

Register

345 4743

**The Link Asset and Securities Company  
Limited**

Report and Financial Statements

Year Ended

31 December 2002



**The Link Asset and Securities Company Limited**

**Annual report and financial statements for the year ended 31 December 2002**

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**Directors**

C S H Davies  
J D S Booth  
G H Stewart

**Secretary and registered office**

D G Wilks, 3rd Floor, 30-34 Langham Street, London, W1W 7AW

**Company number**

3454743

**Auditors**

BDO Stoy Hayward, 8 Baker Street, London, W1U 3LL

# The Link Asset and Securities Company Limited

## Report of the directors for the year ended 31 December 2002

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The directors present their report together with the audited financial statements for the year ended 31 December 2002.

### Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the year.

Interim dividends of £3,000,000 were paid to ordinary shareholders during the year (2001 - £Nil). The directors do not recommend the payment of a final dividend.

### Principal activities, review of business and future developments

The company brokers deals in European equity derivatives between financial institutions and Natural Gas and Electricity between financial institutions, suppliers and retailers.

The directors consider the results for the year to be satisfactory and expect similar results in the future.

During the year, the company set-up subsidiary companies in South Africa and USA to expand the group's derivatives brokerage into these countries. Additionally, the company set up Launch Partners Limited during the year, a professional services consultancy company.

There have been no events since the balance sheet date which materially affect the position of the company.

### Charitable and political contributions

During the year the group made charitable contributions of £133,982 (2001 - £130,731).

### Directors

The directors of the company during the year and their interests in the ordinary share capital of the company were:

	Ordinary shares of £1 each	
	2002	2001
C S H Davies	90,000	90,000
J D S Booth	22,500	22,500
G H Stewart (appointed 26 July 2002)	-	-

## The Link Asset and Securities Group

### Report of the directors for the year ended 31 December 2002 *(Continued)*

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#### 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 group and company and of the profit or loss of the group for that year. 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

#### By order of the board



#### Secretary

Date: 28 March 2003

## **The Link Asset and Securities Company Limited**

### **Report of the independent auditors**

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#### **To the shareholders of The Link Asset and Securities Company Limited**

We have audited the financial statements of The Link Asset and Securities Company Limited for the year ended 31 December 2002 on pages 5 to 20 which have been prepared under the accounting policies set out on pages 9 to 10.

#### *Respective responsibilities of directors and auditors*

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### *Basis of audit opinion*

We conducted our audit in accordance with United Kingdom 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 group'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.

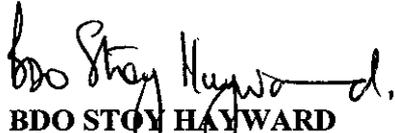
**The Link Asset and Securities Company Limited**

**Report of the independent auditors (*Continued*)**

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*Opinion*

In our opinion the financial statements give a true and fair view of the state of the group's and the company's affairs as at 31 December 2002 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
**BDO STOY HAYWARD**  
*Chartered Accountants  
and Registered Auditors*  
London

Date: 28 March 2003

**The Link Asset and Securities Company Limited**

**Consolidated profit and loss account for the year ended 31 December 2002**

	Note	2002 £	2001 £
Turnover	2	23,293,413	16,876,595
Cost of sales		15,558,621	11,650,679
<b>Gross profit</b>		<b>7,734,792</b>	<b>5,225,916</b>
Administrative expenses		2,491,262	1,745,594
<b>Group operating profit</b>	5	<b>5,243,530</b>	<b>3,480,322</b>
Interest receivable		184,716	194,839
<b>Profit on ordinary activities before taxation</b>		<b>5,428,246</b>	<b>3,675,161</b>
Taxation on profit on ordinary activities	6	1,865,771	1,167,316
<b>Profit on ordinary activities after taxation</b>		<b>3,562,475</b>	<b>2,507,845</b>
Dividends	19	3,000,000	-
<b>Retained profit</b>		<b>562,475</b>	<b>2,507,845</b>
Retained profit brought forward		5,612,303	3,104,458
<b>Retained profit carried forward</b>		<b>6,174,778</b>	<b>5,612,303</b>

All amounts relate to continuing activities.

