

**FARLAKE GROUP PLC**

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**FARLAKE GROUP PLC**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2002**



**Registered Number: 02356184**

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**OFFICERS AND PROFESSIONAL ADVISERS**

<b>Registered Office</b>	29/30 Cornhill London EC3V 3NF
<b>Registered Number</b>	02356184
<b>Directors</b>	P D W Ingram G F Horton
<b>Company Secretary</b>	I Blumberg
<b>Auditors</b>	Deloitte & Touche London
<b>Solicitors</b>	Memery Crystal 31 Southampton Row London WC1B 5HT  McGrigor Donald 63 Queen Victoria Street London EC4N 4ST
<b>Bankers</b>	The Royal Bank of Scotland Plc 36 -38 Baldwin Street Bristol BS1 1NR

## **DIRECTORS' REPORT**

The Directors present their annual report and the audited financial statements of the Company for the year ended 30 September 2002.

## **PRINCIPAL ACTIVITY**

The principal activity is that of a Holding Company.

## **RESULTS AND DIVIDENDS**

The results for the year are shown in the profit and loss account on page 7. The loss for the year after taxation was £1,312,499 (2001 : £345,941). No dividends have been paid or proposed in relation to the year ended 30 September 2002 (2001: £nil).

## **DIRECTORS AND DIRECTORS' INTERESTS IN SHARES**

None of the directors have any interests in the share capital of the Company. The Directors who served during the year were as follows:

G Okun (resigned 25 February 2002)

P D W Ingram (appointed 25 February 2002)

G F Horton (appointed 9 October 2002)

J Mackay (resigned 9 October 2002)

P D W Ingram is a director of the ultimate parent company, Seymour Pierce Group Plc. His interests in the shares of the ultimate parent company are disclosed in the accounts of Seymour Pierce Group Plc.

G F Horton has been granted the following options in the ultimate parent company, Seymour Pierce Group Plc:

	30 September 2001	Granted in the period	Exercised in the period	30 September 2002	Exercise price	Date from which exercisable	Expiry date
Approved	25,000*		-	-	26.50p	01/08/2003	31/07/2010
Approved	20,000*		-	-	26.75p	02/10/2003	01/10/2010
Approved	105,000		-	105,000	10.00p	31/07/2004	30/07/2011
Approved		45,000		45,000	10.00p	21/02/2005	20/02/2005
Unapproved		100,000		100,000	12.00p	04/12/2003	03/12/2003
SAYE Scheme	22,705**			-	25.60p	01/08/2003	31/07/2010
SAYE Scheme	89,699**			-	10.80p	01/09/2004	31/08/2011
SAYE Scheme		148,437		148,437	6.40p	01/08/2005	31/07/2012

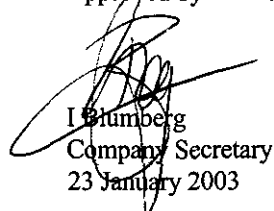
\* these share options were cancelled on 20 February 2002 and were reissued on 21 February 2002 with an exercise price of 10p, exercisable from 21 February 2005 and expiring on 20 February 2012.

\*\* these share options were surrendered during the year under review.

## **AUDITORS**

It is proposed that the Company's auditors, Deloitte & Touche, be reappointed in accordance with section 385 of the Companies Act 1985.

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

  
I Blumberg  
Company Secretary  
23 January 2003

**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 subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a 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 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  
FARKAKE GROUP PLC**

We have audited the financial statements of Farlake Group Plc for the year ended 30 September 2002 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

**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.

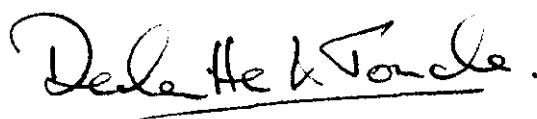
**Basis of audit opinion**

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 September 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



DELOITTE & TOUCHE  
Chartered Accountants  
and Registered Auditors  
London

23 January 2003

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 SEPTEMBER 2002**

	Note	2002 £	2001 £
<b>Turnover</b>	2	178	208
Administrative costs		(6,363)	(12,088)
Write down of fixed asset investments	7	(1,536,651)	-
<b>Operating loss</b>	3	(1,542,836)	(11,880)
Interest receivable and similar income		268	4,028
Investment income		-	50,000
Exceptional item	13	-	300,000
<b>(Loss)/profit on ordinary activities before taxation</b>		(1,542,568)	342,148
Tax credit on (loss)/profit on ordinary activities	4	230,069	3,793
<b>(Loss)/profit on ordinary activities after taxation</b>		(1,312,499)	345,941
<b>Retained (loss)/profit for the financial year</b>		(1,312,499)	345,941

There were no recognised gains or losses in the year other than those shown in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been prepared.

