

FARLAKE GROUP PLC
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2000



Registered Number: 02356184

DIRECTORS' REPORT

The directors submit their report and the audited financial statements of the company for the year ended 30 September 2000.

PRINCIPAL ACTIVITY

The principal activity of the company is investment management. On 4 May 2000 Seymour Pierce Group PLC acquired the entire issued share capital of the company.

RESULTS AND DIVIDENDS

The results for the year are shown in the profit and loss account on page 4. The loss for the period after taxation was £3,423,857. In the previous year the loss after taxation was £99,354. No dividends have been paid or proposed in relation to the year ended 30 September 2000.

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 and their shareholdings in the ultimate parent company, Seymour Pierce Group Plc, were as follows:

	Ordinary shares of £1 each	
	30 September 2000	30 September 1999
S Ewing	750,000	-
J Treacher	-	-
G Okun	-	-
J Mackay (appointed 10 May 2000)	-	-

J Mackay 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.

AUDITORS

Following the resignation of Solomon Hare, Deloitte & Touche were appointed auditors in the year. A resolution for their reappointment will be proposed at the next annual general meeting in accordance with section 385 of the Companies Act 1985.

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



J Mackay
26 April 2001

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 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;
- 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**AUDITORS' REPORT TO THE MEMBERS OF
FARLAKE GROUP PLC**

We have audited the financial statements on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 2 the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

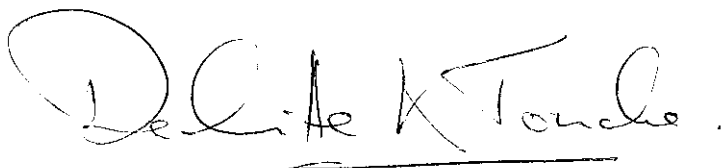
BASIS OF OPINION

We conducted our audit in accordance with 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 at 30 September 2000 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
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

26 April 2001

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2000**

	Note	2000 £	1999 £
Turnover	2	1,477,840	-
Administrative costs		(1,254,307)	(145,177)
Operating profit/(loss)	3	<u>223,533</u>	<u>(145,177)</u>
Interest receivable		110,137	12,787
Write off of goodwill		(1,092,448)	-
Write off of investments		(2,238,079)	-
Loss on ordinary activities before taxation		<u>(2,996,857)</u>	<u>(132,390)</u>
Tax (charged)/credit on loss on ordinary activities	4	(427,000)	33,036
Loss for the financial year		<u>(3,423,857)</u>	<u>(99,354)</u>
Dividends receivable		-	610,000
Dividends payable	5	(38,157)	(124,021)
Retained (loss)/profit for the financial year		<u><u>(3,462,014)</u></u>	<u><u>386,625</u></u>

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

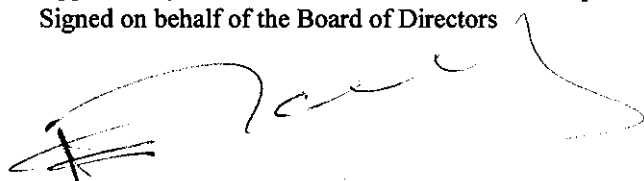
The above profit and loss account relates to continuing business.

The notes on pages 6 to 14 form part of these financial statements.

BALANCE SHEET AS AT 30 SEPTEMBER 2000

	Notes	2000	1999
		£	£
FIXED ASSETS			
Intangible assets	7	-	-
Fixed assets	8	1,957	85,684
Investments	9	5,096,651	7,284,730
		<u>5,098,608</u>	<u>7,370,414</u>
CURRENT ASSETS			
Debtors	10	3,082,888	70,833
Cash at bank and in hand		152,314	257,966
		<u>3,235,202</u>	<u>328,799</u>
Creditors (amounts falling due within one year)	11	<u>(1,333,890)</u>	<u>(709,770)</u>
NET CURRENT ASSETS (LIABILITIES)		<u>1,901,312</u>	<u>(380,971)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,999,920</u>	<u>6,989,443</u>
Creditors (amounts falling due after more than one year)	12	-	(416,666)
		<u>6,999,920</u>	<u>6,572,777</u>
CAPITAL AND RESERVES			
Called up share capital	13	3,557,547	2,480,414
Share premium account	14	5,992,927	3,180,903
Capital redemption reserve	15	215,050	215,050
Profit and loss account	15	(2,765,604)	696,410
EQUITY SHAREHOLDERS' FUNDS		<u>6,999,920</u>	<u>6,572,777</u>

Approved by the Board of Directors on 26 April 2001
Signed on behalf of the Board of Directors


J Mackay - Director

The notes on pages 6 to 14 form part of these financial statements.

