



GNI HOLDINGS LIMITED
FINANCIAL STATEMENTS
31ST OCTOBER 2002



GNI HOLDINGS LIMITED

CONTENTS

	Page
Report of the Directors	2-4
Report of the Auditors	5
Consolidated Profit and Loss Account	6
Statement of Total Recognised Gains and Losses	6
Consolidated Balance Sheet	7
Group Cash Flow Statement	8
Company Balance Sheet	9
Notes to the Financial Statements	10-25

GNI HOLDINGS LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the group for the ten month period ended 31st October 2002.

Principal Activities

The company is an investment holding company. The principal activities of its subsidiary undertakings are the earning of commission, interest, fee income and profits as dealers and brokers in the derivatives, securities and foreign exchange markets.

Review of the Business

The GNI group made a profit before tax of £7.9m in the period to 31st October 2002 (year ended 31st December 2001: £17.7m). The group has continued to expand its broking capacity in the on and off-exchange traded derivative markets.

On 6th November 2002, GNI Holdings Limited was acquired by E D & F Man Group Limited. As a result of the acquisition, the Company's year-end was changed to 31st October. The Directors are confident that the Company will continue to trade profitably during the following trading period.

Results and dividends

The company paid interim dividends on ordinary shares during the period of £13.0m (year ended 31st December 2001: nil). Details of the preference dividend paid and payable are disclosed in note 7 to the financial statements. The retained loss for the period of £3.7m will be taken to reserves.

Directors

The directors who served during the period were:

I.R.B. Perkins
K.F. Harbour
A.S.R. Jones
J.G. Rogers-Coltman
N.C. Wallis

No director had a material interest in any contract or arrangement with the group during the year. Details of directors' interests in securities and debt of Old Mutual plc are set out below.

GNI HOLDINGS LIMITED

REPORT OF THE DIRECTORS

(Continued)

Old Mutual plc

Floating Rate Unsecured Loan Notes 2010

	31 st October 2002 £	Disposals in the period £	1st January 2002 £
K.F. Harbour	1,463,889	-	1,463,889
N.C. Wallis	178,836	-	178,836

Old Mutual plc

Options over Ordinary Shares of 10p each

	31 st October 2002	Exercised in the period	Granted in period	Lapsed in period	1st January 2002
K.F. Harbour	71,194	-	7,736	5,323	68,781
A.S.R. Jones	448,639	-	19,939	13,719	442,419
I.R.B Perkins	493,639	-	326,445	7,876	175,070
J.G. Rogers-Coltman	249,233	-	-	3,055	252,328
N.C. Wallis	224,740	-	-	-	224,740

Creditor Payment Policy

The company and group's current policy concerning the payment of its creditors is to:-

- settle the terms of payment with suppliers when negotiating the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with its contractual and legal obligations.

The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception. Wherever possible UK subsidiaries follow the same policy and overseas subsidiaries are encouraged to adopt similar policies by applying local best practice.

GNI HOLDINGS LIMITED

REPORT OF THE DIRECTORS

(Continued)

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.

Changes In Fixed Assets

The movements in fixed assets during the period are set out in notes 8 to 11 to the financial statements.

Employees

During the period the group continued to provide employees with relevant information and to seek their views on matters of common concern through line managers. Priority is given to ensuring that employees are aware of all significant matters affecting the group's trading position and of any significant organisational changes.

It is the policy of the group to support the employment of disabled persons where possible, both by recruitment and by retention of employees who become disabled whilst in the employment of the group, as well as generally through training and career development.

Auditors

Since the end of the financial period, KPMG Audit Plc have resigned as auditors of the Company and the Directors have appointed PricewaterhouseCoopers LLP to fill the casual vacancy. The Directors will place a resolution before the Annual General Meeting to re-appoint PricewaterhouseCoopers LLP as auditors for the following next financial period.

The report of the directors was approved by the Board on 16th April 2003 and signed on its behalf by:



B Wakefield
Secretary

GNI HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GNI HOLDINGS LIMITED

Independent auditors' report to the members of GNI Holdings Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses, and the related notes.

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 in to 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 whether the financial statements have been 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 and the Group 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.

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 and Group'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 affairs of the company and the Group at 31st October 2002 and of its loss and cash flows of the Group for the period then ended and the financial statements have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London, 16th April 2003

GNI HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE 10 MONTH PERIOD ENDED 31ST OCTOBER 2002

	Note	2002 (10 months) £'000	2001 (12 months) restated £'000
Turnover from continuing operations	1	115,931	128,811
Cost of sales		(43,579)	(42,289)
Gross profit		72,352	86,522
Administrative expenses		(69,902)	(76,625)
Operating profit from continuing operations	2(a)	2,450	9,897
Profit on the sale of fixed assets	2(b)	4,000	7,062
Other interest receivable and similar income		2,138	3,157
Other interest payable and similar charges	4	(723)	(2,423)
Profit on ordinary activities before taxation		7,865	17,693
Tax on profit on ordinary activities	6	1,621	(6,574)
Profit for the financial period		9,486	11,119
Dividends	7	(13,185)	(222)
Retained (loss)/profit for the period	17	(3,699)	10,897

