



# RAPHAEL ZORN HEMSLEY HOLDINGS PLC

AIM Admission Document

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If you are in any doubt about the contents of this document, you should consult a person authorised under the Financial Services Act 1986, who specialises in advising on the acquisition of shares and other securities.

This Admission Document has been drawn up in accordance with The Public Offers of Securities Regulations 1995. The Directors of Raphael Zorn Hemsley Holdings PLC, whose names and details appear herein, are the persons responsible for this admission document. The Directors declare that to the best of their knowledge the information contained herein is in accordance with the facts and that this admission document makes no omission likely to affect the import of such information.

This document does not constitute an offer to subscribe or to purchase any security in the Company. No new Ordinary Shares have been issued or are proposed to be issued to the public in connection with the Company's application for admission to AIM.

**Application has been made for these securities to be admitted to trading on the Alternative Investment Market of the London Stock Exchange ("AIM"). It is emphasised that no application is being made for admission of these securities to the Official List.**

**AIM is a market designed primarily for emerging or smaller companies. The rules of this market are less demanding than those of the Official List. The London Stock Exchange has not itself examined this document.**

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## **RAPHAEL ZORN HEMSLEY HOLDINGS PLC**

(Incorporated in England and Wales under the Companies Act 1985, with Registered No. 2375296)

**ADMISSION TO TRADING ON**

**THE ALTERNATIVE INVESTMENT MARKET**

of

**8,990,000 Ordinary Shares of 25p each,**

**allotted and fully paid, in the capital of the Company**

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**Nominated Adviser:**

**NEILL CLERK CAPITAL LIMITED**

Regulated by the Securities and Futures Authority

A sponsor registered with the London Stock Exchange

31 Sackville Street, London W1X 1DB

Tel: 0171 734 4446 Fax: 0171 434 2185

**Nominated Broker:**

**RAPHAEL ZORN HEMSLEY LIMITED**

Regulated by the Securities and Futures Authority  
and a Member of the London Stock Exchange

10 Throgmorton Avenue, London EC2M 2DP

Tel: 0171 628 4000 Fax: 0171 628 6047

Copies of this document, which is dated 21 March 1996 and which is published on 21 March 1996 are available free of charge during normal business hours on any weekday (except Saturdays and public holidays) from the offices of the Nominated Adviser and of the Nominated Broker at the addresses given above for a period of 14 days from the date of publication.

## CONTENTS

	Page
Definitions	2
Directors, Secretary and Advisers	3
Responsibility for this Admission Document	4
Introduction	5
History and Business	5
Financial Information	6
Current Trading and Prospects	6
Working Capital	7
Information on Directors	7
Substantial Shareholders	9
The Company and its Share Capital	10
Subsidiary Undertakings	10
Nominated Adviser and Nominated Broker	11
Litigation	11
Summary of Memorandum and Articles of Association	11
Appendix: Audited Financial Statements for the periods ended 15 October 1993, 14 October 1994 and 30 September 1995	15

## DEFINITIONS

"Act"	the Companies Act 1985 as amended
"Admission"	the admission of the Ordinary Shares to trading on AIM
"AIM"	the Alternative Investment Market of the London Stock Exchange
"the Company" or "RZHH"	Raphael Zorn Hemsley Holdings PLC
"the Directors"	the directors of the Company and of RZH
"the Group"	the Company and its subsidiaries
"the London Stock Exchange"	the London Stock Exchange Limited
"Model Code"	the model code on dealings in AIM securities by directors and relevant employees, as set out in Appendix 12 to Chapter 16 of the Listing Rules of the London Stock Exchange
"Neill Clerk"	Neill Clerk Capital Limited, regulated by the SFA and a sponsor registered with the London Stock Exchange
"Ordinary Shares"	ordinary shares of 25p each in the capital of the Company
"RZH"	Raphael Zorn Hemsley Limited, a wholly-owned subsidiary of the Company which is regulated by the SFA and a member of the London Stock Exchange
"the SFA"	The Securities and Futures Authority Limited
"Zorn Nominees"	Zorn Nominees Limited, a wholly-owned subsidiary of RZH

## DIRECTORS, SECRETARY AND ADVISERS

**Directors:**

Michael Samuel Rosenberg, OBE (Chairman)  
Oliver Alexander Hemsley (Chief Executive)  
Terence Joseph Leader  
Christopher Hodgson Moore  
Michael John St. Goar Kelton (Non-executive)  
Dr. Michael Jeffrey Sinclair (Non-executive)

all of 10 Throgmorton Avenue  
London EC2N 2DP

**Secretary, Registrar and Registered Office:**

Derek Betts  
10 Throgmorton Avenue  
London EC2N 2DP

**Nominated Adviser:**

Neill Clerk Capital Limited  
31 Sackville Street  
London W1X 1DB

**Nominated Broker:**

Raphael Zorn Hemsley Limited  
10 Throgmorton Avenue  
London EC2N 2DP

**Auditors:**

Arthur Andersen  
1 Surrey Street  
London WC2R 2PS

**Solicitors to the Company:**

D.J. Freeman  
43 Fetter Lane  
London EC4A 1NA

## **RESPONSIBILITY FOR THIS ADMISSION DOCUMENT**

The persons responsible for this document or any part of it are the Company, as issuer of the securities and each of the Directors of the Company being:

Michael Samuel Rosenberg, OBE (Chairman)  
Oliver Alexander Hemsley (Chief Executive)  
Terence Joseph Leader  
Christopher Hodgson Moore  
Michael John St. Goar Kelton (Non-executive)  
Dr. Michael Jeffrey Sinclair (Non-executive)

all of 10 Throgmorton Avenue, London EC2N 2DP in respect of this whole Admission Document; and

Arthur Andersen, Chartered Accountants, of 1 Surrey Street, London WC2R 2PS, in respect of their reports as auditors of the Company on the financial statements for the Company for the periods ended 15 October 1993, 14 October 1994 and 30 September 1995 annexed to and forming part of this Admission Document.

Each of the Directors declares that to the best of his knowledge the information contained in this Admission Document is in accordance with the facts and that this document makes no omission likely to affect the import of such information and that he accepts responsibility for this document accordingly.

Arthur Andersen accept responsibility for their said reports which form part of this document and consent to their inclusion in this document. Arthur Andersen & Co further confirm that they have not become aware, since the date of any of their said reports, of any matter affecting their validity at their respective dates.

The Directors confirm that the Accounts have been prepared in accordance with the law and that they accept responsibility for them. The Directors further confirm that the accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Standards.

## INTRODUCTION

The Company was formed in 1989 as a holding company and undertakes its principal trading activities through its wholly-owned subsidiary, RZH. It has three other wholly-owned subsidiaries - Raphael Zorn Hemsley Leasing Limited, Zorn Nominees Limited and Raphael Asset Management Limited.

The directors of RZH, the Company's principal operating subsidiary, are the same as those of the Company. RZH has historically been an agency stock-broking business with the primary emphasis on the provision of investment advice and portfolio management to private individuals. It is also an authorised Personal Equity Plan manager. In recent years, RZH has developed an active fund management division and a growing corporate finance division.

RZHH's shareholders largely comprise RZH's directors and staff and in August 1994, permission was obtained whereby the Ordinary Shares would be dealt in under Rule 4.2 of the Rules of the London Stock Exchange. The Directors consider that, given the Company's continuing evolution, now is an appropriate time for the Company to seek permission for the Ordinary Shares to be traded on AIM.

## HISTORY AND BUSINESS

### 1. RZH

The origins of the Company's principal subsidiary RZH are among the oldest in the City of London. In 1787, Raphael Raphael commenced the business, which became known as R. Raphael & Sons, specialising in selling British Government bonds and securities and, as a result, the field of arbitrage. It raised loans for several continental governments and by the time of the Barings crisis in 1890, was so prestigious that it was one of the leading four merchant banks that effected Barings' rescue.

Since the end of the Second World War, the firm has been focused on stockbroking and investment management. In 1967, R. Raphael & Sons merged with Robinson & Glyn and, in 1976, with Zorn & Leigh Hunt. In 1989, the partnership of Raphael, Zorn amalgamated with Hemsley & Co Securities Limited and the merged business incorporated as RZH, a subsidiary of the Company. Since then, RZH's services have been extended to include fund management and corporate finance.

The business of RZH is now as follows:

#### (i) *Private Client Stockbroking*

RZH provides investment advice and portfolio management for over 5,000 private individuals. Every discretionary and advisory client has an investment adviser who, supported by an investment committee, develops the strategy to fit each client's investment objectives.

There are funds of over £750 million under advice or management with the firm.

#### (ii) *Personal Equity Plans*

RZH is an authorised PEP manager and manages in excess of £30 million of PEP funds.

#### (iii) *Nominee company and safe custody*

RZH operates a nominee company - Zorn Nominees - for clients' benefit.

#### (iv) *Corporate Finance*

RZH has acted as sponsor to a number of companies listed on the London Stock Exchange. It is also an approved Nominated Adviser and Broker to AIM companies and has been successful in bringing companies to both the Official List and AIM. RZH has implemented rights issues, advised on mergers and acquisitions and launched three Investment Trusts. In particular, RZH has developed a speciality in sponsoring and raising funds for Lloyd's corporate capital companies and related insurance companies.

#### (v) *Fund Management*

The Directors intend to develop RZH's fund management activity and have recently appointed a specialist Fund Manager. Management of the investment funds created in-house will be conducted under the trading name of Raphael Asset Management.

2. **Raphael Zorn Hemsley Leasing Limited**

Raphael Zorn Hemsley Leasing Limited provides leasing facilities to companies within the Group.

3. **Zorn Nominees Limited**

Zorn Nominees Limited provides nominee services for clients of RZH.

4. **Raphael Asset Management Limited**

Raphael Asset Management Limited is non-trading.

## **FINANCIAL INFORMATION**

The Company's audited accounts for the three periods ended 15 October 1993, 14 October 1994 and 30 September 1995, together with the auditors' reports thereon, are attached as an Appendix to and are deemed to form part of this Admission Document. The Company's financial year-end is intended from now on to be 30 September.

The Company's revenue for the period ended 30 September 1995 was boosted by the raising by RZH of £12 million for Cox Insurance Holdings PLC by means of a placing with institutional investors in November 1994, as well as by the successful launch in July 1995 of Asia Healthcare Trust PLC onto the Official List of the London Stock Exchange, when in excess of £15 million was raised. These transactions contributed to the corporate finance profits in that period. The Company also benefits from involvement in the ongoing management of those companies' funds.

## **CURRENT TRADING AND PROSPECTS**

Since the period ended on 30 September 1995, the Company's revenue has again been boosted as a result of the RZH having in November successfully launched Cox Insurance Holdings PLC onto the Official List of the London Stock Exchange, raising in excess of £30 million for that company by means of a placing.

It is the Directors' intention that RZH should continue to build a strong presence in the Lloyd's insurance market and to develop the specialised area of health care. The objective is to develop fund management opportunities in these and other specialist areas.

Acting as nominated adviser and/or broker to seven AIM companies, RZH receives ongoing fees from the seven AIM companies, for which it already acts. RZH continues to be approached by many companies wishing to join AIM and the Directors anticipate that substantial fee income will result from RZH's increasing presence in this market.

The Directors are developing RZH's traditional stockbroking business, so as to continue to provide a high quality of service to clients against the background of changing systems and more rigorous regulation. A new and more effective computer system has recently been installed, to increase both efficiency and level of service. Stockbroking revenues are running at approximately the same level as last year.

### *Notes on current activity:*

- a) There are no exceptional factors which have influenced the Company's activities.
- b) There are no patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Company's business.

- c) There are no significant investments in progress.
- d) Other than as disclosed in this document, there have been no significant recent trends nor any significant acquisitions or disposals of assets since the date of the Company's latest audited accounts.

## WORKING CAPITAL

In the opinion of the Directors having made due and careful enquiry, the working capital available to the Company and the Group is sufficient for their present requirements.

## INFORMATION ON DIRECTORS

### 1. Directors and, where applicable, their specific functions

Michael S. Rosenberg, OBE, (aged 56) - Chairman and Director of Corporate Finance  
 Oliver A. Hemsley (aged 33) - Chief Executive  
 Terence J. Leader (aged 56) - Finance Director and Compliance Officer  
 Christopher H. Moore (aged 61)  
 Michael J. St.G. Kelton (aged 62) - Non-executive  
 Dr. Michael J. Sinclair (aged 53) - Non-executive

### 2. Interests in Ordinary Shares and Options

Set out below are the Directors' holdings, all of which are beneficial, of Ordinary Shares as at the date of this document:

Directors	Ordinary Shares	% of Ordinary Shares	Options on Ordinary Shares****
M.S. Rosenberg	432,992*	4.8	20,000
O.A. Hemsley	1,540,164**	17.1	40,000
M.J. Kelton	200,000	2.2	20,000
T.J. Leader	100,000	1.1	40,000
C.H. Moore	380,000	4.2	16,000
M.J. Sinclair	432,992***	4.8	Nil

\* In addition, 1,120,000 Ordinary Shares (equivalent to 12.5% of the issued Ordinary Shares) are held in the name of Montrose Securities Limited (in which M.S. Rosenberg, together with his wife, has a 25% interest) and 86,400 Ordinary Shares (equivalent to 1% of the issued Ordinary Shares) are held by Eastkings Retirement Pension Fund, of which M.S. Rosenberg is a beneficiary.

\*\* In addition, 37,752 Ordinary Shares (equivalent to 0.4% of the issued Ordinary Shares) are held by O.A. Hemsley and D. Betts, the Company Secretary of RZHH, in their joint names.

\*\*\* In addition, 1,120,000 Ordinary Shares (equivalent to 12.5% of the issued Ordinary Shares) are held in the name of Montrose Securities Limited (in which Dr. M.J. Sinclair, together with his wife, has a 25% interest). A further 240,000 Ordinary Shares (equivalent to 2.7% of the issued Ordinary Shares) are held in the name of Grovehill Pensions, of which Dr. Sinclair is a beneficiary and 290,400 Ordinary Shares (equivalent to 3.2% of the issued Ordinary Shares) are held by Sinclair Montrose Trust Limited, a company controlled by Dr. Sinclair.

\*\*\*\* See page 10 for further details of the options.

Save as set out above, at the date of this document, none of the Directors nor any member of their respective immediate families, nor, so far as they are aware, having made due and careful enquiry, any persons connected with them within the meaning of Section 346 of the Act is interested in any share capital of the Company for the purposes of Section 324 of the Act.

