

ROWAN & COMPANY INVESTMENT MANAGEMENT LIMITED

formerly

ROWAN & COMPANY (FINANCIAL SERVICES) LIMITED

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 1999



DIRECTORS' REPORT

The directors submit their report and the audited financial statements of the company for the nine months ended 30 September 1999.

PRINCIPAL ACTIVITY AND FUTURE PROSPECTS

The company is a member of the Securities and Futures Authority and its principal activity remains the provision of private client investment services. The directors intend to continue and develop this activity in the forthcoming year. Following the acquisition of the company by Farlake Group PLC in June 1999 the company's accounting reference date has been changed from 31 December to 30 September. The company, formerly Rowan & Company (Financial Services) Ltd, has changed its name and from 1 October 1999 the company has traded as Rowan & Company Investment Management Ltd. In October 1999 an office was opened in Salisbury.

RESULTS AND DIVIDENDS

The results for the period are shown in the profit and loss account on page 4. The loss for the period after taxation was £127,600. In the previous year the profit after taxation was £12,020. No dividends have been paid or proposed for the current or preceding accounting period.

DIRECTORS AND DIRECTORS' INTERESTS IN SHARES

None of the directors of the company, except J Bell, had any interests in the share capital of the company. S Ewing is a director in the ultimate holding company, Farlake Group PLC, and his interests in the shares of the parent company are disclosed in that company's financial statements. The shareholdings of the directors of the company in the ultimate parent company, Farlake Group PLC, were as follows:

	Ordinary shares of £1 each	
	30 September 1999 (or date of resignation)	1 January 1999 (or date of appointment)
S R Le Prevost (resigned 11 June 1999)	-	-
D C Montgomery (resigned 1 September 1999)	-	-
L J Wasteney (resigned 11 June 1999)	-	-
A C Warne (resigned 11 June 1999)	-	-
S Ewing (appointed 11 June 1999)	8,000	8,000
J Treacher (appointed 11 June 1999)	-	-
J Bell (appointed 11 June 1999)	-	-
P D W Ingram (appointed 15 June 1999)	-	-

Mr J Bell is a director and shareholder in Asset Management Resources Ltd, which holds 33.3% of the issued ordinary, voting shares of the company.

Mr P D W Ingram has been granted 10,000 share options by Farlake Group PLC to subscribe for 5,000 shares in Farlake Group PLC at £2.40 from 7 September 2001 and for 5,000 shares at £4.20 from 1 April 2002.

CREDITOR PAYMENT POLICY AND CREDITOR DAYS

The company seeks to maintain good relations with all of its trading parties. In particular, it is the company's policy to abide by the terms of payment agreed with each of its suppliers. At the year end accrued trade creditors were outstanding equivalent to 12 days purchases (1998: 30).

DIRECTORS' REPORT (continued)

YEAR 2000

The company has assessed its exposure to the year 2000 issue and taken and planned steps to limit any impact on its business. The costs arising from the programme were minimal. Given the complexity of the issue, it is not possible to guarantee that no year 2000 problems will remain, however the directors do not consider the risks or uncertainty to be significant in the context of the company's business.

ECONOMIC AND MONETARY UNION

The advent of economic and monetary union and the potential impact upon the company of the single currency, the Euro, continues to be reviewed and monitored.

AUDITORS

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

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, 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.

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



S Ewing MBA
23 December 1999

**AUDITORS' REPORT TO THE MEMBERS OF
ROWAN & COMPANY INVESTMENT MANAGEMENT LIMITED**

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 2, the company's directors are responsible for the preparation of the 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.

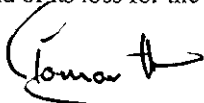
BASIS OF OPINION

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 as at 30 September 1999 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



SOLOMON HARE
Registered Auditors
Chartered Accountants
Oakfield House
Oakfield Grove
Clifton
Bristol BS8 2BN

23 December 1999

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 30 SEPTEMBER 1999**

		Nine months ended 30 September 1999 £	Year ended 31 December 1998 £
	Note		
Turnover	2	194,793	419,426
Administrative costs		(350,821)	(405,350)
Operating (loss)/profit	3	<u>(156,028)</u>	<u>14,076</u>
Interest receivable		810	8,726
Interest payable		-	(6,987)
(Loss)/profit on ordinary activities before taxation		<u>(155,218)</u>	<u>15,815</u>
Tax on loss/(profit) on ordinary activities	5	27,618	(3,795)
(Loss)/profit on ordinary activities after taxation		<u>(127,600)</u>	<u>12,020</u>
Retained profit brought forward		14,830	2,810
Retained (loss)/profit carried forward		<u><u>(112,770)</u></u>	<u><u>14,830</u></u>

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

None of the company's activities was acquired or discontinued during the current or previous period.

