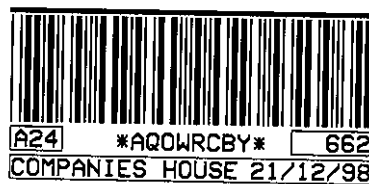


2768778

Rowan & Company
(Financial Services) Limited

Financial statements

for the period ended 31 December 1997



Rowan & Company (Financial Services) Limited

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Rowan & Company (Financial Services) Limited

Directors: SR Le Prevost (appointed 10 October 1997)

J Barry

DC Montgomery

AC Warne

LJ Wasteney

Secretary: AC Warne

Registered auditors: KPMG
Chartered Accountants

Registered office: 51 Queen Square
Bristol
England
BS1 4LH

Registered number: 2768778

Rowan & Company (Financial Services) Limited

Report of the directors

The directors present their report and the audited financial statements for the nine month period ended 31 December 1997.

Principal activity

The principal activity of the company is the provision of financial services. The company is a member of the Securities and Futures Authority.

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 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;
- prepare the financial statements on the 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, error and non compliance with law and regulations.

Review of business and future developments

The directors are satisfied with the performance of the company and are confident that turnover will continue to increase to produce a profit in the current period.

Dividends

The directors do not recommend the payment of a dividend.

Changes in fixed assets

The movements in fixed assets during the period are set out in note 8 to the financial statements.

Rowan & Company (Financial Services) Limited

Report of the directors (continued)

Directors

The directors of the company who acted during the period and at the date of this report are shown on page 1.

In accordance with the Articles of Association Mr SR Le Prevost retires and, being eligible, offers himself for re-election.

Secretary

The secretary of the company at 31 December 1997 was Mr AC Warne.

Directors' interests in shares of the company

The directors had no interests in the shares of the company.

Close company provisions

As far as the directors are aware, the close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the company.

Insurance of directors

The company maintains insurance for the directors in respect of their duties as directors.

Auditors

KPMG were appointed as auditors of the company during the period. A resolution to re-appoint them and to authorise the directors to fix their remuneration will be proposed at the forthcoming annual general meeting.

By order of the Board



AC Warne
Secretary



Orbis House
20 New Street
Guernsey, Channel Islands
GY1 4AN

Auditors' report to the members of Rowan & Company (Financial Services) Limited

We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

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 at 31 December 1997 and of its loss for the period from 28 March 1997 to 31 December 1997 and have been properly prepared in accordance with The Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

30 Mar 1998

Rowan & Company (Financial Services) Limited

Profit and loss account

for the period from 28 March 1997 to 31 December 1997

| | | 28 March 1997 to 31 December 1997 £ | 30 March 1996 to 27 March 1997 £ |
|--|-------|--|---|
| | Notes | | |
| Turnover | 2 | 285,056 | 436,647 |
| Administrative expenses | | (289,683) | (437,619) |
| Operating loss | 3 | (4,627) | (972) |
| Interest receivable | | 5,301 | 1,588 |
| Interest payable and similar charges | 4 | (546) | (458) |
| Profit for the period before taxation | | 128 | 158 |
| Taxation | 7 | (709) | (326) |
| Loss for the period after taxation | | (581) | (168) |
| Retained profit brought forward | | 3,391 | 3,559 |
| | | <u>2,810</u> | <u>3,391</u> |

The company has no recognised gains and losses other than the loss for the period.