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE 10 MONTH PERIOD ENDED 31ST OCTOBER 2002

	2002 (10 months) £'000	2001 (12 months) restated £'000
Profit for the financial period	9,486	11,119
Currency translation differences on foreign currency net investments	(287)	(10)
Total recognised gains and losses for the period	9,199	11,109
 Prior period adjustment (note 1)	 2,621	
Total recognised gains and losses since previous annual report	 11,820	

GNI HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31ST OCTOBER 2002

	Note	31 st October 2002 £'000	31 st December 2001 (restated) £'000
Fixed assets			
Tangible assets	8	5,567	9,093
Investments	9	1,016	997
Market memberships	11	10,734	8,511
		<u>17,317</u>	<u>18,601</u>
Current assets			
Debtors	12	4,665,205	7,498,451
Investments		1,288,667	1,427,138
Cash at bank and in hand		92,649	58,230
		<u>6,046,521</u>	<u>8,983,819</u>
Creditors: amounts falling due within one year	13	<u>(5,988,764)</u>	<u>(8,923,073)</u>
Net current assets		<u>57,757</u>	<u>60,746</u>
Total assets less current liabilities		<u>75,074</u>	<u>79,347</u>
Creditors: amounts falling due after more than one year	14	<u>(10,000)</u>	<u>(10,000)</u>
		<u>65,074</u>	<u>69,347</u>
Capital and reserves			
Called up share capital	16	4,732	4,732
Share premium account	17	1,280	1,280
Capital reserve on acquisition	17	-	287
Profit and loss account	17	59,062	63,048
Shareholders' funds	18	<u>65,074</u>	<u>69,347</u>
Equity interest in shareholders' funds		61,663	65,936
Non-equity interest in shareholders' funds		3,411	3,411

The financial statements were approved by the Board on 16th April 2003 and signed on its behalf by:



N C Wallis
Director

GNI HOLDINGS LIMITED

GROUP CASH FLOW STATEMENT FOR THE 10 MONTH PERIOD ENDED 31ST OCTOBER 2002

	Note	2002 (10 months) £'000	2001 (12 months) £'000
Net cash flow from operating activities	21	86,682	6,113
Returns on investments and servicing of finance	22	1,230	513
Taxation			
UK Corporation tax paid		(8,483)	296
Overseas tax paid		(721)	(895)
		(9,204)	(599)
Capital expenditure and financial investment	23	(3,370)	(7,511)
Acquisitions and disposals	24	10,695	(42)
Equity dividends paid		(13,000)	-
Cash inflow/(outflow) before financing and management of liquid resources		73,033	(1,526)
Management of liquid resources		76,030	(81,337)
Financing			
Issue of subordinated loans		-	5,000
Increase/(decrease) in cash in the period		<u>149,063</u>	<u>(77,863)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Note	2002 (10 months) £'000	2001 (12 months) £'000
Increase/(decrease) in cash in the period		149,063	(77,863)
Cash flow from movement in debt		-	(5,000)
Cash flow from management of liquid resources		(76,030)	81,337
Change in net debt resulting from cash flows		73,033	(1,526)
Currency translation difference		933	(590)
Movement in net debt		73,966	(2,116)
Opening net debt		14,636	16,752
Closing net debt	25	<u>88,602</u>	<u>14,636</u>

GNI HOLDINGS LIMITED

COMPANY BALANCE SHEET AS AT 31ST OCTOBER 2002

	Note	2002 £'000	2001 (restated) £'000
Fixed assets			
Investment in subsidiaries	10	19,428	23,992
Tangible assets	8	4,987	8,558
Other investments	9	698	798
		<u>25,113</u>	<u>33,348</u>
Current assets			
Debtors	12	13,698	17,210
Cash at bank and in hand		800	800
		<u>14,498</u>	<u>18,010</u>
Creditors: amounts falling due within one year	13	<u>(25,645)</u>	<u>(41,367)</u>
Net current liabilities		<u>(11,147)</u>	<u>(23,357)</u>
Total assets less current liabilities		13,966	9,991
Creditors: amounts falling due after more than one year	14	<u>(5,000)</u>	<u>(5,000)</u>
		<u>8,966</u>	<u>4,991</u>
Capital and reserves			
Called up share capital	16	4,732	4,732
Share premium account	17	1,280	1,280
Profit and loss account	17	2,954	(1,021)
Shareholders' funds		<u>8,966</u>	<u>4,991</u>
Equity interests in shareholders' funds		5,555	1,580
Non-equity interest in shareholders' funds		3,411	3,411

The financial statements were approved by the Board on 16th April 2003 and signed on its behalf by:



N C Wallis
Director

GNI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Convention

The financial statements are prepared under the historical cost convention in accordance with applicable UK accounting standards and in accordance with Schedule 4 of the Companies Act 1985 except as explained below. The principal accounting policies which the Directors have adopted within that convention are set out below.

The Company adopted FRS 18 'Accounting Policies' in 2001. The Company continues to review and update its accounting policies, although there have been no significant changes in 2002.