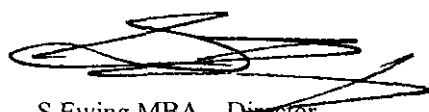
The notes on pages 7 to 12 form part of these financial statements.

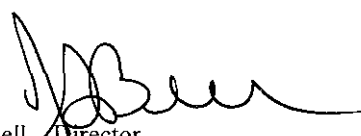
ROWAN & COMPANY INVESTMENT MANAGEMENT LIMITED

BALANCE SHEET AT 30 SEPTEMBER 1999

	Note	30 September 1999	31 December 1998
		£	£
Fixed assets			
Tangible assets	6	6,302	6,990
Investments	7	2	2
		<u>6,304</u>	<u>6,992</u>
Current assets			
Debtors	8	127,681	5,132,816
Cash at bank and in hand		245,524	136,940
		<u>373,205</u>	<u>5,269,756</u>
Creditors: amounts falling due within one year	9	(87,279)	(5,111,918)
Net current assets		<u>285,926</u>	<u>157,838</u>
Creditors: amounts falling due after more than one year	10	(160,000)	(80,000)
		<u>132,230</u>	<u>84,830</u>
Capital and reserves			
Called up share capital	12	245,000	70,000
Profit and loss account		(112,770)	14,830
Equity shareholders' funds	13	<u>132,230</u>	<u>84,830</u>

Approved on behalf of the Board:


S Ewing MBA – Director


J Bell – Director

23 December 1999

The notes on pages 7 to 12 form part of these financial statements.

**CASHFLOW STATEMENT
FOR THE PERIOD ENDED 30 SEPTEMBER 1999**

	Note	Nine months ended 30 September 1999 £	Year ended 31 December 1998 £
Net cash outflow from operating activities	14(i)	(140,525)	(8,625)
Returns on investments and servicing of finance			
Interest received		810	8,726
Interest paid		-	(6,987)
		<u>810</u>	<u>1,739</u>
Taxation paid		(4,434)	(709)
Capital expenditure			
Payments to acquire fixed assets	6	(2,267)	(4,917)
		<u>(2,267)</u>	<u>(4,917)</u>
Financing			
Issue of share capital		175,000	-
Increase in subordinated loan		80,000	-
		<u>255,000</u>	<u>-</u>
Increase/(decrease) in cash in the period	14 (ii)	<u><u>108,584</u></u>	<u><u>(12,512)</u></u>

The notes on pages 7 to 12 form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 1999**

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 is the amount derived from the provision of services falling within the company's ordinary activities after deducting value added tax. Commission income is stated in the financial statements on a receivable basis.

Tangible fixed assets and depreciation

Provision is made for depreciation on all tangible assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life, as follows:

Office and computer equipment 3 years

Pension scheme

The company operates a defined contribution pension scheme for selected employees. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions are charged to the profit and loss account as they are payable. There were no contributions due to the fund or unpaid at the period end.

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

The turnover and pre-tax loss/profit are wholly attributable to the company's principal activity, and arise wholly within the UK.

3 OPERATING (LOSS)/PROFIT

	9 months to 30 September 1999 £	Year ended 31 December 1998 £
Operating (loss)/profit is stated after charging:		
Auditors' remuneration	5,300	5,000
Operating lease rentals on property	6,750	9,000
Depreciation	2,955	10,040
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 1999

4 DIRECTORS AND EMPLOYEES

	9 months to 30 September 1999 £	Year ended 31 December 1998 £
Wages and salaries	178,664	206,370
Social security costs	19,237	18,944
Pension costs	14,966	20,589
	<u>212,867</u>	<u>245,903</u>
Average monthly number employed including executive directors:	No.	No.
Investment management	3	2
Administration	2	2
	<u>5</u>	<u>4</u>
	9 months to 30 September 1999 £	Year ended 31 December 1998 £
Directors' emoluments:		
Salary and other emoluments	103,150	161,794
Pension contributions	9,770	-
	<u>112,920</u>	<u>161,794</u>
Remuneration of the highest paid director (excluding pension contributions)	<u>78,400</u>	<u>103,354</u>

Contributions were made to a defined contribution pension scheme in respect of one director.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 1999

5 TAXATION

	9 months to 30 September 1999 £	Year ended 31 December 1998 £
Tax on the loss/profit on ordinary activities for the period was as follows:		
UK corporation tax at 30.33% (1998: 24%)	28,255	(3,795)
Taxation under provided in previous years	(637)	-
	<u>27,618</u>	<u>(3,795)</u>

Tax losses available at 30 September 1999 for offset against certain future trading income amounted to £45,000 (1998: nil).

