

JOH (SECURITIES) LIMITED
DIRECTORS' REPORT AND ACCOUNTS
30TH SEPTEMBER 1998



DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 30th September 1998.

Principal Activities and Review of the Business

The Company has not traded during the year.

The directors do not recommend the payment of a dividend (1997:£Nil).

Post Balance Sheet Events

The JO Hambro Group reorganisation is detailed in note 9.

Year 2000 Compliance

The Company has implemented a programme to manage the risk that computer systems and equipment with embedded microprocessors are Year 2000 compliant. This is to mitigate the risk of computers or equipment malfunctioning at the millennium change.

The programme identifies three categories of risk: computer systems supported in-house, systems and equipment not supported in-house and the risk to the business of problems encountered by suppliers.

All hardware and software suppliers have been asked to confirm compliance with Year 2000 requirements and will be asked to sign appropriate warranties.

The resources required to achieve Year 2000 compliance will be provided from normal revenue budgets and if necessary by reallocation of budgeted expenditures.

Since resolving the Year 2000 problem will be partly achieved from planned upgrades or new systems, the total cost of remediation cannot be defined precisely. However it is not expected that the amount involved will have a material impact on the results of the Company.

Euro Compliance

EMU will start on 1st January 1999 comprising 11 countries. The UK will not enter in this initial stage and has not yet committed itself to an entry date.

Where necessary, business information systems are being upgraded and staff trained to handle euro-denominated transactions, including dual currency transactions in the transition period from 1st January 1999 to 1st January 2002, the latest date for the introduction of euro notes and coins.

In the short term, the company does not expect the costs or benefits from the introduction of the euro to have a material effect on trading performance.

Directors and Directors' Interests

The Directors who served during the year under review are shown below:

R.N. Hambro
R.A. Hambro
R.C.O. Hellyer

DIRECTORS' REPORT (continued)

On 1st October 1998 R.C.O. Hellyer and Lord Balniel resigned as directors and R.A. Hambro, R.N. Hambro and T.B.M. Holcroft were appointed directors.

None of the Directors had any interest in the share capital of the Company at any time during the year.

All of the Directors are Directors of JOH Group Ltd (formerly J O Hambro & Company Limited) and their interests in that company are disclosed in that Company's financial statements.

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 of the Company for that period. In preparing those financial statements, the Directors are required to:

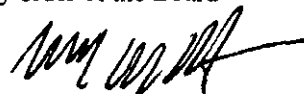
- select suitable accounting policies and apply them consistently;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare 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, which disclose with reasonable accuracy at any time, the financial position of the Company and 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.

Auditors

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



T.B.M. HOLCROFT
Secretary

10 Park Place
London SW1A 1LP

**AUDITORS' REPORT TO THE MEMBERS OF
JOH (SECURITIES) LIMITED**

We have audited the financial statements on pages 4 to 7.

Respective Responsibilities of Directors and Auditors

As described on page 2, the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 undertaking'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 30th September 1998 and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

21 January 1999

JOH (SECURITIES) LIMITED

BALANCE SHEET

As at 30th September 1998

	<u>Note</u>	<u>1998</u> <u>£</u>	<u>1997</u> <u>£</u>
Current Assets			
Debtors	5	82,952	82,952
Creditors: Amounts falling due within one year	6	<u>(137,483)</u>	<u>(137,483)</u>
Net Current Liabilities		<u>(54,531)</u>	<u>(54,531)</u>
Capital and Reserves			
Called up Share Capital	7	4,000	4,000
Profit and Loss Account		<u>(58,531)</u>	<u>(58,531)</u>
		<u>(54,531)</u>	<u>(54,531)</u>

These financial statements were approved by the Board of Directors on 21st January 1999 and signed on its behalf by

R.N. HAMBRO



Director

The notes on pages 5 to 7 form part of these financial statements

NOTES TO THE ACCOUNTS

1. Principal Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

Basis of Accounting

The financial statements have been prepared under the Historical Cost Convention and in accordance with applicable accounting standards.

Cash Flow Statement

The Company is a wholly owned subsidiary of JOH Group Ltd (formerly J O Hambro & Company Limited) and the cash flows of the Company are included in the consolidated cash flow statement of the holding Company. Consequently, the Company is exempt under the terms of Financial Reporting Standard 1 from publishing a cash flow statement.

Related Party Transactions

As the company is a wholly owned subsidiary of JOH Group Limited (formerly JO Hambro & Company Limited), the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of JOH Group Limited, within which this company is included, can be obtained from the address given in note 8.

2. Profit and Loss Account

During the financial year and the preceding financial year, the Company did not trade and received no income and incurred no expenditure. Consequently during these years, the Company made neither a profit nor a loss.

3. Employees

The Company has no employees and the Directors receive no emoluments.

4. Auditors' Remuneration

The remuneration of the auditors, amounting to £300 for the year ending 30th September 1998 will be borne by the ultimate parent undertaking, JOH Group Ltd (formerly J O Hambro & Company Limited).

JOH (SECURITIES) LIMITED

NOTES TO THE ACCOUNTS (continued)

5. Debtors

	<u>1998</u> <u>£</u>	<u>1997</u> <u>£</u>
Amount owed by ultimate parent undertaking	<u>82,952</u>	<u>82,952</u>

6. Creditors

Amounts falling due within one year

	<u>1998</u> <u>£</u>	<u>1997</u> <u>£</u>
Amount owed to parent undertaking	<u>137,483</u>	<u>137,483</u>

7. Share Capital

	<u>1998</u> <u>£</u>	<u>1997</u> <u>£</u>
Authorised:		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Share capital allotted, called up and fully paid:		
4,000 ordinary shares of £1 each	<u>4,000</u>	<u>4,000</u>

8. Ultimate Parent Undertaking

The ultimate Parent Undertaking is JOH Group Ltd (formerly J O Hambro & Company Limited), which is registered in England and Wales.

Copies of the Group financial statements can be obtained from Companies House, Crown Way, Cardiff, CF4 3UX.

The direct Holding Company is J O Hambro Investments Limited which is registered in England and Wales.

9. Post Balance Sheet Events

On 22nd September 1998 JO Hambro and Company Limited acquired the majority of the shares in JO Hambro Investment Management Limited and JO Hambro Capital Management Ltd. On 30th September 1998 JO Hambro and Company Limited changed its name to JOH Group Limited. On 1st October 1998 JOH Group Limited was placed into members voluntary liquidation. Pursuant to an agreement under section s110 of the Insolvency Act 1986 the liquidator sold the assets of the company to three new companies:

NOTES TO THE ACCOUNTS (continued)

9. Post Balance Sheet Events (continued)

JO Hambro Limited (formerly Charco 735 Ltd)
JOHIM (Holdings) Ltd (formerly Charco 734 Ltd) and
JO Hambro Capital Management (Holdings) Ltd (formerly Charco 736 Ltd)

The consideration for the sales and purchases was satisfied by the allotment and issue by the new holding companies of shares by way of renounceable letters of allotment. These shares were then distributed in specie to the shareholders of JOH Group Ltd.

As a result of the reorganisation JO Hambro Investment Management Limited became a 100 per cent subsidiary of JOHIM (Holdings) Ltd; JO Hambro Capital Management Limited became a 100 per cent subsidiary of JO Hambro Capital Management (Holdings) Ltd and the remaining subsidiaries of JOH Group Limited became 100 per cent subsidiaries of JO Hambro Limited. In addition, the other assets of JOH Group Limited were distributed to JO Hambro Limited.