

**CERTIFIED ACCOUNTANTS  
INVESTMENT COMPANY LIMITED**

**REPORT AND ACCOUNTS  
YEAR ENDED 31 DECEMBER 2004**

**(COMPANY NUMBER 2240534)**



# **CERTIFIED ACCOUNTANTS INVESTMENT COMPANY LIMITED**

## **ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004**

### **Directors**

*Peter David* FINCH

*Moyra Jean McIntyre* KEDSLIE

*Brendan Dominic* MURTAGH

*Dennis Eric* TAYLOR

*Dennis* YEATES

### **Secretary**

*Allen William* BLEWITT

### **Registered Office**

29 Lincoln's Inn Fields

London, WC2A 3EE

### **Independent Auditors**

Thomson Cooper

Castle Court

Carnegie Campus

Dunfermline, KY11 8PB

# **CERTIFIED ACCOUNTANTS INVESTMENT COMPANY LIMITED**

## **ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004**

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# **CERTIFIED ACCOUNTANTS INVESTMENT COMPANY LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2004**

The directors present their report and accounts for the year ended 31 December 2004.

### **Directors' responsibilities**

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; and
- 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 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.

### **Results and dividends**

The results for the year are set out on page 5 of the accounts. The directors do not recommend the payment of a dividend for the year.

### **Principal activity and review of the business**

The company is an investment holding company. The directors are advised by professional fund managers who administer the portfolio of stocks and shares. The directors are satisfied with the results for the year and consider the state of the company's affairs to be satisfactory.

During 2004, the directors decided to move the investment portfolio to a different professional fund manager. The existing portfolio was disposed of in its entirety and reinvested in a managed fund with another professional fund manager. As a result, gains on sale of £2,539,022 (2003: losses on sale of £523,003), computed by reference to cost, were realised. Details of the movement in the market value of investments and year end costs are set out in note 10 to the accounts.

### **Donations**

During the year, the company made a donation of £1,990,000 to the Certified Accountants Educational Trust, a charity whose corporate trustee is owned by the company's ultimate parent.

# **CERTIFIED ACCOUNTANTS INVESTMENT COMPANY LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2004 (continued)**

### **Directors**

The directors of the company during the year were:

Jonathan Michael BECKERLEGGE	(resigned 20 May 2004)
John Raymond Spencer BRACE	(resigned 20 May 2004)
Peter David FINCH	
Christopher Thomas FORSTER	(resigned 20 May 2004)
Moyra Jean McIntyre KEDSLIE	(appointed 20 May 2004)
Brendan Dominic MURTAGH	
Dennis Eric TAYLOR	
Samuel WONG	(resigned 20 May 2004)
Dennis Robert Norman YEATES	

No director has any interest in the shares of the company.

BY ORDER OF THE BOARD



A W Blewitt  
Secretary  
17 February 2005

# CERTIFIED ACCOUNTANTS INVESTMENT COMPANY LIMITED

## INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

	£	2004 £	2003 £
Notes			
2 Sales		561,228	561,228
Administrative expenses	2,126,239		487,960
Other operating expenses	96,019		123,215
		<u>2,222,258</u>	<u>611,175</u>
3 Operating loss		(1,661,030)	(49,947)
4 Finance – net	203,617		206,374
5 Available-for-sale investments	2,539,022		(523,003)
		<u>2,742,639</u>	<u>(316,629)</u>
		<u>1,081,609</u>	<u>(366,576)</u>
Profit/(loss) before tax			
6 Income tax expense		164,996	(164,452)
Profit/(loss) for the year		<u>916,613</u>	<u>(202,124)</u>

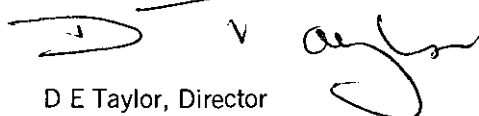
*The accompanying notes to the accounts, on pages 9 to 17, are an integral part of this statement.*

