

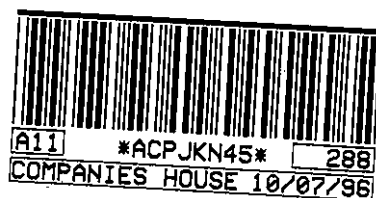


LAWSHARE LIMITED

Report and Financial Statements

31 March 1996

Deloitte & Touche
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR





REPORT AND FINANCIAL STATEMENTS 1996

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REPORT AND FINANCIAL STATEMENTS 1996

OFFICERS AND PROFESSIONAL ADVISORS

OFFICERS

B A Greayer (Chairman)
D A B Lough
J M Denny
J N Stapleton
W R Gemmell
A T N Warner
D J Tomlinson (appointed 20 March 1996)

SECRETARY

C J Bishop

REGISTERED OFFICE

Oxford House
15-17 Mount Ephraim Road
Royal Tunbridge Wells
Kent TN1 1EN

BANKERS

Midland Bank plc
Barclays Bank plc
Bristol & West

SOLICITORS

Cripps Harries Hall
Seymour House
11-13 Mount Ephraim Road
Tunbridge Wells
Kent TN1 1EN

AUDITORS

Deloitte & Touche
Chartered Accountants
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

DIRECTORS' REPORT

The directors take pleasure in submitting their annual report and the financial statements of the company for the year ended 31 March 1996.

PRINCIPAL ACTIVITY

The principal activity of the company is to act as a wholesale provider of securities research, dealing, settlement and custody services to professional intermediaries.

REVIEW OF DEVELOPMENTS

LawShare's third full year of trading saw a further widening of the firm's client base as new professional intermediaries, chiefly firms of solicitors, developed their investment management services. Market conditions were favourable throughout the year, and record results were achieved. The profit on ordinary activities after taxation was £130,453 up 125% on the previous year. Throughout the year the company maintained financial resources well in excess of regulatory requirements. Substantial resources have been dedicated to preparation for the CREST settlement system, including an upgrade of computer systems and development of LawShare's own software for its sponsored membership service.

DIVIDENDS AND TRANSFERS TO RESERVES

Dividends of £62,000 were paid during the year (1995 - £36,000).

After dividends retained profits of £68,453 were transferred to reserves (1995 - £21,789).

FIXED ASSETS

Fixed assets with a cost of £56,642 (1995 - £16,409) were acquired during the year (see note 11). The directors reviewed the estimated useful life of computer equipment during the year and on the grounds of prudence have reduced it from 5 to 4 years commencing 1 April 1995. A provision of £5,500 was charged to profit in respect of software to be written off as a result of systems changes prior to the introduction of CREST.

FURTHER DEVELOPMENTS

The company is continuing to develop non-dealing revenues in the form of publications, training activities, custody and administration services. During 1996/97 it is hoped that higher revenues will be earned through both custody and administration services. The signs are that the resources dedicated to CREST will add a significant new leg to revenue in 1997/98 but that 1996/97 could prove testing, especially if slower market conditions coincide with the continuing high level of preparatory CREST costs.

DIRECTORS

The directors who served during the year, and their interest in the shares of the company were as follows:

		No. of shares at 31 March 1996	
		Ordinary 'A'	Founder
B A Greayer	(Chairman)	4,250	26
D A B Lough	(Managing Director)	16,650	104
J M Denny		11,100*	70*
W R Gemmell		27,750*	-
J N Stapleton		27,750*	-
A T N Warner		12,500*	-
D J Tomlinson	(see note 17)	-	-

All directors held their interests in the shares of the company from the beginning of the year or the date of their appointment, if later.

* Non-beneficial interest.

**DIRECTORS' REPORT****TAXATION STATUS**

In the opinion of the directors, the company is a close company for tax purposes.

AUDITORS

On 1 February 1996 the auditors changed the name under which they practise to Deloitte & Touche and, accordingly, have signed their report in their new name. Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be presented at the forthcoming Annual General Meeting.

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



C J Bishop
Secretary

19 June 1996

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period 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;
- 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 to 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.

By order of the Board

C J Bishop

Secretary

19 June 1996





Chartered Accountants

Deloitte & Touche
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

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LDE: DX 599

LAWSHARE LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 6 to 17 which have been prepared under the accounting policies set out on page 10.

