

OAKES, LYMAN & Co. LIMITED

REPORT AND ACCOUNTS

For the year ended

30 JUNE 2004



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OAKES, LYMAN & Co. LIMITED

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OAKES, LYMAN & Co. LIMITED

DIRECTORS AND ADVISERS

DIRECTOR

H L Oakes Jr
R P Lyman

SECRETARY

M A Flanagan

REGISTERED OFFICE

17 Hill Street
London
W1J 5LJ

AUDITORS

Nexia Audit Limited
Chartered Accountants
No 1 Riding House Street
London
W1A 3AS

BUSINESS AND TAX ADVISERS

Smith & Williamson Limited
Chartered Accountants
No 1 Riding House Street
London
W1A 3AS

ACCOUNTANTS

WiltonGroup
26 Grosvenor Street
Mayfair
London
W1K 4QW

COMPANY'S REGISTERED NUMBER

2156778

OAKES, LYMAN & Co. LIMITED

DIRECTORS' REPORT

The directors present their report and the accounts for the year ended 30 June 2004.

Activities

The principal activity of the company is corporate finance advisory services. It is regulated by the Financial Services Authority and is a member of the London Stock Exchange and NASDAQ Europe, previously known as the European Association of Securities Dealers Automated Quotation Exchange (EASDAQ).

Review of business

During the year, the company received two new investment banking mandates that the directors believe should be concluded during the next fiscal year. These mandates contemplate substantial fees to the company and should permit the company to return to profitability. The company is currently negotiating an additional two investment banking mandates that contemplate substantial fees and the directors believe can be completed during the next fiscal year. The directors believe the pipeline of new investment banking opportunities will sustain profitability for the foreseeable future.

Results for the year and dividends

The loss for the year after taxation was £162,383 (2003: £223,199). The directors do not recommend the payment of a dividend on the ordinary shares (2003: £9,474).

Directors and their interests

The directors of the company, all of whom, except where noted, served throughout the year, and their interests in the share capital of the company, at the beginning and end of the year were as follows:

	'A' non-cumulative preference shares of £1 each		'B' non-cumulative preference shares of US\$ 1 each		Ordinary shares of £1 each	
	2004 Number	2003 Number	2004 Number	2003 Number	2004 Number	2003 Number
H L Oakes	10,000	49,216	-	-	-	-
R P Lyman	-	-	-	-	-	-

Auditors

A resolution for the re-appointment of Nexia Audit Limited will be proposed at the forthcoming Annual General Meeting.

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



H L Oakes
Director

OAKES, LYMAN & Co. LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Prepare the accounts 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 accounts 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.

Nexia Audit

— · Limited · —

Independent auditors' report to the shareholders of Oakes, Lyman & Co. Limited

We have audited the accounts of Oakes, Lyman & Co. Limited for the year ended 30 June 2004 on pages 6 to 19. These accounts have been prepared under the historical cost and 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 opinions 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 accounts in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts 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 accounts, 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 the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 30 June 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Nexia Audit Limited
Chartered Accountants
Registered Auditors

Nexia Audit Limited

1 Riding House Street
London
W1A 3AS

Date

1 October 2004

OAKES, LYMAN & Co. LIMITED**PROFIT AND LOSS ACCOUNT for the year ended 30 JUNE 2004**

	Notes	2004 £	2003 £
Turnover	2	10,775	16,265
Administrative expenses		(185,448)	(316,402)
Other operating income		13,052	73,381
Operating loss		(161,621)	(226,756)
Interest receivable and similar income	5	-	963
Interest payable	6	(3,428)	(283)
Loss on ordinary activities before taxation	7	(165,049)	(226,076)
Tax credit on loss on ordinary activities	8	2,666	2,877
Loss on ordinary activities after taxation		(162,383)	(223,199)
Dividends	9	-	(9,474)
Retained loss for the financial year	16	(162,383)	(232,673)

All of the company's operations are classed as continuing.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 30 June 2004

	2004 £	2003 £
Loss for the year	(162,383)	(232,673)
Foreign exchange differences on redemption of share capital	-	(7,536)
	(162,383)	(240,209)