# CERTIFIED ACCOUNTANTS INVESTMENT COMPANY LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2004

	£	2004 £	2003 £
Notes			
<b>ASSETS</b>			
<b>Non-current assets</b>			
7 Plant and equipment	30,326		55,256
8 Investment property	4,955,467		4,963,903
9 Investments in associated undertakings	3		7
10 Available for sale investments	9,305,479		7,938,194
		14,291,275	12,957,360
<b>Current assets</b>			
11 Receivables and prepayments	18,236		18,861
12 Cash and cash equivalents	2,825		11
		21,061	18,872
<b>Total assets</b>		<b>14,312,336</b>	<b>12,976,232</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
15 Ordinary shares	100		100
16 Fair value reserves	1,275,059		2,772,824
Retained earnings	5,384,829		4,468,216
<b>Total shareholders' equity</b>		<b>6,659,988</b>	<b>7,241,140</b>
<b>Non-current liabilities</b>			
13 Deferred tax liabilities	191,000		604,000
<b>Current liabilities</b>			
14 Trade and other payables	7,461,348		5,130,709
Tax payable	—		383
	7,461,348		5,131,092
<b>Total liabilities</b>		<b>7,652,348</b>	<b>5,735,092</b>
<b>Total equity and liabilities</b>		<b>14,312,336</b>	<b>12,976,232</b>

The accounts were approved by the Board of Directors on 17 February 2005 and signed on its behalf by:

  
D E Taylor, Director

The accompanying notes to the accounts, on pages 9 to 17, are an integral part of this statement.

# CERTIFIED ACCOUNTANTS INVESTMENT COMPANY LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2004

	Share Capital £	Retained Earnings £	Revaluation Reserve £	Total £
Balance at 1 January 2003				
- under UK GAAP	100	4,670,340	2,017,827	6,688,267
- effect of adopting IAS 12	—	—	(360,000)	(360,000)
	<hr/>	<hr/>	<hr/>	<hr/>
- under IFRS	100	4,670,340	1,657,827	6,328,267
	<hr/>	<hr/>	<hr/>	<hr/>
Net fair value gains on revaluation, net of tax:				
- property	—	—	41,000	41,000
- available-for-sale investments	—	—	442,171	442,171
	<hr/>	<hr/>	<hr/>	<hr/>
Net gains not recognised in net surplus	—	—	483,171	483,171
Fair value losses on sale of available-for-sale investments	—	—	631,826	631,826
Net loss for the financial year	—	(202,124)	—	(202,124)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2003	100	4,468,216	2,772,824	7,241,140
	<hr/>	<hr/>	<hr/>	<hr/>
Net fair value gains on revaluation, net of tax:				
- property	—	—	58,000	58,000
- available-for-sale investments	—	—	882,801	882,801
	<hr/>	<hr/>	<hr/>	<hr/>
Net gains not recognised in net surplus	—	—	940,801	940,801
Fair value gains on sale of available-for-sale investments	—	—	(2,438,566)	(2,438,566)
Net profit for the financial year	—	916,613	—	916,613
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2004</b>	<b>100</b>	<b>5,384,829</b>	<b>1,275,059</b>	<b>6,659,988</b>
	<hr/>	<hr/>	<hr/>	<hr/>

The analysis of fair value reserves is presented in note 16.

*The accompanying notes to the accounts, on pages 9 to 17, are an integral part of this statement.*



# CERTIFIED ACCOUNTANTS INVESTMENT COMPANY LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

	2004 £	2003 £
Notes		
<b>Cash flows from operating activities</b>		
18 Cash generated from operations	735,724	606,987
Interest paid	(22)	(20)
Interest received	7,260	39
Tax received/(paid)	738	(3,585)
	<hr/>	<hr/>
Net cash from operating activities	743,700	603,421
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(33,241)	(5,769)
Acquisition of available-for-sale investments	(9,291,081)	(2,189,944)
Disposal of available-for-sale investments	8,387,053	1,385,941
Disposal of investment in associated holdings	4	—
Dividends received	196,379	206,355
	<hr/>	<hr/>
Net cash used in investing activities	(740,886)	(603,417)
	<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>	2,814	4
Cash and cash equivalents at beginning of year	11	7
	<hr/>	<hr/>
12 Cash and cash equivalents at end of year	2,825	11
	<hr/>	<hr/>

*The accompanying notes to the accounts, on pages 9 to 17, are an integral part of this statement.*

# CERTIFIED ACCOUNTANTS INVESTMENT COMPANY LIMITED

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 DECEMBER 2004

#### 1 Accounting policies

##### (a) *Accounting convention*

The accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), which the company has adopted for the first time during 2004. They have been prepared using the historical cost convention except as disclosed in the accounting policies below.