### 3. Other Directorships

The Directors hold, or have held within the past five years, the following other directorships. All companies are incorporated in England and Wales unless otherwise stated.

*Michael S. Rosenberg*

**Current**

Umedco (Far East) Limited, B. Rosenberg Limited, BR (UK) Limited, Talsarn Investments Limited, David Frost Enterprises Limited, David Frost (Overseas) Limited, David Paradine Limited, David Paradine Developments Limited, David Paradine Films Limited, David Paradine Plays Limited, David Paradine Productions Limited, David Paradine TV Inc., David Paradine Wine Limited, Paradine Co-Productions Limited, Paradine Documentaries Limited, Discovery Productions Limited, Glebe Music Limited, Paradine Castle Communications Limited, Montrose Securities Limited, Eastkings Limited, Results Training Group Limited, The Happy Learning Co. Limited, Guaranteed Property Company (1) Limited, Guaranteed Property Company (2) Limited, Guaranteed Property Company (3) Limited, Guaranteed Property Company (4) Limited, Guaranteed Investment Property Company PLC, Montrose Ventures Limited, The New Law Publishing Co. Plc, G.P. Deputising Service Group Limited, Asia Healthcare Trust Plc, Sinclair Montrose Healthcare plc.

**Former**

Cleversource Limited, Health Care Corporation Limited, John Grose Group Limited, Lynford Motors Co. Limited, S.R. Wills Limited, Office Angels Limited, Nationwide Locums Limited, Charles Harmer & Sons Limited, Urgentacross Limited.

Michael Rosenberg was also a non-executive director of Pilotglow Limited and Scintronix Limited, which went into receivership in December 1987 and May 1988 respectively.

*Oliver A. Hemsley*

**Current**

Insurance Analysis Limited, Hamlin Investment Company Limited

**Former**

Raven Close Company (No 1) Limited, Raven Close Company (No 2) Limited, Dallington Investments Limited

*Michael J. Kelton*

**Current**

Pipers Puddle Investments Limited, Kelton International Limited

**Former**

None

*Terence J. Leader*

**Current**

None

**Former**

None

*Christopher H. Moore*

**Current**

Trio Holdings PLC

**Former**

G.B. Coleman Trust Limited

*Dr. Michael J. Sinclair*

**Current**

Madison Atlantic Partners Limited, Sinclair Montrose Trust Limited, Eastkings Limited, Eqvimont Oy (Finland), Grovehill Limited, Independent Maternity Centres Limited, Match Healthcare Services Limited, Modular Medical Systems Limited, Montrose Securities Limited, Montrose Ventures Limited, Nationwide Fundraisers (London) Limited, Princes Square Gardens Limited, Resource Medical Services Limited, The Holding Company Limited, Sinclair Medical Partners Limited, G.P. Deputising Service Limited, Sinclair Montrose Healthcare Plc, Atlantic Medical Partners (USA), Healthcare Capital Resources (USA)

**Former**

Assessment Learning (London) Limited, Cleversource Limited, Endotec Limited, Great Northern Health Management Limited, HDC Limited, HCC Kindhaven Limited, Majorclass Limited, Medic International Limited, Medisource Limited, M.F.P.S. Limited, Nationwide Fundraisers (London) Limited, Neurotech Medical Systems, Office Angels Limited, Oxwood Limited, ORS Limited, Performance Resources Limited, Urgentacross Limited, W. & C. Marshall Limited, Wet Desert Limited, World Federation for Cancer Care Limited, Liverpool Brewing Company Limited, Lifetime Corporation (USA),

**4. Service Contracts**

Mr. Rosenberg, Mr. Hemsley, Mr. Kelton, Mr. Moore and Mr. Leader have Service Agreements with RZH which expire in more than one year. Each contract is dated 19th October 1995 and is for a term of one year and thereafter unless terminated by either party giving not less than twelve months prior written notice.

Each agreement provides for the Director to be responsible with the others for the administration of the Company; Mr. Rosenberg is designated as Chairman of the Company and Mr. Hemsley as Chief Executive.

**5. Remuneration**

The aggregate remuneration paid and benefits in kind granted to the Directors of the Company during the financial period ended on 30 September 1995 was £662,509. It is estimated that the equivalent amount in the current year ending on 30 September 1996 will be £642,856.

**6. Other relevant information**

At the date of this document, none of the Directors of the Company had any unspent convictions or any public criticisms by statutory or regulatory authorities and, save as indicated above, there have been no bankruptcies, receiverships or liquidations where Directors were directors at the time of, or within twelve months preceding, such events.

**7. AIM Model Code**

As required by the AIM Rules, the Company has adopted a code for dealing in shares by directors and relevant employees which complies with requirements of the Model Code specified by the AIM Rules.

**SUBSTANTIAL SHAREHOLDERS**

In addition to the interests of the Directors set out above, the following persons hold interests in 3% or more of the issued Ordinary Shares, as notified to the Company:

<i>Shareholder</i>	<i>Ordinary Shares</i>	<i>% of Ordinary Shares</i>
D. Betts	296,944	3.3
F.P.K. Nominees Limited	300,000	3.3
Montrose Securities Limited	1,120,000	12.5
M.H. Tollemache	300,000	3.3
Zorn Nominees Limited A/c CXB	438,984	4.9
Zorn Nominees Limited A/c LXA	453,600	5.0

The above persons and the Directors and other persons named in paragraph 2 on page 7 could, directly or indirectly, jointly or severally exercise control over the Company.

## THE COMPANY AND ITS SHARE CAPITAL

1. The Company was incorporated under the Act and registered in England on 24 April, 1989 with registered number 2375296 under the name of Fablefield Limited as a private company limited by shares. On 7 August, 1989, the name of the Company was changed to Raphael, Zorn Hemsley Holdings Limited. On 14th February 1996, the Company was re-registered as a public limited company pursuant to Section 43 of the Act and its name changed to Raphael Zorn Hemsley Holdings PLC.
2. The liability of the members of the Company is limited.
3. The Company's share capital as at the date of this document comprises:

<i>Authorised</i>	£	<i>Number of shares</i>
Ordinary Shares of 25p each	2,500,000	10,000,000
50% Cum. Pref. Shares of 10p each	<u>2,500</u>	<u>25,000</u>
	<u>2,502,500</u>	<u>10,025,000</u>

<i>Allotted and fully paid</i>	£	<i>Number of shares</i>
Ordinary Shares of 25p each	2,247,500	8,990,000
50% Cum. Pref. Shares of 10p each	<u>-</u>	<u>-</u>
	<u>2,247,500</u>	<u>8,990,000</u>

4. Application for admission to trading on AIM is made in respect of the entire issued share capital of the Company. There are no listed or unlisted securities issued by the Company not representing share capital. There are no outstanding listed or unlisted convertible securities, save for the options mentioned at 5 below.
5. There are outstanding options to various Directors (as listed on page 7) and employees of RZH to subscribe for an aggregate of 560,000 Ordinary Shares. Each such option is exercisable at an exercise price of 30p per share at any time between 3 and 10 years from 31 December, 1993, the date of granting of the options. The Directors intend to seek permission from shareholders in due course to grant further options to subscribe for Ordinary Shares to various Directors and employees of RZH so as to increase the total number of shares available for options (inclusive of those already granted) to 1,798,000.
6. Other than the current application for admission of the Ordinary Shares to trading on AIM, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made, nor are there, nor are there intended to be, any other arrangements for there to be dealings in the Ordinary Shares.
7. The Company declared a final dividend in respect of the year to 30 September 1995. Such dividend was paid, with the basic rate of UK income tax being withheld at source and a corresponding tax credit being issued to each shareholder. The Directors anticipate that the payment of dividends will be made at approximately the same date in future years.

## SUBSIDIARY UNDERTAKINGS

The Company holds directly 100 per cent of RZH, Raphael Zorn Hemsley Leasing Limited and Raphael Asset Management Limited, the last of which is non-trading. The Company also holds indirectly, through RZH, 100 per cent of Zorn Nominees.

## **NOMINATED ADVISER AND NOMINATED BROKER**

Neill Clerk Capital Limited of 31 Sackville Street, London W1X 1DB is acting as the Company's nominated adviser and RZH of 10 Throgmorton Avenue, London EC2N 2DP is acting as the Company's nominated broker.

## **LITIGATION**

No member of the Group is involved in any legal or arbitration proceedings having or which may have a significant effect on any member of the Group's financial position, nor are any such proceedings pending or threatened against any member of the Group.

## **SUMMARY OF MEMORANDUM AND ARTICLES OF ASSOCIATION**

### **MEMORANDUM OF ASSOCIATION**

The principal objects of the Company are set out in Clause 4 of its Memorandum of Association. The objects contained in the paragraphs of that Clause are regarded as independent of each other and are, inter alia, to carry on the business of an investment company, to hold shares, stocks, warrants, debentures and the like and to acquire and deal in shares, stocks, warrants, debentures and the like.

### **ARTICLES OF ASSOCIATION**

The following are extracts from the Company's Articles of Association:

#### *"Votes of Members*

68. Subject to any special rights or restrictions as to voting attached by or in accordance with these Articles to any class of shares and subject as otherwise provided in these Articles, on a show of hands every Member who (being an individual) is present in person or (being a corporation) is present by a representative in accordance with Article 80 shall have one vote, and on a poll every Member who is present in person or by representative as aforesaid or by proxy shall have one vote in respect of every share held by him."
69. The holders of the Preference Shares shall be entitled to receive notices of general meetings of the Company but shall not be entitled to attend or vote at any general meeting of the Company unless the business of the meeting includes the consideration of a resolution for winding-up the Company or sanctioning the sale of the undertaking of the Company or any substantial part thereof when the holders of Preference Shares may only vote in respect of the relevant resolution to be considered by the meeting or unless the dividend payable on the Preference Shares is in arrears when the holders of Preference Shares may vote on all resolutions to be considered by the meeting.
70. In the case of joint holders of a share any one of such holders may vote at any general meeting either in person or by proxy in respect thereof as if he were the sole holder thereof, but if more than one of such joint holders be present at any meeting either in person or by proxy then the person so present whose name stands first in the Register in respect of such share shall alone be entitled to vote in respect thereof.
71. A Member suffering from mental disorder, or in respect of whom an order has been made by any court having jurisdiction for the protection or management of the affairs of persons incapable of managing their own affairs, may vote, whether on a show of hands or on a poll, by his committee, receiver, curator bonis or other person in the nature of a committee, receiver or curator bonis appointed by such court, provided that such evidence as the Board may require of the authority of the person claiming to vote shall have been deposited at the office not less than forty-eight hours before the time appointed for holding the meeting or adjourned meeting or for the taking of the poll at which it is desired to vote.
72. A Member shall not, unless the Board otherwise determines, be entitled to vote at a general meeting either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company:-
  - (A) if all calls or other sums presently payable by him in respect of shares in the Company have not been paid; or

- (B) if the Member or any other person appearing to be interested in, or entitled to control the exercise of the voting rights attached to, any shares held by that Member is in default in supplying to the Company the information which such Member or other person is obliged to furnish under Section 212 of the Act and which he has been required so to furnish within a period of forty-two days by notice in writing served on him by the Company.
73. No objection shall be raised as to the admissibility of any vote except at the meeting or adjourned meeting at which the vote objected to is or may be given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the chairman of the meeting whose decision shall be final and conclusive.
74. On a poll votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.
75. A proxy need not be a Member of the Company.
76. An instrument appointing a proxy shall be in writing in the usual or common form or in any other form which the Board may accept or approve and:
- (A) in the case of an individual shall be signed by the appointor or by his attorney; and
- (B) in the case of a corporation shall be either given under its common seal or signed on its behalf by an attorney or duly authorised officer of the corporation.
- The Board may, but shall not be bound to, require evidence of the authority of any such attorney or officer. The signature on such instrument need not be witnessed.
77. An instrument appointing a proxy shall be deposited at the office, or at such other place or one of such places (if any) as may be specified for that purpose in the notice convening the meeting, not less than forty-eight hours before the time appointed for the holding of the meeting or adjourned meeting or for the taking of the poll at which it is to be used, and in default shall not be treated as valid. Provided that an instrument of proxy relating to more than one meeting (including any adjournment thereof) has once been so delivered for the purposes of any meeting it shall not be required to be delivered again in relation to any subsequent meetings to which it relates. No instrument appointing a proxy shall be valid after the expiration of twelve months from the date named in it as the date of its execution.
78. An instrument appointing a proxy shall be deemed to include the right to demand or join in demanding a poll and shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates.
79. A vote cast by proxy shall not be invalidated by the previous death or mental disorder of the principal or by the revocation of the appointment of the proxy or of the authority under which the appointment was made provided that no intimation in writing of such death, mental disorder or revocation shall have been received by the Company at the office or such other place at which the instrument of proxy was duly deposited before the commencement of the meeting or adjourned meeting or the time appointed for the taking of the poll at which the vote is cast.

*Corporations Acting by Representatives*

80. Any corporation which is a Member of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members of the Company. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual Member of the Company."

*"Dividends*

121. The Company in general meeting may by ordinary resolution declare dividends to be paid to the Members according to their rights and interests in the profits, but no dividend shall be payable in excess of the amount recommended by the Board.
122. Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any share not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid. For the purposes of this Article no amount paid on a share in advance of calls shall be treated as paid on the share.

