

**SPIN SPG Limited**

**Directors' report and consolidated  
financial statements**

**Registered number 4719360**

**30 September 2003**



## **Directors' report and financial statements**

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## Directors' report

The directors present their annual report and the audited financial statements for the six months ended 30 September 2003.

### Principal activities

The principal activity of the company is to act as a holding company for Seymour Pierce Limited and Seymour Pierce Ellis Limited. The principal activities of Seymour Pierce Limited are the provision of corporate finance advice and institutional stockbroking whilst that of Seymour Pierce Ellis Limited is the provision of stock and share broking.

### Business review

The company was incorporated on 1 April 2003.

On 11 April 2003, the company entered into a contract to acquire the economical interest, as at 28 February 2003, of Seymour Pierce Limited and Seymour Pierce Ellis Limited from Seymour Pierce Group Plc with the purchase being completed on 11 July 2003. SPIN SPG Limited is a company representing the interest of Alchemy Partners Nominees Limited, N.W. Wray and a management team led by K.R. Harris and R. Feigen.

### Results and dividend

The consolidated profit and loss account for the period is set out on page 5. The results for the period show a profit after tax of £114,713. The directors do not recommend the payment of an equity dividend. Preference share dividends of £126,631 have been accrued at the period end.

### Directors and directors' interests

The Directors who held office during the period were as follows:

M.K. Bolland	(Appointed 1 April 2003)
R. Feigen	(Appointed 11 July 2003)
K.R. Harris	(Appointed 11 July 2003)
J.C. Mattock	(Appointed 14 July 2003)
D.J.H. Slade	(Appointed 10 April 2003, Resigned 11 July 2003)
N.W. Wray	(Appointed 11 July 2003)

### Interest in Shares

The beneficial interests of the directors in the shares in the company at 30 September 2003, were:

Beneficial Holdings at 30 September 2003	Ordinary shares of 1p each	"A" ordinary shares of 1p each	"A" Preference shares of £1 each	"B" Preference shares of £1 each
R. Feigen	100,000			
K.R. Harris	199,000			587,604
J.C. Mattock	65,000			
N.W. Wray		49,000	649,115	

At 30 September M.K. Bolland had a beneficial interest in 943 "A" ordinary shares of 1p each, £12,541 "B" preference shares of £1 each of the company and a beneficial interest in £9,889 of "A" subordinated loan stock through the Alchemy Investment Plan Co - Investment scheme.

M.K. Bolland also has interest in the shares and "A" subordinated loan stock of the company held by the Alchemy Investment Plan (the "Plan") through the carried interest arrangements made by the Plan.

In addition to the above K.R. Harris had a disclosable interest in £463,396 "B" subordinated loan stock and N.W. Wray had a disclosable interest in £511,885 "A" subordinated loan stock.

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of any other Group company.

## **Directors' report** *(continued)*

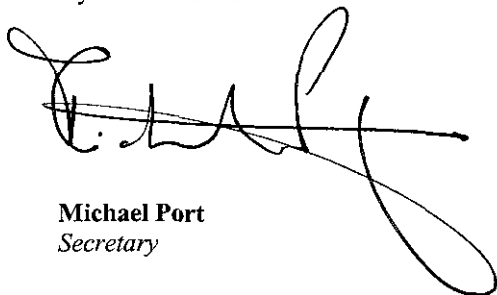
### **Political and charitable contributions**

The group made no political contributions during the period. Donations to UK charities amounted to £3,420.

### **Auditors**

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

A handwritten signature in black ink, appearing to read 'M. Port', with a large, stylized flourish extending from the end of the signature.

**Michael Port**  
*Secretary*

Bucklersbury House  
3 Queen Victoria Street  
London  
EC4N 8EL

26 April 2004

## 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 group and of the profit or loss 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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



## KPMG Audit Plc

8 Salisbury Square  
London  
EC4Y 8BB  
United Kingdom

### Independent auditors' report to the members of SPIN SPG Limited

We have audited the financial statements on pages 5 to 25.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 company 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 group is not disclosed.

