

Registered no: 2081191

**MILLBANK FINANCIAL
SERVICES LIMITED**

**Report and financial statements
for the year ended 31 December 1997**



MILLBANK FINANCIAL SERVICES LIMITED

Report and financial statements for the year ended 31 December 1997

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**Directors' report
for the year ended 31 December 1997**

The directors present their report and the audited financial statements for the year ended 31 December 1997.

Principal activities

The profit and loss account for the year is set out on page 4.

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.

Review of business

The company made a profit after taxation for the financial year of £3,262 (1996: £583). The directors do not recommend the payment of a dividend.

Directors

The directors at the date of the report and who served throughout the year are listed below:

M W Burrell - chairman
L Petts
B T George
R E Webb
The Hon C A Pearson
The Countess of Ivaagh
The Hon P N Gibson
The Hon M T Stopford Sackville
(alternate)
M S Lakin

Directors' interests

The interests of the directors of the company in the shares of the company at 31 December 1997 were:

	Number
Ordinary shares of £1 each	
L Petts	200
B T George	200
M W Burrell	125
The Hon C A Pearson	125
R E Webb	100
The Countess of Iveagh	63
The Hon P N Gibson	62
Mr M S Lakin	125
	<hr/>
	1,000
	<hr/>

Changes in fixed assets

The movements in fixed assets are shown in note 7.

Authorisation under the Financial Services Act (1986)

The company withdrew from membership of the Personal Investment Authority during the year on the ground that it does not conduct investment business as defined by the Financial Services Act 1986.

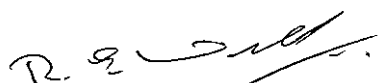
Year 2000

The directors have begun to assess the risks and uncertainties associated with the Year 2000. They have received written confirmation that the new software packages, installed for recording trust transactions, will be Year 2000 compliant. The directors have plans to test all computer hardware during the coming year, the risks to continuing relationships are currently thought to be small.

Auditors

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors. A resolution to reappoint PricewaterhouseCoopers as auditors to the company will be proposed at the annual general meeting.

By order of the board



Report of the auditors to the members of MILLBANK FINANCIAL SERVICES LIMITED

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set on page 7.

Respective responsibilities of directors and auditors

The company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 December 1997 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

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

28 October 1998

Profit and loss account for the year ended 31 December 1997

	Notes	1997 £	1996 £
Turnover	2		
Fees relating to:			
UK Trusts		469,000	430,000
Overseas Trusts		15,000	15,000
Other clients		348,993	336,007
		<u>832,993</u>	<u>781,007</u>
Administrative expenses		<u>826,411</u>	<u>778,454</u>
Operating profit		6,582	2,553
Interest payable		<u>(1,182)</u>	<u>(1,182)</u>
Profit on ordinary activities before taxation	5	5,400	1,371
Taxation	6	<u>(2,138)</u>	<u>(788)</u>
		<u>3,262</u>	<u>583</u>
Retained profit at 1 January		64,571	63,988
Retained profit at 31 December		<u>67,833</u>	<u>64,571</u>

The company has no recognised gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented.

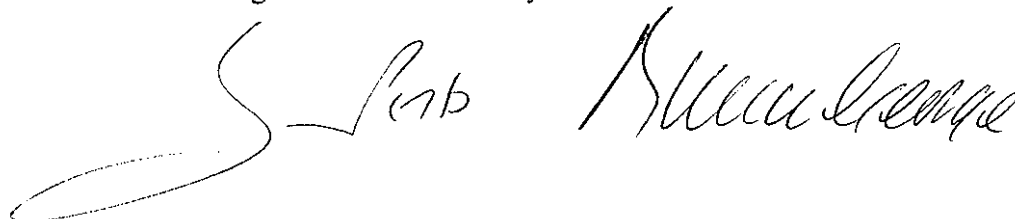
There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

All turnover and operating profits are derived from continuing operations.