123. Subject to the provisions of the Act, and if and so far as in the opinion of the Board the profits of the Company justify such payments, the Board may pay the fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or on such other dates prescribed for the payment thereof and may also from time to time pay interim dividends of such amounts and on such dates and in respect of such periods as it thinks fit.
124. Where any dividend is declared by the Company in general meeting by ordinary resolution pursuant to the Article 121, or is determined to be paid by resolution of the Board passed in accordance with Article 123, the ordinary resolution or (as the case may be) the resolution of the Board may provide that such dividend shall be payable to the Members (or to any class of Members) registered as such on or as at any such date as the resolution may specify, and (without prejudice to the generality of the foregoing) any date so specified may be either before, on or after that upon which the resolution is passed, and may be before the date upon which such dividend is to be actually paid.
125. No dividend or other monies payable on or in respect of a share shall bear interest as against the Company.
126. The Board may deduct from any dividend or other monies payable to any Member on or in respect of a share all sums of money (if any) presently payable by him to the Company on account of calls or otherwise in respect of shares in the Company.
127. The Board may retain any dividend or other monies payable on or in respect of a share on which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.
128. The payment by the Board of any unclaimed dividend or other monies payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends, interest or other sums payable which are unclaimed after a period of twelve years from the date of having been declared shall be forfeited and shall revert to the Company.
129. The Company may upon the recommendation of the Board by ordinary resolution direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid up shares or debentures of any other company) and the Board shall give effect to such resolution provided that no distribution shall be made unless recommended by the Board. Where any difficulty arises in regard to such distribution, the Board may settle the same as it thinks expedient and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Board.
130. Any dividend or other monies payable in cash on or in respect of a share may be paid by cash, cheque, money order, bank transfer or warrant and the same may be rendered by post to the registered address of the Member or person entitled thereto (or, if two or more persons are registered as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder or otherwise by operation of law, to any one of such persons) or to such person and at such address as such Member or person or persons may in writing direct. Every such cheque, order or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder or otherwise by operation of law may direct and payment of the cheque or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such cheque, order or warrant shall be sent at the risk of the person or persons entitled to the money represented thereby.
131. If two or more persons are registered as joint holders of any share, or are entitled jointly to a share in consequence of the death or bankruptcy of the holder or otherwise by operation of law, any one of them may give effective receipts for any dividend or other monies payable or property distributable on or in respect of the share."

*"Winding Up*

149. If the Company shall be wound up (whether the liquidation is voluntary, under supervision, or by the Court), the liquidator may, with the authority of any extraordinary resolution, divide among the Members in specie or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of

property and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like authority, vest the whole or any part of the assets in trustees upon such trusts for the benefit of Members as the liquidator with the like authority shall think fit and the liquidation of the Company may be closed and the Company dissolved, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability. In a members' voluntary liquidation of the Company any commission or fee payable to a liquidator shall be fixed by the Company in general meeting. The amount of such proposed payment shall be notified to the Members not less than seven days prior to the meeting at which it is to be considered.

150. The Company shall exercise the power conferred upon it by Section 719(1) of the Act only with the prior sanction of a special resolution. If at any time the capital of the Company is divided into different classes of shares, the exercise of such power as aforesaid shall be deemed to be a variation of the rights attached to each class of shares and shall accordingly require the prior consent in writing of the holders of three-fourths in nominal value of the issued shares of each class or the prior sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of each class convened and held in accordance with the provisions of Article 6."

Dated: 21 March 1996

## **APPENDIX**

**AUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE PERIODS ENDED  
15 OCTOBER 1993, 14 OCTOBER 1994 AND 30 SEPTEMBER 1995**

**Raphael, Zorn Hemsley Holdings Limited**  
and subsidiary undertakings

**Financial statements 15 October 1993**  
together with directors' and auditors' reports

Registered number: 2375296

# Chairman's Statement

For the period ended 15 October 1993

In the Interim Statement for the year it was reported that Graham Laing has now relinquished the office of Chairman and I have taken on that responsibility. Graham will continue as Chief Executive until his eventual retirement, which is expected to take place in March 1995. His will be a difficult act to follow, having served the company and the partnership as Chairman and senior partner for over 21 years, during which time the firm has consistently delivered, even in difficult times, operating profits to its partners and subsequent shareholders. I am delighted that we will continue to be able to co-operate as a team for at least the next 15 months.

My task is now to try to build on the very strong foundations created by Graham and all our colleagues. My emphasis for the future will be to pursue the twin goals of profitability and quality. The pursuit of excellence is an admirable target for management but its achievement is rooted in the attainment of quality both in the products and services which the firm offers to its clients and in the nature of those who are employed by the firm. It is my aim to develop this quality image as a major plank of our future success.

1993 has been a successful year financially although it has been marred by the untimely death of our friend and colleague, Tony Leonhard. Tony joined the firm in April 1967, and was a partner of Raphael Zorn up to the incorporation of our new company in 1989. We all miss him and would like to place on record our appreciation of his contribution to the success of the firm over all those years.

The profits before tax for the year ended 15 October 1993, showed a figure of £184,135 compared with £60,702 for the previous year. The figures take into account various provisions for doubtful debts and claims in respect of which your board has decided it would be prudent to make reserves. They also reflect bonuses paid to directors and staff. The board is particularly pleased to be in a position to reward staff for the very long hours and hard work arising from a particularly active year, during which the number of bargains handled increased from approximately 30,000 to in excess of 35,000. We are also happy to be able to reward shareholders with a dividend of 5p per share compared with 2p last year.

During the year we took a major decision to update our computer services internally. As a result we are now in the process of a major change involving a considerable investment in money and time to achieve the best results in an ever-changing technological world. This process should be completed shortly and I would like to express our appreciation to all members of the staff involved with this process. Clearly, we are moving towards a so-called paperless system eventually but the way forward is still far from clear. Meanwhile, we do know that a system of rolling settlement will commence in July 1994. This, again, will involve further system changes and adaptation but, above all, it will require a new approach from clients who will have to consider the financing implications of this change.

During the year we have further strengthened our business by attracting a small institutional team to join us. We intend to develop this area of business and our contacts with institutions over the coming months.

I am sure you will also be interested to note that a recent valuation of portfolios administered by the firm, totalled in excess of £800 million. This reflects both increases in values over the last 12 months and the fact that we are attracting new private clients at an average rate of 10/15 per week.

The most significant major feature of 1993 will not contribute to our profits until the 1994 financial year. I refer, of course, to the successful flotation of Syndicate Capital Trust Plc on the London Stock Exchange in November 1993. This was a major achievement for all concerned and we are delighted to have succeeded in raising over £30 million for the Lloyd's corporate capital investment trust. I should like to record our thanks to Oliver Hemsley, who conceived the idea, and was instrumental in ensuring its success.

Ronnie Jacobson, who joined our board last year, has decided that, for personal reasons, he would rather continue as a consultant to the board instead of being a director. We value his continued involvement in this capacity.

Finally, I should like to thank all the staff for their help and support during a most active year and look forward to a successful 1994.

**Michael Rosenberg**  
*Chairman*

# Directors' Report

For the period ended 15 October 1993

The directors present their report on the affairs of the group, together with the financial statements and auditors' report, for the financial period ended 15 October 1993.

## Principal activity

The principal activity of the group is to provide financial advice and securities dealing facilities on an agency basis. The company's operating subsidiaries are Raphael, Zorn Hemsley Limited, a member firm of the Securities and Futures Authority and the London Stock Exchange, and Raphael Zorn Hemsley Leasing Limited which leases its assets to members of the Raphael Zorn Hemsley group.

## Review of business

The company's operating subsidiaries are:

- Raphael, Zorn Hemsley Limited, which was created as part of the merging of the business operations of Raphael, Zorn (a partnership established in 1787) and Hemsley & Co. Securities Limited and commenced trading on 16 October 1989; and,
- Raphael Zorn Hemsley Leasing Limited, which was incorporated as 750th Shelf Trading Company on 12 February 1993, was purchased by the company on 29th March 1993 and changed its name on 14 May 1993.

## Results and dividends

The results, distributions and retained profits for the financial period are as follows:

	<i>Company</i> £	<i>Group</i> £
Retained profit at 16 October 1992	-	3,619
Profit for the period, after taxation	-	129,354
Dividends receivable from subsidiary undertaking	111,250	-
Dividends proposed	(111,250)	(111,250)
Retained profit at 15 October 1993	<u>-</u>	<u>21,723</u>

## Directors and their interests

The directors of the company who served during the period are as shown below, together with their beneficial interests in the shares at the beginning and end of the period:

	<i>15 October 1993</i>		<i>16 October 1992</i>	
	<i>£1 ordinary</i>	<i>10p preference</i>	<i>£1 ordinary</i>	<i>10p preference</i>
A.G.A.T. Laing <i>(resigned as Chairman 15 October 1993)</i>	113,700	40,000	114,000	40,000
M.S. Rosenberg <i>(appointed as Chairman 15 October 1993)</i>	108,248	-	108,248	-
O.A. Hemsley	1,000	-	175,952	-
T.J. Leader	75,000	40,000	75,000	40,000
C.H. Moore	95,000	40,000	95,000	40,000
M.J. Sinclair*	108,248	-	108,248	-
M.J. Kelton <i>(appointed 9 February 1993)</i>	50,000	-	50,000	-
R.T. Jacobson <i>(resigned 15 October 1993)</i>	1,000	-	1,000	-

In addition to the above interests, throughout the period M.J. Sinclair and M.S. Rosenberg held 280,000 £1 ordinary shares jointly through Montrose Securities Limited. M.J. Sinclair also holds 51,000 £1 ordinary shares through Sinclair Montrose Trust Limited. During the period, 172,068 of O.A. Hemsley's £1 ordinary shares were transferred to Dallington Investments Limited, a company in which O.A. Hemsley has a 45% interest. O.A. Hemsley and D. Betts, the company secretary, hold 7,268 £1 ordinary shares in their joint names.

\* Non-executive director.

# **Directors' Report** (continued)

For the period ended 15 October 1993

## **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 of the group 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; 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Fixed assets**

Information relating to changes in tangible fixed assets is given in note 10 to the financial statements.

## **Auditors**

The directors will place a resolution before the Annual General Meeting to reappoint Arthur Andersen as auditors for the ensuing year.

## **Liability insurance for company officers**

As permitted by the Companies Act 1985 (as amended), the company has maintained insurance cover for the directors against liabilities in relation to the company.

10 Throgmorton Avenue  
London EC2N 2DP

By order of the Board,

D. Betts  
Secretary

21 December 1993

# Auditors' Report

*To the Shareholders of Raphael, Zorn Hemsley Holdings Limited.*

We have audited the financial statements on pages 5-17 which have been prepared under the historical cost convention and the accounting policies set out on pages 9-10.

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

As described on pages 2-3, the company's directors are responsible for the preparation of the financial statements and 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 circumstances of the company and of the group, 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 of the group at 15 October 1993 and of the group's profit and cash flows for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

## **Arthur Andersen**

*Chartered Accountants and Registered Auditor*

1 Surrey Street  
London  
WC2R 2PS

21 December 1993

# Consolidated profit and loss account

For the period ended 15 October 1993

	<i>Notes</i>	<i>Period ended 15 October 1993 £</i>	<i>Period ended 16 October 1992 £</i>
<b>Turnover</b>	2	4,701,770	3,890,718
Shared commissions	3	(1,423,386)	(1,138,843)
<b>Gross profit</b>		<hr/> 3,278,384	<hr/> 2,751,875
Administrative expenses		(100,000)	(227,285)
- specific bad debt provision		(3,213,690)	(2,837,099)
- other expenses			
Interest income	4	493,995	824,139
Interest payable and similar charges	5	(274,554)	(450,928)
<b>Profit on ordinary activities before taxation</b>	6	<hr/> 184,135	<hr/> 60,702
Tax on profit on ordinary activities	8	(54,781)	(650)
<b>Profit on ordinary activities after taxation</b>		<hr/> 129,354	<hr/> 60,052
<b>Retained profit, brought forward</b>		3,619	6,067
		<hr/> 132,973	<hr/> 66,119
Dividends proposed	9	(111,250)	(62,500)
<b>Retained profit, carried forward</b>		<hr/> 21,723	<hr/> 3,619

The accompanying notes are an integral part of this consolidated profit and loss account.

There were no other recognised gains or losses made by the company during the periods ended 15 October 1993 and 16 October 1992, other than the profits for those periods.

# Consolidated balance sheet

15 October 1993

	<i>Notes</i>	<i>15 October 1993 £</i>	<i>16 October 1992 £</i>
<b>Fixed assets</b>			
Tangible fixed assets	10	308,177	107,346
Other investments	11	15,000	15,000
		<hr/>	<hr/>
		323,177	122,346
<b>Current assets</b>			
Debtors	12	17,333,668	8,609,226
Investments		-	50,000
Cash at bank and in hand	13	2,229,318	2,784,806
		<hr/>	<hr/>
		19,562,986	11,444,032
<b>Creditors: Amounts falling due within one year</b>	14	(17,864,215)	(9,562,534)
		<hr/>	<hr/>
<b>Net current assets</b>		1,698,771	1,881,498
		<hr/>	<hr/>
<b>Net assets</b>		2,021,948	2,003,844
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called-up share capital	15	2,022,500	2,022,500
Profit and loss account	16	21,723	3,619
Goodwill write off	16	(22,275)	(22,275)
		<hr/>	<hr/>
<b>Total capital employed</b>		2,021,948	2,003,844
		<hr/>	<hr/>

## Signed on behalf of the Board

A.G.A.T. Laing Director

T.J. Leader Director

21 December 1993

The accompanying notes are an integral part of this balance sheet.

# Balance sheet

15 October 1993

	<i>Notes</i>	<i>15 October 1993 £</i>	<i>16 October 1992 £</i>
<b>Fixed assets</b>			
Investment in subsidiary undertakings	11	2,022,375	2,022,275
		<hr/>	<hr/>
		2,022,375	2,022,275
		<hr/>	<hr/>
<b>Current assets</b>			
Debtors	12	111,250	51,250
Cash at bank and in hand		225	225
		<hr/>	<hr/>
		111,475	51,475
		(111,350)	(51,250)
		<hr/>	<hr/>
<b>Net current assets</b>		125	225
		<hr/>	<hr/>
<b>Net assets</b>		2,022,500	2,022,500
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called-up share capital	15	2,022,500	2,022,500
Profit and loss account		-	-
		<hr/>	<hr/>
<b>Total capital employed</b>		2,022,500	2,022,500
		<hr/>	<hr/>

## Signed on behalf of the Board

A.G.A.T. Laing Director

T.J. Leader Director

21 December 1993

The accompanying notes are an integral part of this balance sheet.

# Consolidated cash flow statement

for the period ended 15 October 1993

	Notes	Period ended 15 October 1993		Period ended 16 October 1992	
		£	£	£	£
<b>Net cash (outflow) inflow from operating activities</b>	17		(411,138)		864,876
<b>Returns on investments and servicing of finance</b>					
Interest received		493,995		824,139	
Interest paid		(274,554)		(450,928)	
Dividends paid		(51,250)		(22,500)	
<b>Net cash inflow from returns on investments and servicing of finance</b>			168,191		350,711
<b>Taxation</b>					
Corporation tax paid (including advanced corporation tax)			(10,767)		(78,400)
<b>Investing activities</b>					
Payments to acquire tangible fixed assets		(318,857)		(76,690)	
Payments to acquire investments		-		(15,000)	
Receipts from sale of tangible fixed assets		17,083		-	
<b>Net cash outflow from investing activities</b>			(301,774)		(91,690)
<b>Net cash (outflow) inflow before financing</b>			(555,488)		1,045,497
<b>Net cash flow from financing</b>			-		-
<b>(Decrease)/Increase in cash and cash equivalents</b>	19		(555,488)		1,045,497

The accompanying notes are an integral part of this cash flow statement.