Respective responsibilities of directors and auditors

As described on page 4 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 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 31 March 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and
Registered Auditors

26 June 1996

PROFIT AND LOSS ACCOUNT
Year ended 31 March 1996

	Note	1996 £	1995 £
TURNOVER	1,2	703,884	489,300
Other income		45,016	29,438
		<u>748,900</u>	<u>518,738</u>
Administrative expenses		(603,435)	(453,852)
OPERATING PROFIT	7	145,465	64,886
Interest receivable and similar income	3	28,472	15,195
Interest payable and similar charges	4	-	(695)
		<u>173,937</u>	<u>79,386</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			
Tax on profit on ordinary activities	8	(43,484)	(21,597)
		<u>130,453</u>	<u>57,789</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			
Non-equity dividends paid	9	(62,000)	(36,000)
		<u>68,453</u>	<u>21,789</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES	10		

All activities derive from continuing operations.

There are no recognised gains and losses for the current financial year or preceding financial year other than as disclosed in the profit and loss account. Accordingly, no statement of total recognised gains and losses is given.


BALANCE SHEET
31 March 1996

	Note	1996 £	1995 £
FIXED ASSETS			
Tangible fixed assets	11	63,802	37,632
Investments	12	1	1
		<u>63,803</u>	<u>37,633</u>
CURRENT ASSETS			
Debtors	13	4,571,090	7,307,482
Cash at bank and in hand	14	662,255	520,973
		<u>5,233,345</u>	<u>7,828,455</u>
CREDITORS: amounts falling due within one year	15	<u>(4,967,413)</u>	<u>(7,604,808)</u>
NET CURRENT ASSETS		<u>265,932</u>	<u>223,643</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		329,735	261,280
PROVISIONS FOR LIABILITIES AND CHARGES	16	<u>-</u>	<u>-</u>
		<u>329,735</u>	<u>261,280</u>
CAPITAL AND RESERVES			
Called up share capital	17	100,100	100,100
Share premium account	10	100,006	100,004
Profit and loss account	10	129,629	61,176
NON-EQUITY SHAREHOLDERS' FUNDS		<u>329,735</u>	<u>261,280</u>

These financial statements were approved by the Board of Directors on 19 June 1996.

Signed on behalf of the Board of Directors

B A Greayer, Chairman

D A B Lough, Director


CASH FLOW STATEMENT
Year ended 31 March 1996

	Note	1996 £	1995 £
Net cash inflow from operating activities	18	256,681	240,372
Returns on investment and servicing of finance			
Interest received		28,472	15,195
Interest paid		-	(695)
Dividends paid		(62,000)	(36,000)
Net cash outflow from returns on investment and servicing of finance		<u>(33,528)</u>	<u>(21,500)</u>
Taxation			
UK corporation tax paid (including ACT)		<u>(25,229)</u>	<u>(20,850)</u>
Investing activities			
Payments to acquire tangible fixed assets		<u>(56,642)</u>	<u>(16,309)</u>
Net cash outflow from investing activities		<u>(56,642)</u>	<u>(16,309)</u>
Net cash inflow before financing		141,282	181,713
Financing			
Redemption of subordinated loan stock	21	<u>-</u>	<u>(25,000)</u>
Net cash outflow from financing		<u>-</u>	<u>(25,000)</u>
Increase in cash and cash equivalents	19	<u>141,282</u>	<u>156,713</u>



RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Year ended 31 March 1996

	1996	1995
	£	£
Profit for the financial year	130,453	57,789
Dividends	(62,000)	(36,000)
	<hr/>	<hr/>
	68,453	21,789
Share option premia	2	4
	<hr/>	<hr/>
Net addition to shareholders' funds	68,455	21,793
Opening shareholders' funds	261,280	239,487
	<hr/>	<hr/>
Closing shareholders' funds	<u>329,735</u>	<u>261,280</u>

NOTES TO THE ACCOUNTS
31 March 1996

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted by the directors are described below.

Accounting convention

These accounts are prepared under the historical cost convention.

Financial accounting period

The financial statements are drawn up for a 12 month period ended 31 March 1996. The comparative period is for the 12 months ended 31 March 1995.

Turnover

Turnover represents the commission income from buying and selling securities on behalf of clients and non-dealing revenues in the form of publications, training activities and administration services.

Trade date accounting

Turnover is arrived at under the principles of trade date accounting for Stock Exchange transactions.

Fixed assets

For all tangible fixed assets depreciation is calculated to write down their cost to the estimated residual values by equal annual instalments over the period of their estimated useful economic lives, which are considered to be:

Fixtures and equipment	-	2 years
Computer equipment	-	4 years

Balances with clients and counterparties

In accordance with market practice certain balances with clients and market counterparties, Stock Exchange member firms and settlement office are included in debtors and creditors gross for their unsettled bought and sold transactions respectively.