Balance sheet at 31 December 1997

	Notes	1997 £	1996 £
Fixed assets			
Tangible assets	7	<u>18,907</u>	<u>24,539</u>
Current assets			
Debtors	8	245,952	263,026
Cash at bank and in hand		55	78
		<u>246,007</u>	<u>263,104</u>
Current liabilities			
Creditors: amounts falling due within one year	9	(101,081)	(123,739)
Net current assets		<u>144,926</u>	<u>139,365</u>
Total assets less current liabilities		<u>163,833</u>	<u>163,904</u>
Creditors: amounts falling due after more than one year	10	(95,000)	(98,333)
Net assets		<u><u>68,833</u></u>	<u><u>65,571</u></u>
Capital and reserves			
Called up share capital	12	1,000	1,000
Profit and loss account		<u>67,833</u>	<u>64,571</u>
Equity shareholders' funds	13	<u><u>68,833</u></u>	<u><u>65,571</u></u>

The financial statements on pages 4 to 12 were approved by the board of directors on 2) October 1998 and were signed on its behalf by:



Cash flow statement for the year ended 31 December 1997

	Notes	1997 £	1996 £
Net cash inflow from operating activities (Reconciliation to operating profit below)		33,649	(10,978)
Returns on investments and servicing of finance			
Interest payable		(1,182)	(1,182)
Net cash outflow from returns on investments and servicing of finance		(1,182)	(1,182)
Taxation			
UK corporation tax paid		(788)	(487)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(7,629)	(3,919)
Net cash outflow for capital expenditure and financial investment		(7,629)	(3,919)
Net cash inflow/(outflow) before financing		24,050	(16,566)
Financing			
Repayment of loan		(8,000)	(8,000)
Net cash outflow from financing		(8,000)	(8,000)
Increase/(decrease) in cash in the period	16	16,050	(24,566)

Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	1997 £	1996 £
Operating profit	6,582	2,553
Depreciation on tangible fixed assets	13,261	11,416
Decrease/(increase) in debtors	17,074	(54,880)
(Decrease)/increase in creditors (less corporation tax creditor and bank loan)	(3,268)	29,933
Net cash outflow from continuing operating activities	33,649	(10,978)

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Notes to the financial statements for the year ended 31 December 1997

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are 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 so as 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:

Leasehold property	16 years from 1988
Furniture and equipment	4 years
Fixtures and fittings	4 years

Leases

Operating lease rentals are written off 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.

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3 Directors' emoluments

	1997 £	1996 £
Aggregate emoluments	183,060	185,686
Company pension contributions to money purchase schemes	32,195	30,938
	<u> </u>	<u> </u>

Highest paid director

	1997 £	1996 £
Aggregate emoluments	67,034	70,133
Company pension contributions to money purchase scheme	13,787	9,926
	<u> </u>	<u> </u>

4 Employment information

The average weekly number of people, including executive directors, employed by the company during the year was 15 (1996: 13).

	1997 £	1996 £
Salaries and wages	411,553	344,359
Social security costs	41,582	35,762
Other pension costs	59,713	55,830
	<u> </u>	<u> </u>
	512,848	435,951
	<u> </u>	<u> </u>

5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	1997 £	1996 £
Depreciation	13,261	11,416
Auditors' remuneration - audit	4,500	3,255
Hire of assets and operating leases	102,559	97,214
	<u> </u>	<u> </u>

The interest payable is due on the bank loan (see note 10)

Remuneration of the company's auditors for provision of non-audit services to the company was £nil (1996: £935).

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6 Tax on profit on ordinary activities

	1997 £	1996 £
UK Corporation tax at 23.25% on profit adjusted for tax purposes	<u>2,138</u>	<u>788</u>

The effective rate of taxation in 1996 is in excess of 57% due to disallowable expenditure and the excess of depreciation over capital allowances.