#### Basis of audit 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 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.

#### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 September 2003 and of the profit of the group for the six month period then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

26 April 2004

**Consolidated profit and loss account**  
*for the six months period ended 30 September 2003*

	<i>Note</i>	2003 £
<b>Turnover</b>		<b>6,460,550</b>
Administrative expenses	2-4	(6,005,973)
<b>Operating profit</b>	2-4	<b>454,577</b>
Other interest receivable and similar income	5	105,835
Interest payable and similar charges	6	(120,137)
Amortisation of goodwill	9	(36,696)
<b>Profit on ordinary activities before taxation</b>		<b>403,579</b>
Tax on profit on ordinary activities	7	(162,235)
<b>Profit for the financial year</b>		<b>241,344</b>
Dividends on non-equity shares	8	(126,631)
<b>Retained profit for the year for group</b>		<b>114,713</b>

The above results all relate to continuing activities (new activities during the period). There were no other recognised gains or losses during the current period.

**Consolidated balance sheet**  
*at 30 September 2003*

	<i>Note</i>	2003 £	2003 £
<b>Fixed assets</b>			
Intangible assets – Goodwill	9	3,270,412	
Tangible fixed assets	10	449,056	
Investments	11	64,002	
		<hr/>	
			3,783,470
<b>Current assets</b>			
Debtors	12	2,731,529	
Investments	13	351,658	
Cash at bank and in hand		6,110,698	
		<hr/>	
		9,193,885	
<b>Creditors: amounts falling due within one year</b>	14	(2,184,668)	
		<hr/>	
<b>Net current assets</b>			7,009,217
			<hr/>
<b>Total assets less current liabilities</b>			10,792,687
<b>Creditors: amounts falling due after more than one year</b>	15		(4,266,967)
			<hr/>
<b>Net assets</b>			6,525,720
			<hr/>
<b>Capital and reserves</b>			
Called up share capital	18		10,000
Share premium account	19		990,000
Preference shares	18		5,411,007
Profit and loss account	19		114,713
			<hr/>
			6,525,720
			<hr/>
<b>Shareholders' funds</b>			
Equity		1,114,713	
Non-equity		5,411,007	
		<hr/>	
			6,525,720
			<hr/>

These financial statements were approved by the board of directors on 26 April 2004 and were signed on its behalf

by:



**K. R. Harris**  
*Director*



**Company balance sheet**  
*at 30 September 2003*

	<i>Note</i>	<b>2003</b> £	<b>2003</b> £
<b>Fixed assets</b>			
Investments	11		7,701,077
<b>Current assets</b>			
Debtors	12	282,835	
Cash at bank and in hand		2,878,195	
		<hr/>	
<b>Creditors: amounts falling due within one year</b>	14	3,161,030 (318,264)	
		<hr/>	
<b>Net current assets</b>			2,842,766
			<hr/>
<b>Total assets less current liabilities</b>			10,543,843
<b>Creditors: amounts falling due after more than one year</b>	15		(4,266,967)
			<hr/>
<b>Net assets</b>			6,276,876
			<hr/>
<b>Capital and reserves</b>			
Called up share capital	18		10,000
Share premium account	19		990,000
Preference shares	18		5,411,007
Profit and loss account	19		(134,131)
			<hr/>
			6,276,876
			<hr/>
<b>Shareholders' funds</b>			
Equity		865,869	
Non-equity		5,411,007	
		<hr/>	
			6,276,876
			<hr/>

These financial statements were approved by the board of directors on 26 April 2004 and were signed on its behalf by:

  
**R. Feigen**  
Director

**Consolidated cash flow statement**  
*for the six months period ended 30 September 2003*

	<i>Note</i>	<b>2003 £</b>
<b>Cash flow statement</b>		
Cash flow from operating activities	23	1,342,989
Corporation tax paid		(327,285)
Returns on investments and servicing of finance		
	24	105,835
Capital expenditure and financial investment	24	(414,039)
Acquisitions and disposals	24	(5,254,497)
		<hr/>
Cash outflow before financing		(4,546,997)
Financing	24	10,657,695
		<hr/>
Increase in cash in the period		6,110,698
		<hr/>
<b>Reconciliation of net cash flow to movement in net debt</b>		
	25	
Increase in cash in the period		6,110,698
Cash inflow from increase in debt		(4,258,026)
Cash inflow from decrease in current asset investments		(351,658)
		<hr/>
Change in net debt resulting from cash flows		1,501,014
Other non-cash movements		(8,941)
		<hr/>
Movement in net debt in the period		1,492,073
Net debt at the start of the period		-
		<hr/>
Net debt at the end of the period		1,492,073
		<hr/>

**Reconciliations of movements in shareholders' funds**  
*for the six months period ended 30 September 2003*

	<b>Group 2003 £</b>	<b>Company 2003 £</b>
<b>Profit Loss for the financial year</b>	<b>241,344</b>	<b>(7,500)</b>
Dividends	<b>(126,631)</b>	<b>(126,631)</b>
	<hr/>	<hr/>
	<b>114,713</b>	<b>(134,131)</b>
New share capital subscribed (net of unamortised issue costs):		
Equity	<b>1,000,000</b>	<b>1,000,000</b>
Preference shares	<b>5,411,007</b>	<b>5,411,007</b>
	<hr/>	<hr/>
<b>Net addition to shareholders' funds</b>	<b>6,525,720</b>	<b>6,276,876</b>
Opening shareholders' funds	<b>-</b>	<b>-</b>
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b>6,525,720</b>	<b>6,276,876</b>
	<hr/>	<hr/>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements except as noted below.

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules, modified to include the revaluation of current asset investments at market value.

#### *Basis of consolidation*

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 30 September 2003. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

#### *Goodwill*

Purchased goodwill (representing the excess of the fair value of the consideration (including direct costs of investment) given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life of 20 years.

#### *Debt and preference share issue costs*

Direct costs associated with the issue of debt and non-equity preference shares are netted of the value of proceeds raised. The difference between the net value of debt or non-equity preference shares and their redemption values are amortised over the earliest likely redemption period.

#### *Turnover*

Turnover represents the profits/losses on principal dealing, gross commissions and fees earned before deduction of clearing house charges and shared commissions. Fees are acknowledged only once contractual commitments have been entered into.

#### *Tangible fixed assets and depreciation*

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The annual rates of depreciation are as follows:

Fixtures and fittings	10%
Office equipment	10% - 33%
Lease and Leasehold Improvements	25% - 60%

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction [or, if hedged forward, at the rate of exchange under the related forward currency contract.] Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Leases*

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

#### *Deferred taxation*

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets. Deferred tax is not provided on unremitted earning where there is no binding commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be covered. Deferred tax assets and liabilities are not discounted.

#### *Cash and liquid resources*

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. There were no liquid resources at the period end.

#### *Fixed asset investment*

Investments held as fixed assets are stated at cost less provision for impairment (if any).

#### *Current asset investments*

Current asset investments are valued as at close of business on the last trading day of the company's financial period as follows:

- a) for listed and other marketable securities, at a market bid price for long and at market offer price for short positions; and
- b) for securities where listings have been withdrawn or suspended, at directors' valuation.

#### *Segmental information*

In the opinion of the directors the company operates in one geographical and business segment.

#### *Pension scheme arrangements*

The group operates a non-contributory defined contribution pension scheme, externally funded and not contracted out of the state scheme. Payments made are charged in the financial statements as part of employment costs and relates to current service liabilities. Contributions are based on the ages and salary levels of relevant members. The group provides no other post-retirement benefits to its employees.