Rowan & Company (Financial Services) Limited

Balance sheet

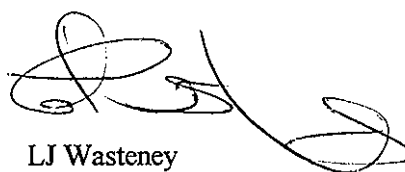
at 31 December 1997

| | Notes | 31.12.97 £ | £ | 27.3.97 £ | £ |
|--|-------|------------------|----------------|------------------|----------------|
| Fixed assets | | | | | |
| Tangible assets | 8 | | 12,113 | | 13,820 |
| Investment | 9 | | 2 | | 2 |
| | | | <u>12,115</u> | | <u>13,822</u> |
| Current assets | | | | | |
| Debtors | 10 | 1,509,542 | | 2,087,298 | |
| Cash at bank and in hand | | <u>149,452</u> | | <u>116,507</u> | |
| | | 1,658,994 | | 2,203,805 | |
| Creditors: amounts falling due within one year | 11 | <u>1,518,299</u> | | <u>2,064,236</u> | |
| Net current assets | | | <u>140,695</u> | | <u>139,569</u> |
| Total assets less current liabilities | | | <u>152,810</u> | | <u>153,391</u> |
| Creditors: amounts falling due after more than one year | 11 | | <u>80,000</u> | | <u>80,000</u> |
| | | | <u>72,810</u> | | <u>73,391</u> |
| Capital and reserves | | | | | |
| Called up share capital | 12 | | 70,000 | | 70,000 |
| Revenue reserve | | | <u>2,810</u> | | <u>3,391</u> |
| | 13 | | <u>72,810</u> | | <u>73,391</u> |

The financial statements on pages 5 to 14 were approved by the board of directors on 30 March 1998 and were signed on its behalf by:



AC Warne
Director



LJ Wasteney
Director

Rowan & Company Limited

Cash flow statement

for the period from 28 March 1997 to 31 December 1997

| | | 28 March 1997 to 31 December 1997 | 30 March 1996 to 27 March 1997 |
|---|-------|---|--------------------------------------|
| | Notes | £ | £ |
| Net cash inflow/(outflow) from operating activities | 14 | 31,893 | (22,642) |
| Returns on investments | | | |
| Interest received | | 5,301 | 1,588 |
| Interest paid | | (546) | (458) |
| Net cash inflow from returns on investments | | 4,755 | 1,130 |
| Taxation paid | | (709) | (326) |
| Capital expenditure | | | |
| Payments to acquire tangible fixed assets | | (2,994) | (7,227) |
| Net cash outflow from capital expenditure | | (2,994) | (7,227) |
| Financing | | | |
| Increase in share capital | | - | 10,000 |
| Net inflow from financing | | - | 10,000 |
| Increase/(Decrease) in cash | 15 | 32,945 | (19,065) |

Rowan & Company (Financial Services) Limited

Notes to the financial statements

1 Principal accounting policies

Accounting convention

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

Counterparty balances

Counterparty debtor and creditor balances have been disclosed in the accounts in accordance with the requirements of the rules of The Securities and Futures Authority, whereby netting of balances with the same counterparty is not permitted unless express written agreement exists between the parties to the transaction which provides for the settlement of transactions on a net basis.

Tangible fixed assets

Tangible fixed assets are stated at their purchase cost, together with any incidental costs of acquisition, net of accumulated depreciation.

Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are 20% for office equipment and 25% to 33% for computer equipment on a straight line basis.

Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rates ruling at the date of transaction. Profits and losses arising on foreign exchange translation are taken to the profit and loss account.

Turnover

Turnover, which excludes value added tax, represents net commissions on contracts after returns to all agents, the invoiced value of fees and net profits and losses on trading in securities. The company adopts the trade date method of accounting for transactions.

Financial Reporting Standard No 2

The company is exempt from the requirements of Financial Reporting Standard No 2 to prepare Group financial statements on the grounds that the operations of its subsidiary are immaterial.

Rowan & Company (Financial Services) Limited

Notes to the financial statements (continued)

2 Turnover

An analysis of income before deduction of expenses, is set out below:

| | | |
|----------------------------------|------------------|------------------|
| | 28.3.97 | 30.3.96 |
| | to | to |
| | 31.12.97 | 27.3.97 |
| | £ | £ |
| <i>Principal types of income</i> | | |
| Commissions (net) | 169,326 | 290,912 |
| Dealing income | 9,431 | 7,443 |
| Management fees | 106,299 | 138,292 |
| | <u>£ 285,056</u> | <u>£ 436,647</u> |

No geographic analysis of turnover is disclosed as substantially all of the turnover is in the United Kingdom.