Revenue recognition

Turnover comprises: execution and clearing commissions which are recognised as earned; net interest income, generated from client funds, which is recognised as earned; other operating income, which arises largely from foreign exchange, metals and energy trading activity where the company acts as matched principal broker which is recognised as earned; fees and rebates earned on the company's matched principal stock loan portfolio which are recognised as earned.

In accordance with accepted practice, those financial instruments (including forward positions, derivatives, securities, loans and deposits) held for trading purposes are marked-to-market and consequent gains and losses are taken to the profit and loss account. This is not in accordance with Schedule 4 to the Companies Act 1985, which requires that such assets be stated at the lower of cost and net realisable value, or that, if revalued, any revaluation differences be taken to revaluation reserve. It is not practical to quantify the effect on the financial statements of this departure, since information on original cost, being of no continuing relevance to the business, is not available.

The directors consider that the Companies Act requirements would fail to give a true and fair view of the profit for the period of the Group, since the marketability of the securities enables decisions to be taken continually about whether to hold or sell them, and hence the economic measure of profit in any period is properly made by reference to market values.

Basis of consolidation and goodwill

The Group financial statements consolidate the financial statements of the Company and all its subsidiary undertakings for the period to 31st October 2002.

The results of subsidiary undertakings acquired or disposed of during the financial period are included either from the date of acquisition or up to the date of disposal. The excess or deficiency of the net assets of subsidiary undertakings acquired as compared to the consideration paid is treated as a capital reserve on acquisition or goodwill.

Employee Benefit Trust

In April 2002 the Company created an employee benefit trust, the GNI Limited 2002 Employee Benefit Trust (EBT), for the benefit of employees of the Group (including Executive Directors). The trustee is Abacus Corporate Trustees Limited which is an independent professional trust company. The Company makes recommendations to the Trustee in relation to the provision of benefits.

Contributions to the trust are determined by the Board annually. The contribution made in respect of the current period was £800,000. The assets and liabilities of the EBT are incorporated into the financial statements, this has the effect of increasing both assets and liabilities by £800,000. The assets incorporated into the financial statements are restricted in that they are to be used in the settlement of the liabilities of the Trust.

GNI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Depreciation

Depreciation is provided on a straight line basis to write off tangible fixed assets over their expected useful economic lives. When determining the expected useful economic life of any asset, the Company takes into account the expected rate of technological developments and the intensity at which the asset is expected to be used.

Furniture and fittings	20% per annum on cost
Office equipment	20% per annum on cost
Computer equipment	25% to 33% per annum on cost
Leasehold improvements	length of the lease
Purchased software	33% to 100% per annum on cost

Deferred taxation

Deferred taxation is provided on a full-provision basis. This is a change in accounting policy, and accordingly, the results for previous periods have been restated. Previously, deferred taxation was provided using the liability method, where there was a reasonable probability of the liability crystallising.

The change to a full provision basis reflects the Company's adoption of Financial Reporting Standard 19 (Deferred Taxation).

The effect of the change in policy is to increase reported Group profits in the previous period by £1,227,000 and by £1,394,000 in earlier periods. Group debtors at 31 December 2001 increased by £2,143,000 and the provision for deferred tax established at that date would be £nil. Company debtors at 31 December 2001 increased by £1,212,000.

Foreign exchange

Assets and liabilities held in foreign currencies are translated at the mid-market rates ruling at the balance sheet date. Foreign currency transactions are translated at the rate ruling on the date of the transaction. Differences on exchange are included in the profit and loss account.

Assets and liabilities of subsidiaries in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial period and the results of foreign subsidiaries are translated at the average rate of exchange for the period.

Investments

Investments, held as trade or strategic investments for the long term, are classified as fixed assets and are stated at cost, less any provision for impairment. Other short-term investments are classified as current assets and are stated at the lower of cost and market value.

Market and Clearing House Memberships

Market memberships consist of payments made to acquire shares in futures markets and Clearing House memberships comprise shares in the London Clearing House Limited (LCH) and contributions to the LCH's member default fund. Market and Clearing House memberships are stated at the lower of cost and net realisable value where, in the opinion of the Directors, there has been an impairment in value.

GNI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Leasing

Lease rentals for operating leases are charged to the profit and loss account on a straight line basis.

Assets and Liabilities subject to repurchase agreements

Repurchase agreements are treated as financing transactions. Securities purchased under such arrangements are treated as secured loans, and securities sold are treated as secured deposits.

Liquid Resources

United States Treasury Bills are used for margin at certain overseas exchanges and brokers and, hence, are used to manage the group's liquid resources.

Pensions

The Group operates a money purchase defined contribution scheme whereby costs are recognised in the profit and loss account as incurred. The Group was also a participating employer in a defined benefit scheme, the Gerrard & National Retirement Benefits Scheme. It is not possible to identify the Group's share of the underlying assets and liabilities in the Scheme on a consistent and reasonable basis. As permitted by FRS 17, the Group is treating this as a multi-employer scheme for the purposes of the required transitional disclosures. Details of the schemes are disclosed in Note 19.