Operating leases

Amounts due under operating leases are charged to profit and loss account in equal annual amounts over the lease term.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

2. TURNOVER

	1996	1995
	£	£
Commissions	703,884	489,300

NOTES TO THE ACCOUNTS
31 March 1996

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	1996	1995
	£	£
Bank deposit interest	28,472	15,195

4. INTEREST PAYABLE AND SIMILAR CHARGES

	1996	1995
	£	£
Shareholders' subordinated loan	-	695

5. STAFF NUMBERS AND COSTS

	1996 No.	1995 No.
The average number of persons employed by the company during the financial year was:		
Dealing	2	2
Administration	8	6
	<u>10</u>	<u>8</u>

	£	£
Staff costs incurred during the year in respect of these employees were:		
Wages and salaries	232,919	169,396
Social security costs	21,445	14,998
Other pension costs	7,666	6,128
	<u>262,030</u>	<u>190,522</u>

6. DIRECTORS' EMOLUMENTS

	1996 £	1995 £
The emoluments of the directors were:		
Total directors' emoluments	23,740	22,238
Chairman	5,000	5,000
Highest paid director	17,773	17,238

	No.	No.
The emoluments of the other directors were within the following ranges:		
£0 - £ 5,000	5	4

In addition to his emoluments received as Chairman of the company, the Chairman also received fees of £23,600 (1995 - £25,200) in respect of consultancy services provided to the company during the year.


NOTES TO THE ACCOUNTS
31 March 1996
7. OPERATING PROFIT

	1996	1995
	£	£
Operating profit is stated after charging:		
Depreciation	30,472	16,985
Auditors' remuneration - Audit fee	7,500	7,500
- Other fees	2,650	2,650
Rentals under other operating leases	22,767	20,397
	<u>22,767</u>	<u>20,397</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1996	1995
	£	£
United Kingdom Corporation Tax at 25% (1995 - 25%) based on the profit for the year	43,484	22,317
Deferred taxation	-	(720)
	<u>43,484</u>	<u>21,597</u>

9. DIVIDENDS PAID

	1996	1995
	£	£
Interim paid - 30p per ordinary "A" share (1995 - £20p)	30,000	20,000
Second interim paid - 32p per ordinary "A" share (1995 - £16p)	32,000	16,000
	<u>62,000</u>	<u>36,000</u>

10. STATEMENT OF MOVEMENTS ON RESERVES

	Share Premium account	Profit and loss account
	£	£
Balance at 1 April 1995	100,004	61,176
Retained profit for the year	-	68,453
Share option premia	2	-
	<u>100,006</u>	<u>129,629</u>
Balance at 31 March 1996	<u>100,006</u>	<u>129,629</u>


NOTES TO THE ACCOUNTS
31 March 1996
11. TANGIBLE FIXED ASSETS

	Computer equipment £	Fixtures and equipment £	Total £
Cost			
At 1 April 1995	54,832	20,476	75,308
Additions	55,029	1,613	56,642
Disposals	(20,744)	(16,932)	(37,676)
At 31 March 1996	<u>89,117</u>	<u>5,157</u>	<u>94,274</u>
Depreciation			
At 1 April 1995	20,744	16,932	37,676
Charge for year	27,126	3,346	30,472
Disposals	(20,744)	(16,932)	(37,676)
At 31 March 1996	<u>27,126</u>	<u>3,346</u>	<u>30,472</u>
Net Book Value			
At 31 March 1996	<u>61,991</u>	<u>1,811</u>	<u>63,802</u>
At 31 March 1995	<u>34,088</u>	<u>3,544</u>	<u>37,632</u>

Included in the above amount for disposals are all assets which have been fully depreciated, some of which may still be in use.

12. INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiary undertakings £
At 1 April 1995	1
Additions	-
At 31 March 1996	<u>1</u>

The above investment is in LawShare Nominees Limited (formerly LawCrest Nominees Limited), an unlisted company registered in England and Wales. Consolidated accounts have not been produced on the grounds of materiality. The company has not traded since incorporation and has net assets equal to the cost of investment.

13. DEBTORS

	1996 £	1995 £
Amounts falling due within one year:		
Trade debtors	4,531,843	7,277,070
Other debtors	10,278	7,057
Prepayments	28,969	23,355
	<u>4,571,090</u>	<u>7,307,482</u>



NOTES TO THE ACCOUNTS

31 March 1996

14. CASH AT BANK AND IN HAND

Cash at bank includes £377,052 (1995 - £279,246) received in the course of settlement of bargains. This amount is held by the company in trust, on behalf of clients and is only available to complete the settlement of outstanding bargains.

15. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 £	1995 £
Trade creditors	4,815,932	7,492,488
Amounts owed to subsidiary undertaking	1	1
Taxation and social security	44,156	22,095
Accruals	107,324	90,224
	<u>4,967,413</u>	<u>7,604,808</u>

Included under taxation and social security is an amount of £37,750 (1995 - £17,317) in respect of corporation tax.

16. PROVISIONS FOR LIABILITIES AND CHARGES

	1996 £	1995 £
Deferred taxation		
Balance at 1 April	-	720
Current year charge	-	(720)
	<u>-</u>	<u>-</u>
Balance at 31 March	<u>-</u>	<u>-</u>

There is no unprovided deferred taxation for either year.


NOTES TO THE ACCOUNTS
31 March 1996
17. CALLED UP SHARE CAPITAL

	1996 £	1995 £
Authorised		
200 founders shares of 50p each	100	100
250,000 'A' ordinary shares of £1 each	250,000	250,000
200,000 'B' ordinary share of £1 each	200,000	200,000
25,000 'C' ordinary share of £1 each	25,000	25,000
	<u>475,100</u>	<u>475,100</u>
Allotted and fully paid		
100,000 'A' ordinary shares of £1 each	100,000	100,000
200 founders shares of 50p each	100	100
	<u>100,100</u>	<u>100,100</u>

The 'A' shares entitle the holder to a dividend at the rate of 15% per annum on the capital of the company. The 'B' shares entitle the holder to a dividend at the rate of the Midland bank plc base rate per annum on the capital of the company. The Founders shares entitle the holder to a dividend at the rate of 0.165% of the net profits of the company after tax and other dividends. No such dividend has been paid and were this to be paid, the amount including interest thereon would be approximately £50,000. Any balance of such profits which the directors decide to distribute, shall be applied in paying dividends on the 'A', 'B' and 'C' ordinary shares ranking pari passu.

On a winding-up, any surplus assets will first be applied to paying the dividend arrears (and any interest thereto) of the 'A' shares, then 'B' shares, and then Founders shares. Any balance remaining will be used to repay the holders of the Founders shares the capital paid up on those shares, and the balance of assets left will be divided between the holders of the 'A', 'B' and 'C' ordinary shares ranking pari passu.

The four classes of share rank equally in terms of voting rights.

Under the company share scheme, employees and a director held options at 31 March 1996 for 4,500 ordinary "C" shares (1995- 3,250) as follows:

Share options

	1996 £	1995 £
At beginning of year	4,500	3,250
Lapsed during year	-	-
Granted during year	-	1,250
	<u>4,500</u>	<u>4,500</u>
At end of year	<u>4,500</u>	<u>4,500</u>

The options for ordinary 'C' shares issued in 1994 may be exercised between 23 March 1997 and 23 March 2004 at a price of £2 per ordinary share. The options issued in 1995 may be exercised between 31 March 1998 and 31 March 2005 at a price of £4 per ordinary share.

As at the date of his appointment and at 31 March 1996, D. Tomlinson, had been granted 1,000 options for ordinary 'C' shares. These were granted in 1994 at the terms given above.

NOTES TO THE ACCOUNTS

31 March 1996

18. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1996	1995
	£	£
Operating profit	145,645	64,886
Depreciation charges	30,472	16,985
Decrease/(increase) in debtors	2,736,392	(2,849,202)
(Decrease)/increase in creditors	(2,655,828)	3,007,703
Net cash inflow from operating activities	256,681	240,372

19. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	1996	1995
	£	£
Opening balance	520,973	364,260
Net cash inflow	141,282	156,713
Closing balance (see also note 14)	662,255	520,973

20. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	1996	1995	Change in year	1994	Change in year
	£	£	£	£	£
Cash at bank and in hand	662,255	520,973	141,282	364,260	156,713

21. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	1996 Share capital (including share premium) £
Opening balance	200,104
Share option premia	2
Closing balance	200,106

22. CONTINGENT LIABILITIES

The company has contingent liabilities, which cannot be quantified, in respect of letters of indemnity (principally in respect of lost share certificates) given in the ordinary course of business.

NOTES TO THE ACCOUNTS
31 March 1996

23. CAPITAL COMMITMENTS

	1996	1995
	£	£
Authorised but not yet contracted for	97,500	56,400
	<u> </u>	<u> </u>

24. OPERATING LEASE COMMITMENTS

At 31 March 1996 the company was committed to making the following payments during the next year in respect of operating leases which expire:

	Land and buildings	Other
	£	£
Within one year	18,750	-
Within two to five years	-	2,268
	<u> </u>	<u> </u>