# Notes to the financial statements

15 October 1993

## 1 Statement of accounting policies

A summary of the principal accounting policies all of which have been applied consistently throughout the period and with the preceding period, is set out below:

### a) *Basis of accounting*

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

### b) *Basis of consolidation*

The group financial statements consolidate the financial statements of Raphael, Zorn Hemsley Holdings Limited and all its subsidiary undertakings, made up to 15 October 1993.

Goodwill arising on consolidation (representing the excess of the purchase price over the fair value of the net tangible assets and identifiable intangible assets when acquired) is written off against reserves.

No profit and loss account is presented for the company itself, as provided by s.230 Companies Act 1985. The company's profit for the financial year, determined in accordance with the Act, was £111,250 (1992 - £62,500)

### c) *Accounting period*

The current period for which the financial statements have been prepared refers to the period ended 15 October 1993. The comparative figures for the previous period refer to the period ended 16 October 1992.

### d) *Trade date basis of accounting*

New time bargains dealt for the first Stock Exchange account after the balance sheet date are included in the financial statements.

### e) *Turnover*

Turnover represents gross commissions received and due in the course of ordinary Stock Exchange business. Commission and all other income has been taken to the profit and loss account on all transactions executed up to the balance sheet date. All turnover and profits for the periods ended 15 October 1993 and 16 October 1992 were derived from continuing operations.

### f) *Tangible fixed assets*

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation on office and computer equipment and motor vehicles is provided for under the reducing balance method at an annual rate of 25%.

### g) *Clients' deposits*

All money held on behalf of clients has been excluded from the balances of cash at bank and in hand and amounts due to clients, brokers and Recognised Stock Exchanges.

### h) *Pension costs*

The company provides pensions, life assurance and death in service benefits to all full-time employees of the company over the age of 18 with one year's continuous service upon payment of 2% of their pensionable salaries through the Raphael, Zorn Hemsley Limited Pension and Life Assurance Scheme.

The assets of this defined benefit scheme are held independently of the companies by the London and Manchester Assurance Company Limited.

The amount charged to the profit and loss account is the estimated regular cost of providing benefits accrued in the period, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to the profit and loss account over the estimated average remaining life of the scheme members.

The scheme is funded in accordance with the recommendation of the actuary.

Further information on pension costs is provided in note 20c).

### i) *Operating leases*

The company has entered into operating leases as described in note 20b).

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such a basis.

## Notes to the financial statements (continued)

### 1 Summary of accounting policies (continued)

#### j) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates ruling at the balance sheet date. Exchange differences are taken to profit and loss account directly.

#### k) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Advance corporation tax payable on dividends proposed in the period is written off except when recoverability against corporation tax payable is considered to be reasonably assured.

Deferred tax is only provided where, in the opinion of the directors, there is reasonable evidence that such taxation will become payable in the foreseeable future.

#### l) Presentation of exceptional items

The prior year presentation of exceptional items has been amended to comply with current year presentation requirements.

### 2 Turnover

Turnover comprises the following:

	<i>Group</i>	
	<i>Period ended 15 October 1993</i>	<i>Period ended 16 October 1992</i>
	£	£
Fee income	723,723	680,804
Commission income	3,944,017	3,182,328
Currency exchange	34,030	27,586
	<hr/>	<hr/>
	4,701,770	3,890,718
	<hr/>	<hr/>

All of the profit before taxation arises from business originated in the UK. All of the net assets of the company relate to its business in the UK. All turnover and profits were derived from continuing operations.

### 3 Shared commissions

This comprises amounts paid:

	<i>Group</i>	
	<i>Period ended 15 October 1993</i>	<i>Period ended 16 October 1992</i>
	£	£
To authorised agents	111,395	121,299
To registered representatives	1,311,991	1,017,544
	<hr/>	<hr/>
	1,423,386	1,138,843
	<hr/>	<hr/>

### 4 Interest income

	<i>Group</i>	
	<i>Period ended 15 October 1993</i>	<i>Period ended 16 October 1992</i>
	£	£
Interest receivable and similar income	493,995	824,139
	<hr/>	<hr/>

## Notes to the financial statements (continued)

### 5 Interest payable and similar charges

	<i>Group</i>	
	<i>Period ended 15 October 1993</i>	<i>Period ended 16 October 1992</i>
	£	£
On overdrafts repayable within five years not by instalments	5,824	6,620
To clients in respect of monies deposited with the group	268,730	444,308
	<u>274,554</u>	<u>450,928</u>

### 6 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging:

	<i>Group</i>	
	<i>Period ended 15 October 1993</i>	<i>Period ended 16 October 1992</i>
	£	£
a) Depreciation	102,726	35,032
b) Operating lease costs	203,066	414,000
c) Staff costs (see note 7)	1,280,345	1,145,290
d) Auditors' remuneration - audit related	35,000	31,500
e) Auditors' remuneration - non audit related	22,585	<u>31,500</u>

### 7 Staff costs

Particulars of employees (including executive directors) are as shown below:

	<i>Group</i>	
	<i>Period ended 15 October 1993</i>	<i>Period ended 16 October 1992</i>
	£	£
Employee costs during the period amounted to:		
Wages and salaries	1,087,270	912,746
Social security costs	107,188	98,687
Other pension costs (see Note 20c)	85,887	133,857
	<u>1,280,345</u>	<u>1,145,290</u>

The average number of staff employed during the period was:

	<i>Number</i>	<i>Number</i>
Directors	8	7
Dealers and salaried business producers	9	9
Administration	44	37

At the end of the period there were also 27 non-salaried registered representatives (1992 - 21).

## Notes to the financial statements (continued)

### 7 Staff costs (continued)

Directors' remuneration:

Directors' remuneration in respect of the directors of the group was as follows:

	<i>Group</i>	
	<i>Period ended 15 October 1993</i>	<i>Period ended 16 October 1992</i>
	£	£
Other emoluments	440,338	287,262

The directors' remuneration shown above, excluding pension contributions, included:

	<i>Group</i>	
	<i>Period ended 15 October 1993</i>	<i>Period ended 16 October 1992</i>
	£	£
Chairmen - A.G.A.T. Laing	90,332	52,429
- M.S. Rosenberg	63,303	-
Highest paid director	90,332	58,824

The emoluments of the directors, excluding pension contributions, fell within the following ranges:

	<i>Number</i>	<i>Number</i>
Up to £5,000	2	2
£ 20,001 - £ 25,000	1	-
£ 40,001 - £ 45,000	-	1
£ 50,001 - £ 55,000	-	3
£ 55,001 - £ 60,000	-	1
£ 60,001 - £ 65,000	1	-
£ 65,000 - £ 70,000	1	-
£ 70,001 - £ 75,000	2	-
£ 90,001 - £ 95,000	1	-
	8	7

### 8 Tax on profit on ordinary activities

The tax charge is based on the profit for the period and comprises:

	<i>Period ended 15 October 1993</i>	<i>Period ended 16 October 1992</i>
	£	£
Corporation tax at 33% (1992 - 33%)	54,781	29,750
Adjustment of current taxation in respect of prior periods	-	(29,100)
	54,781	650

## Notes to the financial statements (continued)

### 9 Dividends paid and proposed

The following dividends have been proposed by the directors:

	<i>Group</i>	
	<i>Period ended 15 October 1993</i>	<i>Period ended 16 October 1992</i>
	£	£
Paid 50% preference dividend	-	11,250
Proposed 50% preference dividend	11,250	11,250
Proposed ordinary dividends of 5p per share (1992 - 2p per share)	100,000	40,000
	<hr/>	<hr/>
	111,250	62,500
	<hr/>	<hr/>

### 10 Tangible fixed assets

The movement during the period was as follows:

<b>Group</b>	<i>Office and computer equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
	£	£	£
<b>Cost</b>			
Beginning of period	88,924	91,695	180,619
Additions	250,294	68,563	318,857
Disposals	-	(28,700)	(28,700)
End of period	<hr/> 339,218	<hr/> 131,558	<hr/> 470,776
<b>Depreciation</b>			
Beginning of period	24,931	48,342	73,273
Charge for period	78,572	24,154	102,726
Disposals	-	(13,400)	(13,400)
End of period	<hr/> 103,503	<hr/> 59,096	<hr/> 162,599
<b>Net book value</b>			
Beginning of period	<hr/> 63,993	<hr/> 43,353	<hr/> 107,346
End of period	<hr/> 235,715	<hr/> 72,462	<hr/> 308,177

## Notes to the financial statements (continued)

### 11 Investment in subsidiary undertakings

a) The fixed asset investment in subsidiary undertakings represents the costs of the investments in Raphael, Zorn Hemsley Limited and Raphael, Zorn Hemsley Leasing Limited.

#### b) Subsidiary undertakings

The company acts as a non-trading holding company and, except for dividend income receivable from its stockbroking subsidiary, did not receive any income nor incur any expense during the period ended 15 October 1993. The company beneficially owns the whole of the issued share capital of the following companies, all of which are registered in the United Kingdom:

	<i>Principal activity</i>	<i>Effective proportion of shares held by Company</i>	<i>Group</i>
<i>Directly held</i>			
Raphael, Zorn Hemsley Limited	Stockbroking	100%	100%
Raphael, Zorn Hemsley Leasing Limited	Leasing	100%	100%
<i>Indirectly held</i>			
Hemco Nominees Limited	Dormant	100%	100%
Zorn Nominees Limited	Non-trading	100%	100%

The company acquired all of the shares of 750th Shelf Trading Company Limited on 29 March 1993. The acquired company changed its name to Raphael Zorn Hemsley Leasing Limited on 14 May 1993. The consideration was given in cash with a fair value of £100.

No disposals of investments occurred during the period.

c) Other investments relate to a seat on the London International Financial Futures Exchange which is shown at cost

### 12 Debtors

The following items are included in debtors:

	<i>15 October 1993</i>	<i>16 October 1992</i>
	<i>£</i>	<i>£</i>
<i>Group</i>		
Loan to a client	154,240	353,598
Due from clients, brokers, and Recognised Stock Exchanges	16,968,908	8,127,936
Other debtors	52,210	44,582
Prepayments and accrued income	158,198	83,110
	<hr/>	<hr/>
	17,333,668	8,609,226
<i>Company</i>		
Dividend due from subsidiary undertaking	111,250	51,250
	<hr/>	<hr/>

The loan to a client is shown net of the provisions charged to the current year's and the prior year's profit and loss account.

### 13 Cash at bank and in hand

The balances exclude interest-bearing deposits of clients' monies placed by the company with banks on an agency basis. All such deposits are designated by the banks as clients' funds and are not available to the banks to satisfy any liability the group may have with them at any time.

The balance at 15 October 1993 held on deposit for clients was £9,708,433 (1992 - £5,993,162).

## Notes to the financial statements (continued)

### 14 Creditors

The following amounts, all falling due within one year, are included in creditors:

	15 October 1993	16 October 1992
	£	£
<b>Group</b>		
Amounts due to clients, brokers and Recognised Stock Exchanges	16,994,107	9,053,373
Other creditors		
- UK corporation tax payable	81,264	37,250
- VAT	4,463	5,000
- social security and PAYE	39,103	52,344
- sundry creditors	267,928	165,130
Accruals	366,100	198,187
Dividends proposed	111,250	51,250
	<hr/>	<hr/>
	17,864,215	9,562,534
	<hr/>	<hr/>
<b>Company</b>		
Dividends proposed	111,250	51,250
Amounts due to a subsidiary	100	-
	<hr/>	<hr/>
	111,350	51,250
	<hr/>	<hr/>

### 15 Called-up share capital

	15 October 1993	16 October 1992
	£	£
<b>Group</b>		
<i>Authorised</i>		
2,500,000 ordinary shares of £1 each	2,500,000	2,500,000
250,000 50% cumulative preference shares of 10p each	25,000	25,000
	<hr/>	<hr/>
	2,525,000	2,525,000
	<hr/>	<hr/>
<i>Issued and fully-paid</i>		
2,000,000 ordinary shares of £1 each	2,000,000	2,000,000
225,000 50% cumulative preference shares of 10p each	22,500	22,500
	<hr/>	<hr/>
	2,022,500	2,022,500
	<hr/>	<hr/>

The preference shares have a fixed cumulative dividend of 50% and after 16 October 1994 may with no less than 30 days' notice from the shareholders be redeemed at a premium of 90p per share plus any accrued unpaid dividends at the date of redemption.

After 16 October 1999 the preference shares may, with no less than 30 days' notice from the company, be redeemed at a premium of 90p per share plus any accrued unpaid dividends at the date of redemption.

The preference shares have rights to a bonus issue prior to the company being listed on a Recognised Stock Exchange or in the event of a takeover. Immediately after the bonus issue the preference shares will be converted into ordinary shares at the rate of one fully-paid ordinary share for each issued preference share.



## Notes to the financial statements (continued)

### 19 Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	15 October 1993	16 October 1992	Change in period
	£	£	£
Cash at bank and in hand	2,229,318	2,784,806	(555,488)
	<u>2,229,318</u>	<u>2,784,806</u>	<u>(555,488)</u>

### 20 Guarantees and other financial commitments

#### a) Contingent liabilities

In the ordinary course of business, the group has given letters of indemnity in respect of lost certified stock transfers and share certificates. The contingent liability arising therefrom cannot be quantified, but it is not believed that any material liability will arise under these indemnities.

#### b) Operating leases

At 15 October 1993 the group had annual commitments under operating leases as set out below.

	Property		Computer equipment	
	15 October 1993	16 October 1992	15 October 1993	16 October 1992
	£	£	£	£
Leases expiring				
- within 1 year	-	-	-	172,667
- within 2-5 years	245,000	-	-	-
- over 5 years	-	245,000	-	-
	<u>-</u>	<u>245,000</u>	<u>-</u>	<u>172,667</u>

The annual property rental is next subject to review on 29 September 1994.

#### c) Pension arrangements

The pension cost charge for the period was £102,430 (1992 - £133,857). Outstanding contributions of £16,300 (1992 - £18,650) at the period end are shown in the balance sheet under creditors.

