



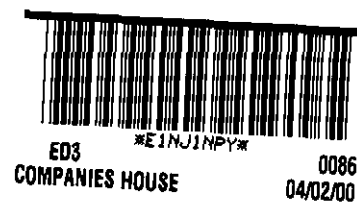
LAWSHARE LIMITED

2723420

Report and Financial Statements

31 October 1999

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



**REPORT AND FINANCIAL STATEMENTS 1999****CONTENTS**

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REPORT AND FINANCIAL STATEMENTS 1999

OFFICERS AND PROFESSIONAL ADVISERS

OFFICERS

J N Stapleton (Chairman)
B A Greayer
D A B Lough
J M Denny
W R Gemmell
A T N Warner
D J Tomlinson
N A Hale
K H O'Sullivan

SECRETARY

C J Bishop

REGISTERED OFFICE

1 Meadow Road
Tunbridge Wells
Kent TN1 2YG

BANKERS

HSBC 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 October 1999.

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 AND FUTURE PROSPECTS

The current year saw a further widening of the firm's client base and a continuing growth of business from existing clients. It is anticipated that Lawshare's client base and services to clients will continue to expand.

DIVIDENDS AND TRANSFERS TO RESERVES

Dividends of £185,977 were paid during the year (1998 - £71,602). Retained profits of £191,626 were transferred to reserves.

DIRECTORS

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

	No. of shares at 31 October 1999 'A'			No. of shares at 31 October 1998 (or later appointment) 'A'		
	'A'	Non-Voting	Founders	'A'	Non-Voting	Founder
J N Stapleton*						
(Chairman)	26,640	6,660	-	26,640	6,660	-
B A Greayer (Managing						
Director)	4,080	1,020	26	4,080	1,020	26
J M Denny*	10,656	2,664	70	10,656	2,664	70
W R Gemmell*	26,640	6,660	-	26,640	6,660	-
N A Hale	-	150	-	-	-	-
K H O'Sullivan	-	900	-	-	-	-
D A B Lough	13,354	3,330	104	13,354	3,330	104
D J Tomlinson	-	1200	-	-	1,200	-
A T N Warner**	5,784	1,450	-	14,630	3,666	-

In addition to the above the following options have been granted over 'A' non voting shares:

	@£3.50	@£4.35	@£10.89	Total
B A Greayer	5,000	1,000	-	6,000
N A Hale	500	100	500	1,100
K H O'Sullivan	1,000	200	-	1,200
D J Tomlinson	1,000	200	-	1,200

* These directors are partners or directors in firms which are Lawshare Limited's clients. J M Denny is a partner in Cripps Harries Hall, W R Gemmell is a partner in Murray Beith Murray, J N Stapleton is a partner in Thomas Eggar Church Adams. The directors hold the shares on behalf of the firms and only benefit directly from them as a consequence of this.

** ATN Warner is a director of Douglas Deakin Young Limited. On 11 February 1999 the shares held by that company were distributed between the directors and senior staff of that company.

N A Hale and K H O'Sullivan were appointed as directors on 1 October 1999.

**DIRECTORS' REPORT (CONTINUED)****YEAR 2000**

The directors have considered the impact of Year 2000 on the operation of the business, and plans are in hand to identify and address the risks associated with this issue. The total cost of the changes needed to be made are not expected to be significant.

TAXATION STATUS

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

AUDITORS

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

19TH January 2000

**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 year and of the profit or loss of the company for that year. In preparing these 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.



LAWSHARE LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 6 to 16 which have been prepared under the accounting policies set out on pages 10 and 11.

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 October 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and
Registered Auditors

27 January 2000


PROFIT AND LOSS ACCOUNT
Year ended 31 October 1999

	Note	1999 £	1998 £
TURNOVER	1,2	1,642,223	1,346,687
Other income		579,530	389,786
		<u>2,221,753</u>	<u>1,736,473</u>
Administrative expenses		(1,781,592)	(1,362,229)
OPERATING PROFIT	6	440,161	374,244
Interest receivable and similar income	3	59,319	74,746
		<u>499,480</u>	<u>448,990</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			
Tax on profit on ordinary activities	7	(121,877)	(115,855)
		<u>377,603</u>	<u>333,135</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			
Dividends paid	8	(185,977)	(71,602)
		<u>(185,977)</u>	<u>(71,602)</u>
RETAINED PROFIT FOR THE YEAR TRANSFERRED TO RESERVES	15	<u>191,626</u>	<u>261,533</u>

All activities derive from continuing operations.