3 Operating loss

| | | |
|---|----------|---------|
| | 28.3.97 | 30.3.96 |
| | to | to |
| | 31.12.97 | 27.3.97 |
| | £ | £ |
| <i>The operating loss is stated after charging:</i> | | |
| Auditors' remuneration | 3,931 | 3,931 |
| Depreciation | 4,701 | 4,645 |
| Operating lease rentals on property | 6,750 | 7,830 |
| | <u></u> | <u></u> |

4 Interest payable and similar charges

| | | |
|---|----------|---------|
| | 28.3.97 | 30.3.96 |
| | to | to |
| | 31.12.97 | 27.3.97 |
| | £ | £ |
| On bank loans, overdrafts and other loans repayable within 5 years, not by instalments | 546 | 458 |
| | <u></u> | <u></u> |

Rowan & Company (Financial Services) Limited

Notes to the financial statements (continued)

5 Employee information

The average number of persons employed during the period was:

| | | |
|-----------------------|----------|----------|
| | 28.3.97 | 30.3.96 |
| | to | to |
| | 31.12.97 | 27.3.97 |
| Compliance officer | - | 1 |
| Investment management | 2 | 2 |
| Administration | 2 | 2 |
| | <u>4</u> | <u>5</u> |

| | | |
|-----------------------|----------------|----------------|
| <i>Staff costs</i> | £ | £ |
| Wages and salaries | 160,089 | 213,555 |
| Social security costs | 14,227 | 20,834 |
| Other pension costs | 16,329 | 20,866 |
| | <u>190,645</u> | <u>255,255</u> |

6 Directors' emoluments

| | | |
|--|----------------|----------------|
| | 28.3.97 | 30.3.96 |
| | to | to |
| | 31.12.97 | 27.3.97 |
| | £ | £ |
| Salary and fees | <u>134,725</u> | <u>177,200</u> |
| Fees and other emoluments include amounts paid to: | | |
| | £ | £ |
| The highest paid director | <u>76,763</u> | <u>117,190</u> |

The number of directors (including the chairman and highest paid director) who received fees and other emoluments (excluding pension contributions) within the following ranges was:

| | | |
|----------------------|----------|----------|
| | Number | Number |
| £0 to £5,000 | 2 | 2 |
| £15,000 to £20,000 | - | 1 |
| £30,000 to £35,000 | - | 1 |
| £40,000 to £45,000 | 1 | - |
| £75,000 to £80,000 | 1 | - |
| £100,000 to £105,000 | - | 1 |
| | <u>4</u> | <u>5</u> |

Rowan & Company (Financial Services) Limited

Notes to the financial statements (continued)

7 Taxation

| | £ | £ |
|---------------------------|--------------|--------------|
| UK corporation tax at 24% | <u>£ 709</u> | <u>£ 326</u> |

8 Tangible fixed assets

| | Office equipment £ | Computer equipment £ | Total £ |
|-----------------------|--------------------------|----------------------------|---------------|
| <i>Cost</i> | | | |
| At 28 March 1997 | 17,515 | 6,887 | 24,402 |
| Additions | <u>432</u> | <u>2,562</u> | <u>2,994</u> |
| At 31 December 1997 | <u>17,947</u> | <u>9,449</u> | <u>27,396</u> |
| <i>Depreciation</i> | | | |
| At 28 March 1997 | 7,794 | 2,788 | 10,582 |
| Charge for period | <u>2,668</u> | <u>2,033</u> | <u>4,701</u> |
| At 31 December 1997 | <u>10,462</u> | <u>4,821</u> | <u>15,283</u> |
| <i>Net book value</i> | | | |
| At 31 December 1997 | <u>£ 7,485</u> | <u>4,628</u> | <u>12,113</u> |
| At 27 March 1997 | <u>£ 9,721</u> | <u>4,099</u> | <u>13,820</u> |

9 Interests in group undertakings

The company owns 100% of the issued ordinary share capital of Sorbus Nominees Limited, a company registered in England, whose business activity is that of a nominee company.