##### (b) *Consolidation*

Consolidated accounts are not prepared as the company is a wholly owned subsidiary of the Association of Chartered Certified Accountants, a body incorporated in the UK by Royal Charter.

##### (c) *Sales*

Sales are derived from the continuing principal activities of the company and are stated net of VAT. They are recognised as income in the year to which they relate.

##### (d) *Plant and equipment*

All plant and equipment are initially recorded at cost.

##### (e) *Investment property*

Investment property is property held to earn rentals and for capital appreciation. In accordance with IAS 40, the directors have elected to measure the investment property using the cost model. In addition, under IFRS 1, the directors have elected to use the UK GAAP valuation of the property at the date of transition to IFRS as the deemed cost for the purposes of the cost model.

##### (f) *Depreciation*

Depreciation is provided on all property, plant and equipment, other than freehold land which is not depreciated, at rates calculated to write-off the cost or valuation, of each asset on a straight-line basis over its expected useful life, as follows:

- freehold property - over 50 to 100 years;
- plant and equipment - over 4 to 10 years;
- computer systems and equipment - over 4 years.

##### (g) *Available-for-sale investments*

The portfolio of quoted investments, which is managed by professional fund managers, is held for the long term and is classified as "available-for-sale". Investments are initially recorded at cost, including transaction costs. All purchases and sales are recognised on the settlement date. Available-for-sale investments are subsequently carried at fair value, stated as market value as at the balance sheet date, with all changes in fair value recorded in reserves. When the available-for-sale investments are sold the cumulative gains and losses previously recognised in reserves are recycled through the income statement for the current period.

##### (h) *Leasing and hire purchase*

Rentals paid under operating leases are charged on a straight-line basis over the term of the lease.

##### (i) *Tax*

Tax includes all taxes based upon the taxable profits of the company.

Full provision for deferred taxation is made using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying values in the accounts. Deferred tax movements in respect of unrealised revaluation surpluses are taken to reserves.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

# CERTIFIED ACCOUNTANTS INVESTMENT COMPANY LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004

### 1 Accounting policies (continued)

(j) *Trade receivables*

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is an objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows.

(k) *Cash and cash equivalents*

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and are subject to insignificant risk of changes in value.

(l) *Trade payables*

Trade payables are stated at their fair value.

(m) *Share capital*

Ordinary shares are classified as equity.

(n) *Comparatives*

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

	2004 £	2003 £
<b>2 Turnover</b>		
Rental income	<u>561,228</u>	<u>561,228</u>

The investment property generated rental income throughout the year.

### 3 Loss from operations

The following items have been included in arriving at loss from operations:

Auditors' remuneration	2,700	2,600
Depreciation	66,607	82,111
Operating costs arising from investment properties	133,524	145,345
Donation to CAET	<u>1,990,000</u>	<u>340,000</u>

The company has no employees other than the directors.

None of the directors received any remuneration during the year.

### 4 Finance – net

Interest receivable	7,260	39
Interest payable	(22)	(20)
Income from investments	<u>196,379</u>	<u>206,355</u>
	<u>203,617</u>	<u>206,374</u>

# CERTIFIED ACCOUNTANTS INVESTMENT COMPANY LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004

	2004 £	2003 £
<b>5 Available-for-sale investments</b>		
Gain on sales	100,456	108,823
Fair value gain/(loss) on sales	2,438,566	(631,826)
	<u>2,539,022</u>	<u>(523,003)</u>
<b>6 Income tax expense</b>		
Domestic current year tax	—	383
UK Corporation tax	(4)	165
Adjustment in respect of prior years	165,000	(165,000)
Deferred taxation	<u>164,996</u>	<u>(164,452)</u>
Factors affecting the tax charge for the year		
Profit/(loss) before tax	<u>1,081,609</u>	<u>(366,576)</u>
Profit/(loss) before tax multiplied by the standard rate of UK Corporation tax of 30% (2003: 30%)	<u>324,483</u>	<u>(109,973)</u>
Effects of:		
Chargeable gain on sale of investments	(118,178)	(8,099)
Depreciation	19,982	24,633
Capital allowances	(6,957)	(9,272)
Dividend income	(58,914)	(61,906)
Other expenses not deductible for tax purposes	5,068	—
Adjustments in respect of prior years	(4)	165
Utilisation of previously unrecognised tax losses	(484)	—
	<u>159,487</u>	<u>(54,479)</u>
Current tax charge	<u>164,996</u>	<u>(164,452)</u>

In the course of normal management, the company sold equities during the year and substantially reinvested the proceeds in new stocks.

