

**Touche  
Ross**

Deloitte Touche  
Tohmatsu  
International



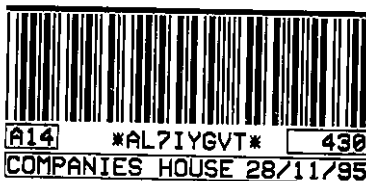
Company Registration No. 2723420

**LAWSHARE LIMITED**

**Report and Financial Statements**

**31 March 1995**

**Touche Ross & Co.  
Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR**



**REPORT AND FINANCIAL STATEMENTS 1995****CONTENTS**

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**REPORT AND FINANCIAL STATEMENTS 1995**

**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

**SECRETARY**

C J Bishop

**REGISTERED OFFICE**

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

**BANKERS**

Midland Bank plc

**SOLICITORS**

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

**AUDITORS**

Touche Ross & Co.  
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 1995.

### **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 second full year of trading saw a substantial widening of the firm's client base as new professional intermediaries, chiefly firms of solicitors, started an investment management service. Although market conditions were unfavourable until the last month of the year, and competitive conditions necessitated lower commission rates, the expansion of the client base compensated substantially for these factors and provides a sound base for development of further revenue. The profit on ordinary activities after taxation was £57,789, down 9.5% on the comparable 12 month period in 1993/94. Throughout the year the company maintained financial resources well in excess of regulatory requirements. During the year the outstanding subordinated debt was redeemed and inaugural dividends were paid.

### **DIVIDENDS AND TRANSFERS TO RESERVES**

Dividends of £36,000 were paid during the year (1994 fifteen months - £nil).

After dividends retained profits of £21,789 were transferred to reserves (1994 fifteen months - £87,604).

### **FIXED ASSETS**

Fixed assets with a cost of £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 will reduce 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 has started to develop non-dealing revenues in the form of publications, training activities and administration services. It is planned to expand this sector of revenue further this year through the addition of international securities custody services and CREST-related consultancy. During 1996/97 it is hoped that significant revenue will be earned through custody services, including operation of sponsored CREST memberships for intermediaries.

### **DIRECTORS**

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

		No. of shares at 31 March 1995	
		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*	-

All directors held their interests in the shares of the company from the date of their appointment.

\* Non-beneficial interest.



**DIRECTORS' REPORT**

**TAXATION STATUS**

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

**AUDITORS**

Touche Ross & Co. have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be prepared at the forthcoming Annual General Meeting.

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

C J Bishop

Secretary

14 June 1995

**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

14 June 1995



## Chartered Accountants

Touche Ross & Co.  
Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR

Telephone: National 0171 936 3000  
International + 44 171 936 3000  
Telex: 884739 TRLNDN G  
Fax (Gp. 3): 0171 583 1198  
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 1995 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

14 June 1995

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 March 1995**

	Note	1995 £	Fifteen months from 1 January 1993 to 31 March 1994 £
<b>TURNOVER</b>	1,2	489,300	518,324
Other income		<u>29,438</u>	<u>31,651</u>
		518,738	549,975
Administrative expenses		<u>(453,852)</u>	<u>(460,534)</u>
<b>OPERATING PROFIT</b>	7	64,886	89,441
Interest receivable and similar income	3	15,195	19,103
Interest payable and similar charges	4	<u>(695)</u>	<u>(4,368)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		79,386	104,176
Tax on profit on ordinary activities	8	<u>(21,597)</u>	<u>(16,572)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		57,789	87,604
Dividends paid	9	<u>(36,000)</u>	<u>-</u>
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES</b>	10	<u><u>21,789</u></u>	<u><u>87,604</u></u>

All activities derive from continuing operations.

