

CG ASSET MANAGEMENT LIMITED

Report and Financial Statements

30 April 2004

**Deloitte & Touche LLP
London**



CG ASSET MANAGEMENT LIMITED

REPORT AND FINANCIAL STATEMENTS 2004

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CG ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 April 2004.

ACTIVITIES

The principal activity of the company is investment management. The company is regulated by the Financial Services Authority.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The year has seen further growth in assets under management and performance has been satisfactory. As the combined assets of the Capital Gearing Trust plc and CG Portfolio Fund Ltd exceeded £100m the company is discouraging further subscriptions for investment in the CG Portfolio Fund Ltd.

In March 2004 a new fund CG Portfolio Fund plc and its sub fund 'Real Return Fund' were launched in Dublin and raised approximately £23m. The sub fund invests in inflation protected bonds.

DIVIDENDS

The directors paid an interim dividend during the year of £432,067 (2003 - £nil). No final dividend has been paid or proposed (2003 - £nil).

DIRECTORS AND THEIR INTERESTS

The directors who served throughout the year, together with their interests in the share capital of the company, are as follows:

	30 April 2004 £	30 April 2003 £
D R Brazier	30,000	30,000
J M S Ekins (non-executive)	800	800
R P A Spiller	90,000	90,000
M Cannon Brookes (Chairman, non-executive)	800	800

AUDITORS

On 1 August 2003 Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP under the provisions of section 26(5) of the Companies Act 1989. The Company has elected to dispense with the obligation to appoint auditors annually and, accordingly, Deloitte & Touche LLP will be the auditor of the Company for the forthcoming financial year under the provisions of section 386(2) of the Companies Act 1985.

Approved by the Board of Directors
and signed on behalf of the Board



D R Brazier

Director

19th July 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year and of the profit or loss of the company 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; 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 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 are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CG ASSET MANAGEMENT LIMITED

We have audited the financial statements of CG Asset Management Limited for the year ended 30 April 2004 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinion we have formed.

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 financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

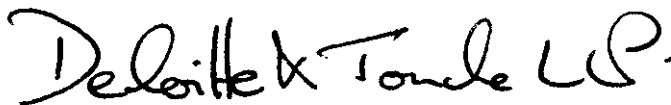
Basis of audit opinion

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 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 30 April 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and
Registered Auditors

London

19 July 2004

CG ASSET MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT Year ended 30 April 2004

	Note	2004 £	2003 £
TURNOVER		1,133,576	547,466
Staff costs	2	(246,039)	(109,049)
Other operating charges		(133,661)	(152,309)
OPERATING PROFIT	3	753,876	286,108
Bank interest receivable		7,097	2,915
Other interest receivable		42,643	23,960
Other income		5,623	6,073
Loss on sale of fixed asset investments		(4,124)	-
Provision for impairment of fixed asset investments		(20,902)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		784,213	319,056
Tax on profit on ordinary activities	4	(212,899)	(74,395)
PROFIT ON ORDINARY ACTIVITIES AFTER TAX		571,314	244,661
Dividends paid		(432,067)	-
RETAINED PROFIT FOR THE FINANCIAL YEAR	8	139,247	244,661

All activities are continuing and there are no recognised gains or losses other than shown above for the current and preceding year.

CG ASSET MANAGEMENT LIMITED

BALANCE SHEET 30 April 2004

	Note	2004 £	2003 £
FIXED ASSETS			
Investments	5	1,032,386	707,384
CURRENT ASSETS			
Trade debtors		86,498	-
Deferred tax asset	4	3,450	-
Prepayments and accrued income		122,836	71,399
Cash at bank and in hand		125,272	142,865
		338,056	214,264
CREDITORS: amounts falling due within one year	6	(289,310)	(129,763)
NET CURRENT ASSETS		48,746	84,501
TOTAL ASSETS LESS CURRENT LIABILITIES		1,081,132	791,885
CAPITAL AND RESERVES			
Called up share capital	7	135,021	135,021
Share premium account	8	415,266	265,266
Profit and loss account	8	530,845	391,598
TOTAL EQUITY SHAREHOLDERS' FUNDS	9	1,081,132	791,885

These financial statements were approved by the Board of Directors on 17th July 2004.