7 Tangible fixed assets

	Short leasehold premises £	Furniture and equipment £	Fixtures and fittings £	Total £
Cost				
At 1 January 1997	10,000	104,797	45,000	159,797
Additions	-	7,629	-	7,629
At 31 December 1997	<u>10,000</u>	<u>112,426</u>	<u>45,000</u>	<u>167,426</u>
Depreciation				
At 1 January 1997	5,625	84,633	45,000	135,258
Charge for period	625	12,636	-	13,261
At 31 December 1997	<u>6,250</u>	<u>97,269</u>	<u>45,000</u>	<u>148,519</u>
Net book value				
At 31 December 1997	<u>3,750</u>	<u>15,157</u>	-	<u>18,907</u>
At 31 December 1996	<u>4,375</u>	<u>20,164</u>	-	<u>24,539</u>

8 Debtors

	1997 £	1996 £
Amounts falling due within one year		
Trade debtors	26,387	5,822
Other debtors	6,587	4,021
Prepayments and accrued income	212,978	253,183
	<u>245,952</u>	<u>263,026</u>

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9 Creditors: amounts falling due within one year

	1997 £	1996 £
Trade creditors	6,713	3,765
Corporation tax	2,138	788
Other taxation and social security	47,228	43,691
Accruals and deferred income	37,663	47,416
Loan from Royal Bank of Scotland	3,333	8,000
Bank overdraft	4,006	20,079
	<u>101,081</u>	<u>123,739</u>

10 Creditors: amounts falling due after more than one year

	1997 £	1996 £
Unsecured and interest free loans from The Dickinson Trust Limited	95,000	95,000
Loan from Royal Bank of Scotland	-	3,333
	<u>95,000</u>	<u>98,333</u>

11 Bank loans

	1997 £	1996 £
Repayable as follows:		
In one year or less	3,333	8,000
Between one and two years	-	3,333
Between two and five years	-	-
	<u>3,333</u>	<u>11,333</u>

The loan is at a variable rate of interest which varies according to the base rate of the Royal Bank of Scotland.

12 Called up share capital

	1997 £	1996 £
Authorised		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

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13 Reconciliation of movements in shareholders' funds

	1997 £	1996 £
Profit for the year	3,262	583
Opening shareholders' funds	65,571	64,988
Closing shareholders' funds	68,833	65,571

14 Loans to directors

The company makes interest free season ticket loans to its employees, including Mr BT George and Mrs L Petts, who are directors. The maximum amounts of the loans outstanding during 1997 was £1,200 and £2,500 respectively. The amounts outstanding at 31 December 1997 were £1,102 and £Nil respectively (1996:£1,078 and £Nil).

15 Reconciliation of net cash flow to movement in net funds

	1997 £	1996 £
Increase/(decrease) in cash in period	16,050	(24,566)
Movement in net funds in period resulting from cashflows	16,050	(24,566)
Net funds at 1 January 1997	(20,001)	4,565
Net funds at 31 December 1997	(3,951)	(20,001)

16 Analysis of net funds

	At 1 January 1997 £	Cash flow £	At 31 December 1997 £
Cash at bank and in hand	(20,001)	16,050	(3,951)
Total	(20,001)	16,050	(3,951)

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17 Financial commitments

	1997	1997	1996	1996
	Land and	Other	Land and	Other
	buildings		buildings	
	£	£	£	£
Lease expiring in:				
Less than one year	-	5,284	-	4,524
One to two years	-	-	-	-
Two to five years	-	6,844	-	10,235
Over five years	77,500	4,095	77,500	-
	<u>77,500</u>	<u>4,095</u>	<u>77,500</u>	<u>-</u>

18 Capital commitment

At 31 December 1997, there was £nil of capital expenditure authorised but not yet contracted for (1996: £7,500).

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 M W Burrell, The Hon C A Pearson, The Countess of Iveagh, The Hon P N Gibson, The Hon Mrs M T Stopford Sackville (alternate) and Mr M S Lakin.

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 of 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 1997 were £223,486 (1996: £261,832). The balance owing from The Cowdray Trust Limited to the Company at the year end was £Nil (1996: £4,200). Fees charged to the Dickinson Trust Limited during 1997 were £235,739 (1996: £168,168). The balance owing from The Dickinson Trust Limited to the Company at the year end was £8,827 (1996: £Nil). The balance owed to Cowdray Trust Limited at the year end was £8,827 (1996: £Nil).

As disclosed in note 10 there is a loan from The Dickinson Trust Limited to the Company.