There are no recognised gains and losses for the current financial year or preceding financial period 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 1995**

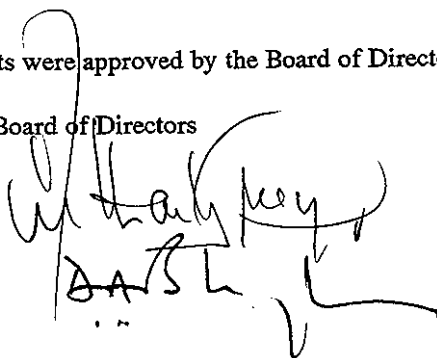
	Note	1995 £	1994 £
<b>FIXED ASSETS</b>			
Tangible fixed assets	11	37,632	38,308
Investments	12	<u>1</u>	<u>1</u>
		<u>37,633</u>	<u>38,309</u>
<b>CURRENT ASSETS</b>			
Debtors	13	7,307,482	4,458,280
Cash at bank and in hand	14	<u>520,973</u>	<u>364,260</u>
		<u>7,828,455</u>	<u>4,822,540</u>
<b>CREDITORS: amounts falling due within one year</b>	15	<u>(7,604,808)</u>	<u>(4,595,642)</u>
<b>NET CURRENT ASSETS</b>		<u>223,643</u>	<u>226,898</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		261,280	265,207
<b>CREDITORS: amounts falling due after more than one year</b>	16	-	(25,000)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17	<u>-</u>	<u>(720)</u>
		<u>261,280</u>	<u>239,487</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	100,100	100,100
Share premium account		100,004	100,000
Profit and loss account	10	<u>61,176</u>	<u>39,387</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>261,280</u>	<u>239,487</u>

These financial statements were approved by the Board of Directors on 14 June 1995.

Signed on behalf of the Board of Directors

B A Greayer, Chairman

D A B Lough, Director



**CASH FLOW STATEMENT**  
**Year ended 31 March 1995**

	Note	1995 £	Fifteen months from 1 January 1993 to 31 March 1994 £
Net cash inflow from operating activities	19	240,372	215,704
<b>Returns on investment and servicing of finance</b>			
Interest received		15,195	19,103
Interest paid		(695)	(4,368)
Dividends paid		(36,000)	-
		<u>(21,500)</u>	<u>14,735</u>
Net cash (outflow)/inflow from returns on investment and servicing of finance		<u>(21,500)</u>	<u>14,735</u>
<b>Taxation</b>			
UK corporation tax paid (including ACT)		(20,850)	-
<b>Investing activities</b>			
Payments to acquire tangible fixed assets		(16,309)	(39,719)
		<u>(16,309)</u>	<u>(39,719)</u>
Net cash outflow from investing activities		<u>(16,309)</u>	<u>(39,719)</u>
Net cash inflow before financing		181,713	190,720
<b>Financing</b>			
Cash receipt upon issue of ordinary share capital		-	140,000
Issue of subordinated loan stock		-	50,000
Redemption of subordinated loan stock		(25,000)	(25,000)
		<u>(25,000)</u>	<u>(25,000)</u>
Net cash (outflow)/inflow from financing	22	<u>(25,000)</u>	<u>165,000</u>
Increase in cash and cash equivalents	20	<u>156,713</u>	<u>355,720</u>



**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**  
**Year ended 31 March 1995**

	1995 £	Fifteen months from 1 January 1993 to 31 March 1994 £
Profit for the financial year/period	57,789	87,604
Dividends	(36,000)	-
	<u>21,789</u>	<u>87,604</u>
Share option premia	4	-
Net addition to shareholders' funds	<u>21,793</u>	<u>87,604</u>
Opening shareholders' funds	<u>239,487</u>	<u>151,883</u>
Closing shareholders' funds	<u><u>261,280</u></u>	<u><u>239,487</u></u>



**NOTES TO THE ACCOUNTS**

**31 March 1995**

**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 1995. The comparative period is for the fifteen months from 1 January 1993 to 31 March 1994.