The pension cost is assessed in accordance with the advice of a professionally qualified actuary. The latest actuarial valuation was at 1 April 1992 and used the Attained Age method. The main actuarial assumptions were that a) salaries would increase by 8% p.a. and b) the return on scheme investments would be 9% p.a.

At the date of the latest actuarial valuation, the value of the fund was £673,135 and the actuarial value of the assets was sufficient to cover 100% of the benefits that had accrued to members after allowing for expected future increases in earnings.

### 21 Subsequent events

#### a) Syndicate Capital Trust plc revenues

In November 1993, the group received as professional fees approximately £550,000 from Syndicate Capital Trust plc, after allowing for payments of approximately £951,000 to other professional advisers. Syndicate Capital Trust plc is an investment trust for which the company's subsidiary, Raphael, Zorn Hemsley Limited acted as sponsoring stockbrokers. The investment trust has raised funds which will be used to invest in the Lloyd's of London insurance market. This income will be included as revenues for the period ending 14 October 1994.

#### b) Share options

The company has offered options on 153,000 £1 ordinary shares subsequent to period end. These are exercisable between 3 and 10 years after 31 December 1993.

**Raphael, Zorn Hemsley Holdings Limited**  
and subsidiary undertakings

**Financial statements 14 October 1994**  
together with directors' and auditors' reports

Registered number: 2375296

# Chairman's Statement

For the period ended 14 October 1994

The second half of the financial year ended 14 October 1994, proved to be an extremely difficult period with turnover dropping considerably in common with the experience of most other broking firms. As a result, the second half of the year has shown a loss of some £380,000. Fortunately, with first half profits in excess of £900,000, the overall figure for the year is still a satisfactory £521,742 pre-tax.

In June of this year the board declared a special dividend of 3p per ordinary share of £1 and, despite the poor second half, the board has decided to marginally increase the total dividends to be paid for the year. Since the shares of £1 have been subdivided into four shares of 25p each, the final dividend will be 0.6p per 25p share and will be paid immediately following the Annual General Meeting to be held on 24th January 1995.

I am pleased that the new rolling settlement system has not created as many problems as we might have imagined. In part this is due to the lower level of turnover but is also due to the fact that ten day settlement is not materially different to the old fourteen day account system. Next year five day settlement will be introduced and we hope that this, in turn, will prove a relatively painless experience. Once again, I would like to emphasise that, wherever possible, we are seeking to utilise our nominee company in order to avoid future problems.

Since the year end we successfully launched Cox Insurance Holdings Limited, a new Lloyds Insurance company. A total of £12 million was raised for this company which is now listed under Rule 4.2 of The London Stock Exchange Rules.

Many firms in the City have announced their intention to severely cut costs in the light of poor trading conditions. I can assure shareholders that we are paying very careful attention to the overhead costs of business in order not only to contain and, where necessary, reduce costs in what is currently a difficult trading period, but also to seek additional sources of income.

As part of our plan to generate new sources of income, since the year end we have formed a new subsidiary, Raphael Asset Management Limited. This is to become a separate fund management company and will seek to attract funds under management from a variety of sources including high net worth individuals, pension schemes, charities, Lloyds corporate capital companies and other Lloyd's funds.

Your Board has decided to establish an Employee Share Ownership Plan (ESOP). Such plans carry benefits for the company, employees and shareholders and have been implemented by a large number of quoted and private companies. Shareholders are asked to approve this decision at the Annual General Meeting of the company.

Briefly, an ESOP is a discretionary trust designed to encourage and facilitate the holding of shares by employees in your company. The establishment of the trust is designed to enhance your company's performance by improving the company's ability to recruit, retain and motivate employees at all levels. We believe that the establishment of the trust is in the company's best interests.

The trust will acquire shares in the company to be held for the benefit of, and ultimately distributed to, employees, either on the exercise of share options or under other remuneration arrangements. Finance for the trust to purchase these shares can be provided by the company, if it so wishes, or arrangements can be made for the company to borrow the necessary funds to contribute to the trust. The contributions would normally be deductible for corporation tax purposes.

The ESOP can, if it has funds, purchase shares from shareholders who wish to sell, thus widening the potential market in the shares.

It is proposed, therefore, to establish an ESOP utilising an independent trust company resident in Jersey.

In conjunction with the trust, the board propose to introduce and seek shareholder approval for an amended Executive Share Option Scheme (allowing options to be granted over shares held in the Trust, as well as new shares) and a Sharesave scheme. These schemes, which will be approved by the Inland Revenue, allow the company to grant options to employees over shares in the company. The sharesave scheme options will be linked to an SAYE scheme. Both schemes carry tax benefits for participants and aim to motivate employees by enabling them to become shareholders.

We have appointed Neil Edmonstone to the board as a non-executive director with effect from 8 November 1994. Neil joined the company in May 1993 to head up our institutional team and we are delighted to welcome him to the board.

As I am sure you are all aware, Graham Laing is to retire from the board in April 1995. Graham has served the company and its predecessor partnership for over 40 years. Since this forthcoming Annual General Meeting will be the last formal occasion for us to express our thanks and good wishes for the future, I would like to record our deep appreciation for his guidance and leadership over so many years. On his retirement it is proposed that I continue as Chairman and take on the role of Senior Executive Officer. Oliver Hemsley will become Chief Executive.

**Michael Rosenberg**  
Chairman

# Directors' Report

For the period ended 14 October 1994

The directors present their report on the affairs of the group, together with the financial statements and auditors' reports, for the financial period ended 14 October 1994.

## Principal activity

The principal activity of the group is to provide financial advice and securities dealing facilities on an agency basis. The company's operating subsidiaries are Raphael, Zorn Hemsley Limited, a member firm of the Securities and Futures Authority and the London Stock Exchange, and Raphael Zorn Hemsley Leasing Limited which leases its assets to members of the Raphael Zorn Hemsley group.

## Review of business

A review of the group's business is contained in the Chairman's Statement.

## Results and dividends

The results, distributions and retained profits for the financial period are as follows:

	Group £
Retained profit at 15 October 1993	21,723
Profit for the period, after taxation	335,432
Dividends proposed/paid	(121,365)
Capitalisation of reserves	(225,000)
	<hr/>
Retained profit at 14 October 1994	10,790

## Directors and their interests

The directors of the company have the following beneficial interests in shares of the holding company, Raphael, Zorn Hemsley Holdings Limited, at the beginning and end of the period:

	14 October 1994		15 October 1993	
	25p ordinary	Options on 25p ordinary	£1 ordinary	10p preference
M.S. Rosenberg	432,992	20,000	108,248	-
A.G.A.T. Laing	634,800	-	114,700	40,000
O.A. Hemsley	4,000	40,000	1,000	-
T.J. Leader	276,000	40,000	75,000	40,000
C.H. Moore	556,000	16,000	95,000	40,000
M.J. Sinclair*	432,992	-	108,248	-
M.J. Kelton*	200,000	20,000	50,000	-
W.N. Edmonstone* (appointed 8 November 1994)	-	20,000	-	-

\*Non-executive director

In addition to the above interests in Raphael, Zorn Hemsley Holdings Limited, throughout the period M.J. Sinclair and M.S. Rosenberg held 1,120,000 25p ordinary shares jointly through Montrose Securities Limited. M.J. Sinclair also holds 290,400 25p ordinary shares through Sinclair Montrose Trust Limited. O.A. Hemsley and D. Betts, the company secretary, hold 37,752 25p ordinary shares in their joint names. Dallington Investments Limited, a company in which O.A. Hemsley has a 45% interest, holds 794,672 25p ordinary shares. M.S. Rosenberg is the beneficiary of East King's Retirement Pension Fund which holds 86,400 25p ordinary shares.

During the period the company issued options on 157,000 £1 Ordinary shares of the company at an exercise price of £1.20. Following the restructuring of the share capital into 25p ordinary shares, these options were converted into options on 628,000 25p ordinary shares at an exercise price of 30p. These are exercisable between 3 and 10 years after the issue date of 31 December 1993.

None of the options granted to directors were exercised during the period.

# Directors' Report (continued)

For the period ended 14 October 1994

## Director's responsibilities

Company law requires the directors to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the company and group 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Fixed assets

Information relating to changes in tangible fixed assets is given in note 10 to the financial statements.

## Auditors

The directors will place a resolution before the Annual General Meeting to reappoint Arthur Andersen as auditors for the ensuing year.

## Liability insurance for the company officers

As permitted by the Companies Act 1985 (as amended), the company has maintained insurance cover for the directors against liabilities in relation to the Company.

10 Throgmorton Avenue  
London EC2N 2DP

By order of the Board

20 December 1994

D. Betts  
Secretary

# Auditor's Report

*To the Shareholders of Raphael, Zorn Hemsley Holdings Limited:*

We have audited the financial statements on pages 5-17 which have been prepared under the historical cost convention and the accounting policies set out on pages 9-10.

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

As described on pages 2-3 the company's directors are responsible for the preparation of the financial statements and 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 circumstances of the company and of the group, 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 of the group at 14 October 1994 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**Arthur Andersen**

*Chartered Accountants and Registered Auditor*

1 Surrey Street  
London  
WC2R 2PS

20 December 1994

# Consolidated profit and loss account

For the period ended 14 October 1994

	Notes	Period ended 14 October 1994 £	Period ended 15 October 1993 £
<b>Turnover</b>	2	5,154,526	4,701,770
Shared commissions	3	(1,345,810)	(1,423,386)
<b>Gross Profit</b>		<u>3,807,716</u>	<u>3,278,384</u>
Administrative expenses		(25,000)	(100,000)
- specific bad debt provisions		(3,492,605)	(3,213,690)
- other expenses			
Interest income	4	496,354	493,995
Interest payable and similar charges	5	(264,723)	(274,554)
<b>Profit on ordinary activities before taxation</b>	6	<u>521,742</u>	<u>184,135</u>
Tax on profit on ordinary activities	8	(186,310)	(54,781)
<b>Profit on ordinary activities before taxation</b>		<u>335,432</u>	<u>129,354</u>
Dividends paid and proposed	9	(121,365)	(111,250)
<b>Retained profit, for the financial period</b>		<u>214,067</u>	<u>18,104</u>

There were no other recognised gains or losses made by the company during the periods ended 14 October 1994 and 15 October 1993, other than the profits for those periods.

A statement of movements on reserves is given in note 17.

## Signed on behalf of the Board

M.S. Rosenberg Chairman

A.G.A.T. Laing Director

20 December 1994

A statement of movements on reserves is given in Note 17.

The accompanying notes are an integral part of this consolidated balance sheet.

# Consolidated balance sheet

14 October 1994

	<i>Notes</i>	<i>Period ended 14 October 1994 £</i>	<i>Period ended 15 October 1993 £</i>
<b>Fixed assets</b>			
Tangible fixed assets	10	280,950	308,177
Other investments	11	-	15,000
		<hr/>	<hr/>
		280,950	323,177
<b>Current assets</b>			
Debtors	12	7,970,813	17,333,668
Cash at bank and in hand	13	2,102,257	2,229,318
		<hr/>	<hr/>
		10,073,070	19,562,986
<b>Creditors: Amounts falling due within one year</b>	14	(8,118,005)	(17,86,215)
		<hr/>	<hr/>
<b>Net current assets</b>		1,955,065	1,698,771
		<hr/>	<hr/>
<b>Net assets</b>		2,236,015	2,021,948
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called-up share capital	15	2,247,500	2,022,500
Profit and loss account	17	10,790	21,723
Goodwill write off		(22,275)	(22,275)
		<hr/>	<hr/>
<b>Total capital employed</b>		2,236,015	2,021,948
		<hr/>	<hr/>

## Signed on behalf of the Board

M.S. Rosenberg Chairman

A.G.A.T. Laing Director

20 December 1994

A statement of movements on reserves is given in Note 17.

The accompanying notes are an integral part of this consolidated balance sheet.

# Balance sheet

14 October 1994

	<i>Notes</i>	<i>Period ended 14 October 1994 £</i>	<i>Period ended 15 October 1993 £</i>
<b>Fixed assets</b>			
Investments in subsidiary undertakings	11	2,022,375	2,022,375
		<hr/>	<hr/>
		2,022,375	2,022,375
		<hr/>	<hr/>
<b>Current assets</b>			
Debtors	12	210,656	111,250
Cash at bank and in hand		69,705	225
		<hr/>	<hr/>
		280,361	111,475
<b>Creditors: Amounts falling due within one year</b>	14	(54,483)	(111,350)
		<hr/>	<hr/>
<b>Net current assets</b>		225,878	125
		<hr/>	<hr/>
<b>Net assets</b>		2,248,253	2,022,500
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called-up share capital	15	2,247,500	2,022,500
Profit and loss account	17	753	-
		<hr/>	<hr/>
<b>Total capital employed</b>		2,248,253	2,022,500
		<hr/>	<hr/>

## Signed on behalf of the Board

M. S. Rosenberg                      Chairman

A.G.A.T. Laing                      Director

20 December 1994

A statement of movements on reserves is given in note 17.

The accompanying notes are an integral part of this balance sheet.

# Cash flow statement

for the period ended 14 October 1994

	Notes	Period ended 14 October 1994 £	Period ended 15 October 1993 £
<b>Net cash inflow/(outflow) from operating activities</b>	18	58,872	(411,138)
<b>Returns on investments and servicing of finance</b>			
Interest received	496,354		493,995
Interest paid	(278,322)		(274,554)
Dividends paid	(178,675)		(51,250)
		<u>39,357</u>	<u>168,191</u>
<b>Net cash inflow from returns on investments and servicing of finance</b>			
<b>Taxation</b>			
Corporation tax paid (including advance corporation tax)		(173,820)	(10,767)
<b>Investing activities</b>			
Payments to acquire tangible fixed assets	(76,277)		(318,857)
Receipts from sale of tangible fixed assets	24,807		17,083
		<u>(51,470)</u>	<u>(301,774)</u>
<b>Net cash outflow from investing activities</b>			
<b>Net cash (outflow) before financing</b>		(127,061)	(555,488)
<b>Net cash flow from financing</b>			-
<b>Decrease in cash and cash equivalents</b>	20	<u>(127,061)</u>	<u>(555,488)</u>

The accompanying notes are an integral part of this cash flow statement.