There are no recognised gains or losses for the current 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 October 1999

	Note	1999 £	1998 (restated) £
FIXED ASSETS			
Tangible fixed assets	9	267,412	187,058
Investments	10	68,741	41,516
		<u>336,153</u>	<u>228,574</u>
CURRENT ASSETS			
Debtors	11	7,770,207	4,604,008
Cash at bank and in hand	12	1,126,352	1,302,838
		<u>8,896,559</u>	<u>5,906,846</u>
CREDITORS: amounts falling due within one year	13	<u>(8,317,233)</u>	<u>(5,438,792)</u>
NET CURRENT ASSETS		<u>579,326</u>	<u>468,054</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>915,479</u>	<u>696,628</u>
CAPITAL AND RESERVES			
Called up share capital - Ordinary shares	14	139,400	136,900
Share premium account	15	231,911	207,186
Capital redemption reserve	15	40,000	40,000
Profit and loss account	15	504,168	312,542
SHAREHOLDERS' FUNDS		<u>915,479</u>	<u>696,628</u>

For the purposes of Financial Reporting Standard No. 4, the shareholders' funds are categorised as non-equity.

These financial statements were approved by the Board of Directors on 19th January 2000.

Signed on behalf of the Board of Directors

B A Greayer, Managing Director

N A Hale, Director


CASH FLOW STATEMENT
Year ended 31 October 1999

	Note	1999 £	1998 (restated) £
Net cash inflow from operating activities	16	239,992	210,587
Returns on investment and servicing of finance			
Interest received	59,319	74,746	
Net cash inflow from returns on investment and servicing of finance		59,319	74,746
Taxation			
UK corporation tax paid (including Advanced Corporation Tax)		(109,273)	(16,510)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	(180,547)	(138,776)	
Net cash outflow from capital expenditure and financial investment		(180,547)	(138,776)
Equity dividends paid		(185,977)	(71,602)
Net cash (out)/inflow before financing		(176,486)	58,445
Financing			
Redemption of 'B' ordinary shares		-	(40,000)
Issue of 'A' Ordinary shares		-	69,600
Issue of 'A' non-voting ordinary shares		-	32,866
Net cash inflow from financing		-	62,466
(Decrease)/increase in cash in the year	17	(176,486)	120,911



RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Year ended 31 October 1999

	1999	1998
	£	£
Profit for the financial year	377,603	333,135
Dividends	<u>(185,977)</u>	<u>(71,602)</u>
	191,626	261,533
Redemption of 'B' ordinary shares	-	(40,000)
Issue of 'A' ordinary shares	-	69,600
Issue of 'A' non-voting ordinary shares	<u>27,225</u>	<u>74,380</u>
Net addition to shareholders' funds	218,851	365,513
Opening shareholders' funds	<u>696,628</u>	<u>331,115</u>
Closing shareholders' funds	<u><u>915,479</u></u>	<u><u>696,628</u></u>

**NOTES TO THE ACCOUNTS****31 October 1999****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 the 12 months ended 31 October 1999. The comparative period is for the 12 months ended 31 October 1998.

Restatement of comparatives

The shares held in Lawshare Employees' Trustees Ltd are being held for the continuing benefit of Lawshare Ltd's business. Therefore, in accordance with UITF 13, 'Investment in own shares' has been reclassified from debtors due within one year to fixed assets.

Turnover

Turnover represents the commission income from buying and selling securities on behalf of clients.

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	-	four years
Computer software	-	four years
Computer equipment	-	three years

Balances with clients and counterparties

In accordance with market practice certain balances with clients and market counterparties, Stock Exchange member firms and settlement offices 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 the 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.


NOTES TO THE ACCOUNTS
31 October 1999
1. ACCOUNTING POLICIES (CONTINUED)
Investment in own shares

In accordance with UITF 13 the shares issued to Lawshare Employees Trust have been included as assets in the balance sheet.