**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	-	5 years

**Balances with clients and counterparties**

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

**Operating leases**

Rentals 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 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**

	1995	1994
	£	£
Commissions	489,300	518,324

**NOTES TO THE ACCOUNTS**  
**31 March 1995**

**3. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>1995</b>	<b>1994</b>
	£	£
Bank deposit interest	<u>15,195</u>	<u>19,103</u>

**4. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>1995</b>	<b>1994</b>
	£	£
Shareholders' subordinated loan	<u>695</u>	<u>4,368</u>

**5. STAFF NUMBERS AND COSTS**

	<b>1995</b>	<b>1994</b>
	No.	No.
The average number of persons employed by the company during the financial year was:		
Dealing	2	1
Administration	<u>6</u>	<u>7</u>
	<u>8</u>	<u>8</u>

Staff costs incurred during the year in respect of these employees were:

	£	£
Wages and salaries	169,396	169,368
Social security costs	14,998	15,286
Other pension costs	<u>6,128</u>	<u>8,403</u>
	<u>190,522</u>	<u>193,057</u>

**6. DIRECTORS' EMOLUMENTS**

	<b>1995</b>	<b>1994</b>
	£	£
The emoluments of the directors were:		
Total directors' emoluments	<u>22,238</u>	<u>29,250</u>
Chairman	5,000	6,250
Highest paid director	<u>17,238</u>	<u>20,000</u>

The emoluments of the other directors were within the following ranges:  
£0 - £ 5,000

No.	No.
<u>4</u>	<u>5</u>

In addition to his emoluments received as Chairman of the company, the Chairman also received fees of £25,200 (1994 £30,200) in respect of consultancy services provided to the company during the year.



**NOTES TO THE ACCOUNTS**  
**31 March 1995**

**7. OPERATING PROFIT**

	1995 £	1994 £
Operating profit is stated after charging:		
Depreciation	16,985	19,522
Auditors' remuneration - Audit fee	7,500	7,500
- Other fees	2,650	3,200
Rentals under other operating leases	20,397	-
	<u>20,397</u>	<u>-</u>

**8. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	1995 £	1994 £
United Kingdom Corporation Tax at 25% (1994 - 25%) based on the profit for the year	22,317	15,852
Deferred taxation	(720)	720
	<u>21,597</u>	<u>16,572</u>

**9. DIVIDENDS PAID**

	1995 £	1994 £
Interim paid - 25.0p per ordinary "A" share (1994 - £nil)	20,000	-
Second interim paid - 20.0p per ordinary "A" share (1994 - £nil)	16,000	-
	<u>36,000</u>	<u>-</u>

**10. STATEMENT OF MOVEMENTS ON RESERVES**

	Share Premium account £	Profit and loss account £
Balance at 1 April 1994	100,000	39,387
Retained profit for the year	-	21,789
	<u>100,000</u>	<u>61,176</u>
Balance at 31 March 1995	<u>100,000</u>	<u>61,176</u>


**NOTES TO THE ACCOUNTS**  
**31 March 1995**
**11. TANGIBLE FIXED ASSETS**

	Computer equipment £	Fixtures and equipment £	Total £
<b>Cost</b>			
At 1 April 1994	44,117	14,882	58,999
Additions	10,715	5,594	16,409
At 31 March 1995	<u>54,832</u>	<u>20,476</u>	<u>75,308</u>
<b>Depreciation</b>			
At 1 April 1994	10,757	9,934	20,691
Charge for year	9,987	6,998	16,985
At 31 March 1995	<u>20,744</u>	<u>16,932</u>	<u>37,676</u>
<b>Net Book Value</b>			
At 31 March 1995	<u>34,088</u>	<u>3,544</u>	<u>37,632</u>
At 31 March 1994	<u>33,360</u>	<u>4,948</u>	<u>38,308</u>

**12. INVESTMENTS HELD AS FIXED ASSETS**

	Shares in subsidiary undertakings £
At 1 April 1994	1
Additions	-
At 31 March 1995	<u>1</u>

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

**13. DEBTORS**

	1995 £	1994 £
<b>Amounts falling due within one year:</b>		
Trade debtors	7,277,070	4,424,305
Other debtors	7,057	4,101
Prepayments	23,355	29,874
	<u>7,307,482</u>	<u>4,458,280</u>

**14. CASH AT BANK AND IN HAND**

Cash at bank includes £279,246 (1994 - £134,343) 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.