# CERTIFIED ACCOUNTANTS INVESTMENT COMPANY LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004

### 7 Plant and equipment

	Furniture and office equipment £	Computer systems and equipment £	Total £
<b>Year ended 31 December 2003</b>			
Opening net book amount	80,186	15,315	95,501
Depreciation charge	(24,930)	(15,315)	(40,245)
Closing net book amount	<b>55,256</b>	<b>—</b>	<b>55,256</b>
<b>At 31 December 2003</b>			
Cost or valuation	166,205	132,364	298,569
Accumulated depreciation	(110,949)	(132,364)	(243,313)
Net book amount	<b>55,256</b>	<b>—</b>	<b>55,256</b>
<b>Year ended 31 December 2004</b>			
Opening net book amount	55,256	—	55,256
Depreciation charge	(24,930)	—	(24,930)
Closing net book amount	<b>30,326</b>	<b>—</b>	<b>30,326</b>
<b>At 31 December 2004</b>			
Cost or valuation	166,205	132,364	298,569
Accumulated depreciation	(135,879)	(132,364)	(268,243)
Net book amount	<b>30,326</b>	<b>—</b>	<b>30,326</b>

	2004 £	2003 £
<b>8 Investment property</b>		
At 1 January	<b>4,963,903</b>	5,000,000
Additions	<b>33,241</b>	5,769
Depreciation	<b>(41,677)</b>	(41,866)
<b>At 31 December</b>	<b>4,955,467</b>	4,963,903

The company's freehold property includes land valued at £1,000,000, which is not depreciated.

The freehold property was revalued at 31 December 2002, at open market value for existing use by Pyle Owen & Partners, an independent firm of consultant surveyors and property managers. The directors are of the opinion that this valuation remains appropriate. The revaluation surplus, net of applicable deferred income taxes, has been credited to fair value reserves.

# CERTIFIED ACCOUNTANTS INVESTMENT COMPANY LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004

	2004 £	2003 £
<b>8 Investment property (continued)</b>		
Cost or valuation comprises freehold property stated at:		
Cost	4,097,165	4,063,924
Valuation in 2002	941,845	941,845
	<u>5,039,010</u>	<u>5,005,769</u>
<b>If stated at historical cost the comparable amounts for the total freehold property would be:</b>		
Cost	4,097,165	4,063,924
Accumulated depreciation	227,219	186,376
Net book value	<u>3,869,946</u>	<u>3,877,548</u>
<b>9 Investments in associated undertakings</b>		
Cost or valuation at 1 January	7	7
Disposals	(4)	—
Cost or valuation at 31 December	<u>3</u>	<u>7</u>

Details of the investment in the principal related undertaking is as follows:

	Country of registration	Beneficial holding	Nature of business
Certified Accountants Educational Projects Limited	England & Wales	Ordinary shares 50%	Provider of educational supplies and services

Its profit for the financial year ended 31 December 2004 was £6,328 and its accumulated losses at 31 December 2004 amounted to £1,924,908.

## 10 Available-for-sale investments

	2004 £	2003 £
At 1 January	7,938,194	6,133,197
Additions	9,291,081	2,189,944
Disposals	(8,286,597)	(1,277,118)
Net unrealised investment gains	362,801	892,171
At 31 December	<u>9,305,479</u>	<u>7,938,194</u>
Historical cost as at 31 December	<u>8,942,678</u>	<u>5,499,628</u>

During the year the whole portfolio, which comprised securities which were readily marketable on recognised stock exchanges, was disposed of and the proceeds transferred to another Fund Manager, Baillie Gifford, for investment. Available-for-sale investments, comprising units in one of Baillie Gifford's managed funds, are fair valued annually at the close of business on 31 December. Wherever possible, fair value is determined by reference to Stock Exchange quoted bid prices or to the Fund Manager's quoted prices.