All recognised gains and losses in the current and prior year are included in the profit and loss account.

The notes on pages 9 to 20 form part of these financial statements.

**The Link Asset and Securities Group**

**Consolidated balance sheet at 31 December 2002**

	Note	2002 £	2002 £	2001 £	2001 £
<b>Fixed assets</b>					
Tangible assets	7		336,394		461,463
Fixed asset investments	8		2,469		-
			<u>338,863</u>		<u>461,463</u>
<b>Current assets</b>					
Debtors	9	4,457,346		4,933,374	
Investments	10	524,702		930,689	
Cash at bank and in hand		7,473,077		4,232,130	
		<u>12,455,125</u>		<u>10,096,193</u>	
<b>Creditors: amounts falling due within one year</b>	11	6,506,710		4,832,853	
<b>Net current assets</b>			<u>5,948,415</u>		<u>5,263,340</u>
<b>Total assets less current liabilities</b>			<u>6,287,278</u>		<u>5,724,803</u>
<b>Capital and reserves</b>					
Called up share capital	12		112,500		112,500
Profit and loss account			6,174,778		5,612,303
<b>Equity shareholders' funds</b>	14		<u>6,287,278</u>		<u>5,724,803</u>

The financial statements were approved by the Board on *28 March 2003*

*J D S Booth*

J D S Booth  
Director

The notes on pages 9 to 20 form part of these financial statements.

**The Link Asset and Securities Group**

**Company balance sheet at 31 December 2002**

	Note	2002 £	2002 £	2001 £	2001 £
<b>Fixed assets</b>					
Tangible assets	7		336,394		461,463
Fixed asset investments	8		49,378		-
			<u>385,772</u>		<u>461,463</u>
<b>Current assets</b>					
Debtors	9	4,868,478		4,933,374	
Investments	10	524,702		930,689	
Cash at bank and in hand		7,071,934		4,232,130	
		<u>12,465,114</u>		<u>10,096,193</u>	
<b>Creditors: amounts falling due within one year</b>	11	<u>6,506,512</u>		<u>4,832,853</u>	
<b>Net current assets</b>			<u>5,958,602</u>		<u>5,263,340</u>
<b>Total assets less current liabilities</b>			<u>6,344,374</u>		<u>5,724,803</u>
<b>Capital and reserves</b>					
Called up share capital	12		112,500		112,500
Profit and loss account			6,231,874		5,612,303
<b>Equity shareholders' funds</b>	14		<u>6,344,374</u>		<u>5,724,803</u>

The financial statements were approved by the Board on *28 March 2003*

*John Booth*

J D S Booth  
Director

The notes on pages 9 to 20 form part of these financial statements.

The Link Asset and Securities Company Limited

Cash flow statement for the year ended 31 December 2002

	Note	2002 £	2002 £	2001 £	2001 £
<b>Net cash inflow from operating activities</b>	15		7,433,928		3,045,575
<b>Returns on investments and servicing of finance</b>					
Interest received			184,716		163,516
<b>Taxation</b>					
Corporation tax paid			(1,612,700)		(1,153,512)
<b>Capital expenditure and financial investment</b>					
Payments to acquire tangible fixed assets		(346,755)		(334,995)	
Payments to acquire fixed asset investments		(2,469)		-	
Receipts from sale of tangible fixed assets		-		2,229	
<b>Net cash outflow from capital expenditure and financial investment</b>			(349,224)		(332,766)
<b>Equity dividend paid</b>			(3,000,000)		-
<b>Cash inflow before use of liquid resources and financing</b>			2,656,720		1,722,813
<b>Management of liquid resources</b>					
Purchase of current asset investments		(556,773)		(930,689)	
Sale of current asset investments		1,241,000		-	
<b>Net cash inflow/(outflow) from management of liquid resources</b>			684,227		(930,689)
<b>Financing</b>					
Loans repaid			(100,000)		-
<b>Increase in cash</b>	16		3,240,947		792,124

The notes on pages 9 to 20 form part of these financial statements.