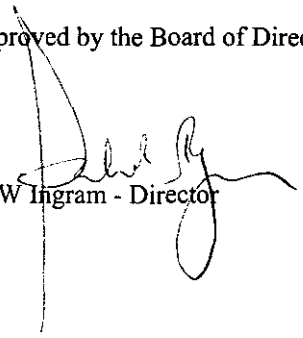
The above profit and loss account relates to continuing business.

**FARLAKE GROUP PLC**

**BALANCE SHEET AS AT 30 SEPTEMBER 2002**

	Notes	2002	2001
		£	£
<b>FIXED ASSETS</b>			
Fixed assets	6	-	1,286
Investments	7	3,560,000	5,096,651
		<u>3,560,000</u>	<u>5,097,937</u>
<b>CURRENT ASSETS</b>			
Debtors	8	3,032,154	3,141,299
Cash at bank and in hand		3,777	23,360
		<u>3,035,931</u>	<u>3,164,659</u>
<b>CREDITORS</b> (amounts falling due within one year)	9	<u>(562,569)</u>	<u>(916,735)</u>
<b>NET CURRENT ASSETS</b>		2,473,362	2,247,924
<b>NET ASSETS</b>		<u>6,033,362</u>	<u>7,345,861</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	3,557,547	3,557,547
Share premium account	11	5,992,927	5,992,927
Capital redemption reserve	11	215,050	215,050
Profit and loss account	11	(3,732,162)	(2,419,663)
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>6,033,362</u>	<u>7,345,861</u>

Approved by the Board of Directors on 23 January 2003 and signed on their behalf by:

  
 PDW Ingram - Director



**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2002**

**1 ACCOUNTING POLICIES**

**Basis of preparation**

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

The company is exempt by virtue of section 228 Companies Act 1985, from the requirement to prepare and deliver group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

**Turnover**

Turnover represents fund management fees, commissions and other income relating to the management of funds. These are accounted for on a receivable basis.

**Tangible fixed assets and depreciation**

Depreciation is provided at the rate shown in order to write off the cost of each asset over its estimated useful life.

Office and computer equipment - 3 years

**Investments**

Fixed asset investments are stated at cost less any provision for impairment in value.

**Deferred taxation**

Deferred taxation is provided in full on timing differences that 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 financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets. Deferred tax is not provided on unremitted earnings where there is no binding commitment to remit these earnings. 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.

**Cash Flow Statement**

The company has taken advantage of the exemption permitted by the FRS1 (revised) 'Cash flow statements' and has elected not to prepare the cash flow statement.

**2 TURNOVER**

Turnover and profit before taxation are attributable to investment management activities arising wholly in the UK, and turnover is stated net of value added tax.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 SEPTEMBER 2002

3 OPERATING LOSS

	2002	2001
	£	£
Operating loss is arrived at after charging:		
Depreciation	335	671
Directors' remuneration (note 6 )	-	10,000
Auditors' remuneration	3,000	5,576
Write off of net book value of office equipment	951	-
	<u>          </u>	<u>          </u>

4 TAXATION

	Year ended 30 September 2002 £	Year ended 30 September 2001 £
The tax credit/(charge) on the (loss)/profit on ordinary activities for the year was as follows:		
UK corporation tax at 30% (2001 – 30%)	-	(86,205)
Group relief	230,069	89,998
	<u>230,069</u>	<u>3,793</u>

The tax assessed in the year varies from the standard rate of UK Corporation Tax of 30% (2001:30%). The differences are explained below:-.

	Year ended 30 September 2002 £	Year ended 30 September 2001 £
(Loss)/profit on ordinary activities before tax	<u>(1,542,568)</u>	<u>342,148</u>
Tax at 30%	(462,770)	102,644
Expenses not deductible for tax purposes	-	(1,497)
Non-taxable income	-	(15,053)
Write down of investments	460,995	-
Losses carried forward	1,843	-
Capital allowances in excess of depreciation	(68)	111
Current tax charges for the year	<u>-</u>	<u>86,205</u>

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2002**

**5 (a) STAFF COSTS**

	Total 2002 No.	Total 2001 No.
The average monthly number of staff employed by the company, who were all directors, were	<u>2</u>	<u>4</u>
Employee costs during the year:	£	£
Wages and salaries (see note below)	-	10,000
	<u>          </u>	<u>          </u>

**(b) DIRECTORS' REMUNERATION**

The remuneration of directors who served in the year is as follows.

	Total 2002 £	Total 2001 £
<b>Executive</b>		
S Ewing (resigned 4 April 2001)	-	5,000
<b>Non-Executive</b>		
J Treacher (resigned 14 April 2001)	-	5,000
	<u>-</u>	<u>10,000</u>
	<u>          </u>	<u>          </u>
	2002	2001
	£	£
Remuneration of highest paid director (excluding pension contributions)	-	5,000
Amount paid to personal pension plan	-	-
	<u>-</u>	<u>5,000</u>

Nil emoluments were payable to the directors (2001: £nil), who were the only employees of the company during the current and preceding financial years. It is not practicable to allocate their remuneration between their services as directors of Farlake Group Plc and their services which are paid for by Seymour Pierce Group Plc.