# CERTIFIED ACCOUNTANTS INVESTMENT COMPANY LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004

	2004 £	2003 £
<b>11 Receivables and prepayments</b>		
Prepayments and other debtors	18,236	17,744
Corporation tax recoverable	—	1,117
	<u>18,236</u>	<u>18,861</u>

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

<b>12 Cash and cash equivalents</b>		
Cash at bank and in hand	<u>2,825</u>	<u>11</u>

- 13 Deferred tax liabilities**  
Deferred tax liabilities are calculated in full on temporary differences under the liability method using a principal tax rate of 30% (2003: 30%).

The movement on the deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the year is as follows:

### *Deferred tax liabilities*

At 1 January	769,000	360,000
Tax (credited)/charged to reserves	(578,000)	409,000
	<u>191,000</u>	<u>769,000</u>
At 31 December		

### *Deferred tax assets*

At 1 January	165,000	—
Income statement (charge)/credit	(165,000)	165,000
	<u>—</u>	<u>165,000</u>
At 31 December		

The deferred tax (credited)/charged to reserves during the year is as follows:

Fair value reserves		
- property	(58,000)	(41,000)
- available-for-sale investments	(520,000)	450,000
	<u>(578,000)</u>	<u>409,000</u>

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

Deferred tax liabilities	<u>191,000</u>	<u>604,000</u>
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# CERTIFIED ACCOUNTANTS INVESTMENT COMPANY LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004

	2004 £	2003 £
<b>14 Trade and other payables</b>		
Amounts due to ultimate parent	7,239,909	4,882,907
Other taxes and social security costs	215,411	220,195
Accrued expenses and deferred income	6,028	27,607
	<u>7,461,348</u>	<u>5,130,709</u>

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The company's normal payment terms are within 30 days. Payment terms may exceed 30 days where the contract provides for extended terms.

The director considers that the carrying amount of trade payables approximates to their fair value.

<b>15 Ordinary shares</b>		
<i>Authorised</i>		
500 'A' Ordinary shares of £1 each	500	500
500 'B' Ordinary shares of £1 each	500	500
	<u>1,000</u>	<u>1,000</u>
<i>Issued and fully paid</i>		
50 'A' Ordinary shares of £1 each	50	50
50 'B' Ordinary shares of £1 each	50	50
	<u>100</u>	<u>100</u>

Under the articles, the 'A' and 'B' shares carry identical rights in respect of voting and participation in a winding up. The company may, however, by ordinary resolution declare different rates of dividend for the two classes or may declare a dividend on one but not the other.

<b>16 Fair value reserves</b>	<b>Property revaluation reserve £</b>	<b>Investment revaluation reserve £</b>	<b>Total revaluation reserve £</b>
Balance at 1 January 2003	923,258	734,569	1,657,827
Revaluation – gross	—	892,171	892,171
Revaluation – tax	41,000	(450,000)	(409,000)
Fair value losses on sale of available-for-sale investments	—	631,826	631,826
Balance at 31 December 2003	<u>964,258</u>	<u>1,808,566</u>	<u>2,772,824</u>
Revaluation – gross	—	362,801	362,801
Revaluation – tax	58,000	520,000	578,000
Fair value gains on sale of available-for-sale investments	—	(2,438,566)	(2,438,566)
At 31 December 2004	<u>1,022,258</u>	<u>252,801</u>	<u>1,275,059</u>



# CERTIFIED ACCOUNTANTS INVESTMENT COMPANY LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004

	2004 £	2003 £
<b>17 Commitments</b>		
<b>Capital commitments were as follows:</b>		
Amounts contracted for	—	—
Amounts authorised but not contracted for	10,000	30,000
<b>18 Cash generated from operations</b>		
Profit/(loss) before tax	1,081,609	(366,576)
Adjustments for:		
Interest received	(7,260)	(39)
Interest paid	22	20
Dividends received	(196,379)	(206,355)
Depreciation on property, plant and equipment	66,607	82,111
(Gain)/loss on sale of assets	(2,539,022)	523,003
Changes in working capital:		
Trade and other receivables	(492)	1,460
Trade and other payables	2,330,639	573,363
Cash generated from operations	735,724	606,987

### 19 Related party transactions

During the year, the company made a donation of £1,990,000 (2003: £340,000) to the Certified Accountants Educational Trust, a charity whose corporate trustee is owned by the company's ultimate parent.