10 Debtors

| | 31.12.97 £ | 27.3.97 £ |
|--------------------------------------|--------------------|--------------------|
| Amounts falling due within one year | | |
| Due from clients and counterparties | 1,458,321 | 2,031,196 |
| Amounts owed from group undertakings | - | 4,174 |
| Other debtors | 41,195 | 37,352 |
| Prepayments | <u>10,026</u> | <u>14,576</u> |
| | <u>£ 1,509,542</u> | <u>£ 2,087,298</u> |

Rowan & Company (Financial Services) Limited

Notes to the financial statements (continued)

11 Creditors

| | 31.12.97 | 27.3.97 |
|---|--------------------|--------------------|
| | £ | £ |
| Amounts falling due within one year | | |
| Due to clients and counterparties | 1,470,365 | 2,047,446 |
| Amounts owed to group undertakings | 34,812 | 155 |
| Corporation tax | 709 | 326 |
| Other taxation and social security payable | 6,430 | 6,653 |
| Accruals and deferred income | 5,983 | 9,656 |
| | <u>£ 1,518,299</u> | <u>£ 2,064,236</u> |
| Amounts falling due after more than one year | | |
| Subordinated loan | <u>£ 80,000</u> | <u>£ 80,000</u> |

The subordinated loan is due to Rowan & Company Limited and is unsecured. Interest is payable quarterly at 2% above Midland Bank Plc base rate, but has been waived for the current and previous periods.

12 Called up share capital

| | 31.12.97 | 27.3.97 |
|--|------------------|------------------|
| | £ | £ |
| Authorised: | | |
| 100,000 ordinary shares of £1 each | <u>£ 100,000</u> | <u>£ 100,000</u> |
| Allotted, called up and fully paid: | | |
| 70,000 ordinary shares of £1 each | <u>£ 70,000</u> | <u>£ 70,000</u> |

13 Reconciliation of shareholders' funds

| | 31.12.97 | 27.3.97 |
|---------------------------------|------------------------|------------------------|
| | £ | £ |
| At start of period | 73,391 | 63,559 |
| Retained loss for the period | (581) | (168) |
| Shares issued during the period | - | 10,000 |
| At end of period | <u><u>£ 72,810</u></u> | <u><u>£ 73,391</u></u> |

Rowan & Company (Financial Services) Limited

Notes to the financial statements (continued)

14 Reconciliation of operating loss to net cash inflow/(outflow) from operating activities

| | | |
|---|---------------|-----------------|
| | 31.12.97 | 27.3.97 |
| | £ | £ |
| Operating loss | (4,627) | (972) |
| Depreciation of tangible fixed assets | 4,701 | 4,645 |
| Decrease in creditors | (545,937) | (1,058,491) |
| Decrease in debtors | 577,756 | 1,032,176 |
| Net cash inflow/(outflow) from operating activities | <u>31,893</u> | <u>(22,642)</u> |

15 Movement in cash

| | | | |
|--------------|----------------|---------------|----------------|
| | 27.3.97 | Cash Flows | 31.12.97 |
| | £ | £ | £ |
| Cash at bank | <u>116,507</u> | <u>32,945</u> | <u>149,452</u> |

16 Lease commitments

The company had the following annual commitments under non cancellable operating lease agreements:

| | | |
|-------------------------------------|----------------|----------------|
| | 31.12.97 | 27.3.97 |
| | £ | £ |
| Expiring between two and five years | <u>8,000</u> | <u>8,000</u> |
| | <u>£ 8,000</u> | <u>£ 8,000</u> |

17 Transactions with directors and officers

During the year the company has entered into transactions with directors and officers of the company. These transactions were carried out at arms length in the normal course of business on terms identical to those offered by the company to its customers, except that directors receive staff commission rates at a flat rate of £10 per transaction.

Rowan & Company (Financial Services) Limited

Notes to the financial statements (continued)

18 Client money

At 31 December 1997 free money amounting to £1,766,835 was held by the firm on behalf of clients in accordance with the Client Money and Other Assets Rules of the Securities and Futures Authority Limited. The firm has no beneficial interest in these deposits and accordingly they are not included in the balance sheet.

19 Related party transactions

The company paid transaction fees of £28,025 (27 March 1997: £59,755) to its parent company during the period.

20 Controlling parties

The company's controlling party is its parent company, Rowan & Company Limited, a company incorporated in Guernsey. Its ultimate controlling party is Singer & Friedlander Group plc, a company incorporated in England.