Signed on behalf of the Board of Directors

D R Brazier

D R Brazier

CG ASSET MANAGEMENT LIMITED

CASH FLOW STATEMENT For the year ended 30 April 2004

	Note	2004 £	2003 £
Net cash inflow from operating activities	10	624,226	302,717
Returns on investments and servicing of finance	11	55,363	26,768
Taxation paid	11	(65,087)	(37,590)
Capital expenditure and financial investment	11	(200,028)	(490,100)
Equity dividends paid		(432,067)	-
Cash outflow before management of liquid resources and financing		(17,593)	(198,205)
Financing	11	-	22,400
Decrease in cash in the year	12/13	(17,593)	(175,805)

NOTES TO THE ACCOUNTS

Year ended 30 April 2004

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover, which arises in the United Kingdom, comprises fee income from investment management and advisory services and is stated on an accruals basis after deduction of value added tax.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value.

Deferred taxation

Deferred tax is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2004 £	2003 £
Directors' remuneration		
Emoluments (excluding pension contributions)	177,142	83,000
Pension costs	48,000	17,000
	<u>225,142</u>	<u>100,000</u>
	No.	No.
Number of directors who have had personal pension contributions paid by the company	<u>2</u>	<u>2</u>
Average number of persons employed by the company in the year		
Investment department	<u>2</u>	<u>2</u>
	£	£
Staff costs incurred during the year (including executive directors) in respect of these employees were:		
Wages and salaries	177,142	83,000
Social security costs	20,897	8,809
Pension costs	48,000	17,000
Other staff costs	-	240
	<u>246,039</u>	<u>109,049</u>

In addition, the company paid £11,280 (2003 - £11,660) in respect of consultancy fees to J M S Ekins, a non-executive director of C G Asset Management Limited.

CG ASSET MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 April 2004

3. OPERATING PROFIT

	2004 £	2003 £
Operating profit is after charging:		
Auditors' remuneration		
Audit fees	7,250	9,150
Other services	4,000	3,750
	<u>11,250</u>	<u>12,900</u>

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2004 £	2003 £
United Kingdom corporation tax at 30% (2003 - 30%) based on the taxable profit for the year	225,657	74,395
Adjustment in respect of prior period	(9,308)	-
	<u>216,349</u>	<u>74,395</u>
Deferred tax	(3,150)	-
Adjustment in respect of prior period	(300)	-
	<u>212,899</u>	<u>74,395</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 30% (2003 – 30%). The actual tax charge for the current and previous year exceeds the standard rate for the reasons set out in the following reconciliation.

	2004 £	2003 £
Profit on ordinary activities before taxation	784,213	319,056
Tax on profit on ordinary activities at standard rate	235,264	95,717
Factors affecting charge for the year:		
Expenses not deductible for tax purposes	7,481	9,227
Timing differences	3,150	991
Small company marginal relief	(18,551)	(31,540)
Non taxable income	(1,687)	-
Adjustment in respect of prior period	(9,308)	-
	<u>216,349</u>	<u>74,395</u>
	2004 £	2003 £
Deferred tax asset		
Opening balance	-	-
Credit to profit and loss account	3,450	-
Closing balance	<u>3,450</u>	<u>-</u>
Analysis of deferred tax balance:		
Short term timing differences	<u>3,450</u>	<u>-</u>

CG ASSET MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 April 2004

5. INVESTMENTS HELD AS FIXED ASSETS

	Listed Investments £	Shares in Unlisted Investments £	Total £
Cost			
At 1 May 2003	490,100	217,284	707,384
Additions	287,652	150,000	437,652
Disposals	(91,748)	-	(91,748)
At 30 April 2004	<u>686,004</u>	<u>367,284</u>	<u>1,053,288</u>
Provision for impairment			
At 1 May 2003	-	-	-
Provided in the year	20,902	-	20,902
At 30 April 2004	<u>20,902</u>	<u>-</u>	<u>20,902</u>
Net book value	<u>665,102</u>	<u>367,284</u>	<u>1,032,386</u>

The market value of the listed investments at 30 April 2004 was £665,102 (2003 - £498,625).