In accordance with the exemption available under IFRS (IAS 24), no disclosure has been made of transactions with the ultimate parent, the Association of Chartered Certified Accountants, or its subsidiary companies.

### 20 Ultimate parent undertaking

In the opinion of the directors, the company's parent undertaking and controlling party is the Association of Chartered Certified Accountants, a body incorporated in England and Wales by Royal Charter.

### 21 UK Generally Accepted Accounting Principles (UK GAAP)

The accounts are prepared in accordance with IFRS, which differ in certain respects from those applicable in the UK (UK GAAP). The following are the main differences and reconciliations between IFRS and UK GAAP which are relevant to the accounts.

#### (a) Financial instruments

Under IFRS, available-for-sale investments are held on the balance sheet at market value with all changes in fair value recorded in equity. When the available-for-sale investments are sold the cumulative gains and losses previously recognised in equity are recycled through the income statement for the current period. Under UK GAAP, investments are also carried at market value but appropriate valuation adjustments are recorded as unrealised in the statement of total recognised gains and losses. When the investments are sold the gains and losses earned in the year since the previous balance sheet date are realised in the revenue account and an appropriate reserve movement is made for the balance of the cumulative gains and losses.

# CERTIFIED ACCOUNTANTS INVESTMENT COMPANY LIMITED

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2004

(b) *Deferred taxation*

Under IFRS, deferred taxation is provided on a full liability basis on all temporary differences as defined by IAS 12. Under UK GAAP, provision is made in accordance with FRS 19 and is generally provided on all timing differences. Under FRS 19, no provision would be made for deferred taxation in connection with the revaluation of either properties or investments because there is no commitment to dispose of these portfolios at the balance sheet date.

(c) *Consolidated statements of cash flows*

The statements under IFRS (IAS 7) present substantially the same information as that required under UK GAAP (FRS 1). Under IFRS, cash flows are presented for operating, investing and financing activities. Under UK GAAP, cash flows are presented for operating activities, returns on investments and servicing of finance, taxation, capital expenditure and financial investment, management of liquid resources and financing.

(d) *Net income reconciliation statement*

The following statement summarises the material estimated adjustments, gross of their tax effect, which reconcile net income from that reported under IFRS to that which would have been reported had UK GAAP been applied.

	2004	2003
	£	£
Net profit/(loss) for year under IFRS	916,613	(202,124)
Adjustments for:		
(Gain)/loss on sale of investments	(2,438,566)	631,826
Deferred tax	—	165,000
Net (loss)/profit for year under UK GAAP	<u>(1,521,953)</u>	<u>594,702</u>

(e) *Reserves reconciliation statement*

The following statement summarises the material estimated adjustments, gross of their tax effect, which reconcile reserves from that reported under IFRS to that which would have been reported had UK GAAP been applied.

Reserves under IFRS	6,659,988	7,241,140
Adjustments for:		
Deferred tax	191,000	769,000
Reserves under UK GAAP	<u>6,850,988</u>	<u>8,010,140</u>

# **CERTIFIED ACCOUNTANTS INVESTMENT COMPANY LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CERTIFIED ACCOUNTANTS INVESTMENT COMPANY LIMITED**

We have audited the accompanying balance sheet of Certified Accountants Investment Company Limited as of 31 December 2004, and the related income and cash flow statements of the company for the year then ended.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

These accounts set out on pages 5 to 17 are the responsibility of the directors of the company. Our responsibility is to express an opinion on these accounts based on our audit.

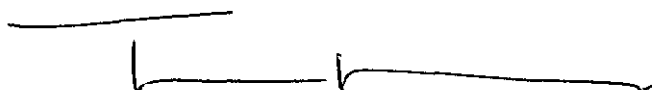
We read the other information published with the accounts, including the Directors' Report and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

### **BASIS OF AUDIT OPINION**

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall accounts presentation. We believe that our audit provides a reasonable basis for our opinion.

### **OPINION**

In our opinion, the accounts give a true and fair view of the financial position of the Certified Accountants Investment Company Limited as of 31 December 2004 and of the results of the company's operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.



**Thomson Cooper**

*Chartered Certified Accountants and Registered Auditors, Dunfermline*  
17 February 2005