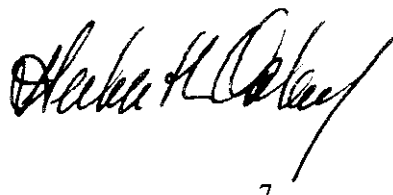
OAKES, LYMAN & Co. LIMITED

BALANCE SHEET as at 30 JUNE 2004

	Notes	2004 £	2003 £
Fixed assets			
Tangible assets	10	56,301	58,166
Investments	11	89,827	89,827
		<hr/>	<hr/>
		146,128	147,993
Current assets			
Debtors	12	564,334	357,950
Cash at bank and in hand		60,612	25,110
		<hr/>	<hr/>
		624,946	383,060
Creditors: amounts falling due within one year	13	(229,205)	(163,135)
		<hr/>	<hr/>
Net current assets		395,741	219,925
		<hr/>	<hr/>
Total assets less current liabilities		541,869	367,918
Provisions for liabilities and charges	17	(4,363)	(7,029)
		<hr/>	<hr/>
Net assets		537,506	360,889
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	14	900,403	561,403
Profit and loss account	15	(362,897)	(200,514)
		<hr/>	<hr/>
Shareholders' funds	16	537,506	360,889
		<hr/>	<hr/>
Attributable to equity shareholders		98,103	(78,514)
Attributable to non-equity shareholders:			
'A' 8% non cumulative non-voting preference shares		334,216	334,216
'B' 8% non cumulative non-voting preference shares		105,187	105,187
		<hr/>	<hr/>
		537,506	360,889
		<hr/>	<hr/>

The accounts were approved by the Board of Directors on
signed on its behalf by:

H L Oakes, Director



1 October 2004 and were

OAKES, LYMAN & Co. LIMITED

CASH FLOW STATEMENT for the year ended 30 JUNE 2004

	Notes	2004 £	2003 £
Net cash outflow from operating activities	18	(59,224)	(192,686)
Returns on investments and servicing of finance			
Interest received		-	963
Interest paid		(3,428)	(283)
Non-equity dividends paid		-	(9,474)
Net cash outflow from returns on investments and servicing of finance		(3,428)	(8,794)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(3,724)	(6,496)
Increase in other loans		(198,425)	(88,775)
Net cash outflow from capital expenditure and financial investment		(202,149)	(95,271)
Management of liquid resources			
Sale of current asset investment		-	15,650
Financing			
Share capital issued and paid		300,000	-
Increase/(decrease) in cash in the year	20	35,199	(281,101)

NOTES TO THE ACCOUNTS for the year ended 30 JUNE 2004

1 **Accounting policies**

The accounts have been prepared in accordance with applicable accounting standards. A summary of the more important accounting policies adopted are described below.

Basis of accounting

The accounts have been prepared under the historical cost convention and on a going concern basis. The ability of the company to meet its obligations as they fall due is dependent upon the successful completion of existing corporate finance mandates and the recoverability of loans granted to related companies, as disclosed in note 12. The directors are confident of the completion of a large corporate finance mandate within the next 12 months and the ability of the related companies to settle their outstanding debts with the company. Therefore, the directors consider it appropriate to prepare the accounts on the going concern basis.

Turnover

Turnover comprises of gross fee income from corporate finance services recognised when work is completed and the fee is agreed.

Turnover is stated after deduction of value added tax.

Fixed assets

Tangible

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets concerned. The following annual rates are used.

Fixtures and fittings	-	10% per annum on a reducing balance
Computer equipment	-	33% per annum on a straight-line basis

Investments

Investments have been valued at cost less any impairment in value.

Pension costs

The company operates defined contribution pension schemes covering the majority of its employees. The costs of the pension schemes are charged to the profit and loss account as and when incurred.

Deferred taxation

Deferred tax is provided for on a full provision basis on all timing differences, which have arisen but not reversed at the balance sheet date. No timing differences are recognised in respect of gains on sale of assets where those gains have been rolled over into replacement assets. Deferred tax assets are recognised to the extent that they are recoverable, that is, on the basis of all available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Any assets and liabilities recognised have not been discounted.

NOTES TO THE ACCOUNTS for the year ended 30 JUNE 2004 (continued)

1 Accounting policies (continued)

Foreign currencies

Transactions denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at that date, with resulting exchange differences being dealt with in the profit and loss account.