2. TURNOVER

	1999	1998
	£	£
Commissions arising in the U.K.	1,642,223	1,346,687

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	1999	1998
	£	£
Bank deposit interest	59,319	74,746

4. STAFF NUMBERS AND COSTS

	1999	1998
	£	No.
The average number of persons employed by the company during the financial year was:		
Dealing	4	4
Administration	21	17
	25	21

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

	£	£
Wages and salaries	742,795	607,254
Social security costs	75,922	58,004
Other pension costs	7,150	7,452
	825,867	672,710

5. DIRECTORS' EMOLUMENTS

	1999	1998
	£	£
Total directors' emoluments	216,275	178,628

Remuneration of the highest paid director:

	1999	1998
Emoluments	118,700	110,960


NOTES TO THE ACCOUNTS
31 October 1999
6. OPERATING PROFIT

	1999 £	1998 £
Operating profit is stated after charging:		
Depreciation	100,193	63,424
Auditors' remuneration		
Audit fee	16,000	14,080
Other services	4,770	3,150
Rentals under other operating leases	42,186	42,186
	<u> </u>	<u> </u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999 £	1998 £
United Kingdom Corporation Tax at 25% (31 October 1998: 25%)	121,877	115,855
	<u> </u>	<u> </u>

8. DIVIDENDS PAID

	1999 £	1998 £
Per 'A' ordinary share		
Interim paid 67.44p (1998: 39p)	64,743	37,434
Per 'A' Non-voting ordinary share		
Interim paid 67.44p (1998 : 24.35p)	19,827	9,933
Per ordinary 'B' share		
Interim paid £nil (1998 : 12.92p)	-	5,168
Per Founders share		
Interim paid £507.035 : (1998 £95.335)	101,407	19,067
	<u> </u>	<u> </u>
	<u>185,977</u>	<u>71,602</u>

The Lawshare Employees' Share Trust waived its right to receive a dividend of £9,374 on the 13,900 'A' non-voting ordinary shares that it held.


NOTES TO THE ACCOUNTS
31 October 1999
9. TANGIBLE FIXED ASSETS

	Computer equipment £	Fixtures and equipment £	Total £
Cost			
At 1 November 1998	308,660	39,881	348,541
Additions	158,546	22,001	180,547
	<u>467,206</u>	<u>61,882</u>	<u>529,088</u>
Depreciation			
At 1 November 1998	150,978	10,505	161,483
Charge for year	86,840	13,353	100,193
	<u>237,818</u>	<u>23,858</u>	<u>261,676</u>
Net Book Value			
At 31 October 1999	<u>229,388</u>	<u>38,024</u>	<u>267,412</u>
At 31 October 1998	<u>157,682</u>	<u>29,376</u>	<u>187,058</u>

10. INVESTMENTS HELD AS FIXED ASSETS

	1999 £	1998 (restated) £
Amounts in subsidiary undertakings	2	2
Investment in own shares	68,739	41,514
	<u>68,741</u>	<u>41,516</u>

The above investments represent a £1 investment in Lawshare Nominees Limited and a £1 investment in Lawshare Employees Trustees Limited, both unlisted wholly-owned companies registered in England and Wales. Consolidated accounts have not been produced on the grounds of immateriality. Lawshare Nominees Limited has not traded and has net assets equal to the cost of the investment. Lawshare Employees Trustees Limited is the Trustee of the Lawshare Employees' Share Trust which holds shares in the company over which options have been granted to certain of the directors and staff.

11. DEBTORS

	1999 £	1998 (restated) £
Amounts falling due within one year:		
Trade debtors	7,528,044	4,408,984
Other debtors	127,184	88,281
ACT recoverable	-	17,900
Accrued income	13,581	-
Prepayments	101,398	88,843
	<u>7,770,207</u>	<u>4,604,008</u>


NOTES TO THE ACCOUNTS
31 October 1999
12. CASH AT BANK AND IN HAND

Cash at bank includes £319,578 (31 October 1998 - £618,354) 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.

13. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £	1998 £
Trade creditors	7,761,798	4,972,444
Amounts owed to subsidiary undertaking	2	2
Taxation and social security	154,807	154,335
Accruals	400,626	312,011
	<u>8,317,233</u>	<u>5,438,792</u>

Included under taxation and social security is an amount of £124,871 (31 October 1998 - £130,167) in respect of corporation tax.