# Notes to the financial statements

14 October 1994

## 1 Statement of accounting policies

A summary of the principal accounting policies all of which have been applied consistently throughout the period and with the preceding period, is set out below:

### (a) *Basis of accounting*

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

### (b) *Basis of consolidation*

The group financial statements consolidate the financial statements of Raphael, Zorn Hemsley Holdings limited and all its subsidiary undertakings, made up to 14 October 1994.

Goodwill arising on consolidation (representing the excess of the purchase price over the fair value of the net tangible assets and identifiable intangible assets when acquired) is written off against reserves.

No profit and loss account is presented for the company itself, as provided by s.230 Companies Act 1985. The company's profit for the financial period, determined in accordance with the Act, was £347,118 (1993 - £111,250).

### (c) *Accounting period*

The current period for which the financial statements have been prepared refers to the period ended 14 October 1994. The comparative figures for the previous period refer to the period ended 15 October 1993.

### (d) *Turnover*

Turnover represents gross commissions received and due in the course of ordinary Stock Exchange business. Commission and all other income has been taken to the profit and loss account on all transactions executed up to the balance sheet date. All turnover and profits for the years ended 14 October 1994 and 15 October 1993 were derived from continuing operations.

### (e) *Tangible fixed assets*

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation on office and computer equipment and motor vehicles is provided for under the reducing balance method at an annual rate of 25%.

### (f) *Clients' deposits*

All money held on behalf of clients has been excluded from the balances of cash at bank and in hand and amounts due to clients, brokers and Recognised Stock Exchanges.

### (g) *Pension costs*

The Company provides pensions, life assurance and death in service benefits to all full-time employees of the company over the age of 18 with one year's continuous service upon payment of 2% of their pensionable salaries through the Raphael, Zorn Hemsley Limited Pension and Life Assurance Scheme.

The assets of this defined benefit scheme are held independently of the companies by the London and Manchester Assurance Company Limited.

The amount charged to the profit and loss account is the estimated regular cost of providing benefits accrued in the period, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to the profit and loss account over the estimated average remaining life of the scheme members.

The scheme is funded in accordance with the recommendation of the actuary.

Further information on pension costs is provided in note 21(c).

### (h) *Operating leases*

The company has entered into operating leases as described in note 21(b).

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such a basis.

# Notes to the financial statements (continued)

## 1 Summary of accounting policies (continued)

### (i) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates ruling at the balance sheet date. Exchange differences are taken to profit and loss account directly.

### (j) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Advance corporation tax payable on dividends proposed in the period is written off except when recoverability against corporation tax payable is considered to be reasonably assured.

Deferred tax is only provided where, in the opinion of the directors, there is reasonable evidence that such taxation will become payable in the foreseeable future.

## 2 Turnover

Turnover comprises the following:

	Group	
	Period ended 14 October 1994	Period ended 15 October 1993
	£	£
Fee income	1,372,151	723,723
Commission income	3,755,883	3,944,017
Currency exchange	21,492	34,030
	<hr/>	<hr/>
	5,154,526	4,701,770
	<hr/>	<hr/>

All of the profit before taxation arises from business originated in the UK. All of the net assets of the company relate to its business in the UK. All turnover and profits were derived from continuing operations.

## 3 Shared commissions

This comprises amounts paid:

	Group	
	Period ended 14 October 1994	Period ended 15 October 1993
	£	£
To authorised agents	84,207	111,395
To registered representatives	1,262,603	1,311,991
	<hr/>	<hr/>
	1,346,810	1,423,386
	<hr/>	<hr/>

## 4 Interest income

	Group	
	Period ended 14 October 1994	Period ended 15 October 1993
	£	£
Interest receivable and similar income	496,354	493,995
	<hr/>	<hr/>

## Notes to the financial statements (continued)

### 5 Interest payable and similar charges

	<i>Group</i>	
	<i>Period ended 14 October 1994</i>	<i>Period ended 15 October 1993</i>
	£	£
On overdrafts repayable within five years not by instalments	4,135	5,824
To clients in respect of monies deposited with the group	260,588	268,730
	<u>264,723</u>	<u>274,554</u>

### 6 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging:

	<i>Group</i>	
	<i>Period ended 14 October 1994</i>	<i>Period ended 15 October 1993</i>
	£	£
(a) Depreciation	93,647	102,726
(b) Operating lease costs	217,363	203,066
(c) Staff costs (see note 7)	1,625,470	1,280,345
(d) Auditors' remuneration - audit related	35,000	35,000
(e) Auditors' remuneration - non audit related	33,700	22,585
	<u>1,985,180</u>	<u>1,643,722</u>

### 7 Staff costs

Particulars of employees (including executive directors) are as shown below:-

	<i>Group</i>	
	<i>Period ended 14 October 1994</i>	<i>Period ended 15 October 1993</i>
	£	£
Employee costs during the period amounted to:		
Wages and salaries	1,381,384	1,087,270
Social security costs	136,953	107,188
Other pension costs (see Note 21c)	107,133	85,887
	<u>1,625,470</u>	<u>1,280,345</u>

The average number of staff employed during the period was:

	<i>Number</i>	<i>Number</i>
Directors	7	8
Dealers and salaried business producers	12	9
Administration	43	44
	<u>62</u>	<u>61</u>

At the end of the year there were also 25 non-salaried registered representatives (1993-27).

## Notes to the financial statements (continued)

### 7 Staff costs (continued)

Directors' remuneration:

Directors' remuneration in respect of the directors of the group was as follows:

	Group	
	Period ended 14 October 1994 £	Period ended 15 October 1993 £
Other emoluments	466,012	440,338

The directors' remuneration shown above, excluding pension contributions, includes:

	Group	
	Period ended 14 October 1994 £	Period ended 15 October 1993 £
Chairman	78,859	63,303
Highest paid director	92,617	90,332

The emoluments of the directors, excluding pension contributions, fell within the following ranges:

	Number	Number
Up to £ 5,000	2	2
£20,001 - £25,000	-	1
£60,001 - £65,000	-	1
£65,001 - £70,000	-	1
£70,001 - £75,000	1	2
£75,001 - £80,000	1	-
£80,001 - £85,000	1	-
£85,001 - £90,000	1	-
£90,001 - £95,000	1	1
	7	8

### 8 Tax on profit on ordinary activities

The tax charge is based on the profit for the period and comprises:

	Group	
	Period ended 14 October 1994 £	Period ended 15 October 1993 £
Corporation tax at 33% (1993 - 33%)	186,310	54,781
	186,310	54,781

## Notes to the financial statements (continued)

### 9 Dividends paid and proposed

The following dividends were paid/proposed:

	<i>Group</i>	
	<i>Period ended 14 October 1994</i>	<i>Period ended 15 October 1993</i>
	£	£
Proposed 50% preference dividend	-	11,250
Paid ordinary dividend of 3p per £1 share	67,425	-
Proposed ordinary dividends of 0.6p per 25p share (1993 - 5p per £1 share)	53,940	100,000
	<hr/>	<hr/>
	121,365	111,250
	<hr/>	<hr/>

### 10 Tangible fixed assets

The movement during the period was as follows:

<b>Group</b>	<i>Office and computer equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
	£	£	£
<b>Cost</b>			
Beginning of period	339,218	131,558	470,776
Additions	37,943	38,284	76,227
Disposals	-	(30,995)	(30,995)
	<hr/>	<hr/>	<hr/>
End of period	377,161	138,847	516,008
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
Beginning of period	103,503	59,096	162,599
Charge for period	68,412	25,235	93,647
Disposals	-	(21,188)	(21,188)
	<hr/>	<hr/>	<hr/>
End of period	171,915	63,143	235,058
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
Beginning of period	235,715	72,462	308,177
	<hr/>	<hr/>	<hr/>
End of period	205,245	75,704	280,950
	<hr/>	<hr/>	<hr/>

## Notes to the financial statements (continued)

### 11 Investment in subsidiary undertakings

(a) The fixed asset investment in subsidiary undertakings represents the costs of the investments in Raphael, Zorn Hemsley Limited and Raphael, Zorn Hemsley Leasing Limited.

#### (b) *Subsidiary undertakings*

The company acts as a non-trading holding company and, except for dividend income receivable from its stockbroking subsidiary, did not receive any income nor incur any expense during the period ended 14 October 1994. The company beneficially owns the whole of the issued share capital of the following companies, all of which are registered in the United Kingdom.

	Principal activity	Effective proportion of shares held by	
		Company	Group
<i>Directly held</i>			
Raphael, Zorn Hemsley Limited	Stockbroking	100%	100%
Raphael, Zorn Hemsley Leasing Limited	Leasing	100%	100%
<i>Indirectly held</i>			
Hemco Nominees Limited	Dormant	100%	100%
Zorn Nominees Limited	Non-trading	100%	100%

(c) Other investments relate to a seat on the London International Financial Futures Exchange (LIFFE). On 30 April 1994 the seat on LIFFE was disposed for £20,000 generating a profit of £5,000 on sale.

### 12 Debtors

The following items are included in debtors:

	14 October 1994 £	15 October 1993 £
<b>Group</b>		
Loan to a client	238,351	154,240
Due from clients, brokers, and Recognised Stock Exchanges	7,521,588	16,968,908
Other debtors	39,489	52,210
Prepayments and accrued income	172,385	158,198
	<hr/>	<hr/>
	7,970,813	17,333,668
	<hr/>	<hr/>
	£	£
<b>Company</b>		
Dividend due from subsidiary undertaking	53,940	111,250
Loan to subsidiary undertaking	156,716	-
	<hr/>	<hr/>
	210,656	111,250
	<hr/>	<hr/>

The loan to a client is shown net of the provisions charged to the current year's and the prior year's profit and loss account.

### 13 Cash at bank and in hand

The balances exclude interest-bearing deposits of clients' monies placed by the company with banks on an agency basis. All such deposits are designated by the banks as clients' funds and are not available to the banks to satisfy any liability the group may have with them at any time.

The balance at 14 October 1994 held on deposit for clients was £7,669,524 (1993 - £9,708,433).

## Notes to the financial statements (continued)

### 14 Creditors

The following amounts, all falling due within one year, are included in creditors:

	14 October 1994 £	15 October 1993 £
<b>Group</b>		
Amounts due to clients, brokers and Recognised Stock Exchanges	7,464,288	16,994,107
Other creditors		
- UK corporation tax payable	92,854	81,264
- VAT	6,534	4,463
- Social security and PAYE	60,057	39,103
- Sundry creditors	129,397	267,928
Accruals	310,935	366,100
Dividends proposed	53,940	111,250
	<hr/>	<hr/>
	8,118,005	17,864,215
	<hr/>	<hr/>
<b>Company</b>		
Dividends proposed	53,940	111,250
Amounts due to a subsidiary	-	100
Other creditors	543	-
	<hr/>	<hr/>
	54,483	111,350
	<hr/>	<hr/>

The amount of deferred tax that has not been provided is not significant

### 15 Called-up share capital

	14 October 1994 £	15 October 1993 £
<i>Authorised</i>		
10,000,000 ordinary shares of 25p each	2,500,000	-
2,500,000 ordinary shares of £1 each	-	2,500,000
250,000 50% cumulative preference shares of 10p each	-	25,000
25,000 50% cumulative preference shares of 10p each	2,500	-
	<hr/>	<hr/>
	2,502,500	2,525,000
	<hr/>	<hr/>
<i>Issued and fully-paid</i>		
8,990,000 ordinary shares of 25p each	2,247,500	-
2,000,000 ordinary shares of £1 each	-	2,000,000
225,000 50% cumulative preference shares of 10p each	-	22,500
	<hr/>	<hr/>
	2,247,500	2,022,500
	<hr/>	<hr/>

During the year the company rationalised its capital structure as follows:

- Made a 1 for 10 bonus issue of 10p preference shares to all preference shareholders, resulting in an increase in share capital of £2,250 (see reserves note 17)
- Converted all preference shares into ordinary shares at the rate of one fully-paid £1 ordinary share for each 10p preference share, resulting in an increase in share capital of £222,750 (see reserves note 17).
- Converted each £1 ordinary share into four 25p ordinary shares.

The company has issued options on 628,000 25p Ordinary shares at an exercise price of 30p. These are exercisable between 3 and 10 years after the issue date of 31 December 1993.

## Notes to the financial statements (continued)

### 16 Reconciliation of movements in shareholders' funds

	<i>Period ended</i> 14 October 1994	<i>Period ended</i> 15 October 1993
Profit for the financial period	335,432	129,354
Dividends	(121,365)	(111,250)
Opening shareholders' funds	2,021,948	2,003,844
	<hr/>	<hr/>
Closing shareholders' funds	2,236,015	2,021,948
	<hr/>	<hr/>

### 17 Reserves

	<i>14 October 1994</i>		<i>15 October 1993</i>	
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	£	£	£	£
Beginning of period	21,723	-	3,619	-
Profit on ordinary activities after taxation	335,432	347,118	129,354	111,250
Dividends paid and proposed	(121,365)	(121,365)	(111,250)	(111,250)
Bonus issue of preference shares	(2,250)	(2,250)	-	-
Conversion of preference shares to ordinary shares	(222,750)	(222,750)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
End of period	10,790	753	21,723	-
	<hr/>	<hr/>	<hr/>	<hr/>

### 18 Reconciliation of gross profit to net cash inflow/(outflow) from operating activities

	<i>14 October</i> 1994	<i>15 October</i> 1993
	£	£
Gross profit	3,807,716	3,278,384
Less		
- administrative expenses	(3,494,235)	(3,213,690)
- specific bad debt provision	(25,000)	(100,000)
- profit on sale of tangible fixed assets	(1,693)	(1,783)
Add		
- depreciation charges	93,647	102,726
(Increase)/Decrease in debtors	9,362,855	(8,724,442)
Decrease in current asset investments	-	50,000
Increase in creditors (excluding taxation payable and dividends payable)	(9,684,418)	8,197,667
	<hr/>	<hr/>
	58,872	(411,138)
	<hr/>	<hr/>

### 19 Analysis of changes in cash and cash equivalents during the year

Balance at beginning of period	£ 2,229,318
Net cash outflow	(127,061)
	<hr/>
Balance at end of period	2,102,257
	<hr/>

## Notes to the financial statements (continued)

### 20 Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	14 October 1994	15 October 1993	Change in year
	£	£	£
Cash at bank and in hand	2,102,257	2,229,318	(127,061)
	<u>2,102,257</u>	<u>2,229,318</u>	<u>(127,061)</u>

### 21 Guarantees and other financial commitments

#### (a) *Contingent liabilities*

In the ordinary course of business, the group has given letters of indemnity in respect of lost certified stock transfers and share certificates. The contingent liability arising therefrom cannot be quantified, but it is not believed that any material liability will arise under these indemnities.