## Notes (continued)

### 2 Profit on ordinary activities before taxation

	2003 £
<i>Profit on ordinary activities before taxation is stated</i>	
<i>after charging</i>	
Auditors' remuneration:	
Group	37,600
- audit	
- fees paid to the auditors and its associates in respect of other services	4,000
Company	10,000
- audit	
other	1,000
Depreciation and other amounts written off tangible fixed assets:	
Owned	44,024
Leased	35,172
Amortisation of goodwill	36,696
 Hire of other assets - operating leases	 232,004

### 3 Remuneration of directors

	2003 £
Directors' emoluments	592,857
Pension contributions to money purchase pension schemes	15,531
	<hr/> 608,388 <hr/>

Included during the period in directors emoluments above are fees of £12,205 payable to Alchemy Partners LLP for the services of M.K. Bolland and fees of £4,493 payable to Brendon Street Investments Limited for the services of N.W. Wray. Mr N.W Wray is both a shareholder and director of Brendon Street Investments Limited who is responsible for its own social security, life insurance and pension contributions.

The aggregate of emoluments of the highest paid director was £258,133. No pension contributions were made on his behalf.

No retirement benefits are accruing to directors. No share options were exercised by any directors during the period. No amounts were received or receivable under long-term incentive schemes by directors.

## Notes (continued)

### 4 Staff numbers and costs

The average number of persons employed by the group (including directors) during the period, analysed by category, was as follows:

	Number of employees 2003
Directors	14
Administration	13
Registered representatives	36
	<hr/>
	63
	<hr/>

The aggregate payroll costs of these persons were as follows:

	2003 £
Wages and salaries	2,539,286
Social security costs	195,917
Other pension costs	123,864
	<hr/>
	2,859,067
	<hr/>

### 5 Other interest receivable and similar income

	2003 £
Other – Bank interest receivable	105,835
	<hr/>

### 6 Interest payable and similar charges

	2003 £
On subordinated loan	99,858
Amortisation of capitalised issue costs of debt and non-equity preference shares	20,279
	<hr/>
	120,137
	<hr/>

## Notes (continued)

### 7 Taxation

Analysis of charge in period	2003 £
<i>UK corporation tax</i>	
Current tax on income for the period	175,101
<i>Deferred tax (see note 16)</i>	
Origination of timing differences	(12,866)
	<hr/>
Tax on profit on ordinary activities	162,235
	<hr/>

#### *Factors affecting the tax charge for the current period*

The current tax charge for the period is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below.

	2003 £
<i>Current tax reconciliation</i>	
Profit on ordinary activities before tax	403,579
	<hr/>
Current tax at 30 %	121,074
<i>Effects of:</i>	
Expenses and goodwill/capital issue costs amortisation not deductible for tax purposes	57,443
Capital allowances for period in excess of depreciation	(2,858)
Other	(558)
	<hr/>
Total current tax charge (see above)	175,101
	<hr/>

### 8 Dividends and other appropriations

	2003 £
Accrual of dividends on non-equity preference shares payable in September 2004	126,631
	<hr/>



## Notes (continued)

### 9 Intangible fixed assets

Group	Goodwill £
<i>Cost</i>	
At beginning of the period	-
Addition on acquisition of subsidiaries	3,307,108
	<hr/>
At end of the period	3,307,108
	<hr/>
<i>Amortisation</i>	
At beginning of the period	-
Charged in the period	36,696
	<hr/>
At end of the period	36,696
	<hr/>
<i>Net book value</i>	
At 30 September 2003	3,270,412
	<hr/>

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. Goodwill on purchase of the company's two subsidiaries is being amortised over 20 years as the directors have assessed this period as its useful economic life.

