relation to the taxation, accountancy and financial affairs of individuals, trustees and companies.

Results for the year and future activities

The company made a profit after taxation for the financial year of £33,400 (1999: profit £38,639).

The directors do not recommend the payment of a dividend. The company will continue to provide a management and advisory service.

Directors

The directors during the year were as follows:

M W Burrell – chairman

L Petts

BT George

The Hon CA Pearson

The Countess of Iveagh

M S Lakin – resigned 29 November 2000

The Hon W K Gibson

H H J Carter – appointed 29 November 2000

Directors' interests

The interest of the directors of the company in the shares of the company at 31 December 2000 were:

	Ordinary shares of £1 each Number
MW Burrell	125
L Petts	250
BT George	250
The Hon CA Pearson	125
The Countess of Iveagh	63
The Hon W K Gibson	62
H H J Carter	125
	<hr/> 1,000 <hr/>

MILLBANK FINANCIAL SERVICES LIMITED

REPORT OF THE DIRECTORS (continued)

By order of the board

M K Coen

M K Coen
Secretary

MILLBANK FINANCIAL SERVICES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, 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 accounts 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 accounts 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.

Smith & Williamson

Independent auditors' report to the shareholders of Millbank Financial Services Limited

We have audited the accounts of Millbank Financial Services Limited for the year ended 31 December 2000 on pages 7 to 15. These accounts have been prepared under the historical cost convention and the accounting policies set out therein.

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 accounts in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts 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 accounts, 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 the 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Smith & Williamson
Chartered Accountants
Registered Auditors

1 Riding House Street
London
W1A 3AS

Date 30 August 2001.

MILLBANK FINANCIAL SERVICES LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 DECEMBER 2000

	Notes	2000 £	1999 £
Turnover	2		
Fees relating to			
UK Trust		522,991	508,500
Overseas Trusts		15,000	15,000
Other clients		406,631	364,932
		<hr/>	<hr/>
		944,622	888,432
Administrative expenses		(901,235)	(837,111)
		<hr/>	<hr/>
Operating profit		43,407	51,321
Interest payable	3	(2,307)	(3,646)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	6	41,100	47,675
Taxation	7	(7,700)	(9,036)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		33,400	38,639
Profit and loss account brought forward		87,372	48,733
		<hr/>	<hr/>
Profit and loss account carried forward		£120,772	£87,372
		<hr/>	<hr/>



All of the company's operations are classed as continuing and there are no recognised gains and losses in either year other than those included in the above profit and loss account.

MILLBANK FINANCIAL SERVICES LIMITED

BALANCE SHEET as at 31 DECEMBER 2000

	Notes	2000 £	1999 £
Fixed assets			
Tangible assets	8	8,293	6,070
Current assets			
Debtors	9	303,081	284,475
Cash at bank and in hand		20,493	42,630
		323,574	327,105
Creditors: amounts falling due within one year	10	(115,095)	(130,543)
Net current assets		208,479	196,562
Total assets less current liabilities		216,772	202,632
Creditors: falling due after more than one year	11	(95,000)	(114,260)
Net assets		£121,772	£88,372
Capital and reserves			
Called up share capital	12	1,000	1,000
Profit and loss account		120,772	87,372
Shareholders' funds	13	£121,772	£88,372

The accounts were approved by the Board of Directors on [29/8/01] and were signed on its behalf by:

MILLBANK FINANCIAL SERVICES LIMITED

CASH FLOW STATEMENT for the year ended 31 DECEMBER 2000

	Notes	2000 £	1999 £
Net cash inflow from operating activities	15	17,685	90,436
Returns on investments and servicing of finance			
Interest paid		(2,307)	(3,646)
		<hr/>	<hr/>
Net cash (outflow) from return of investments and servicing of finance		(2,307)	(3,646)
Taxation			
UK corporation tax (paid)		(9,036)	(137)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(7,722)	(3,618)
		<hr/>	<hr/>
Net cash (outflow) for capital expenditure and financial investment		(7,722)	(3,618)
		<hr/>	<hr/>
Net cash (outflow)/inflow before financing		(1,380)	83,035
Financing			
Repayment of loan		(20,757)	(19,418)
		<hr/>	<hr/>
Net cash (outflow) from financing		(20,757)	(19,418)
		<hr/>	<hr/>
(Decrease)/increase in cash in the year	16	£(22,137)	£63,617
		<hr/>	<hr/>

NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2000

1 **Principal accounting policies**

The accounts have been prepared in accordance with applicable accounting standards. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The accounts have been prepared in accordance with the historical cost convention.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Furniture and equipment	25 %
-------------------------	------

Leases

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term.

Taxation

Corporation tax charged in the profit and loss account is based on the profits of the year as determined in accordance with the relevant tax legislation together with adjustments for prior years. Provision is made for deferred taxation on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Pensions

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

2 **Fee income**

Fee income is in respect of management and advisory services to trustees and other clients.

It is calculated net of value added tax and represents the total amounts receivable by the company in respect of services supplied during the year.

3 **Interest payable**

	2000	1999
Bank loans and overdraft	£2,307	£3,646
	<hr/>	<hr/>

MILLBANK FINANCIAL SERVICES LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2000 (continued)

4	Directors' emoluments	2000	1999
		£	£
	Aggregate emoluments	183,569	166,785
	Company pension contributions	30,038	26,883
		<hr/>	<hr/>
	The number of directors to whom retirement benefits are accruing under money purchase schemes is 2 (1999: 2).		
5	Employee information		
	The average number of employees, including directors of the company during the year was 15 (1999: 15)		
		£	£
	Salaries and wages	485,653	440,740
	Social security costs	50,182	45,703
	Other pension costs	61,439	55,911
		<hr/>	<hr/>
		£597,274	£542,354
		<hr/>	<hr/>
6	Profit on ordinary activities before taxation	£	£
	Depreciation	5,499	4,547
	Auditors' remuneration	5,000	5,000
	Rentals under operating leases		
	- Plant and machinery	3,669	5,597
	- Other	97,289	94,250
		<hr/>	<hr/>
7	Tax on profit on ordinary activities	£	£
	UK corporation tax at 20% (21%)	7,700	9,036
		<hr/>	<hr/>

MILLBANK FINANCIAL SERVICES LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2000 (continued)

8	Tangible fixed assets	Furniture and equipment £	
	Cost		
	At 1 January 2000	119,067	
	Additions	7,722	
		<hr/>	
	At 31 December 2000	126,789	
		<hr/>	
	Depreciation		
	At 1 January 2000	112,997	
	Charge for the year	5,499	
9		<hr/>	
	At 31 December 2000	118,496	
		<hr/>	
	Net book value		
	At 31 December 2000	£8,293	
		<hr/>	
	At 31 December 1999	£6,070	
		<hr/>	
	Debtors	2000 £	1999 £
	Trade debtors	36,505	34,439
	Other debtors	12,114	11,868
	Prepayments and accrued income	254,462	238,168
		<hr/>	<hr/>
		£303,081	£284,475
		<hr/>	<hr/>

MILLBANK FINANCIAL SERVICES LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2000 (continued)