2 Turnover	2004 £	2003 £
Corporate finance fees	10,702	18,552
Foreign exchange translation differences	73	(2,287)
	<hr/> 10,775	<hr/> 16,265
	<hr/>	<hr/>
3 Directors' emoluments	£	£
All directors:		
Aggregate emoluments	86,333	72,000
Company pension contributions	-	12,000
	<hr/> 86,333	<hr/> 84,000
	<hr/>	<hr/>

Retirement benefits are accruing to two (2003: two) director under the company's money purchase pension scheme.

4 Employee information

The average number of persons, including directors, employed by the company during the year was:

	No.	No.
Executive staff	3	2
Administration	1	2
	<hr/> 4	<hr/> 4
	<hr/>	<hr/>

OAKES, LYMAN & Co. LIMITED

NOTES TO THE ACCOUNTS for the year ended 30 JUNE 2004 (continued)

4 Employee information (continued)

	2004	2003
	£	£
Staff costs for the above persons were:		
Wages and salaries	115,551	131,016
Social security costs	24,928	13,837
Pension costs	-	18,276
	<hr/>	<hr/>
	140,479	163,129
	<hr/>	<hr/>

5 Interest receivable and similar charges

	£	£
Bank interest receivable	-	963
	<hr/>	<hr/>

6 Interest payable and similar charges

	£	£
Other interest payable	3,428	283
	<hr/>	<hr/>

7 Loss on ordinary activities before taxation is stated after charging:

	£	£
Depreciation	5,589	10,905
Auditors' remuneration	11,000	10,000
	<hr/>	<hr/>

OAKES, LYMAN & Co. LIMITED

NOTES TO THE ACCOUNTS for the year ended 30 JUNE 2004 (continued)

8	Taxation	2004 £	2003 £
	UK corporation tax based on the profits for the year at 19% (2003: 20%)	-	-
	Adjustment in respect of prior years	-	(2,877)
		<hr/>	<hr/>
	Total current tax credit	-	-
	Reversal of timing differences (note 17)	(2,666)	(2,877)
		<hr/>	<hr/>
	Tax credit on loss on ordinary activities	(2,666)	(2,877)
		<hr/>	<hr/>
	<i>Tax reconciliation</i>	£	£
	Loss on ordinary activities before tax	(165,049)	(226,076)
		<hr/>	<hr/>
	Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003: 30%)	(49,515)	(67,823)
	<i>Tax effects of:</i>		
	Expenses not deductible for tax purposes	2,175	-
	Income not chargeable for tax purposes	-	(153)
	Capital allowances for the year in excess of depreciation	(2,593)	(582)
	Unutilised losses	49,856	72,119
	Other timing differences	77	(6,267)
	Capital gain less accounting profit	-	2,706
	Adjustments in respect of prior years	-	(2,877)
		<hr/>	<hr/>
		-	(2,877)
		<hr/>	<hr/>
9	Dividends – non equity shares	£	£
	On 'A' 8% non-cumulative preference shares – paid	-	5,600
	On 'B' 8% non-cumulative preference shares – paid	-	3,874
		<hr/>	<hr/>
		-	9,474
		<hr/>	<hr/>

OAKES, LYMAN & Co. LIMITED

NOTES TO THE ACCOUNTS for the year ended 30 JUNE 2004 (continued)

10 Tangible fixed assets	Fixtures and fittings £	Computer equipment £	Total £
Cost			
At 1 July 2003	133,993	197,187	331,180
Additions	3,724	-	3,724
	<hr/>	<hr/>	<hr/>
At 30 June 2004	137,717	197,187	334,904
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 July 2003	75,827	197,187	273,014
Charge for the year	5,589	-	5,589
	<hr/>	<hr/>	<hr/>
At 30 June 2004	81,416	197,187	278,603
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 June 2004	56,301	-	56,301
	<hr/>	<hr/>	<hr/>
At 30 June 2003	58,166	-	58,166
	<hr/>	<hr/>	<hr/>
11 Investments held as fixed assets	Subsidiaries £	Other £	Total £
Cost			
At 1 July 2003 and 30 June 2004	4	89,823	89,827
	<hr/>	<hr/>	<hr/>
		Aggregate capital & reserves £	Profit for year £
OFCO Nominees Limited – Dormant		2	-
Peoples Power Company Limited – Dormant		2	-
		<hr/>	<hr/>

OAKES, LYMAN & Co. LIMITED

NOTES TO THE ACCOUNTS for the year ended 30 JUNE 2004 (continued)

11 Investments (continued)

OFCO Nominees Limited was established to act as a nominee company for customer assets. Peoples Power Company Limited has never traded. The company owns 100% of both companies' allotted share capital.