### 10 Tangible fixed assets

	Lease and leasehold improvements £	Fixtures and fittings £	Office equipment £	Total £
<b>Group</b>				
<i>Cost</i>				
At beginning of year	-	-	-	-
Additions on acquisition of subsidiaries	23,035	80,702	74,476	178,213
Additions	245,414	70,172	34,453	350,039
Disposals	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	268,449	150,874	108,929	528,252
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of year				
Charge for year	35,172	9,491	34,533	79,196
On disposals				
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	35,172	9,491	34,533	79,196
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 30 September 2003	233,277	141,383	74,396	449,056
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 11 Fixed asset investments

#### Group

The group has a 100% interest in the issued ordinary £1 shares of Ellis and Partners Nominees Limited, SP Nominees Limited, SP (PEP) Nominees Limited and Seymour Pierce Nominees Limited. These companies do not trade, their function being solely to hold, as nominee, securities which are the property of clients of the group.

The cost and net book value of the above companies at 30 September 2003 totalled £6. No amounts were written off in the period.

All the companies are incorporated in Great Britain.

The group held an investment of £64,000 in respect of a holding of 4 All England Lawn Tennis Ground Plc Centre Court Debentures 2005.

Company	Share in group undertaking £
<i>Cost</i>	
At beginning of period	-
Additions	7,701,077
Disposals	-
	<hr/>
At end of period	7,701,077
	<hr/>
<i>Provisions</i>	
At beginning of period	-
Impairment losses	-
Disposals	-
	<hr/>
At end of period	-
	<hr/>
<i>Net book value</i>	
At 30 September 2003	7,701,077
	<hr/>

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

	Country of incorporation	Principal activity	Class and percentage of shares held Company
<i>Subsidiary undertakings</i>			
Seymour Pierce Limited	Great Britain	Corporate finance and institutional stock broking	100% ordinary
Seymour Pierce Ellis Limited	Great Britain	Stock and share Broking	100% ordinary

## Notes (continued)

### 12 Debtors

	Group 2003 £	Company 2003 £
Trade debtors	1,198,450	-
Amounts owed by group undertakings	-	226,489
Deferred tax assets (see note 16 )	12,866	-
Other debtors	692,576	56,346
	<hr/>	<hr/>
	1,903,892	282,835
Prepayments and accrued income	827,637	-
	<hr/>	<hr/>
	2,731,529	282,835
	<hr/>	<hr/>

### Directors Loans and Transactions

Listed below is a loan to a director included in other debtors. This loan was made or subsisted during the period. The loan is for the purpose of travel costs, is unsecured, does not carry interest and is repayable on demand.

Director	Outstanding as at 30 September 2003 £	Outstanding as at appointment £	Maximum outstanding during period £
R. Feigen	1,626	391	1,626

Other debtors include £450,000 deposited with the company Clearing Agent to secure amounts due from counterparties introduced by the group (see note 20).

### 13 Investments (held as current assets)

	Group 2003 £	Company 2003 £
Listed investments on recognised stock exchanges in Great Britain at market value		
£351,658	351,658	-
	<hr/>	<hr/>

## Notes (continued)

### 14 Creditors: amounts falling due within one year

	Group 2003 £	Company 2003 £
Trade creditors	113,490	39,931
Corporation tax payable (including group relief)	251,427	-
Taxation and social security	288,598	21,200
Other creditors	109,982	-
Accruals and deferred income	1,294,540	130,502
Preference share dividend proposed	126,631	126,631
	<u>2,184,668</u>	<u>318,264</u>

Included within accruals is an amount of £26,171 representing pension costs payable to pension funds of the group's subsidiaries at the period end.

### 15 Creditors: amounts falling due after more than one year

	Group 2003 £	Company 2003 £
Subordinated loans	<u>4,266,967</u>	<u>4,266,967</u>

The short-term subordinated loan stock, which has a principal value of £4,499,771, has a repayment date of 11 July 2005. The carrying value in the Balance Sheet is after netting unamortised issue costs. The loan stock may be repaid at any date prior to 11 July 2005 by agreement between the company and the loan stockholder subject to meeting FSA requirements and receiving FSA consent. Interest is payable annually on 20 September each year at a rate of 10% per annum.