Segregated balances

As required by the United Kingdom Financial Services and Markets Act, and the US Commodity Exchange Act, the Group maintains certain balances on behalf of clients with banks, exchanges, clearing houses, and brokers in segregated accounts. These amounts and the related liabilities to clients, whose recourse is limited to the segregated accounts, are not included in the Group balance sheet.

GNI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

	2002 (10 months) £'000	2001 (12 months) £'000
(a) Operating profit is arrived at after charging:		
Depreciation	8,230	5,898
Exceptional cost of office move	-	484
Auditors' remuneration:		
- for audit services – KPMG Audit plc	-	157
- for audit services – PricewaterhouseCoopers LLP	300	-
- for non-audit services KPMG Audit plc	-	15
- for non-audit services – PricewaterhouseCoopers LLP	95	-
Operating lease rentals	161	1,394
Amortisation of unlisted investments	85	42
	<u>4,000</u>	<u>7,062</u>
(b) Profit on sale of exchange shares		
	<u>4,000</u>	<u>7,062</u>

3. EMPLOYEES

	2002 No.	2001 No.
Average number of people (including directors) employed by the Group during the period:		
Dealers	201	192
Administration	261	276
	<u>462</u>	<u>468</u>
	£'000 (10 months)	£'000 (12 months)
Costs in respect of these employees:		
Wages and salaries	35,570	36,453
Social security costs	3,293	3,363
Pension costs	1,585	1,916
	<u>40,448</u>	<u>41,732</u>

4. OTHER INTEREST PAYABLE AND SIMILAR CHARGES

	£'000 (10 months)	£'000 (12 months)
Interest on subordinated loans from fellow subsidiary companies	585	532
Other	138	1,891
	<u>723</u>	<u>2,423</u>

5. DIRECTORS' EMOLUMENTS

	2002 (10 months) £'000	2001 (12 months) £'000
Aggregate emoluments	1,605	1,025
Pension contributions to money purchase schemes	124	107
The above amounts include the following in respect of the highest paid director:		
Aggregate emoluments	514	297
Pension contributions to money purchase schemes	56	27

The highest paid Director did not exercise any options during this period. Two Directors are members of the GNI Group money purchase scheme, and one Director is a member of the Gerrard & National Retirement Benefit Scheme.

GNI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 (10 months) £'000	2001 restated (12 months) £'000
(a) Analysis of charge in period:		
<i>Current tax:</i>		
UK corporation tax at 30% on profits of the period	3,534	6,652
Double tax relief	(1,876)	-
Adjustment in respect of prior periods	1,108	215
	<u>2,766</u>	<u>6,867</u>
Overseas tax credit	(1,948)	-
Overseas taxation	697	934
Total current tax	<u>1,515</u>	<u>7,801</u>
<i>Deferred Taxation:</i>		
Current year	(1,494)	(1,227)
Adjustment in respect of prior periods	(1,642)	-
Total deferred tax	<u>(3,136)</u>	<u>(1,227)</u>
Tax on profit on ordinary activities	<u>(1,621)</u>	<u>6,574</u>

	2002 (10 months) £'000	2001 (12 months) £'000
(b) Factors affecting the tax charge for the period:		
Profit on ordinary activities before tax	<u>7,865</u>	<u>17,693</u>
UK Corporation tax at 30% (2001: 30%)	2,360	5,308
<i>Effect of:</i>		
Expenses not deductible for tax purposes	345	583
Profits on disposals to group companies	(1,325)	-
Adjustments in respect of prior periods	1,108	215
Disposal of investments	-	(20)
Income not taxable	-	(11)
Overseas tax credit	(2,676)	-
Depreciation for the period in excess of capital allowances	1,493	1,161
Higher tax rates on overseas earnings	210	565
Current tax charge for the period	<u>1,515</u>	<u>7,801</u>

7. DIVIDENDS

	2002 (10 months) £'000	2001 (12 months) £'000
Preference dividend – paid	185	222
Ordinary dividend – paid	13,000	-
	<u>13,185</u>	<u>222</u>

GNI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8. TANGIBLE ASSETS

GROUP

	Furniture and Fittings £'000	Office Equipment £'000	Motor Vehicles £'000	Computer Equipment and Software £'000	Leasehold Improvements £'000	Total £'000
Cost						
At 1st January 2002	662	1,714	127	19,275	22	21,800
Disposals	(346)	(1,401)	(45)	(315)	-	(2,107)
Additions	64	30	-	4,629	18	4,741
Exchange rate movement	-	2	4	(38)	(2)	(34)
At 31st October 2002	380	345	86	23,551	38	24,400
Depreciation						
At 1st January 2002	589	1,603	92	10,404	19	12,707
Charge for the period	24	36	19	8,149	2	8,230
Released on disposal	(346)	(1,399)	(45)	(305)	-	(2,095)
Exchange rate movement	-	-	2	(10)	(1)	(9)
At 31st October 2002	267	240	68	18,238	20	18,833
Net book value						
At 31st October 2002	113	105	18	5,313	18	5,567
At 31st December 2001	73	111	35	8,871	3	9,093