During the year, the company has continued to participate in a share purchase agreement with NCL (Securities) Limited, which merged with the Smith & Williamson Group to form Smith & Williamson Holdings Limited. Under the terms of the agreement, Smith & Williamson Holdings Limited had purchased 9.9% of the capital of C G Asset Management Limited in consideration for a cash payment and the issue of 'A' shares in Smith & Williamson Holdings Limited over a period of two years, conditional upon increasing levels of assets under management.

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £	2003 £
Corporation tax	225,657	74,395
Other taxation and social security	1,814	10,230
Accruals and deferred income	41,492	45,138
Other creditors	20,347	-
	<u>289,310</u>	<u>129,763</u>

7. CALLED UP SHARE CAPITAL

	2004 £	2003 £
Authorised		
200,000 (2003 - 200,000) ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>
Called up, allotted and fully paid		
135,021 (2003 - 135,021) ordinary shares of £1 each	<u>135,021</u>	<u>135,021</u>

CG ASSET MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 April 2004

8. RESERVES

	Share premium Account £	Profit and loss account £
At 1 May 2003	265,266	391,598
Retained profit for the year	-	127,040
Further payment for shares issued (see below)	150,000	-
At 30 April 2004	415,266	518,638

As described in note 5 above, the company is entitled to receive further payment, in the form of shares in Smith & Williamson Holdings Limited, in respect of the shares issued to NCL (Securities) Limited in April 2003 over a period ending no later than July 2004, dependent on the company continuing to increase its funds under management.

9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 £	2003 £
Further payment for shares issued	150,000	141,225
Payment received for share capital	-	800
Premium on shares issued	-	21,600
Total payments received for the issue of shares	150,000	163,625
Profit for the year	139,247	244,661
Net addition to shareholders' funds	289,247	408,286
Opening shareholders' funds	791,885	383,599
Closing shareholders' funds	1,081,132	791,885

10. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2004 £	2003 £
Operating profit	753,876	286,108
Increase in debtors	(137,935)	(10,008)
Increase in creditors	8,285	26,617
Net cash inflow from operating activities	624,226	302,717

CG ASSET MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 April 2004

11. ANALYSIS OF CASH FLOWS

	2004 £	2003 £
Returns on investments and servicing of finance		
Interest received	49,740	20,695
Other income	5,623	6,073
Net cash inflow	55,363	26,768
Taxation		
UK corporation tax paid	(65,087)	(37,590)
Net cash outflow	(65,087)	(37,590)
Purchase of fixed asset investments (unlisted)	-	(490,100)
Purchase of fixed asset investments (listed)	(287,652)	-
Proceeds on disposal of fixed asset investments (listed)	87,624	-
Net cash outflow	(200,028)	(490,100)
Financing		
Issue of ordinary share capital	-	22,400
Net cash inflow	-	22,400

12. RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET FUNDS

	2004 £	2003 £
Decrease in cash during the year	(17,593)	(175,805)
Movement in net funds in the year	(17,593)	(175,805)
Net funds at 1 May	142,865	318,670
Net funds at 30 April	125,272	142,865

13. ANALYSIS OF NET FUNDS

	At 1 May 2003 £	Cashflow £	At 30 April 2004 £
Cash at bank	142,865	(17,593)	125,272

14. CONTROLLING PARTY

The ultimate controlling party is R P A Spiller, by virtue of his 66.66% shareholding in the company.

15. RELATED PARTY TRANSACTIONS

During the year the company paid £54,743 (2003 - £74,975) in respect of office facilities to NCL Investments Limited part of the Smith & Williamson Group of companies, which also owns 9.94% of the issued share capital of the company. At 30 April 2004, £35,488 was owed to NCL Investments Limited (2003 - £16,460). The company also has current and deposit account balances held with Smith & Williamson (Bankers), which at the year end amounted to £125,272 (2003 - £nil).