#### (b) *Operating leases*

At 14 October 1994 the group had annual commitments under operating leases as set out below.

	<i>Property</i>	
	14 October 1994	15 October 1993
	£	£
Leases expiring		
- within 1 year	-	-
- within 2-5 years	247,000	245,000
- over 5 years	-	-
	<u>247,000</u>	<u>245,000</u>

The annual property rental is not subject to review until the present lease expires in September 1998.

#### (c) *Pension arrangements*

The pension cost charge for the period was £107,133 (1993 - £102,430). Outstanding contributions of £1,400 (1993 - £16,300) at the year end are shown in the balance sheet under creditors.

The pension cost is assessed in accordance with the advice of a professionally qualified actuary. The latest actuarial valuation was at 1 April 1992 and used the Attained Age method. The main actuarial assumptions were that (a) salaries would increase by 8% p.a. and (b) the return on scheme investments would be 9% p.a.

At the date of the latest actuarial valuations, the value of the fund was £673,135 and the actuarial value of the assets was sufficient to cover 100% of the benefits that had accrued to members after allowing for expected future increases in earnings.

**Raphael, Zorn Hemsley Holdings Limited**  
and subsidiary undertakings

**Financial statements 30 September 1995**  
together with directors' and auditors' reports

Registered number: 2375296

# Chairman's Statement

For the period ended 30 September 1995

I am pleased to report that the year ended 30 September 1995 was a profitable year for the Company notwithstanding a difficult start during the first six months as I previously reported. Profits before tax and after all necessary provisions were £234,816 and as a result your board are recommending a final dividend of 1.25p per share.

During the year we have continued to concentrate on improving both the quality of the service we offer to clients and the internal efficiency which is necessary to achieve this aim. Our new computer system is now installed and should shortly be capable of giving an enhanced service including capital gains tax computations and consolidated dividend statements for clients. We have experienced a major change on the basis of settlements as we have moved to a five day settlement system. No serious problems have arisen. We now anticipate the new Crest system will be in operation in July, 1996.

The major events of the year under review were the successful launch on the London Stock Exchange of a new investment trust for which approximately £15 million was raised and the appointment of RZH as Nominated Advisers under the new AIM rules of the Stock Exchange. As a result, we introduced six companies to the new AIM market during August and September and we are currently looking at a number of new potential entrants to that market.

We are working to increase our funds under management and the concentration of this activity is already showing signs of success. We intend to focus this year on this area and will be seeking to attract funds both by developing our own branded products as well as encouraging new business.

I am also pleased to be able to report another success in the Lloyd's insurance sector in which we are becoming acknowledged experts. Just after the year end in November, we launched Cox Insurance Holdings Plc on the Stock Exchange and raised approximately £30 million for the Company. The profits from this exercise will be significant and will of course be reflected in the first six months figures to be published in the spring. We continue to keep all costs under constant review since although markets are daily moving into new index highs, our objective is to provide our clients with a steady and safe investment performance and to back this up with the highest quality service we can create.

Our thanks therefore go to our staff who have worked hard to achieve this aim. We look forward to another successful year.

**Michael Rosenberg**  
*Chairman*

# Directors' Report

For the period ended 30 September 1995

The directors present their report on the affairs of the group, together with the financial statements and auditors' report, for the financial period ended 30 September 1995.

## Principal activity

The principal activity of the group is to provide financial advice and securities dealing facilities on an agency basis. The company's operating subsidiaries are Raphael, Zorn Hemsley Limited, a member firm of the Securities and Futures Authority and the London Stock Exchange, and Raphael, Zorn Hemsley Leasing Limited which leases its assets to members of the Raphael, Zorn Hemsley group.

## Review of business

A review of the group's business is contained in the Chairman's Statement.

## Results and dividends

The results, distributions and retained profits for the financial period are as follows:

	<i>Group</i> £
Retained profit at 14 October 1994	10,790
Profit for the period, after taxation	143,281
Dividends proposed/paid	(112,375)
Retained profit at 30 September 1995	<u>41,696</u>

## Directors and their interests

The directors of the company who served during the period are as shown below, together with their beneficial interests in the shares at the beginning and end of the period:

	30 September 1995		14 October 1994	
	25p ordinary	options on 25p ordinary	25p ordinary	options on 25p ordinary
M.S. Rosenberg	432,992	20,000	432,992	20,000
O.A. Hemsley	4,000	40,000	4,000	40,000
T.J. Leader	276,000	40,000	276,000	40,000
C.H. Moore	556,000	16,000	556,000	16,000
M.J. Sinclair*	432,992	-	432,992	-
M.J. Kelton*	200,000	20,000	200,000	20,000
A.G.A.T. Laing ( <i>resigned 7 April 1995</i> )	634,800	-	634,800	-
W.N. Edmonstone * ( <i>resigned 29 September 1995</i> )	-	-	-	20,000

\* Non-executive director.

In addition to the above interests in Raphael, Zorn Hemsley Limited, throughout the period M J Sinclair and M S Rosenberg held 1,120,000 25p ordinary shares jointly through Montrose Securities Limited. M J Sinclair also holds 290,400 25p ordinary shares through Sinclair Montrose Trust Limited. O A Hemsley and D Betts, the company secretary, hold 37,752 25p ordinary shares in their joint names. Dallington Investments Limited, a company in which O A Hemsley has a 45% interest, holds 794,672 25p ordinary shares. M S Rosenberg is the beneficiary of Eastkings Retirement Pension Fund which holds 86,400 25p ordinary shares.

Options on the 25p ordinary shares are exercisable between 3 and 10 years after the issue date of 31 December 1993 at an exercise price of 30p. No options were granted to directors during the period.

# **Directors' Report** (continued)

For the period ended 30 September 1995

## **Directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group 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; 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Fixed assets**

Information relating to changes in tangible fixed assets is given in note 10 to the financial statements.

## **Auditors**

The directors will place a resolution before the Annual General Meeting to reappoint Arthur Andersen as auditors for the ensuing period.

## **Liability insurance for company officers**

As permitted by the Companies Act 1985 (as amended), the company has maintained insurance cover for the directors against liabilities in relation to the company.

10 Throgmorton Avenue  
London EC2N 2DP

By order of the Board,

D. Betts  
Secretary

13 December 1995

# Auditors' Report

*To the Shareholders of Raphael, Zorn Hemsley Holdings Limited.*

We have audited the financial statements on pages 5-17 which have been prepared under the historical cost convention and the accounting policies set out on pages 9-10.

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

As described on pages 2-3, the company's directors are responsible for the preparation of the financial statements and 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 circumstances of the company and of the group, 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 of the group at 30 September 1995 and of the group's profit and cash flows for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

## **Arthur Andersen**

*Chartered Accountants and Registered Auditor*

1 Surrey Street  
London  
WC2R 2PS

13 December 1995

# Consolidated profit and loss account

For the period ended 30 September 1995

	<i>Notes</i>	<i>Period ended 30 September 1995 £</i>	<i>Period ended 14 October 1994 £</i>
<b>Turnover</b>	2	4,712,316	5,154,526
Shared commissions	3	(1,021,209)	(1,346,810)
<b>Gross profit</b>		<u>3,691,107</u>	<u>3,807,716</u>
Administrative expenses			
- specific bad debt provision		-	(25,000)
- other expenses		(3,663,843)	(3,492,605)
Interest income	4a	481,444	496,354
Investment income	4b	500	-
Interest payable and similar charges	5	(274,392)	(264,723)
<b>Profit on ordinary activities before taxation</b>	6	<u>234,816</u>	<u>521,742</u>
Tax on profit on ordinary activities	8	(91,535)	(186,310)
<b>Profit on ordinary activities after taxation</b>		<u>143,281</u>	<u>335,432</u>
Dividends paid and proposed	9	(112,375)	(121,365)
<b>Retained profit for the financial year</b>		<u>30,906</u>	<u>214,067</u>

There were no other recognised gains or losses made during the periods ended 30 September 1995 and 14 October 1994, other than the profits for those periods.

A statement of movements on reserves is given in note 18.

The accompanying notes are an integral part of this consolidated profit and loss account.

# Consolidated balance sheet

30 September 1995

	Notes	30 September 1995 £	14 October 1994 £
<b>Fixed assets</b>			
Tangible fixed assets	10	246,873	280,950
<b>Current assets</b>			
Debtors	12	6,317,462	7,970,813
Investments	13	50,000	-
Cash at bank and in hand	14	2,038,449	2,102,257
		<u>8,405,911</u>	<u>10,073,070</u>
<b>Creditors: Amounts falling due within one year</b>	15	<u>(6,385,863)</u>	<u>(8,118,005)</u>
<b>Net current assets</b>		<u>2,020,048</u>	<u>1,955,065</u>
<b>Net assets</b>		<u>2,266,921</u>	<u>2,236,015</u>
<b>Capital and reserves</b>			
Called-up share capital	16	2,247,500	2,247,500
Profit and loss account	18	41,696	10,790
Goodwill write off		(22,275)	(22,275)
<b>Total capital employed</b>		<u>2,266,921</u>	<u>2,236,015</u>

## Signed on behalf of the Board

M.S. Rosenberg Director

O.A. Hemsley Director

13 December 1995

A statement of movements on reserves is given in note 18.

The accompanying notes are an integral part of this consolidated balance sheet.

# Balance sheet

30 September 1995

	<i>Notes</i>	<i>30 September 1995 £</i>	<i>14 October 1994 £</i>
<b>Fixed assets</b>			
Investment in subsidiary undertakings	11	2,022,377	2,022,375
<b>Current assets</b>			
Debtors	12	226,716	210,656
Investments	13	50,000	-
Cash at bank and in hand		65,102	69,705
		<u>341,818</u>	<u>280,361</u>
<b>Creditors: Amounts falling due within one year</b>	15	<u>(114,746)</u>	<u>(54,483)</u>
<b>Net current assets</b>		<u>227,072</u>	<u>225,878</u>
<b>Net assets</b>		<u>2,249,449</u>	<u>2,248,253</u>
<b>Capital and reserves</b>			
Called-up share capital	16	2,247,500	2,247,500
Profit and loss account	18	1,949	753
<b>Total capital employed</b>		<u>2,249,449</u>	<u>2,248,253</u>

## Signed on behalf of the Board

M.S. Rosenberg Director

O.A. Hemsley Director

13 December 1995

A statement of movements on reserves is given in note 18.

The accompanying notes are an integral part of this balance sheet.

# Consolidated cash flow statement

for the period ended 30 September 1995

	Notes	Period ended 30 September 1995		Period ended 14 October 1994	
		£	£	£	£
<b>Net cash (outflow) inflow from operating activities</b>	19		(73,287)		58,872
<b>Returns on investments and servicing of finance</b>					
Interest received		481,444		496,354	
Interest paid		(248,619)		(278,322)	
Dividends paid		(53,940)		(178,675)	
Investment income		500		-	
<b>Net cash inflow from returns on investments and servicing of finance</b>			179,385		39,357
<b>Taxation</b>					
Corporation tax paid (including advance corporation tax)			(76,202)		(173,820)
<b>Investing activities</b>					
Payments to acquire tangible fixed assets		(43,704)		(76,277)	
Purchase of unlisted investments		(50,000)		-	
Receipts from sale of tangible fixed assets		-		24,807	
<b>Net cash outflow from investing activities</b>			(93,704)		(51,470)
<b>Net cash outflow before financing</b>			(63,808)		(127,061)
<b>Net cash flow from financing</b>			-		-
<b>Decrease in cash and cash equivalents</b>	21		(63,808)		(127,061)

The accompanying notes are an integral part of this cash flow statement.

# Notes to the financial statements

30 September 1995

## 1 Statement of accounting policies

A summary of the principal accounting policies all of which have been applied consistently throughout the period and with the preceding period, is set out below:

### a) Basis of accounting

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

### b) Basis of consolidation

The group financial statements consolidate the financial statements of Raphael, Zorn Hemsley Holdings Limited and all its subsidiary undertakings, made up to 30 September 1995.

Goodwill arising on consolidation (representing the excess of the purchase price over the fair value of the net tangible assets and identifiable intangible assets when acquired) is written off against reserves.

No profit and loss account is presented for the company itself, as provided by s.230 Companies Act 1985. The company's profit for the financial year, determined in accordance with the Act, was £113,571 (1994 - £347,118)

### c) Accounting period

The current period for which the financial statements have been prepared refers to the period ended 30 September 1995. The comparative figures for the previous period refer to the period ended 14 October 1994.

### d) Turnover

Turnover represents gross commissions received and due in the course of ordinary Stock Exchange business. Commission and all other income has been taken to the profit and loss account on all transactions executed up to the balance sheet date. All turnover and profits for the periods ended 30 September 1995 and 14 October 1994 were derived from continuing operations.

### e) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation on office and computer equipment and motor vehicles is provided for under the reducing balance method at an annual rate of 25%.

### f) Investments

Current asset investments are stated at the lower of cost and net realisable value.

### g) Clients' deposits

All money held on behalf of clients has been excluded from the balances of cash at bank and in hand and amounts due to clients, brokers and Recognised Stock Exchanges.

### h) Pension costs

The company provides pensions, life assurance and death in service benefits to all full-time employees of the company over the age of 18 with one year's continuous service upon payment of 2% of their pensionable salaries through the Raphael, Zorn Hemsley Limited Pension and Life Assurance Scheme. The pension scheme is a defined contribution scheme with a defined benefit guarantee for pensionable services prior to 1 April 1993.

The assets of this scheme are held independently of the companies by the London and Manchester Assurance Company Limited.

The amount charged to the profit and loss account is contributions payable during the year. The scheme is funded in accordance with the recommendation of the actuary.

Further information on pension costs is provided in note 22d).

### i) Operating leases

The company has entered into operating leases as described in note 22c).

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such a basis.

# Notes to the financial statements (continued)

## 1 Summary of accounting policies (continued)

### j) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates ruling at the balance sheet date. Exchange differences are taken to the profit and loss account directly.

### k) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Advance corporation tax payable on dividends proposed in the period is written off except when recoverability against corporation tax payable is considered to be reasonably assured.

Deferred tax is only provided where, in the opinion of the directors, there is reasonable evidence that such taxation will become payable in the foreseeable future.

