

Speirs & Jeffrey Limited

**Directors' report and financial
statements**

Registered number 98335

11 May 2001



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Directors' report

The directors have pleasure in submitting their report to the members, together with audited financial statements, for the 52 weeks ended 11 May 2001.

Activities

The group's sole activity remains stockbroking and related services.

Business review

We have had another year of good progress in terms of increasing our client base, recruiting valuable people and continuing the upgrade of our computer facilities. Notwithstanding the volatile market conditions we achieved growth in revenues. Whilst we continue to resist the prevailing trend towards clients annual fees, we take comfort that our PEP and ISA operations account for over 30% of our turnover. Nominee services are becoming an increasingly important service to our clients and business activity for the firm.

Financial

The profit for the year is detailed in the attached profit and loss account. An interim dividend of Nil (2000: 200p) per share on the ordinary shares for the year was paid and a final of 200p (2000: Nil) is proposed, leaving a balance at credit of profit and loss account of £1,376,000 (2000: £1,321,000) to be carried forward.

Charitable donations made by the company totalled £18,000 (2000: £16,364) during the year.

Directors and directors' interests

The directors during the year and their shareholdings in the company at 11 May 2001 and 12 May 2000 were:

	Ordinary	
	2001	2000
A.A.W. Waddell	22,000	22,000
P.C.M. Roger (resigned 15 May 2000)	1	1
J.R. McCulloch	20,949	20,949
G.H.W. Waddell	15,600	15,600
W.G. Dickie	14,550	14,550
R.L. Crichton	6,450	6,450
M.J. Wilson	6,450	6,450
S.W.J. Mathieson (appointed 15 May 2000)	-	-

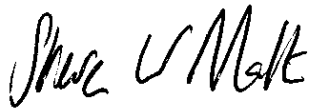
The director retiring by rotation is G.H.W. Waddell who, being eligible, offers himself for re-election. Andrew A.W. Waddell was appointed a director on 14 May 2001.

Directors' report (*continued*)

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



S.W.J. Mathieson
Director/Company Secretary

36 Renfield Street
Glasgow

31 July 2001

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements 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 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;
- 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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

24 Blythswood Square

Glasgow

G2 4QS

United Kingdom

Auditors' report to the members of Speirs & Jeffrey Limited

We have audited the financial statements on pages 5 to 12.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. 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 with the company is not disclosed.

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 as at 11 May 2001 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc

Chartered Accountants

Registered Auditor

31 July 2001

Profit and loss account

	<i>Note</i>	52 weeks to 11 May 2001 £000	53 weeks to 12 May 2000 £000
Turnover		9,391	9,127
Interest received	2	453	327
		<hr/>	<hr/>
		9,844	9,454
		<hr/>	<hr/>
Deduct:			
Salaries and employment costs	3	6,889	6,501
Other operating expenses	4	2,648	2,600
		<hr/>	<hr/>
		9,537	9,101
		<hr/>	<hr/>
Profit on ordinary activities before taxation		307	353
Taxation	5	(80)	(115)
		<hr/>	<hr/>
Profit for the financial year		227	238
Dividends paid and proposed	6	(172)	(176)
		<hr/>	<hr/>
Profit retained for the financial year	13	55	62
		<hr/>	<hr/>

There were no recognised gains or losses affecting shareholders' funds other than those disclosed above.

Balance sheet

	Note	11 May 2001		12 May 2000	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	7		44		65
Investment in subsidiaries	8		-		-
			<u>44</u>		<u>65</u>
Current assets					
Debtors - market and client balances		25,285		21,366	
Bank balances and cash		8,325		7,905	
		<u>33,610</u>		<u>29,271</u>	
Creditors: amounts falling due within one year					
Market and client balances		25,711		21,252	
Bank overdraft		71		787	
Creditors and accruals	9	6,296		5,776	
		<u>32,078</u>		<u>27,815</u>	
Net current assets			1,532		1,456
Net assets			<u>1,576</u>		<u>1,521</u>
Capital and reserves					
Called up share capital	10		86		86
Capital redemption reserve	11		114		114
Profit and loss account	12		1,376		1,321
Shareholders' funds	13		<u>1,576</u>		<u>1,521</u>

These financial statements were approved by the board of directors on 31 July 2001 and were signed on its behalf by:

A.A.W. Waddell

A.A.W. Waddell
Director

J.R. McCulloch

J.R. McCulloch
Director

Cash flow statement

	52 weeks to 11 May 2001 £000	53 weeks to 12 May 2000 £000
Net cash inflow from operating activities*		
Profit on ordinary activities before taxation	307	353
Depreciation	51	46
Change in net market and client balances	539	635
Change in creditors	379	383
	<hr/> 1,276	<hr/> 1,417
Preference dividends paid	-	(10)
UK corporation tax paid	(110)	(86)
Purchase of tangible fixed assets	(30)	(21)
	<hr/> 1,136	<hr/> 1,300
Equity dividend paid	-	(344)
	<hr/> 1,136	<hr/> 956
Redemption of preference shares	-	(86)
	<hr/> 1,136	<hr/> 870
Increase in net cash	<hr/> <hr/> 1,136	<hr/> <hr/> 870
Net cash		
At beginning of year	7,118	6,248
Net inflow	1,136	870
	<hr/> 8,254	<hr/> 7,118
At end of year	<hr/> <hr/> 8,254	<hr/> <hr/> 7,118

*Includes £453,066 (2000: £327,059) interest received which forms part of operating income.