### 16 Deferred taxation

The elements of deferred taxation provided in the financial statements are as follows:

	Group 2003 £	Company 2003 £
Difference between accumulated depreciation and amortisation and capital allowances	<u>12,866</u>	-
Deferred tax asset	<u>12,866</u>	-

## Notes (continued)

### 17 Acquisitions

On 11 July 2003 the company acquired all of the issued share capital of Seymour Pierce Limited. The resulting goodwill was capitalised and will be written off over 20 years.

	Book and fair value £
<b>Fixed assets</b>	
Tangible	154,675
<b>Current assets</b>	
Debtors	1,947,794
Investments	458,887
Cash	1,404,754
<b>Total assets</b>	3,966,110
<b>Creditors</b>	(1,191,029)
<b>Net assets purchased</b>	2,775,081
<b>Goodwill</b>	2,071,358
<b>Purchase consideration and costs of acquisition</b>	4,846,439

The acquired undertaking made a loss of £11,700 from the beginning of its financial year to the date of acquisition. In its previous financial year the loss was £298,905.

On 11 July 2003 the company acquired all of the issued share capital of Seymour Pierce Ellis Limited. The resulting goodwill was capitalised and will be written off over 20 years.

	Book and fair value £
<b>Fixed assets</b>	
Tangible	23,538
Investments	2
<b>Current assets</b>	
Debtors	657,986
Investments	209,372
Cash	1,078,522
<b>Total assets</b>	1,969,420
<b>Creditors</b>	(313,836)
<b>Net assets purchased</b>	1,655,584
<b>Goodwill</b>	1,235,750
<b>Purchase consideration and costs of acquisition</b>	2,891,334

The acquired undertaking made a profit £4,258 from the beginning of its financial year to the date of acquisition. In its previous financial year the loss was £322,617.

## Notes (continued)

### 18 Called up share capital

	2003 £
<i>Authorised</i>	
Equity: 385,000 "A" ordinary shares of 1p each	3,850
615,000 ordinary shares of 1p each	6,150
Non equity: 5,118,625 "A" preference shares of £1 each	5,118,625
587,604 "B" preference shares of £1 each	587,604
	<hr/> 5,716,229 <hr/>
<i>Allotted, called up and fully paid</i>	
Equity: 385,000 "A" ordinary shares of 1p each	3,850
615,000 ordinary shares of 1p each	6,150
Non equity: 5,118,625 "A" preference shares of £1 each (net of unamortised issue cost)	4,853,804
587,604 "B" preference shares of £1 each (net unamortised issue costs)	557,203
	<hr/> 5,421,007 <hr/>

**Principal terms of the ordinary shares, "A" ordinary shares, "A" preference shares and "B" preference shares in the Company**

#### Ordinary Shares and "A" Ordinary Shares

##### (a) Dividends

The ordinary shares and "A" ordinary shares do not carry the right to a dividend until the "A" preference shares and "B" preference shares (together "the preference shares") (see below) and the short-term subordinated loans of the Company have each been redeemed in full. In the event that all the preference shares have been redeemed in full the ordinary shareholders and "A" ordinary shareholders shall, subject to law/regulation, be entitled to receive an aggregate amount per annum by way of dividend equal to 65% of profits of the Company within 14 days of the adoption by the Company of its audited consolidated accounts for the financial year in question. Profits are defined in the articles of association of the Company as the consolidated profits after tax of the Company and its subsidiary and associated undertakings for the financial year in question.

##### (b) Voting rights

Every ordinary and "A" ordinary shareholder present at a general meeting shall have one vote and on a poll every ordinary and "A" ordinary shareholder shall have one vote for every ordinary and "A" ordinary share of which he is the holder.

##### (c) Return of capital

The ordinary shareholders and "A" ordinary shareholders shall be entitled to a proportion of the assets of the Company available for distribution among the shareholders on a return of capital on liquidation, sale or otherwise in proportion to the number of ordinary shares and "A" ordinary shares held by them respectively after such assets available for distribution shall have first been applied in paying the amounts due to the "A" preference shareholders and "B" preference shareholders as set out below.

