

Registered Number: 4027724

FF&P ADVISORY LIMITED

Directors' Report and Accounts

31 March 2004



DIRECTORS

Mr R J Fleming (*Chairman*)
Mr D F Fletcher
Mr M R Garber
Mr G M Rochussen

SECRETARY

Mrs C E S Stone

REGISTERED OFFICE

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INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Southwark Towers
32 London Bridge Street
London SE1 9SY

REGISTERED NUMBER

4027724

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2004

The directors present their report and the audited financial statements of the company for the year ended 31 March 2004.

PRINCIPAL ACTIVITIES

The principal activity during the year was that of advisory company which is regulated by the FSA.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The Advisory business provides specialist corporate finance advisory services to clients of the Group. The strategy of broadening the client constituencies of the Advisory business has meant that the teams are actively engaged in providing advisory services not only to the Highland Star Group, but also to other clients of FF&P and the Group itself. By its very nature income from advisory services is volatile. However, existing mandates are likely to lead to revenue in the forthcoming year. Achievements during the year included the ongoing support for Highland Gold Mining Limited, advising certain trustee clients in relation to the acquisition of diamond and gold alluvial and tailing interests in Sierra Leone as well as the development of gold interests in South Africa. The Company has continued to provide advisory support on the development of the Highland Star Group interests in tantalite in Mozambique, nickel in Cuba and aluminium in Russia.

The team has also worked closely with Resolution Life Group, a new company being formed to acquire closed life books in the UK, in structuring the company to meet the requirements of asset management clients and other long-term investors.

RESULTS AND DIVIDENDS

In the period under review, the company recorded an operating loss of £0.5 million (2003: £1.5 million profit) on gross revenues of £4.1 million (2003: £7.1 million). As at 31 March 2004 the company had net assets of £2.7 million (2003: £3.1 million).

No dividends have been declared in the year (2003: nil).

DIRECTORS

The directors of the Company, all of whom held office throughout the year, are listed on page 1. D I Rawlinson resigned as a Director on 01 May 2004.

DIRECTORS' INTERESTS

During the year no director had any interest in the share capital of the Company. The interests of the directors in the shares of the holding company were as follows:-

	Beneficial		Beneficial	
	As at 31 March 2004		As at 31 March 2003	
	Ordinary	Preferred	Ordinary	Preferred
Mr R J Fleming	72,000,000	24,000,000	72,000,000	24,000,000
Mr M R Garber	28,800,000	9,600,000	28,800,000	9,600,000
Mr D F Fletcher	7,000,000	-	6,000,000	-

	Non-beneficial		Non-beneficial	
	As at 31 March 2004		As at 31 March 2003	
	Ordinary	Preferred	Ordinary	Preferred
Mr D I Rawlinson	9,000,000	-	9,000,000	-
Mr G M Rochussen	12,000,000	-	9,000,000	-
Mr D F Fletcher	1,000,000	-	-	-

EMPLOYEES

The Company currently has no direct employees but is recharged by FFP Services Limited for staff carrying out its work.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year that 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 year. 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 are responsible for keeping proper accounting records that 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 they have complied with the above requirements in preparing the financial statements.

AUDITORS

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting.

COMPANIES ACT 1985

Under the provisions of the Companies Act 1985 private companies can elect to dispense with the holding of Annual General Meetings, the laying of accounts before shareholders at General Meetings and the annual re-election of auditors. The Company intends to propose an Elective Resolution utilising those provisions, which will require all shareholders to vote in favour.

By order of the Board



C E S Stone
Secretary

25 June 2004

Independent auditors' report to the members of FF&P Advisory Limited

We have audited the financial statements which comprise the profit and loss account and the balance sheet 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.

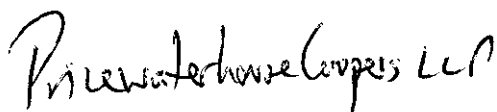
Basis of audit opinion

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 loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

30 June 2004

Profit and Loss Account for the year ended 31 March 2004

	Note	2004 £'000	2003 £'000
Turnover	3	4,086	7,105
Administration costs		(4,573)	(5,584)
Operating profit/(loss)	4	(487)	1,521
Interest receivable and similar income		55	46
Interest payable and similar charges		-	-
Profit/(loss) on ordinary activities before taxation		(432)	1,567
Tax on profits/(loss) on ordinary activities	7	17	(212)
Profit/(loss) for the financial year		(415)	1,355
Dividends	8	-	-
Retained profit/(loss) for the financial year		(415)	1,355

All turnover is attributable to continuing operations.

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

There is no difference between the loss before taxation and the retained loss for the financial year stated above and their historical cost equivalents.

Balance Sheet as at 31 March 2004

	Note	2004 £'000	2003 £'000
Current assets			
Debtors	9	4,659	1,496
Cash at bank and in hand		1,535	1,856
		6,194	3,352
Creditors - Amounts falling due within one year	10	(3,470)	(213)
Net current assets		2,724	3,139
Total assets less current liabilities		2,724	3,139
Net assets		2,724	3,139
Capital and reserves			
Called up share capital	11	2,650	2,650
Profit and loss account	12	74	489
Total shareholder's funds		2,724	3,139

The financial statements on pages 7 to 13 were approved by the board of directors on 25 June 2004 and were signed on its behalf by:



G M Rochussen
Director

The accounting policies and notes to the accounts on pages 9 to 13 form part of these financial statements.

Notes to the financial statements for the year ended 31 March 2004.

1. Accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below.

Deferred taxation - Provision for deferred taxation is recognised on all timing differences between profits stated in the financial statements and profits as computed for tax purposes, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax is recognised at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Foreign currencies - All foreign currency transactions have been converted into Sterling at the mid-market rate prevailing on the date that the transaction is booked. The Company currently has limited exposure to foreign currencies as substantially all the Company's business is transacted in the UK.

Turnover - Turnover is recognised on an accruals basis.

2. Cash flow statement and related party disclosures

As permitted by FRS1 (revised 1996) the Company's cash flow statement has not been included as it is a wholly owned subsidiary of Fleming Family & Partners Limited and its cash flow appears as part of the Group consolidated cash flow in the Group's accounts.

The Company has taken advantage of the provisions of FRS8, which exempts it from disclosing related party transactions where the related party is part of the Fleming Family & Partners group or is an investor in the Group.

3. Turnover

The Company received £4.1 million (2003: £7.1million) of revenue in the year.

4. Operating profit/(loss)

Salary costs and audit fees are not borne directly by the Company but are recharged to the Company by FFP Services Limited, another subsidiary within the Fleming Family & Partners Limited group. The exception to this is performance based bonuses which are paid directly by the Company. Total recharges from the service company for the year amounted to £3.6 million (2003: £5.3 million).

5. Directors' emoluments

Directors of the Company are paid salaries and defined contribution pensions by FFP Services Limited. No directors' fees for services of directors of the Company are paid by this Company.

	2004 £'000	2003 £'000
Aggregate emoluments	732	698
Pension contributions	5	1
	<u>737</u>	<u>699</u>
Highest Paid Director		
Aggregate emoluments	208	417
Pension contributions	-	-
	<u>208</u>	<u>417</u>

6. Employee information

No employees work directly for the Company but are employed by FFP Services Limited, another subsidiary of the Fleming Family & Partners group, and recharged to the Company.

7. Tax on profit on ordinary activities

	2004 £'000	2003 £'000
Current tax:		
Prior Year adjustment	17	-
UK corporation tax on profits/(losses) of the year	-	(212)
Tax on profit/(loss) on ordinary activities	<u>17</u>	<u>(212)</u>

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2004 £'000	2003 £'000
Profit/(loss) on ordinary activities before tax	(432)	1,567
Tax on profit/(loss) on ordinary activities at 30%	130	(470)
Effects of:		
Prior year adjustments	17	-
Losses brought forward from earlier periods	-	258
Use of losses in other Group entities	(130)	-
Actual current year tax charge	17	(212)

8. Dividends

No dividends were declared in the year (2003: nil).

9. Debtors

	2004 £'000	2003 £'000
Trade Debtors	4,220	1,450
Amounts owed by Group undertakings	34	-
Prepayments & Accrued Income	18	-
VAT debtor	18	46
Corporation tax debtor	369	-
	4,659	1,496

10. Creditors – Amounts falling due within one year

	2004 £'000	2003 £'000
Amounts owed to Group undertakings	(3,102)	-
Accruals and deferred income	(368)	-
Other creditors	-	(1)
Corporation tax payable	-	(212)
	(3,470)	(213)

11. Called up share capital

	2004 £'000	2003 £'000
Authorised		
3,000,000 ordinary shares of £1 each	3,000	3,000
	3,000	3,000
Allotted and fully paid		
2,650,000 ordinary shares of £1 each, fully paid	2,650	2,650
	2,650	2,650

12. Reserves

	2004 £'000
At 1 April 2003	489
Accumulated profit for the financial year	(415)
As at 31 March 2004	74

13. Reconciliation of movement in shareholder's funds

	2004 £'000	2003 £'000
Total shareholder's funds		
Opening balance of shareholder's funds	3,139	1,034
Net proceeds of issue of equity shares	-	750
Profit and loss appropriation	(415)	1,355
Closing shareholder's funds	2,724	3,139

14. Contingent Liabilities

The Company had no contingent liabilities as at 31 March 2004 (2003: nil).

15. Related Party Disclosure

Highland Gold Mining Limited/High Tops Gold Limited - The Company has provided services to, or been reimbursed expenses incurred on behalf of these companies whose shareholders include discretionary trusts, of which a Director is a beneficiary. Highland Gold Mining Limited and High Tops Gold Limited are clients of the Group's UK Advisory operation and paid the Company fees of £3,375,000 in the year ended March 2004 (2003: £7,095,000).

Highland Star Investments Limited ("HSI") - The Company has provided services to, or reimbursed costs to this company whose shareholders include discretionary trusts, of which a Director is a beneficiary. HSI is a client of the Company's UK Advisory operation and paid the Company fees of £500,000 in the year ended March 2004 (2003: £500,000).

London & Lochside Investments Limited ("L&L") - The Company has provided services to L&L whose shareholders include discretionary trusts, of which a Director is a beneficiary. L&L is a client of the Company's UK Advisory operation and paid the Company fees of £187,500 in the year ended March 2004 (2003: nil).

The Company has applied FRS 8 (see note 2) and has no other related party transactions that require disclosure.

	Amounts payable by the Company £'000	Company - 2004 Amounts receivable by the Company £'000	Balance due to Company as at 31 March 2004 £'000
High Tops Gold Limited	-	2,520	3,970
Highland Gold Mining Limited	-	282	-
Highland Star Investments Limited	-	1,073	250
London & Lochside Investments Limited	-	188	-
	-	4,063	4,220

16. Ultimate Parent Undertaking

The immediate and ultimate parent undertaking and controlling party is Fleming Family & Partners Limited, a company incorporated in England (registered number 4006741). Copies of the Group's consolidated financial statements can be obtained from the Company Secretary at 37 Dover Street, London W1S 4NJ.