COMPANY

	Furniture and Fittings £'000	Computer Equipment and Software £'000	Total £'000
Cost			
At 1st January 2002	216	12,608	12,824
Additions	-	4,502	4,502
Disposals	-	(23)	(23)
As at 31st October 2002	216	17,087	17,303
Depreciation			
At 1st January 2002	82	4,184	4,266
Charge for the period	37	8,013	8,050
Released on disposal	-	-	-
At 31st October 2002	119	12,197	12,316
Net book value			
At 31st October 2002	97	4,890	4,987
At 31st December 2001	134	8,424	8,558

GNI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9. INVESTMENTS

	GROUP	COMPANY
	£'000	£'000
Unlisted Investments		
Cost or Valuation		
At 1st January 2002	997	798
Additions	275	-
Disposals	(67)	-
Amortisation	(85)	-
Write down to market value	(87)	(87)
Exchange rate movements	(17)	(13)
At 31st October 2002	<u>1,016</u>	<u>698</u>

	Country of Incorporation and Operations	Group Interest in Ordinary Shares and Voting Rights
Unlisted investments (include):		
Phillip GNI Futures Pte Limited	Singapore	10%

10. INVESTMENT IN SUBSIDIARIES

Cost	£'000
At 1st January 2002	7,230
Additions	11,864
Disposals	<u>(15,025)</u>
At 31st October 2002	<u>4,069</u>
Loans	
At 1st January 2002	16,762
Repayments	(960)
Currency revaluation	<u>(443)</u>
At 31st October 2002	<u>15,359</u>
Net book value	
At 31st October 2002	<u>19,428</u>
At 31st December 2001	<u>23,992</u>

GNI Holdings Limited has issued subordinated loans to its principal subsidiaries, GNI Limited and GNI Inc.

Principal Trading Subsidiaries	Country of Incorporation and Operation	Parent & Group Interest In Ordinary Shares and Voting Rights	Principal Activity
GNI Limited	England & Wales	100%	Derivatives/Foreign Exchange Broking
GNI Incorporated	USA	100%	Derivatives/Foreign Exchange Broking
GNI SA	Switzerland	100%	Derivatives/Foreign Exchange Broking

Prior to the acquisition of GNI Holdings Limited by E D & F Man Group Limited, the Company acquired from a subsidiary and then disposed of, a number of its subsidiary undertakings. The principal subsidiaries disposed of were GNI (Channel Islands) Limited and GNI Financial Products Limited. The consideration received represented the net asset value of the companies at the date of sale. Accordingly, no gain or loss on disposal is recorded in the period. The contribution to the consolidated result for the period was not material. GNI Incorporated and GNI SA have a reporting period ending on 31st March. Additionally, the Group disposed of its holdings in the London Stock Exchange, generating a £4m profit on disposal.

GNI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11. MARKET AND CLEARING HOUSE MEMBERSHIPS

	£'000
At 1st January 2002	8,511
Additions	2,462
Disposals	(41)
Currency Revaluation	(198)
At 31st October 2002	10,734

12. DEBTORS

	GROUP		COMPANY	
	2002	2001	2002	2001
	£'000	(restated) £'000	£'000	(restated) £'000
Trade debtors	148,770	227,117	-	-
Secured stock borrowing	2,604,837	5,838,088	-	-
Securities purchased under agreements to resell	1,344,572	82,035	-	-
Loans and advances	24,035	645,126	-	-
Long stock position held for hedging purposes	489,368	672,423	-	-
Amount due from subsidiary undertakings	-	-	-	9,120
Amount due from fellow subsidiary undertakings	9,019	4,146	8,698	2,184
Amount due from ultimate parent	5	2	-	-
Amount due from immediate parent	-	4,694	-	4,694
Prepayments and accrued income	1,697	769	355	-
Other debtors	6,542	4,346	-	-
Deferred tax asset (note 28)	5,279	2,143	4,645	1,212
Net amounts available in segregated accounts (note 20)	31,081	17,562	-	-
	<u>4,665,205</u>	<u>7,498,451</u>	<u>13,698</u>	<u>17,210</u>

Dealing securities and securities given against money and stocks borrowed from third parties are used to secure deposits, repurchase liabilities and borrowed stock.

Included in trade debtors is £nil (31st December 2001 £6,085,082) due after more than one year.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		COMPANY	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Secured stock lending	3,013,031	4,300,856	-	-
Secured deposits	556,423	2,130,091	-	-
Unsecured deposits	-	2,414	-	-
Securities sold under agreements to repurchase	1,399,139	1,182,946	-	-
Short stock position held for hedging purposes	548,018	616,572	-	-
Bank loans and overdrafts	2,362	119,034	-	-
Amounts owed to subsidiary undertakings	-	-	11,967	802
Amounts owed to immediate parent company	13,053	-	13,053	-
Amounts owed to fellow subsidiary undertakings	3,968	45,748	-	39,500
Corporation tax	302	8,560	250	913
Overseas tax	36	62	-	-
Other taxes and social security	1,198	852	-	-
Trade creditors	431,391	485,665	-	-
Other creditors and accruals	19,843	30,273	375	152
	<u>5,988,764</u>	<u>8,923,073</u>	<u>25,645</u>	<u>41,367</u>

Dealing securities and securities received against money and stocks lent to third parties are used to secure deposits, repurchase liabilities and borrowed stock.