### l) ESOP

The company established an Employee Share Ownership Plan (ESOP) during the year. The ESOP will acquire shares in the company to be held on trust for the benefit of, and ultimately distributed to, employees, either on the exercise of share options or other remuneration arrangements. Costs of establishing and administering the ESOP are taken to the profit and loss account and disclosed under staff costs (see note 7). Assets and liabilities held by the ESOP are recognised in the balance sheet of the company. The ESOP did not hold any shares at the balance sheet date.

## 2 Turnover

Turnover comprises the following:

	<i>Group</i>	
	<i>Period ended 30 September 1995</i>	<i>Period ended 14 October 1994</i>
	£	£
Fee income	1,829,828	1,377,151
Commission income	2,860,058	3,755,883
Currency exchange	22,430	21,492
	<u>4,712,316</u>	<u>5,154,526</u>

All of the profit before taxation arises from business originated in the UK. All of the net assets of the company relate to its business in the UK. All turnover and profits were derived from continuing operations.

## 3 Shared commissions

This comprises amounts paid:

	<i>Group</i>	
	<i>Period ended 30 September 1995</i>	<i>Period ended 14 October 1994</i>
	£	£
To authorised agents	61,086	84,207
To registered representatives	960,123	1,262,603
	<u>1,021,209</u>	<u>1,346,810</u>

## Notes to the financial statements (continued)

### 4a Interest income

	<i>Group</i>	
	<i>Period ended 30 September 1995</i>	<i>Period ended 14 October 1994</i>
	£	£
Interest receivable and similar income	481,444	496,354
	<hr/>	<hr/>

### 4b Interest income

	<i>Group</i>	
	<i>Period ended 30 September 1995</i>	<i>Period ended 14 October 1994</i>
	£	£
Interest income	500	-
	<hr/>	<hr/>

### 5 Interest payable and similar charges

	<i>Group</i>	
	<i>Period ended 30 September 1995</i>	<i>Period ended 14 October 1994</i>
	£	£
On overdrafts repayable within five years not by instalments	2,307	4,135
To clients in respect of monies deposited with the group	272,085	260,588
	<hr/>	<hr/>
	274,392	264,723
	<hr/>	<hr/>

### 6 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging:

	<i>Group</i>	
	<i>Period ended 30 September 1995</i>	<i>Period ended 14 October 1994</i>
	£	£
a) Depreciation	77,781	93,647
b) Operating lease costs	259,133	217,363
c) Staff costs (see note 7)	1,629,237	1,625,470
d) Auditors' remuneration - audit related	35,000	35,000
e) Auditors' remuneration - non audit related	29,400	22,585
	<hr/>	<hr/>

### 7 Staff costs

Particulars of employees (including executive directors) are as shown below:

	<i>Group</i>	
	<i>Period ended 30 September 1995</i>	<i>Period ended 14 October 1994</i>
	£	£
Employee costs during the year amounted to:		
Wages and salaries	1,351,202	1,381,384
Social security costs	132,112	136,953
Other pension costs (see Note 22d)	124,293	107,133
Employee Share Ownership Plan	21,630	-
	<hr/>	<hr/>
	1,629,237	1,625,470
	<hr/>	<hr/>

## Notes to the financial statements (continued)

### 7 Staff costs (continued)

The average number of staff employed during the period was:

	<i>Number</i>	<i>Number</i>
Directors	7	7
Dealers and salaried business producers	12	12
Administration	34	43
	<hr/>	<hr/>

At the end of the period there were also 14 non-salaried registered representatives (1994 - 25).

Directors' remuneration:

Directors' remuneration in respect of the directors of the group was as follows:

	<i>Group</i>	
	<i>Period ended</i>	<i>Period ended</i>
	<i>30 September</i>	<i>14 October</i>
	<i>1995</i>	<i>1994</i>
	<i>£</i>	<i>£</i>
Other emoluments	477,828	466,012
	<hr/>	<hr/>

The directors' remuneration shown above, excluding pension contributions, included:

	<i>Group</i>	
	<i>Period ended</i>	<i>Period ended</i>
	<i>30 September</i>	<i>14 October</i>
	<i>1995</i>	<i>1994</i>
	<i>£</i>	<i>£</i>
Chairman	107,677	73,859
	<hr/>	<hr/>
Highest paid director	143,729	92,617
	<hr/>	<hr/>

The emoluments of the directors, excluding pension contributions, fell within the following ranges:

	<i>Number</i>	<i>Number</i>
Up to £5,000	3	2
£ 35,001 - £ 40,000	1	-
£ 60,001 - £ 65,000	1	-
£ 70,001 - £ 75,000	-	1
£ 75,001 - £ 80,000	1	1
£ 80,001 - £ 85,000	-	1
£ 85,001 - £ 90,000	-	1
£ 90,001 - £ 95,000	-	1
£105,001 - £110,000	1	-
£140,001 - £145,000	1	-
	<hr/>	<hr/>
	8	7
	<hr/>	<hr/>

### 8 Tax on profit on ordinary activities

The tax charge is based on the profit for the period and comprises:

	<i>Group</i>	
	<i>Period ended</i>	<i>Period ended</i>
	<i>30 September</i>	<i>14 October</i>
	<i>1995</i>	<i>1994</i>
	<i>£</i>	<i>£</i>
Corporation tax at 33% (1994 - 33%)	91,535	186,310
	<hr/>	<hr/>

## Notes to the financial statements (continued)

### 9 Dividends paid and proposed

The following dividends were paid/proposed:

	<i>Group</i>	
	<i>Period ended</i> 30 September 1995	<i>Period ended</i> 14 October 1994
	£	£
Paid ordinary dividend of 3p per £1 share	-	67,425
Proposed ordinary dividends of 1.25p per 25p share (1994 - 0.6p per 25p share)	112,375	53,940
	<u>112,375</u>	<u>121,365</u>

### 10 Tangible fixed assets

The movement during the period was as follows:

<b>Group</b>	<i>Office and computer equipment</i> £	<i>Motor vehicles</i> £	<i>Total</i> £
<b>Cost</b>			
Beginning of period	377,161	138,847	516,008
Additions	6,954	36,750	43,704
Disposals	-	-	-
End of period	<u>384,115</u>	<u>175,597</u>	<u>559,712</u>
<b>Depreciation</b>			
Beginning of period	171,915	63,143	235,058
Charge for period	50,839	26,942	77,781
Disposals	-	-	-
End of period	<u>222,754</u>	<u>90,085</u>	<u>312,839</u>
<b>Net book value</b>			
Beginning of period	205,246	75,704	280,950
End of period	<u>161,361</u>	<u>85,512</u>	<u>246,873</u>

## Notes to the financial statements (continued)

### 11 Investment in subsidiary undertakings

a) The fixed asset investment in subsidiary undertakings represents the costs of the investments in: Raphael, Zorn Hemsley Limited; Raphael, Zorn Hemsley Leasing Limited; and Raphael Asset Management Limited.

#### b) Subsidiary undertakings

The company beneficially owns the whole of the issued share capital of the following companies, all of which are registered in the United Kingdom:

	Principal activity	Effective proportion of shares held by	
		Company	Group
<i>Directly held</i>			
Raphael, Zorn Hemsley Limited	Stockbroking	100%	100%
Raphael, Zorn Hemsley Leasing Limited	Leasing	100%	100%
Raphael Asset Management Limited	Non-trading	100%	100%
<i>Indirectly held</i>			
Zorn Nominees Limited	Non-trading	100%	100%

### 12 Debtors

The following items are included in debtors:

		30 September 1995	14 October 1994
		£	£
<b>Group</b>			
Loans to clients		76,458	238,351
Due from clients, brokers, and Recognised Stock Exchanges		5,984,440	7,521,588
Other debtors		92,051	24,644
Prepayments and accrued income	-	32,500	13,845
	ACT recoverable	132,013	172,385
	Other		
		<u>6,317,462</u>	<u>7,970,813</u>
<b>Company</b>			
Dividend due from subsidiary undertaking		130,000	53,940
Loan to subsidiary undertaking		96,716	156,716
		<u>226,716</u>	<u>210,656</u>

### 13 Current asset investments

Current asset investments represent the costs of investments in unlisted securities. At 30 September 1995, in the opinion of the directors, net realisable value approximated cost.

### 14 Cash at bank and in hand

The balances at 30 September 1995 include £2,976 which is held in a designated bank account in trust for the company's Employee Share Option Plan.

The balances exclude interest-bearing deposits of clients' monies placed by the company with banks on an agency basis. All such deposits are designated by the banks as clients' funds and are not available to the banks to satisfy any liability the group may have with them at any time.

The balance at 30 September 1995 held on deposit for clients was £10,842,894 (1994 - £7,669,524).

## Notes to the financial statements (continued)

### 15 Creditors

The following amounts, all falling due within one year, are included in creditors:

	30 September 1995	14 October 1994
	£	£
<b>Group</b>		
Amounts due to clients, brokers and Recognised Stock Exchanges	5,530,378	7,464,288
Other creditors		
- UK corporation tax payable	89,172	92,854
- ACT on proposed dividends	32,500	13,845
- VAT	24,892	6,534
- social security and PAYE	40,849	60,057
- sundry creditors	190,113	115,552
Accruals	365,584	310,935
Dividends proposed	112,375	53,940
	<u>6,385,863</u>	<u>8,118,005</u>
<b>Company</b>		
Dividends proposed	112,375	53,940
Other creditors	2,371	543
	<u>114,746</u>	<u>54,483</u>

### 16 Called-up share capital

	30 September 1995	14 October 1994
	£	£
<i>Authorised</i>		
10,000,000 ordinary shares of 25p each	2,500,000	2,500,000
25,000 50% cumulative preference shares of 10p each	2,500	2,500
	<u>2,502,500</u>	<u>2,502,500</u>
<i>Issued and fully-paid</i>		
8,990,000 ordinary shares of 25p each	2,247,500	2,247,500
	<u>2,247,500</u>	<u>2,247,500</u>

The company had in issue 560,000 options on the 25p ordinary shares at the end of the period. Options on the 25p ordinary shares are exercisable between 3 and 10 years after the issue date of 31 December 1993 at an exercise price of 30p.

	<i>Options on 25p ordinary shares</i>
Outstanding at 14 October 1994	628,000
Cancelled during the period	(68,000)
Outstanding at 30 September 1995	<u>560,000</u>

## 17 Reconciliation of movements in shareholders' funds

	<i>Period ended</i> 30 September 1995	<i>Period ended</i> 14 October 1994
Profit for the financial period	143,281	335,432
Dividends	(112,375)	(121,365)
Opening shareholders' funds	2,236,015	2,021,948
Closing shareholders' funds	<u>2,266,921</u>	<u>2,236,015</u>

## 18 Reserves

	<i>30 September 1995</i>		<i>14 October 1994</i>	
	<i>Group</i> £	<i>Company</i> £	<i>Group</i> £	<i>Company</i> £
Beginning of period	10,790	753	21,723	-
Profit on ordinary activities after taxation	143,281	113,571	335,432	347,118
Dividends paid and proposed	(112,375)	(112,375)	(121,365)	(121,365)
Bonus issue of preference shares	-	-	(2,250)	(2,250)
Conversion of preference shares to ordinary shares	-	-	(222,750)	(222,750)
End of period	<u>41,696</u>	<u>1,949</u>	<u>10,790</u>	<u>753</u>

## 19 Reconciliation of gross profit to net cash (outflow)/inflow from operating activities

	<i>30 September</i> 1995 £	<i>14 October</i> 1994 £
Gross profit	3,691,107	3,807,716
Less		
- administrative expenses	(3,663,843)	(3,494,235)
- specific bad debt provision	-	(25,000)
- profit on sale of tangible fixed assets	-	(1,693)
Add		
- depreciation charges	77,781	93,647
Decrease in debtors	1,653,351	9,362,855
Increase in creditors (excluding taxation payable and dividends payable)	(1,831,683)	(9,684,418)
	<u>(73,287)</u>	<u>58,872</u>

## 20 Analysis of changes in cash and cash equivalents during the period

	£
Balance at beginning of period	2,102,257
Net cash outflow	(63,808)
Balance at end of period	<u>2,038,449</u>

## Notes to the financial statements (continued)

### 21 Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	30 September 1995	14 October 1994	Change in period
	£	£	£
Cash at bank and in hand	2,038,449	2,102,257	(63,808)
	<u>2,038,449</u>	<u>2,102,257</u>	<u>(63,808)</u>

### 22 Guarantees and other financial commitments

#### a) Capital commitments

At the end of the period, capital commitments were:

	Group	
	30 September 1995	14 October 1994
	£	£
Contracted for but not provided for	<u>174,917</u>	<u>-</u>

#### b) Contingent liabilities

(i) In the ordinary course of business, the group has given letters of indemnity in respect of lost certified stock transfers and share certificates. The contingent liability arising therefrom cannot be quantified, but it is not believed that any material liability will arise under these indemnities.

(ii) The group has been notified by a former client of a potential claim. The negotiations with the former client are still at an early stage, and it is not possible to indicate with any certainty their outcome. The directors are satisfied that the ultimate outcome of the negotiations will not have a material effect on the group's financial position.

#### c) Operating leases

At 30 September 1995 the group had annual commitments under operating leases as set out below.

	Property	
	30 September 1995	14 October 1994
	£	£
Leases expiring - within 2-5 years	<u>247,000</u>	<u>247,000</u>

The annual property rental is not subject to review until the current lease expires in September 1998.

#### d) Pension arrangements

The pension cost charge for the period was £124,293 (1994 - £107,133). Outstanding contributions were £nil (1994 - £1,400) at the year end.

The pension cost is assessed in accordance with the advice of a professionally qualified actuary. The latest actuarial valuation was at 1 April 1992 and used the Attained Age method. The main actuarial assumptions were that a) salaries would increase by 8% p.a. and b) the return on scheme investments would be 9% p.a.

At the date of the latest actuarial valuation, the value of the fund was £673,135 and the actuarial value of the assets was sufficient to cover 100% of the benefits that had accrued to members after allowing for expected future increases in earnings.

### 23 Related party transactions

In the ordinary course of business, the group provided financial advice and securities dealing facilities to persons connected with the group, on an arms length basis.

The group paid £76,666 to Insurance Analysis Limited during the year, for analysis and advice in respect of the insurance market. O A Hemsley is a 40% shareholder and director of Insurance Analysis Limited.

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