6 TANGIBLE FIXED ASSETS

	Office equipment £	Computer equipment £	Total £
Cost:			
At 1 January 1999	17,947	14,366	32,313
Additions	562	1,705	2,267
At 30 September 1999	<u>18,509</u>	<u>16,071</u>	<u>34,580</u>
Depreciation			
At 1 January 1999	16,411	8,912	25,323
Charge for period	1,138	1,817	2,955
At 30 September 1999	<u>17,549</u>	<u>10,729</u>	<u>28,278</u>
Net book value at 30 September 1999	<u>960</u>	<u>5,342</u>	<u>6,302</u>
Net book value at 31 December 1998	<u>1,536</u>	<u>5,454</u>	<u>6,990</u>

7 INVESTMENTS

The company owns all the issued ordinary share capital of Sorbus Nominees Ltd, a company registered in England, whose business activity is that of a nominee company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 1999

8 DEBTORS

	30 September 1999 £	31 December 1998 £
Trade debtors	50,000	5,086,775
Other debtors	36,998	37,954
Taxation recoverable	25,000	-
Prepayments	15,683	8,087
	<u>127,681</u>	<u>5,132,816</u>

Trade debtors (and trade creditors) at 31 December 1998 reflected the company holding material cash deposits on behalf of clients. During the period client cash was substantially transferred to Pershing Ltd, providers of outsourced settlement services.

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 September 1999 £	31 December 1998 £
Trade creditors	29,226	5,067,121
Corporation tax	-	3,796
Amounts owed to group companies	27,477	25,330
Other taxes and social security costs	-	6,794
Accruals	30,576	8,877
	<u>87,279</u>	<u>5,111,918</u>

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	30 September 1999 £	31 December 1998 £
Subordinated loan	160,000	80,000
	<u>160,000</u>	<u>80,000</u>

The subordinated loan is from the company's parent Farlake Group PLC, is unsecured, undated and non-interest bearing.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 1999

11 DEFERRED TAXATION

Deferred tax assets not provided in the accounts and in respect of accelerated capital allowances amount to £1,501 (1998: £1,736).

12 SHARE CAPITAL

	30 September 1999 £	31 December 1998 £
Authorised:		
100,000 ordinary shares of £1 each	100,000	100,000
1,000,000 'B' ordinary shares of £1 each	1,000,000	-
Allotted, issued and fully paid:		
100,000 ordinary shares of £1 each	70,000	70,000
175,000 'B' ordinary shares of £1 each	175,000	-

On 17 September 1999 the nominal capital of the company was increased by the creation of 1,000,000 'B' non-voting ordinary shares which rank equally with the existing class of ordinary shares on a winding up. A total of 175,000 'B' ordinary shares have been issued at par for cash to increase the company's financial resources.

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	9 months to 30 September 1999 £	Year ended 31 December 1998 £
(Loss)/profit for the period	(127,600)	12,020
Issue of share capital (see note 12)	175,000	-
Opening shareholders' funds	84,830	72,810
Closing shareholders' funds	132,230	84,830

14 NOTES TO CASH FLOW STATEMENT

(i) Reconciliation of operating (loss)/profit to net cash outflow from operating activities:

	9 months to 30 September 1999 £	Year ended 31 December 1998 £
Operating (loss)/profit	(156,028)	14,076
Depreciation charge	2,955	10,040
Decrease in debtors	5,030,136	(3,623,274)
Increase in creditors	(5,017,588)	3,590,533
Net cash outflow from operating activities	(140,525)	(8,625)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 1999

(ii) Reconciliation of net cash flow to movement in net funds:

	9 months ended 30 September 1999 £	Year ended 31 December 1998 £
Increase/(decrease) in cash in the period	108,584	(12,512)
Cash inflow from increase in subordinated loan	(80,000)	-
Change in net funds resulting from cash flows and movement in net funds	<u>28,584</u>	<u>(12,512)</u>
Net funds at beginning of the period	56,940	69,452
Net funds at the end of the period	<u>85,524</u>	<u>56,940</u>

(iii) Analysis of changes in net funds:

	At 1 Jan 1999 £	Cash flow £	At 30 Sept 1999 £
Cash in hand and at bank	136,940	108,584	245,524
Subordinated loan	(80,000)	(80,000)	(160,000)
	<u>56,940</u>	<u>28,584</u>	<u>85,524</u>

15 RELATED PARTY TRANSACTIONS

Prior to 11 June 1999, when there was a change in ownership of the company, the company paid transaction charges of £34,740 (1998: £40,740) to its parent company, Rowan & Co Ltd. Since the acquisition of a controlling interest in the company by Farlake Group PLC, administrative expenses of £196,707 paid by Farlake have been recharged to the company through an intercompany account. The balance outstanding on this account at the period end was £27,477. Apart from these expenses, the advance of the subordinated loan made to the company by Farlake (note 10) and the issue of shares to Farlake (note 12), there were no other related party transactions in the period.

16 ULTIMATE PARENT COMPANY

The ultimate parent company and controlling party is Farlake Group PLC, a company incorporated in England and Wales. Copies of the group financial statements of Farlake Group PLC are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.