# The Link Asset and Securities Company Limited

Notes forming part of the financial statements for the year ended 31 December 2002

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## 1 Accounting policies

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

The following principal accounting policies have been applied:

### *Basis of consolidation*

The consolidated financial statements incorporate the results of The Link Asset and Securities Company Limited and all of its subsidiary undertakings as at 31 December 2002 using the acquisition or merger method of accounting as required. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition.

### *Turnover*

Turnover represents sales to outside customers at invoiced amounts less value added tax.

### *Depreciation*

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all tangible fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Fixtures & fittings	- 20% p.a straight line
Office Equipment	- 33.33 % p.a straight line
Computer Equipment	- 33.33% p.a straight line

### *Foreign currency*

Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the translation. Exchange differences are taken into account in arriving at the operating profit.

## The Link Asset and Securities Company Limited

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

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### 1 Accounting policies (*continued*)

#### *Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the group has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

#### *Leased assets*

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

### 2 Turnover

	2002 £	2001 £
Analysis by class of business:		
Derivatives brokerage	23,293,413	16,876,595
	<hr/>	<hr/>
Analysis by geographical market:		
United Kingdom	23,251,374	16,876,595
South Africa	42,039	-
	<hr/>	<hr/>
	23,293,413	16,876,595
	<hr/>	<hr/>

## The Link Asset and Securities Company Limited

Notes forming part of the financial statements for the year ended 31 December 2002 (Continued)

### 3 Employees

Staff costs (including directors) consist of:

	2002 £	2001 £
Wages and salaries	13,427,847	10,138,747
Social security costs	1,372,339	728,582
	<u>14,800,186</u>	<u>10,867,329</u>

The average number of employees (including directors) during the year was 71 (2001 - 48).

### 4 Directors' remuneration

	2002 £	2001 £
Directors' emoluments	1,164,992	1,086,810

The total amount payable to the highest paid director in respect of emoluments was £644,992 (2001 - £826,131).

### 5 Operating profit

	2002 £	2001 £
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	471,824	270,212
Profit on disposal of current asset investments	(310,311)	-
Auditors' remuneration:		
Group - audit services	16,300	14,500
Group - non-audit services	15,041	26,734
Operating lease rentals	130,541	106,219
Exchange rate losses	12,766	42,738
Profit on disposal of fixed assets	-	(2,198)

Included in the group audit fee is an amount of £16,300 (2001 - £14,500) in respect of the company.

The Link Asset and Securities Company Limited

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

6 Taxation on profit on ordinary activities

	2002 £	2002 £	2001 £	2001 £
<i>UK Corporation tax</i>				
Current tax on profits of the year	1,849,888		1,186,937	
Adjustment in respect of previous periods	15,883		(19,621)	
		<u>1,865,771</u>		<u>1,167,316</u>
Total current tax		<u>1,865,771</u>		<u>1,167,316</u>

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2002 £	2001 £
Profit on ordinary activities before tax	5,428,246	3,675,161
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2001 - 30%)	1,628,474	1,102,548
Effect of:		
Expenses not deductible for tax purposes	211,848	83,506
Capital allowances for period in excess of depreciation	9,566	883
Adjustment to tax charge in respect of previous periods	15,883	(19,621)
Current tax charge for period	<u>1,865,771</u>	<u>1,167,316</u>

The Link Asset and Securities Company Limited

Notes forming part of the financial statements for the year ended 31 December 2002 (Continued)