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2000**

1 ACCOUNTING POLICIES

Basis of preparation

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

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

Intangible assets

Intangible assets represent purchased goodwill and are capitalised and amortised through the profit and loss account over their estimated lives, which is ten years. They are reviewed for impairment after the first full year following acquisition and in other periods if events or changes in circumstances indicate that the carrying values may not be recoverable.

Investments

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

Deferred taxation

Provision for deferred taxation is made at the appropriate rates in respect of all material timing differences only to the extent that, in the opinion of the directors, there is a reasonable probability that an asset or liability will crystallise in the foreseeable future.

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 2000

3 OPERATING PROFIT

	2000	1999
	£	£
Operating profit is arrived at after charging:		
Depreciation	15,062	4,355
Amortisation of intangible assets (note 7)	168,068	-
Directors' remuneration (note 6)	496,976	88,425
Auditors' remuneration	6,910	4,000
	<u> </u>	<u> </u>

4 TAXATION

	2000	1999
	£	£
UK corporation tax at 30% (1999: 30.5%)	427,000	(33,064)
Underprovision in prior year	-	28
	<u>427,000</u>	<u>(33,036)</u>

At 30 September 2000 deferred tax assets not recognised in the accounts amounted to £928 (1999 : £5,628).

5 DIVIDEND

	2000	1999
	£	£
Ordinary equity shares – 2000:nil (1999: 4p per share)	38,157	124,021
	<u> </u>	<u> </u>

The final dividend in respect of 1999 was charged in part to the profit and loss account for the year ended 30 September 2000 in respect of shares issued after the end of the 1999 year.

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2000**

6 (a) STAFF COSTS

	Total 2000	Total 1999
	No.	No.
The average monthly number of staff employed by the company, who were all directors, were	<u>3</u>	<u>3</u>
Employee costs during the year:	£	£
Wages and salaries	492,100	86,749
Social security costs	65,853	6,950
Other pension costs	4,253	2,342
Other benefits	623	-
	<u>562,829</u>	<u>96,041</u>

(b) DIRECTORS' REMUNERATION

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

	Salary/fees	Ex gratia payment	Benefits	Pension	Total 2000	Total 1999
	£	£	£	£	£	£
Executive						
S Ewing	436,100	30,000	623	4,253	470,976	39,425
J MacKay	-	-	-	-	-	-
Non-Executive						
J Treacher	21,000	-	-	-	21,000	26,333
G Okun	5,000	-	-	-	5,000	23,333
	<u>462,100</u>	<u>30,000</u>	<u>623</u>	<u>4,253</u>	<u>496,976</u>	<u>89,091</u>

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2000**

	2000	1999
	£	£
Remuneration of highest paid director (excluding pension contributions)	466,723	37,083
Amount paid to personal pension plan	4,253	2,342
	<u>470,976</u>	<u>39,425</u>

7 INTANGIBLE ASSETS

Goodwill	Cost	Amortisation	Net book Value
	£	£	£
1 October 1999	-	-	-
Additions	1,260,516	-	1,260,516
Amortisation charged in year	-	(168,068)	(168,068)
Written off in year	(1,260,516)	168,068	(1,092,448)
30 September 2000	<u>-</u>	<u>-</u>	<u>-</u>

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2000**

8 TANGIBLE FIXED ASSETS

	Office equipment £
Cost	
At 1 October 1999	90,039
Additions	2,013
Disposals	(70,678)
At 30 September 2000	<u>21,374</u>
Depreciation	
At 1 October 1999	4,355
Charge for year	15,062
At 30 September 2000	<u>19,417</u>
Net book value at 30 September 2000	<u>1,957</u>
Net book value at 30 September 1999	<u>85,684</u>

9 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 £
Cost			
At 1 October 1999	7,124,730	160,000	7,284,730
Additions	50,000	-	50,000
Repaid	-	-	-
At 30 September 2000	<u>7,174,730</u>	<u>160,000</u>	<u>7,334,730</u>
Provisions			
At 1 October 1999	-	-	-
Written off in year	2,238,079	-	2,238,079
At 30 September 2000	<u>2,238,079</u>	<u>-</u>	<u>2,238,079</u>
Net book value			
At 30 September 2000	<u>4,936,651</u>	<u>160,000</u>	<u>5,096,651</u>
At 30 September 1999	<u>7,124,730</u>	<u>160,000</u>	<u>7,284,730</u>

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.