## Notes (continued)

### 18 Called up share capital (continued)

#### Principal terms of the ordinary shares, "A" ordinary shares, "A" preference shares and "B" preference shares in the Company (continued)

##### "A" Preference Shares and "B" Preference Shares

###### (a) Dividends

The "A" preference shares and the "B" preference shares carry a right to receive a non-cumulative dividend at a yearly rate of 10% on the paid up amount of each share. If in any year such dividend is not paid then a sum equal to 12% on the paid up amount of each preference share in issue at the time the dividend should have been paid (but in respect of which and to the extent that it is not paid) shall be added to the amount required to redeem the preference shares as referred to in paragraph (d) below.

###### (b) Voting rights

The "A" preference shares and the "B" preference shares carry no voting rights save in certain circumstances where the Company has failed to redeem shares in accordance with their terms of issue.

###### (c) Return of capital

On a return of capital on liquidation, sale or otherwise the assets of the Company available for distribution to the shareholders shall first be applied in paying to the "A" preference shareholders the amounts that would be payable if the preference shares were redeemed on such date (see paragraph (d) below) and second in paying to the "B" Preference Shareholders the amounts that would be payable if the preference shares were redeemed on such date (see paragraph (d) below). Such payments are in priority to any payments to ordinary and "A" ordinary shareholders referred to in paragraph (c) above.

###### (d) Redemption

Subject to legal and regulatory requirements, unless otherwise redeemed the "A" preference shares shall be redeemed immediately before a sale or listing of the Company or upon the seventh anniversary of completion of the Shareholders Agreement.

Unless otherwise redeemed and provided that all the "A" preference shares have been redeemed, all "B" preference shares shall be redeemed on the eighth anniversary of completion of the Shareholders Agreement.

The price payable on the redemption of each of the "A" and "B" preference shares shall be an amount in cash equal to the paid up amount together with (if applicable) a redemption premium.

## Notes (continued)

### 19 Share premium and reserves

	Share premium account £	Profit and loss account £
At beginning of the period	-	-
Retained profit for the period	-	114,713
Premium on issue of equity share capital	990,000	-
	<hr/>	<hr/>
At end of the period	<b>990,000</b>	<b>114,713</b>
	<hr/>	<hr/>

### 20 Contingent liabilities

The company has guaranteed the overdrafts of its subsidiaries; no amounts were outstanding at the year end. Under the agreement with the Clearing Agent for the company's subsidiaries, Seymour Pierce Limited and Seymour Pierce Ellis Limited, the agent has recourse to the subsidiary companies for any transactions of the clients introduced to the agent which are not subsequently settled. The directors are of the opinion that adequate provision has been made against any such items outstanding at the year end which may give rise to a claim against the company.

The Inland Revenue is at present carrying out a PAYE inspection of the company's subsidiary, Seymour Pierce Ellis Limited, and has indicated that a liability exists in respect of previous years unpaid tax. In the opinion of the directors any such liability will be recoverable under the tax covenant obtained from Seymour Pierce Group Plc at the time of the acquisition.

### 21 Commitments

- (a) Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	Group 2003 £	Company 2003 £
Contracted	6,881	-
	<hr/>	<hr/>

- (b) Annual commitments under non-cancellable operating leases are as follows:

	Group		Company	
	2003 Land and buildings £	Other £000	2003 Land and buildings £	Other £000
Operating leases which expire:				
Within one year	-	-	-	-
In the second to fifth years inclusive	92,624	-	-	-
Over five years	77,341	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>169,965</b>	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>



## Notes (continued)

### 22 Pension scheme

#### Group

The group operates non-contributory defined contribution pension schemes. The pension cost charge for the period represents contributions payable by the group to the scheme and amounted to £123,863.

An amount of £21,671 representing pension costs payable to the schemes was due at 30 September 2003 and is included under creditors.

#### Company

The company does not operate any pension scheme. All schemes are operated by subsidiary companies.