7 Tangible fixed assets

Group and company

	Fixtures and fittings £	Office equipment £	Computer Equipment £	Total £
<i>Cost</i>				
At 1 January 2002	71,619	618,404	136,783	826,806
Additions	30,730	103,319	212,706	346,755
	<u>102,349</u>	<u>721,723</u>	<u>349,489</u>	<u>1,173,561</u>
At 31 December 2002				
<i>Depreciation</i>				
At 1 January 2002	19,912	280,852	64,579	365,343
Provided for the year	18,712	374,889	78,223	471,824
	<u>38,624</u>	<u>655,741</u>	<u>142,802</u>	<u>837,167</u>
At 31 December 2002				
<i>Net book value</i>				
At 31 December 2002	<u>63,725</u>	<u>65,982</u>	<u>206,687</u>	<u>336,394</u>
At 31 December 2001	<u>51,707</u>	<u>337,552</u>	<u>72,204</u>	<u>461,463</u>

The depreciation charge for the year for office equipment includes a specific additional charge of £195,962 for the write down of the office telephone system. This is anticipated to be disposed of after the year end for negligible proceeds and as a result is shown at nil net book value at year end.

**The Link Asset and Securities Company Limited**

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

**8 Fixed asset investments**

**Group**

	Un-listed investments £
<i>Cost or valuation</i>	
Additions and at 31 December 2002	2,469
<i>Net book value</i>	
At 31 December 2002	2,469
At 31 December 2001	-

**Company**

	Group undertakings £	Un-listed investments £	Total £
<i>Cost or valuation</i>			
Additions and at 31 December 2002	46,909	2,469	49,378
<i>Net book value</i>			
At 31 December 2002	46,909	2,469	49,378
At 31 December 2001	-	-	-

The Link Asset and Securities Company Limited

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

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8 Fixed asset investments (*continued*)

*Subsidiary undertakings, associated undertakings and other investments*

The principal undertakings in which the company's interest at the year end is 20% or more are as follows:

<i>Subsidiary undertakings</i>	<b>Country of incorporation or registration</b>	<b>Proportion of voting rights and ordinary share capital held</b>	<b>Nature of business</b>
LinkBrokers Derivatives Corporation Inc	USA	100%	Derivatives broker
The Link Asset & Securities Co (Pty) Limited	South Africa	100%	Derivatives broker
Launch Partners Limited	UK	100%	Professional services consultancy

**The Link Asset and Securities Company Limited**

Notes forming part of the financial statements for the year ended 31 December 2002 (Continued)

**9 Debtors**

	Group 2002 £	Group 2001 £	Company 2002 £	Company 2001 £
Trade debtors	3,890,871	4,429,860	3,890,871	4,429,860
Amounts owed by group undertakings	-	-	411,132	-
Other debtors	72,000	-	72,000	-
Prepayments and accrued income	494,475	503,514	494,475	503,514
	<u>4,457,346</u>	<u>4,933,374</u>	<u>4,868,478</u>	<u>4,933,374</u>

All amounts shown under debtors fall due for payment within one year.

**10 Current asset investments**

	Group and Company 2002 £	2001 £
Other investments	524,702	930,689
	<u>524,702</u>	<u>930,689</u>

At 31 December 2002 included in other investments are listed shares of £524,702 (2001 - nil). The market value of the listed shares held by the group and company at 31 December 2002 was £617,819.

**11 Creditors: amounts falling due within one year**

	Group 2002 £	Group 2001 £	Company 2002 £	Company 2001 £
Subordinated loan	-	100,000	-	100,000
Trade creditors	481,074	208,743	481,074	208,743
Corporation tax	741,927	488,856	741,729	488,856
Other taxation and social security	230,456	467,785	230,456	467,785
Accruals and deferred income	5,053,253	3,567,469	5,053,253	3,567,469
	<u>6,506,710</u>	<u>4,832,853</u>	<u>6,506,512</u>	<u>4,832,853</u>

**The Link Asset and Securities Company Limited**

**Notes forming part of the financial statements for the year ended 31 December 2002 (Continued)**

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**11 Creditors: amounts falling due within one year (Continued)**

The subordinated loan attracted interest at 10% per annum, was unsecured and was repaid on 28 February 2002 with the prior consent of the Financial Services Authority.