The company owns 26% of capital in Oakes, Fitzwilliams & Co. L.P., a limited partnership.

The company has not prepared consolidated accounts on the basis that the two wholly owned subsidiaries are dormant and individually and collectively immaterial.

12 Debtors	2004 £	2003 £
Other loans	487,252	315,177
Tax recoverable	959	959
Other debtors	55,029	26,673
Prepayments	21,094	15,141
	<hr/>	<hr/>
	564,334	357,950
	<hr/>	<hr/>
13 Creditors: amounts falling due within one year	£	£
Overdraft	303	-
Trade creditors	114,519	45,568
Amount due to associated company	32,763	75,087
Other taxation and social security	32,027	4,438
Other creditors	19,013	2,754
Accruals	12,840	21,596
Director's loan account	17,740	13,692
	<hr/>	<hr/>
	229,205	163,135
	<hr/>	<hr/>

OAKES, LYMAN & Co. LIMITED

NOTES TO THE ACCOUNTS for the year ended 30 JUNE 2004 (continued)

14	Called up share capital	2004 £	2003 £
	Authorised:		
	500,000 (2003: 150,000) ordinary shares of £1 each	500,000	150,000
	550,000 "A" 8% non cumulative preference shares of £1 each	550,000	550,000
		<hr/>	<hr/>
		1,050,000	700,000
		<hr/>	<hr/>
		\$	\$
	300,000 (2003:300,000) "B" 8% non-cumulative preference shares of US\$1 each	300,000	300,000
		<hr/>	<hr/>
	Allotted and fully paid:	£	£
	461,000 (2003: 122,000) ordinary shares of £1 each	461,000	122,000
		<hr/>	<hr/>
	Non-equity shares consist of:		
	334,216 "A" 8% non-cumulative preference shares of £1 each	334,216	334,216
		<hr/>	<hr/>
	210,000 "B" 8 % non-cumulative preference shares of US\$1 each		
	\$10,000 converted at a rate of US\$1.928 = £1	5,187	5,187
	\$200,000 converted at a rate of US\$2.000 = £1	100,000	100,000
		<hr/>	<hr/>
		105,187	105,187
		<hr/>	<hr/>
	Total called up share capital	900,403	561,403
		<hr/>	<hr/>

On 22 August 2003, Oakes Lyman Consolidated Holdings Limited purchased 39,000 ordinary shares in Oakes, Lyman & Co. Limited for a consideration of £39,000. On 30 June 2004, Oakes Lyman Consolidated Holdings Limited purchased 300,000 ordinary shares in Oakes, Lyman & Co Limited for a consideration of £300,000.

The preference shares are entitled, providing this is lawful, to an 8% non-cumulative dividend, which is payable quarterly and are non-voting.

OAKES, LYMAN & Co. LIMITED

NOTES TO THE ACCOUNTS for the year ended 30 JUNE 2004 (continued)

15 Profit and loss account	2004	2003
	£	£
At 1 July 2003	(200,514)	39,695
Retained loss for the year	(162,383)	(232,673)
Foreign exchange differences on redemption of share capital	-	(7,536)
	<hr/>	<hr/>
At 30 June 2004	(362,897)	(200,514)
	<hr/>	<hr/>
16 Reconciliation of movements in shareholders' funds	£	£
Opening shareholders' funds	360,889	593,562
Loss for the financial year	(162,383)	(223,199)
Dividends paid and proposed	-	(9,474)
Shares issued	339,000	-
	<hr/>	<hr/>
Closing shareholders' funds	537,506	360,889
	<hr/>	<hr/>
17 Deferred taxation		Deferred taxation
		£
At 1 July 2003		7,029
Realised during the year		(2,666)
		<hr/>
As at 30 June 2004		4,363
		<hr/>

The deferred taxation recognised in the accounts, and the amount of unrecognised deferred tax asset, are as follows:

	Amount recognised		Amount unrecognised	
	2004	2003	2004	2003
	£	£	£	£
Accelerated capital allowances	4,754	6,224	-	7,058
Timing differences – pension	(391)	(1,901)	-	(314)
Timing differences – mark market	-	2,706	-	-
Unutilised losses	-	-	(115,798)	(72,119)
	<hr/>	<hr/>	<hr/>	<hr/>
	4,363	7,029	(115,798)	(65,375)
	<hr/>	<hr/>	<hr/>	<hr/>

The £115,798 (2003: £65,375) deferred tax asset has not been recognised on the basis that future profits are not certain.