### 23 Reconciliation of operating profit to operating cash flows

	2003 £
Operating profit	454,577
Depreciation of tangible fixed assets	79,196
Decrease in current asset investments	316,601
Increase in debtors	(112,884)
Increase in creditors	605,499
	<hr/>
Net cash inflow from operating activities	1,342,989
	<hr/>

### 24 Analysis of cash flows

	Note	2003 £	2003 £
<b>Returns on investment and servicing of finance</b>			
Interest received			105,835
			<hr/>
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(350,039)	
Purchase of fixed asset investment		(64,000)	
		<hr/>	(414,039)
			<hr/>
<b>Acquisitions and disposals</b>			
Purchase of subsidiary undertakings	26	(7,737,773)	
Cash acquired with subsidiary undertakings	26	2,483,276	
		<hr/>	(5,254,497)
			<hr/>
<b>Financing</b>			
Issue of ordinary share capital		1,000,000	
Issue of preference share capital (net of issue costs)		5,399,669	
Debt due after more than one year:			
New unsecured subordinated loan repayable on 11 July 2005 (net of issue costs)		4,258,026	
		<hr/>	10,657,695
			<hr/>

**Notes (continued)**

**25 Analysis of net debt**

	At beginning of period	Cash flow	Acquisition (excluding cash and overdrafts)	Other non cash changes	At end of period
	£	£	£	£	£
Cash in hand, at bank	-	6,110,698	-	-	6,110,698
Debt due after one year	-	(4,258,026)	-	(8,941)	(4,266,967)
Current asset investments	-	316,601	(668,259)	-	(351,658)
<b>Total</b>	<b>-</b>	<b>2,169,273</b>	<b>(668,259)</b>	<b>(8,941)</b>	<b>1,492,073</b>

**26 Purchase of subsidiary undertakings**

	Seymour Pierce Ellis Limited £	Seymour Pierce Limited £
<b>Net assets acquired</b>		
Tangible fixed assets	23,538	154,675
Investments	209,374	458,887
Debtors	657,985	1,947,794
Cash at bank and in hand	1,078,522	1,404,754
Creditors	(313,835)	(1,191,029)
<b>Goodwill</b>	<b>1,655,584</b>	<b>2,775,081</b>
	<b>1,235,750</b>	<b>2,071,358</b>
	<b>2,891,334</b>	<b>4,846,439</b>
<b>Satisfied by</b>		
Cash	2,891,334	4,846,439

## **Notes (continued)**

### **27 Related party disclosures**

33.6% of the issued share capital of the company is held by Alchemy Partners Nominees Limited on behalf of investors in the Alchemy Investment Plan. The Alchemy Investment Plan is managed by Alchemy Partners (Guernsey) Limited.

During the period SPIN SPG Limited issued £3,524,490 of subordinated loan stock 2005 to the Alchemy Investment Plan, a collection of limited partnerships managed by Alchemy Partners (Guernsey) Limited. £3,524,490 of subordinated loan stock 2005 and £78,215 of interest was owed to Alchemy Investment Plan at 30 September 2003.

During the period, the company paid Alchemy Partners LLP, £111,824 for research and advisory services. At 30 September 2003 £12,205 was owed to Alchemy Partners LLP for the services of M.K. Bolland, a non executive director company.

At 30 September 2003 £11,360 was due to N.W. Wray in respect of interest on his holding of £511,885 subordinated loan stock 2005.

During the period the company received fees from companies in which Directors of the Group were shareholders or directors. In all cases fees were charged on an arm's length basis within the ordinary course of business.

During the period the company dealt in securities on behalf of directors, directors' spouses and directors' children. The number of transactions involved totalled 38 and commission charged to directors amounted to £3,350. In all cases the commission was charged on an arm's length basis within the ordinary course of the business.

### **28 Ultimate parent company**

The largest group in which the results of the company are consolidated is that headed by SPIN SPG Limited incorporated in Great Britain. The consolidated accounts of this group are available from Companies House.