**12 Share capital**

	2002	Authorised 2001	Allotted, called up and fully paid	
	£	£	2002	2001
			£	£
<i>Equity share capital</i>				
Ordinary shares of £1 each	112,500	112,500	112,500	112,500
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**13 Commitments under operating leases**

The group had annual commitments under non-cancellable operating leases as set out below:

	2002	2001
	Land and buildings	Land and buildings
	£	£
Operating leases which expire:		
Within one year	130,541	113,244
	<u>          </u>	<u>          </u>

**The Link Asset and Securities Company Limited**

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

**14 Reconciliation of movements in shareholders' funds**

	Group 2002 £	Group 2001 £	Company 2002 £	Company 2001 £
Profit for the year	3,562,475	2,507,845	3,619,571	2,507,845
Dividends	(3,000,000)	-	(3,000,000)	-
	<u>562,475</u>	<u>2,507,845</u>	<u>619,571</u>	<u>2,507,845</u>
Opening shareholders' funds	5,724,803	3,216,958	5,724,803	3,216,958
	<u>6,287,278</u>	<u>5,724,803</u>	<u>6,344,374</u>	<u>5,724,803</u>

**15 Reconciliation of operating profit before exceptional items to net cash inflow from operating activities**

	2002 £	2001 £
Operating profit before exceptional items	5,243,530	3,480,322
Profit on sale of current asset investments	(310,311)	-
Depreciation of tangible fixed assets	471,824	270,212
Profit on sale of tangible fixed assets	-	(2,198)
Provision against investments	32,071	-
Decrease/(increase) in debtors	476,028	(2,183,679)
Increase in creditors	1,520,786	1,480,918
	<u>7,433,928</u>	<u>3,045,575</u>
Net cash inflow from operating activities	<u>7,433,928</u>	<u>3,045,575</u>

**The Link Asset and Securities Company Limited**

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

**16 Reconciliation of net cash flow to movement in net funds**

	2002 £	2001 £
Increase in cash	3,240,947	792,124
Cash outflow from changes in debt	100,000	-
Cash (inflow)/outflow from changes in liquid resources	(405,987)	930,689
	<hr/>	<hr/>
Movement in net funds	2,934,960	1,722,813
Opening net funds	5,062,819	3,340,006
	<hr/>	<hr/>
Closing net funds	7,997,779	5,062,819
	<hr/>	<hr/>

**17 Analysis of net funds**

	At 1 January 2002 £	Cash flow £	At 31 December 2002 £
Cash at bank and in hand	4,232,130	3,240,947	7,473,077
Debt due within one year	(100,000)	100,000	-
Current asset investments	930,689	(405,987)	524,702
	<hr/>	<hr/>	<hr/>
Total	5,062,819	2,934,960	7,997,779
	<hr/>	<hr/>	<hr/>

## The Link Asset and Securities Company Limited

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

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### 18 Related party disclosures

#### *Controlling parties*

The directors consider the ultimate controlling party of the group to be CHS Davies, a director and majority shareholder of the company.

#### *Related party transactions and balances*

The comparative amount shown in Note 11 as a subordinated loan in 2001 was owed to CHS Davies and JDS Booth, directors of the company, in the ratio of 80% to 20% respectively. It was repaid in full on 28 February 2002 with the prior consent of the Financial Services Authority.

The company used the services of Maintel Europe Limited for telephone maintenance, a company of which JDS Booth is chairman. Goods and services acquired during the period totalled £187,898, of which £253 was owed at year end and is included within trade creditors.

The company has granted a loan of £72,000 to Financial Issues Limited a company of which JDS Booth is chairman. This amount was outstanding at the year end and is included in other debtors.

### 19 Dividends

	2002	2001
	£	£
<i>Equity shares</i>		
Ordinary shares		
Interim paid of £26.67 (2001 - Nil p) per share	3,000,000	-
	<hr/>	<hr/>

### 20 Profit for the financial year

The company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The group profit for the year includes a profit after tax and before dividends of £3,619,571 (2001 - £2,507,845) which is dealt with in the financial statements of the parent company.