OAKES, LYMAN & Co. LIMITED

NOTES TO THE ACCOUNTS for the year ended 30 JUNE 2004 (continued)

18	Reconciliation of operating loss to net cash outflow from operating activities	2004	2003
		£	£
	Operating loss	(161,621)	(223,879)
	Depreciation	5,589	10,905
	(Increase)/decrease in debtors	(34,309)	27,818
	Increase/(decrease) in creditors	131,117	(2,180)
	Profit on disposal	-	(5,350)
	Net cash outflow from operating activities	(59,224)	(192,686)
19	Reconciliation of net cash flow to movement in net funds	£	£
	Change in net funds resulting from cash flows	35,199	(281,101)
	Movement in net funds in the year	35,199	(281,101)
	Net funds at 1 July 2003	25,110	306,211
	Net funds at 30 June 2004	60,309	25,110
20	Analysis of net funds	At 1 July 2003	At 30 June 2004
		£	£
	Cash at bank	25,110	60,612
	Overdraft	-	(303)
	Total	25,110	60,309

OAKES, LYMAN & Co. LIMITED

NOTES TO THE ACCOUNTS for the year ended 30 JUNE 2004 (continued)

21 Related parties - related party transactions and balances

Transactions and balances with related parties of Oakes, Lyman & Co. Ltd and the nature of the relationship are summarised below:

	Sub note	2004 £	2003 £
Dividends paid to HL Oakes or members of his close family	22.1	-	9,474
Loans advanced to Oakes Lyman & Co SA	22.2	12,000	61,990
Payments to Oakes Fitzwilliams No 2 Pension Scheme	22.3	-	1,047
Fees due from Oakes Lyman & Co SA	22.4	10,771	18,552
Re-charges due from Oakes Lyman & Co SA	22.4	429,229	197,669
Loans advanced to Oakes Fitzwilliams & Co Inc	22.5	3,724	30,361
Loans due to HL Oakes	22.6	(17,258)	(12,897)
Loans due to RP Lyman	22.6	(482)	(795)
Loans due to Oakes Lyman Consolidated Holdings Limited	22.7	(25,270)	(39,000)
22.1 Directors and their interests in the shares of the company are shown in the director's report on page 3.			
22.2 Oakes Lyman & Co SA is controlled indirectly by HL Oakes and RP Lyman.			
22.3 Herbie Oakes is a trustee of Oakes Fitzwilliams & Co. Ltd No 2 Pension Scheme. Secured loans have been provided on an arm's length basis as part of normal trading arrangements.			
22.4 Oakes Lyman & Co. SA is controlled indirectly by a HL Oakes and RP Lyman. Commissions shared with or received from related parties are negotiated on normal trading terms for the type of business transacted. The above commission has arisen from the placement of shares in PhotoBioChem N.V. of which R P Lyman is a director and the Chief Executive.			
22.5 HL Oakes is a limited partner in Oakes Fitzwilliams & Co LP and also controls the general partner, Oakes Fitzwilliams & Co Inc. Loans advanced are interest free.			
22.6 Loans issued by directors are unsecured and interest free.			
22.7 Oakes Lyman Consolidated Holdings Limited, is a company registered in the Isle of Man and is owned 100% by HL Oakes and RP Lyman. Loans issued by the parent company are unsecured and interest free.			

OAKES, LYMAN & Co. LIMITED

NOTES TO THE ACCOUNTS for the year ended 30 JUNE 2004 (continued)

22 Ultimate parent company

At 30 June 2004, the ultimate parent company was Oakes Lyman Consolidated Holdings Limited, a company registered in the Isle of Man, accounts of which can be obtained from 22 Athol Street, Douglas, Isle of Man.

23 Contingent liabilities

At 30 June 2004, the company had no contingent liabilities (2003: £nil).