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2000**

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

	Country of Registration or Incorporation	Principal Activity
Rowan & Co Capital Management PLC*	England	Investment management
Price Gardner & Co Ltd	England	Investment management
Seymour Pierce Bell Ltd, (<i>formerly</i> Rowan & Co Investment Management Ltd)	England	Investment management
* Indirectly held by IPS Asset Management Ltd		

The associated undertaking (30% owned) at the end of the year was:

Investment Funds Direct Holdings Ltd	England	Investment management
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10 DEBTORS

	2000	1999
	£	£
ACT recoverable	-	23,438
Taxation recoverable	-	44,726
Other taxes and social security	579	-
Other debtors	628	646
Amounts owed from Group companies	3,074,326	-
Prepayments	7,355	2,023
	<u>3,082,888</u>	<u>70,833</u>

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2000**

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000	1999
	£	£
Convertible Loan Stock 2001/2002 (note 17)	833,333	416,667
Guaranteed Loan Notes 1996/2000	-	7,155
Corporation tax	426,992	-
Accruals	73,565	57,699
Amounts owed to Group companies	-	104,228
Dividend payable	-	124,021
	<u>1,333,890</u>	<u>709,770</u>

12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2000	1999
	£	£
Convertible Loan Stock 2002 (note 17)	-	416,666
	<u>-</u>	<u>416,666</u>

13 CALLED UP SHARE CAPITAL

	2000	1999
	£	£
Authorised:		
5,000,000 ordinary shares of £1 each	5,000,000	5,000,000
	<u>5,000,000</u>	<u>5,000,000</u>
Allotted, issued and fully paid:		
3,557,547 (1999:2,480,414) ordinary shares of £1 each	3,557,547	2,480,414
	<u>3,557,547</u>	<u>2,480,414</u>

Additional share capital was issued for cash during the period in part to raise working capital and capital for expansion and as a result of the exercise of employee share options.

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2000**

14 SHARE PREMIUM ACCOUNT

	2000	1999
	£	£
At 1 October 1999	3,180,903	2,900,848
Arising on shares issued	2,812,024	280,055
At 30 September 2000	<u>5,992,927</u>	<u>3,180,903</u>

15 MOVEMENTS ON RESERVES

	Share capital	Share premium	Capital redemption reserve	Profit & loss	Total
	£	£	£	£	£
At 1 October 1999	2,480,414	3,180,903	215,050	696,410	6,572,777
Retained loss for year	-	-	-	(3,462,014)	(3,462,014)
Issue of share capital	1,077,133	2,812,024	-	-	3,889,157
At 30 September 2000	<u>3,557,547</u>	<u>5,992,927</u>	<u>215,050</u>	<u>2,765,604</u>	<u>6,999,920</u>

16 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2000	1999
	£	£
Loss for the year	(3,423,857)	(99,354)
Dividend paid	(38,157)	(124,021)
Dividends received	-	610,000
Proceeds on issue of shares	3,889,157	416,667
Net increase in shareholders' funds	<u>427,143</u>	<u>803,292</u>
Shareholders' funds at 1 October	6,572,777	5,769,485
Shareholders' funds at 30 September	<u>6,999,920</u>	<u>6,572,777</u>

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2000**

17 CONVERTIBLE LOAN STOCK

As part of the consideration for the acquisition of the business of MDA Investment Management Ltd, in July 1998 Farlake Group issued £1,250,000 unsecured convertible loan stock. One third of this stock was converted into 136,612 ordinary shares at a price of £3.05 during the year. The balance of stock is convertible in equal tranches into a further total of 273,224 ordinary shares of Farlake Group PLC on 29 July 2000 and 29 July 2001. In the event that funds acquired do not remain under management within the Group or if fees and recurrent income generated by the business decline, a proportionate cancellation of loan stock will be made at each conversion date. The stock does not bear interest or carry a redemption premium.

18 ULTIMATE PARENT UNDERTAKING

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 and registered in England and Wales. Copies of the group financial statements can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ. The company has taken advantage of exemptions granted by FRS8 not to disclose transactions with other group companies.