GNI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	GROUP		COMPANY	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Amount due to immediate parent	5,000	5,000	5,000	5,000
Amount due to fellow subsidiary	5,000	5,000	-	-
	<u>10,000</u>	<u>10,000</u>	<u>5,000</u>	<u>5,000</u>

	GROUP		COMPANY	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Bank loans and overdrafts are repayable as follows:				
In one year or less	<u>2,362</u>	<u>119,034</u>	<u>-</u>	<u>-</u>
	<u>2,362</u>	<u>119,034</u>	<u>-</u>	<u>-</u>

Included in the above are:

On 16th December 1992 GNI Holdings Limited signed a subordinated loan agreement with Gerrard Group plc for £2,500,000. Interest is payable at 2% above the three month LIBOR rate offered by Lloyds Bank Plc, subject to a minimum rate of 8% and a maximum rate of 13%.

On 24th November 1993 GNI Holdings Limited signed a subordinated loan agreement with Gerrard Group plc for £2,500,000. Interest is payable at 2% above the three month LIBOR rate offered by Lloyds Bank Plc, subject to a minimum of 8% and a maximum rate of 13%.

On 19th March 2001 GNI Limited, the principal subsidiary of GNI Holdings Limited, signed a subordinated loan agreement with Old Mutual Financial Services (UK) plc for £5,000,000. Interest is payable at 2% above the three month LIBOR rate quoted by the British Bankers Association.

All the above loans were repaid on 6th November 2002.

15. PROVISIONS FOR LIABILITIES AND CHARGES

	Group
	£'000
Deferred taxation	
At 31 st December 2001	478
Prior period adjustment (note 1)	<u>(478)</u>
At 31st December 2001 – restated and at 31st October 2002	<u>-</u>

GNI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

16. SHARE CAPITAL

	2002 £'000	2001 £'000
AUTHORISED		
Deferred Ordinary Shares of 10p each	1,514	1,514
12,446,001 Ordinary Shares of \$0.01 each	82	82
	<u>1,596</u>	<u>1,596</u>
6½% "C" Convertible Redeemable Preference Shares of £1 each	1,727	1,727
6½% "D" Convertible Redeemable Preference Shares of £1 each	2,273	2,273
	<u>4,000</u>	<u>4,000</u>
	<u>5,596</u>	<u>5,596</u>
	2002 £'000	2001 £'000
ALLOTTED AND FULLY PAID		
Deferred Ordinary Shares of 10p each	1,239	1,239
Warrants over Ordinary Shares of US\$0.01 each	82	82
	<u>1,321</u>	<u>1,321</u>
6½% "C" Convertible Redeemable Preference Shares of £1 each	1,138	1,138
6½% "D" Convertible Redeemable Preference Shares of £1 each	2,273	2,273
	<u>3,411</u>	<u>3,411</u>
	<u>4,732</u>	<u>4,732</u>

The Deferred Ordinary Shares of 10p each carry no rights to dividends, no voting rights and receive a return on liquidation only after the Ordinary Shareholders have received their entitlement. The Ordinary Shares each carry a vote and are entitled to dividends and a return on liquidation after the Preference Shareholders have received their entitlement. The rights of the Ordinary Shares have been transferred to the Warrants over Ordinary Shares. The Preference Shares have no voting rights and are redeemable on 26th April 2010, but may be redeemed at par between 26th April 2000 and 26th April 2010 at the request of the Preference Shareholders.

GNI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

17. RESERVES

	GROUP			COMPANY	
	Profit and Loss Account £'000	Capital Reserve on Acquisition £'000	Share Premium Account £'000	Share Premium Account £'000	Profit and Loss Account £'000
At 1 st January – as previously stated	60,427	287	1,280	1,280	(2,233)
Prior period adjustment (note 1)	2,621	-	-	-	1,212
At 1st January 2002 - restated	63,048	287	1,280	1,280	(1,021)
Exchange rate movement	(287)	-	-	-	-
Released on disposal	-	(287)	-	-	-
Retained profit/(loss) for the period	(3,699)	-	-	-	3,975
At 31st October 2002	59,062	-	1,280	1,280	2,954

The Company has taken advantage of S.230(4) of the Companies Act 1985 and a separate profit and loss account for the Company itself is not therefore presented.

Of the profit and loss for the financial period attributable to shareholders a profit of £17.2 million (31st December 2001: £2.5 million loss) is dealt with in the financial statements of the parent company.

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £'000	2001 restated £'000
Profit for the financial period	9,486	11,119
Dividends	(13,185)	(222)
	(3,699)	10,897
Release of capital reserve on disposal	(287)	-
Other recognised losses relating to the period	(287)	(10)
Net (reductions in)/additions to shareholders' funds	(4,273)	10,887
Opening shareholders' funds – as previously stated	-	57,066
Prior period adjustment (note 1)	-	1,394
Opening shareholders' funds - restated	69,347	-
Closing shareholders' funds	65,074	69,347

GNI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL COMMITMENTS

a. Operating	2002		2001	
	Land and Buildings £'000	Other Assets £'000	Land and Buildings £'000	Other Assets £'000
Annual commitments under operating leases are:				
Leases expiring in one year	15	-	-	-
Leases expiring in two to five years	-	6	-	-
Leases expiring after five years	181	2	-	-
	<u>196</u>	<u>8</u>	<u>-</u>	<u>-</u>

b. Pension Cost

The Group operates a number of pension schemes in the UK. These schemes have been designed and administered in accordance with UK practices and include both defined contribution arrangements and a defined benefit scheme. The assets of these schemes are held in separate trustee administered funds or individual policies. Not all employees are members of a pension scheme.