10	Creditors: amounts falling due within one year	2000	1999
		£	£
	Trade creditors	7,624	1,328
	Corporation tax	7,700	9,036
	Other taxation and social security	35,475	47,879
	Accruals and deferred income	45,793	52,300
	Loan from Royal Bank of Scotland	18,503	20,000
		<hr/>	<hr/>
		£115,095	£130,543
		<hr/>	<hr/>
11	Creditors: amounts falling due after more than one year	£	£
	Unsecured and interest free loan from The Dickinson Trust Limited	95,000	95,000
	Loan from Royal Bank of Scotland	-	19,260
		<hr/>	<hr/>
		£95,000	£114,260
		<hr/>	<hr/>
12	Called up share capital	£	£
	Authorised		
	1,000 ordinary shares of £1 each	1,000	1,000
		<hr/>	<hr/>
	Allotted, called up and fully paid		
	Ordinary shares of £1 each	1,000	1,000
		<hr/>	<hr/>
13	Reconciliation of movements in shareholders' funds	£	£
	Profit for the financial year	33,400	38,639
	Opening shareholders' funds	88,372	49,733
		<hr/>	<hr/>
	Closing shareholders' funds	£121,772	£88,372
		<hr/>	<hr/>

MILLBANK FINANCIAL SERVICES LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2000 (continued)

14 Loans to directors

The company makes interest free season ticket loans to its employees, including Mr B T George and Mrs L Petts, who are directors. The amounts outstanding at 31 December 2000 were £1,183 and £nil respectively (1999: £1,177 and £nil). The maximum amounts outstanding during the year were £1,296 and £2,627 respectively.

15	Reconciliation of operating profit to net cash inflow from operating activities	2000 £	1999 £
	Operating profit	43,407	51,321
	Depreciation on tangible fixed assets	5,499	4,547
	(Increase)/decrease in debtors	(18,606)	13,845
	(Decrease)/increase in creditors	(12,615)	20,723
		<hr/>	<hr/>
	Net cash inflow from operating activities	£17,685	£90,436
		<hr/>	<hr/>

16	Reconciliation of net cash flow to movement in net funds	£	£
	(Decrease)/increase in cash in period	(22,137)	63,617
	Net funds at 1 January 2000	42,630	(20,987)
		<hr/>	<hr/>
	Net funds at 31 December 2000	£20,493	£42,630
		<hr/>	<hr/>

17	Analysis of net debt	At 1 January 2000 £	Cashflows £	At 31 December 2000 £
	Cash at bank and in hand	42,630	(22,137)	20,493
	Debt due within one year	(20,000)	1,497	(18,503)
	Debt due after more than one year	(114,260)	19,260	(95,000)
		<hr/>	<hr/>	<hr/>
		£(91,630)	£(1,380)	£93,010
		<hr/>	<hr/>	<hr/>

MILLBANK FINANCIAL SERVICES LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2000 (continued)

18	Operating lease commitments	2000 Land and buildings £	2000 Other £
	Obligations under operating leases expiring in:		
	One to two years	-	6,708
	Over five years	94,250	-
		<hr/>	<hr/>

19 Related party disclosures

The company provides management and advisory services in relation to the taxation and financial affairs of 290 trusts, the majority of which have as beneficiaries and settlers members of the Pearson family, including the following directors: Mr MW Burrell, The Hon CA Pearson, The Countess of Iveagh, H H J Carter, Mr M S Lakin and The Hon W K Gibson.

The Cowdray Trust Limited and The Dickinson Trust Limited are trustees of these trusts. Fees are payable by The Cowdray Trust Limited and The Dickinson Trust Limited to the company for services performed by the company for the trusts. The Cowdray Trust Limited and the Dickinson Trust Limited cover the costs for the fees by invoicing the individual trusts themselves.

The Cowdray Trust Limited and The Dickinson Trust Limited are related parties with the company due to there being directors in common with the company.

Fees charged to the Cowdray Trust Limited during 2000 were £245,837 (1999:£239,731). The balance owed by the Cowdray Trust Limited to the company at the year end was £Nil (1999: £Nil). The balance owed to Cowdray Trust Limited at the year end was ~~£1,319~~ (1999:£1,319).

Fees charged to the Dickinson Trust Limited during 2000 were £277,154 (1999: £259,819). The balance owed by The Dickinson Trust Limited to the company at the year end was £4,624 (1999: £31,183).

As disclosed in note 11, there is a loan from The Dickinson Trust Limited to the company.