**NOTES TO THE ACCOUNTS**

**31 March 1995**

**15. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1995 £	1994 £
Trade creditors	7,492,488	4,520,141
Amounts owed to subsidiary undertaking	1	1
Taxation and social security	22,095	15,852
Accruals	90,224	59,648
	<u>7,604,808</u>	<u>4,595,642</u>

Included under taxation and social security is an amount of £17,317 in respect of corporation tax.

**16. CREDITORS - AMOUNT FALLING DUE AFTER MORE THAN ONE YEAR**

	1995 £	1994 £
Shareholders' subordinated loan stock	<u>-</u>	<u>25,000</u>

**Subordinated Loan Stock**

The shareholders' agreement commits shareholders to subscribe up to £100,000 of subordinated loan stock in the form approved by The Securities and Futures Authority.

On 7 January 1993 the company issued £50,000 subordinated loan stock, repayable on or before 31 December 2000, to increase the capital base of the company. Interest is payable quarterly in arrears at a rate of 3% above the base rate of Midland Bank plc.

On 28 September 1993, £25,000 of the subordinated loan stock was repaid. The remaining £25,000 was repaid on 1 August 1994.

**17. PROVISIONS FOR LIABILITIES AND CHARGES**

	£
<b>Deferred taxation</b>	
Balance at 1 April 1994	720
Current year charge	<u>(720)</u>
Balance at 31 March 1995	<u>-</u>

The amount of deferred taxation provided in the financial statements and the potential amount not provided are:

	Provided 1995 £	Provided 1994 £	Not provided 1995 £	Not provided 1994 £
Capital allowances in excess of depreciation	-	1,380	-	-
Other: General provision	<u>-</u>	<u>(660)</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>720</u>	<u>-</u>	<u>-</u>





**NOTES TO THE ACCOUNTS**  
**31 March 1995**

**18. CALLED UP SHARE CAPITAL**

	1995 £	1994 £
<b>Authorised</b>		
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>
<b>Allotted and fully paid</b>		
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>

Under the company share scheme, employees held options at 31 March 1995 for 4,500 ordinary "C" shares (1994- 3,250) as follows:

**Share options**

	1995 £	1994 £
At beginning of year/period	3,250	2,500
Lapsed during year/period	-	(2,500)
Granted during year/period	1,250	3,250
	<u>4,500</u>	<u>3,250</u>
At end of year/period	4,500	3,250

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.

**19. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	1995 £	1994 £
Operating profit	64,886	89,441
Depreciation charges	16,985	19,521
Increase in debtors	(2,849,202)	(4,454,174)
Increase in creditors	3,007,703	4,560,916
	<u>240,372</u>	<u>215,704</u>
<b>Net cash inflow from operating activities</b>	240,372	215,704


**NOTES TO THE ACCOUNTS**
**31 March 1995**
**20. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR**

	1995	1994
	£	£
Opening balance	364,260	8,540
Net cash inflow	156,713	355,720
Closing balance (see also note 14)	<u>520,973</u>	<u>364,260</u>

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

	1995	1994	Change in year
	£	£	£
Cash at bank and in hand	<u>520,973</u>	<u>364,260</u>	<u>156,713</u>

**22. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR**

	1995	
	Share capital (including share premium)	Subord- inated loan stock
	£	£
Opening balance	200,100	25,000
Share option premia	4	-
Redemption of subordinated loan stock	-	(25,000)
Closing balance	<u>200,104</u>	<u>-</u>

**23. 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.

**24. CAPITAL COMMITMENTS**

	1995	1994
	£	£
Authorised but not yet contracted for	<u>56,400</u>	<u>-</u>

**NOTES TO THE ACCOUNTS****31 March 1995****25. OPERATING LEASE COMMITMENTS**

At 31 March 1995 the company was committed to making the following payments during the next year in respect of operating leases

	Land and buildings £
After five years	<u>25,000</u>