The GNI Group Money Purchase Pension Plan is a voluntary defined contribution scheme managed by Friends Provident Pensions Limited. The level of contributions is varied according to a scale of length of service and seniority within the Group. At 31st October 2002 contributions for all defined contribution arrangements accrued but not paid amounted to £41,279 (31st December 2001: £17,104). The charge for the period was £1.384m.

The Group is also a participating employer in a defined benefit scheme, the Gerrard & National Retirement Benefit Scheme (which is closed to new entrants). A number of GNI Group employees are members of this Scheme. Pension costs and contributions relating to this scheme are assessed in accordance with the advice of a qualified actuary. The Group has continued to account for pensions in accordance with SSAP 24. FRS 17 "Retirement Benefits" was issued in November 2000 but requires only phased transitional disclosures for the Group. These disclosures, to the extent not given in (a) are set out in (b) below.

(a) A full actuarial valuation of the Scheme was carried out by the Scheme Actuary as at 1 April 2000 using the attained age method of valuation. The principal actuarial assumptions adopted in that valuation were investment returns (pre-retirement) of 7% p.a., investment returns (post-retirement) of 6% p.a., salary increases of 6% p.a. and pension increases of 3.5% p.a. At 1 April 2000, the market value of the Scheme's assets was £63.1m and these were sufficient to cover 124% of the value of the benefits that had accrued to members of the Scheme for service to the valuation date and allowing for future salary increases. The next full actuarial valuation is due to be carried out as at 1 April 2003.

During the 10 month period to 31 October 2002 employer contributions of £105,250 (30% of pensionable salary) were paid into the defined benefit scheme. The contribution rate will be reviewed following the results of the 1 April 2003 actuarial valuation.

(b) The actuarial valuation used for FRS 17 disclosures was carried out at 30 June 2002 and updated to 31 October 2002 by a qualified independent actuary. The major assumptions used by the actuary were:

GNI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

	31 Oct 2002	31 Dec 2001
Rate of increase in salaries	4.25%	4.50%
Rate of increase in pensions in payment	3.00%	3.00%
Discount rate	5.50%	5.75%
Inflation assumption	2.25%	2.50%

It was not possible for the Group to identify its share of the underlying assets and liabilities in the Scheme on a consistent and reasonable basis. Consequently, contributions to the Scheme were accounted for as if the Scheme was a defined contribution scheme and appropriate additional disclosures for the whole Scheme made in accordance with FRS17 paragraph 9(b).

The following amounts at 31st October 2002 and 31st December 2001 were measured in accordance with the requirements of FRS 17.

	2002 £ 000s	2001 £ 000s
Total market value of assets	54,856	57,257
Present value of scheme liabilities	(62,285)	(54,450)
Deficit/Surplus in the scheme	(7,429)	2,807
Movement in surplus during the 10 months to 31st October 2002		£ 000s
<i>Surplus in the scheme at 31st December 2001</i>		2,807
<i>Movement in period:</i>		
Current service cost		(257)
Contributions		208
Past service costs		0
Other finance income		244
Actuarial loss		(10,431)
Deficit in the scheme at 31 st October 2002		(7,429)

The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected at 31 Oct 2002	Market value at 31 Oct 2002 £ 000s	Long-term rate of return expected at 31 Dec 2001	Market value at 31 Dec 2001 £ 000s
Equities	7.50%	15,410	7.50%	17,233
Insured annuities	5.50%	19,330	5.75%	18,293
Gilts	4.50%	19,504	5.00%	21,118
Cash	4.00%	612	4.00%	613
Total market value of assets		54,856		57,257

GNI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

A fair value has been placed on the insured annuities, which have been valued on a basis consistent with that used to value the liabilities.

Following the acquisition of GNI Holdings Limited by E D & F Man Group Limited on 6th November 2002, the three Group employees who were members of the Gerrard & National Retirements Benefit Scheme (the "Scheme") became deferred pensioners of the Scheme. Consequently, the Group will not be required to pay further contributions in respect of members accruing further benefits in the Scheme. However, following the acquisition, the Group is to be removed as a participating employer of the Scheme and, in accordance with Section 75 of the Pensions Act 1995 and the Sale & Purchase agreement, Gerrard Group plc will be required to make good any debt that is apportioned to those members leaving the Scheme.