14. CALLED UP SHARE CAPITAL

	1999 £	1998 £
Authorised:		
200 (1998 : 200) Founder shares of 50p each	100	100
332,500 (1998 : 192,500) 'A' Non-voting ordinary shares of £1 each	332,500	192,500
142,500 (1998 : 82,500) 'A' ordinary shares of £1 each	142,500	82,500
Nil 'B' (1998 : 200,000) ordinary shares of £1 each	-	200,000
	<u>475,100</u>	<u>475,100</u>
Allotted and fully paid		
200 (1998 : 200) Founder shares of 50p each	100	100
96,000 (1998 : 96,000) 'A' ordinary shares of £1 each	96,000	96,000
43,300 (1998 : 40,800) 'A' Non voting ordinary shares of £1 each	43,300	40,800
	<u>139,400</u>	<u>136,900</u>

During the year the company made the following changes to its share capital:

2,500 'A' Non voting shares were issued on 22 December 1998 at £10.89 per share to The Lawshare Employees Trust for the purpose of issuing options to the directors and staffs.

On 28 September 1999 60,000 'B' shares were redesignated as 'A' ordinary shares and 140,000 B shares were redesignated as 'A' Non-voting shares. All reference to 'B' shares were removed from the company's Memorandum and Articles of Association.

The holders of 'A' and 'A' Non-voting shares are entitled to a preferential dividend of £31,500 per annum, plus an amount equal to the interest on any profits retained within the company, calculated using the HSBC Plc base rate, split evenly between all fully paid up shares. 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 the 'A' and 'A' Non-voting preferential dividends. Any balance of such profits which the directors decide to distribute, shall be applied in paying dividends on the 'A' ordinary and 'A' Non-voting shares ranking pari passu.


NOTES TO THE ACCOUNTS
31 October 1999
14. CALLED UP SHARE CAPITAL (continued)
Share options

Under the company share scheme seven employees and four directors held options at 31 October 1999 over 13,900 'A' ordinary non-voting shares (1998 – 11,400 'A' non-voting shares) as follows:

	1999		1998	
	'A' non-voting shares £	'C' shares £	'A' non-voting shares £	'C' shares £
At 1 November 1998	11,400	-	-	4,500
Lapsed during year	-	-	-	(4,500)
Granted during year	2,500	-	11,400	-
At 31 October 1999	<u>13,900</u>	<u>-</u>	<u>11,400</u>	<u>-</u>

The options for 'A' non-voting ordinary shares existing at 1 November 1998, may be exercised between 31 October 2000 and 20 April 2008. 9,500 of these are at an exercise price of £3.50 per share and the remaining 1,900 at a price of £4.35 per share. The 2,500 options issued during the year may be exercised between 31 December 2001 and 30 November 2008 at a price of £10.89.

15. STATEMENT OF MOVEMENTS ON RESERVES

	Share premium account £	Capital redemption reserve £	Profit and loss account £
Balance at 1 November 1998	207,186	40,000	312,542
Premium on share capital issued in the year	24,725	-	-
Retained profit for the year	-	-	191,626
Balance at 31 October 1999	<u>231,911</u>	<u>40,000</u>	<u>504,168</u>

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

	1999 £	1998 (restated) £
Operating profit	440,161	374,244
Depreciation charges	100,193	63,424
(Increase)/decrease in debtors	(3,184,099)	2,742,538
Increase/(decrease) in creditors	2,883,737	(2,969,619)
Net cash inflow from operating activities	<u>239,992</u>	<u>210,587</u>


NOTES TO THE ACCOUNTS
31 October 1999
17. RECONCILIATION BETWEEN THE MOVEMENT IN CASH AND THE MOVEMENT IN NET DEBT

	1998	Cashflow	1999
	£	£	£
Cash at bank and in hand	1,302,838	(176,486)	1,126,352

18. 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.

19. CAPITAL COMMITMENTS

	1999	1998
	£	£
Authorised but not yet contracted for	-	10,185

20. OPERATING LEASE COMMITMENTS

At 31 October 1999 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 two to five years	39,918	-

21. RELATED PARTY TRANSACTIONS

During the year, the company transacted business on an arm's length basis with certain of its shareholders. The balances outstanding at the end of the year were included as follows:

	1999	1998
	£	£
In debtors	1,455,741	729,997
In creditors	2,196,984	1,752,312