Notes

(forming part of the financial statements)

1 Accounting policies

- (a) By virtue of the exemption contained in s229 of the Companies Act 1985, the company is not required to present consolidated financial statements on the basis that exclusion of the subsidiary undertakings has no material impact on the financial statements.
- (b) The financial statements have been prepared under the historical cost convention and in accordance with S226 and S227 of, and Schedule 4 to, the Companies Act 1985 and in accordance with applicable accounting standards.
- (c) Turnover comprises gross commission, PEP and ISA management fees and sundry income all of which arises in the UK.
- (d) Depreciation is provided by the company to write off the cost of fixed tangible assets over their estimated useful economic lives as follows:
Office equipment - 25% straight line
- (e) Balances on foreign currency transactions have been translated into pounds sterling at the rate of exchange ruling at the balance sheet date.
- (f) Equity shares are carried at historical cost.

2 Interest

	2001 £000	2000 £000
Bank interest received	453	327

3 Salaries and employment costs

	2001 £000	2000 £000
Salaries and commission	5,780	5,452
Social security	622	624
Pension	487	425
	<u>6,889</u>	<u>6,501</u>
Average number employed	<u>105</u>	<u>101</u>

Notes (continued)

3 Salaries and employment costs (continued)

	2001 £000	2000 £000
<i>Directors' remuneration</i>		
Aggregate emoluments	3,223	2,341
Chairman and highest paid director	709	552
	<u> </u>	<u> </u>

4 Other operating expenses

Other operating expenses include:

		2001 £000	2000 £000
Auditors' remuneration	- audit services	24	23
	- non-audit services	7	7
Depreciation		51	46
		<u> </u>	<u> </u>

5 Taxation

	2001 £000	2000 £000
Corporation tax at 22% on profits of the year (2000: 30%)	80	112
Under provision in respect of previous years	-	3
	<u> </u>	<u> </u>
	80	115
	<u> </u>	<u> </u>

6 Dividends

		2001 £000	2000 £000
Equity - ordinary shares	- interim paid	-	172
	- final proposed	172	-
Non-equity - preference shares		-	4
		<u> </u>	<u> </u>
		172	176
		<u> </u>	<u> </u>

Notes (continued)

7 Fixed tangible assets

	Fittings and equipment £000
<i>Cost</i>	
At 12 May 2000	536
Additions	30
	<hr/>
At 11 May 2001	566
	<hr/>
<i>Depreciation</i>	
At 12 May 2000	471
Charge for year	51
	<hr/>
At 11 May 2001	522
	<hr/>
<i>Net book value</i>	
At 11 May 2001	44
	<hr/> <hr/>
At 12 May 2000	65
	<hr/> <hr/>

8 Investment in subsidiaries

Details of the subsidiaries are as follows:

Speirs & Jeffrey Fund Management Limited	-	nominee company.
Speirs & Jeffrey Portfolio Management Limited	-	nominee company.
Speirs & Jeffrey Client Nominees Limited	-	nominee company.

All companies are wholly owned subsidiaries registered in Scotland.

Notes (continued)

9 Creditors and accruals: amounts falling due within one year

	2001 £000	2000 £000
Trade creditors	72	101
Accruals	5,325	4,936
Other tax and social security	645	627
UK corporation tax	82	112
Proposed dividend	172	-
	<u>6,296</u>	<u>5,776</u>

10 Called up share capital

	2001 £000	2000 £000
<i>Authorised</i>		
Equity:		
100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>
 Non-equity:		
100,000 7% redeemable preference shares of £1 each	<u>100</u>	<u>100</u>
 <i>Allotted, called up and fully paid</i>		
Equity:		
86,000 ordinary shares of £1 each	<u>86</u>	<u>86</u>
	<u>86</u>	<u>86</u>

Notes (continued)

11 Capital redemption reserve

	2001 £000	2000 £000
At 12 May 2000	114	28
Redemption of preference shares at par	-	86
	<hr/>	<hr/>
At 11 May 2001	<u>114</u>	<u>114</u>

12 Profit and loss account

	2001 £000	2000 £000
At 12 May 2000	1,321	1,345
Profit retained for the financial year	55	62
Redemption of preference shares at par	-	(86)
	<hr/>	<hr/>
At 11 May 2001	<u>1,376</u>	<u>1,321</u>

13 Reconciliation of movement in shareholders' funds

	2001 £000	2000 £000
Profit for the financial year	227	238
Dividends paid and proposed	(172)	(176)
	<hr/>	<hr/>
Profit retained for the financial year	55	62
Redemption of preference shares at par	-	(86)
Balance brought forward	1,521	1,545
	<hr/>	<hr/>
Balance carried forward	<u>1,576</u>	<u>1,521</u>
Shareholders' funds comprise:		
Equity	1,576	1,521
Non-equity	-	-
	<hr/>	<hr/>
	<u>1,576</u>	<u>1,521</u>