20. ANALYSIS OF NET AMOUNTS IN UK SEGREGATED ACCOUNTS

	2002 £'000	2001 £'000
Cash at bank and in hand	256,989	258,533
Amounts due from brokers	211,183	165,951
Amounts due to clients	(438,535)	(409,048)
Net cash available in segregated accounts	29,637	15,436
Amounts due from clients	1,444	2,126
Net amounts available in segregated accounts	31,081	17,562

21. NET CASH FLOW FROM OPERATING ACTIVITIES

	2002 £'000	2001 £'000
Operating profit	2,450	9,897
Amortisation of unlisted investments	85	42
Depreciation of tangible fixed assets	8,230	5,898
Loss on disposal of fixed assets	12	3,279
Reduction in value of fixed asset investments	87	-
Decrease/(increase) in debtors	2,821,307	(4,151,946)
Decrease/(increase) in current asset investments	61,281	(1,101,205)
(Decrease)/increase in creditors	(2,806,770)	5,233,087
Cash flow from exceptional items	-	7,061
	86,682	6,113

22. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2002 £'000	2001 £'000
Interest received	2,138	3,157
Interest paid	(723)	(2,422)
Preference dividends paid	(185)	(222)
	1,230	513

GNI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

23. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2002 £'000	2001 £'000
Purchase of tangible fixed assets	(4,741)	(9,050)
Purchase of fixed asset investments	(275)	(137)
Sale of fixed asset investments	67	-
Sale of market and clearing house memberships	41	2,508
Sale of exchange shares	4,000	-
Purchase of market and clearing house memberships	(2,462)	(832)
	<u>(3,370)</u>	<u>(7,511)</u>

24. ACQUISITION AND DISPOSALS

	2002 £'000	2001 £'000
Disposal of subsidiary undertaking (note 26)	13,130	2,183
Cash disposed of with subsidiary	(2,435)	(2,225)
Net cash outflow for acquisitions and disposals	<u>10,695</u>	<u>(42)</u>

25. ANALYSIS OF NET FUNDS

	Cash £'000	Liquid Resources £'000	Overdrafts £'000	Subordinated Loans £'000	Net Funds £'000
At 1 January 2001	37,818	4,215	(20,281)	(5,000)	16,752
Cash flow	20,326	81,337	(98,189)	(5,000)	(1,526)
Currency translation difference	86	(112)	(564)	-	(590)
At 31 December 2001	58,230	85,440	(119,034)	(10,000)	14,636
Cash flow	35,862	(76,030)	113,201	-	73,033
Currency translation difference	(1,443)	(1,095)	3,471	-	933
At 31 October 2002	<u>92,649</u>	<u>8,315</u>	<u>(2,362)</u>	<u>(10,000)</u>	<u>88,602</u>

26. SALE OF SUBSIDIARIES

	2002 £'000	2001 £'000
Net Assets disposed of:		
Debtors	14,095	493
Current asset investments	64	-
Cash at bank and in hand	2,435	2,225
Creditors	(3,464)	(535)
	<u>13,130</u>	<u>2,183</u>
Consideration received	(13,130)	(2,183)
Profit on sale	<u>-</u>	<u>-</u>

27. MANAGEMENT OF LIQUID RESOURCES

Liquid resources comprise short-dated United States Treasury Bills.

GNI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

28. DEFERRED TAX ASSET

	GROUP		COMPANY	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Accelerated capital allowances	4,812	1,484	4,645	1,212
Other short-term timing differences	467	659	-	-
	<u>5,279</u>	<u>2,143</u>	<u>4,645</u>	<u>1,212</u>
Asset at start of period	2,143	916	1,212	19
Deferred tax credit in the period	<u>3,136</u>	<u>1,227</u>	<u>3,433</u>	<u>1,193</u>
	<u>5,279</u>	<u>2,143</u>	<u>4,645</u>	<u>1,212</u>

29. RELATED PARTY TRANSACTIONS

- (a) Certain directors and senior management have personal account dealing facilities with group companies. All dealings are on normal commercial terms and are not considered material for either party.
- (b) Certain subsidiaries within the group operate discretionary accounts and funds for clients for which they receive fees and commissions on normal commercial terms.
- (c) A number of GNI Limited's central administrative staff service other Old Mutual UK Group companies. These services covered human resources, accounts payable, compliance and legal, credit and risk and IT support. The reimbursement to GNI Limited for the provision of these services was £361,000. (2001: £635,000)
- (d) As part of the Old Mutual Group, GNI Limited was charged by OMFS Central Services Limited for a number of central overheads, including property costs, share option funding, insurance and regulatory compliance. The total cost to the company of these charges was £8.3 million. (2001: £4,981,000)

30. THE ULTIMATE PARENT COMPANY AND POST BALANCE SHEET EVENT

The ultimate parent company at 31st October 2002 was Old Mutual plc, a company incorporated in England & Wales. A copy of its financial statements can be obtained from The Company Secretary, Old Mutual plc, 3rd Floor, Lansdowne House, 57 Berkeley Square, London W1X 5DX. On 7 November 2002, the entire share capital of GNI Holdings Limited, was purchased by E D & F Man Group Limited. The ultimate parent company is now Man Group plc, a company incorporated in England & Wales. A copy of its financial statements can be obtained from the Company Secretary, Man Group plc, Sugar Quay, Lower Thames Street, London EC3R 6DU.