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2002**

**6 TANGIBLE FIXED ASSETS**

	Office equipment £
Cost	
At 1 October 2001	21,374
Disposals	(21,374)
At 30 September 2002	<u>-</u>
Depreciation	
At 1 October 2001	20,088
Charge for year	335
Disposals	(20,423)
At 30 September 2002	<u>-</u>
Net book value at 30 September 2002	<u>-</u>
Net book value at 30 September 2001	<u>1,286</u>

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2002**

**7 INVESTMENTS**

Fixed asset investments comprise ordinary shares, at cost, in subsidiary undertakings together with a subordinated loan. The movement during the year was as follows:

	Shares in subsidiary undertakings £	Loans to subsidiary undertakings £	Total £
<b>Cost</b>			
At 1 October 2001 and 30 September 2002	7,174,730	160,000	7,334,730
<b>Provisions</b>			
At 1 October 2001	2,238,079	-	2,238,079
Provision in the year	1,536,651	-	1,536,651
At 30 September 2002	3,774,730	-	3,774,730
<b>Net book value</b>			
At 1 October 2001 and 30 September 2002	3,400,000	160,000	3,560,000

In the opinion of the directors, the aggregate value of the Company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

The subsidiary undertakings (all 100% directly owned, except where shown) at the end of the year were:

	Country of Incorporation	Principal Activity
Rowan & Co Capital Management PLC*	Great Britain	Investment management
Price Gardner & Co Ltd	Great Britain	Investment management
Seymour Pierce Bell Ltd	Great Britain	Investment management

\* Indirectly held by IPS Asset Management Ltd

During the year the 28.7% shareholding in Investment Funds Direct Holdings Limited was exchanged for a 12.6% holding in Asset Strategies plc and is therefore no longer an associated undertaking.

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2002**

**8 DEBTORS**

	2002	2001
	£	£
Amounts owed by Group companies	3,032,139	3,141,261
Other debtors	15	38
	<u>3,032,154</u>	<u>3,141,299</u>

**9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2002	2001
	£	£
Convertible Loan Stock 2002/2003 (note 13)	469,333	533,333
Amounts owed to Group companies:		
- group relief	2,208	-
- other	-	62,390
Corporation tax	87,693	317,762
Accruals	3,335	3,250
	<u>562,569</u>	<u>916,735</u>

**10 CALLED UP SHARE CAPITAL**

	2002	2001
	£	£
Authorised:		
5,000,000 ordinary shares of £1 each	<u>5,000,000</u>	<u>5,000,000</u>
Allotted, issued and fully paid:		
3,557,547 ordinary shares of £1 each	<u>3,557,547</u>	<u>3,557,547</u>

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2002**

**11 MOVEMENTS ON RESERVES**

	Share capital	Share premium	Capital redemption reserve	Profit & loss	Total
	£	£	£	£	£
At 1 October 2001	3,557,547	5,992,927	215,050	(2,419,663)	7,345,861
Retained loss for year	-	-	-	(1,312,499)	(1,312,499)
At 30 September 2002	<u>3,557,547</u>	<u>5,992,927</u>	<u>215,050</u>	<u>(3,732,162)</u>	<u>6,033,362</u>

**12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	2002 £	2001 £
(Loss)/profit on ordinary activities after taxation	(1,312,499)	345,941
Net (decrease)/increase in shareholders' funds	<u>(1,312,499)</u>	<u>345,941</u>
Shareholders' funds at 1 October	7,345,861	6,999,920
Shareholders' funds at 30 September	<u>6,033,362</u>	<u>7,345,861</u>

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2002**

**13 CONVERTIBLE LOAN STOCK**

An agreement is in place such that the remaining loan notes totalling £469,333 (2001: £533,333) will be converted into Seymour Pierce Group Plc shares, the ultimate parent undertaking.

(2001: As part of the consideration for the acquisition of the business of MDA Investment Management Limited in July 1998 Farlake Group issued 1,250,000 unsecured loan stock. One third of this stock was converted into 136,612 £1 ordinary shares at a market price of £3.05 on 29 July 1999. The balance was due to be converted in two equal tranches on 29 July 2000 and 29 July 2001. The conversion was at the option of the holder. During the year the liability has been written down by £300,000 to the profit and loss account.)

£64,000 of loan notes were converted into Seymour Pierce Group Plc shares during the year.

The stock does not bear interest or carry a redemption premium.

**14 RELATED PARTY TRANSACTIONS**

The company has taken advantage of exemptions granted by FRS8 not to disclose transactions with other group companies.

**15 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The Company's immediate and ultimate parent undertaking and the only group into which the results of the Company are consolidated is Seymour Pierce Group Plc, which is incorporated in Great Britain. Copies of the group financial statements can be obtained from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.