



REECH CAPITAL PLC

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

31 DECEMBER 1999

Company No. 3649490

REECH CAPITAL PLC

FINANCIAL STATEMENTS

For the period ended 31 DECEMBER 1999

Company registration number: 3649490

Registered office: 41 St Peters Square
London
W6 9NR

Directors: Christophe Reech
Gregoire Patel
Guillaume Blacher

Secretary: Gregoire Patel

Bankers: National Westminster Bank plc
PO Box No 4RY
250 Regent Street
London
W1A 4RY

Solicitors: Clifford Chance
200 Aldersgate Street
London
EC1A 4JJ

Auditors: Grant Thornton
Registered auditors
Chartered accountants
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

REECH CAPITAL PLC

FINANCIAL STATEMENTS

For the period ended 31 DECEMBER 1999

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REECH CAPITAL PLC

CHAIRMAN'S STATEMENT

The challenge of building a global derivatives and financing consulting group had started in February 1999. Most of us, executives of this new venture as well as supportive shareholders have embarked in building what we believe will not be another insipid consulting firm.

Our first 10 months are now finished, and it is time to draft the first observations, conclusions as well as main decisions we had to take to lead the company to anticipated profitability.

As planned Reech Capital PLC had to make substantial investments during the first 10 months, in logistic, hardware, software, marketing, communications and more importantly valuable human resources. Naturally, the group is showing a loss for this first period, which reflects the size of the effort we expended. Despite the difficulties to recruit senior staff early in the process, we have decided to keep the speed on line with our planning in order not to delay any set up processes. Some of the most senior executives of the company only joined us in September 1999. Consequently, we had time to implement a significant infrastructure in readiness for them to come in and start to build their product lines. Inevitably, revenues were delayed. These teams are now in place and we have already observed a substantial growth of our activities in early 2000, with reputable and high potential clients.

The year 2000 will be the first full year of business activity. The anticipated growth of the company shows already the need for us to focus on recruiting more senior executives with established market experience. I will personally allocate my energies to this task. This will consolidate the company's credibility and enhance its already visible profile.

Reech Capital PLC has now identified very clearly all the directions of development as well as the strategic positions that have to be conquered and defended.

Our Consulting Division is particularly focusing on product development advisory, the risk and process control area as well as operations and, in particular, operational risk. Clients from the Banking/Life Insurance/Asset Management industries, as well as Derivatives Exchanges, are now presenting mandates with this division on a regular basis. The main target of this group will be to establish a strong and enviable presence in these sectors by increasing the size and frequency of the mandates.

Our Training Division will have the difficult challenge to transform its activity into a more recurrent business. The client base, currently constituted by the main investment and commercial banks in the City of London, will have to be extended to continental Europe as well as Japan.

The Pricing Advisory and Risk Management Division will focus all resources and effort in what we will call the "industrialization" process of pricing techniques, risk management methodologies as well as market parameters management. These products will be targeted to a large number of institutions and are intended to become an industry "standard". To achieve this, they will be developed to make full use of the latest information technology.

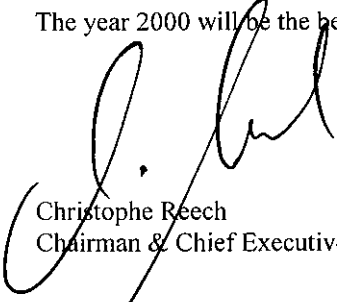
Finally, the Executive Search Division is already in the process of switching its focus to retained search instead of having to suffer from the uncertainty of the contingency business. This strategic move should lead to an increase in the recurrence and stability of revenues in our search business.

REECH CAPITAL PLC

CHAIRMAN'S STATEMENT

The year 2000 will be for Reech Capital PLC the year of development and industrialization. We will develop alliances and partnerships in order to boost our effort and optimize our impact. We will have to consider a physical presence in major countries like Japan, France and the USA.

The year 2000 will be the beginning of healthy growth leading to profit.



Christophe Reech
Chairman & Chief Executive Officer

Date: 17/03/2000

REECH CAPITAL PLC

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the period ended 31 December 1999.

Principal activity

The company's principal activity is that of banking consultancy and recruitment.

Business review

The company was incorporated on 14 October 1998 as Satinford plc and changed its name to Reech Capital PLC on 10 February 1999.

The company commenced trading in May 1999 and as expected incurred a loss in the period. The directors anticipate a significant improvement in trading levels during 2000.

There was a loss for the year after taxation amounting to £569,823. The directors do not recommend the payment of a dividend for the period. The retained loss for the period of £569,823 has been transferred from reserves.

Future developments

The company's focus during 2000 will be to consolidate upon the foundations laid during 1999. Specifically the recruitment of high calibre executives to spearhead the development of the company's rapidly expanding client base.

The Consulting Division will be looking to establish a strong market presence in its target sectors by increasing the size and frequency of their mandates.

The Training Division will focus on creating a more recurrent business with further expansion into Europe and Japan.

The Pricing Advisory and Risk Management Division (PARM) will focus on the development of pricing techniques, risk management methodologies and market parameter management. The aim will be for the PARM products to become a "standard" within the industry.

The Executive Search Division will look to establish a more sustainable business by focusing on the retained search business rather than the uncertainties of contingency business. This switch in strategy will lead to the increase in recurring business and the stability of revenues.

REECH CAPITAL PLC

REPORT OF THE DIRECTORS

Directors and their interests

The present membership of the Board, and the interests of the directors who served during the period in the shares of the company on incorporation (or the date of their appointment to the Board if later) and as at 31 December 1999 are set out below:

	31 December 1999 Number of shares		Date of incorporation or appointment Number of shares	
	'A' shares	Ordinary £1 shares	'A' shares	Ordinary £1 shares
Peter John Charlton (appointed 14 October 1998, resigned 2 February 1999)	-	-	-	-
Martin Edgar Richards (appointed 14 October 1998, resigned 2 February 1999)	-	-	-	-
Christophe Reech (appointed 2 February 1999)	85,000	85,250	-	21,500
Guillaume Blacher (appointed 2 September 1999)	40,000	20,000	-	20,000
Gregoire Patel (appointed 2 February 1999)	<u>24,000</u>	<u>4,000</u>	<u>-</u>	<u>4,000</u>

Directors' responsibilities for the financial statements

Company law requires the directors of the company to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for maintaining proper accounting records for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Policy on the payment of creditors

It is the company's policy to settle the terms of payment with all its suppliers when agreeing the terms of a transaction, to ensure that suppliers are aware of the terms of payment, and to abide by the agreed terms of payment. Trade creditors at the year end amounted to 25 days average suppliers for the year.

REECH CAPITAL PLC

REPORT OF THE DIRECTORS

Year 2000

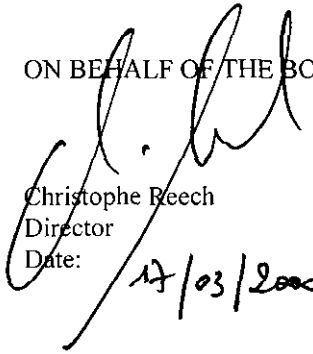
The company reviewed its computer systems for the impact of the Year 2000 date change, prepared an action plan to address the issue and carried out all necessary measures. All systems have continued to operate properly over the year 2000 date change and through any roll-over procedures that occurred at a latter date.

The issue is complex, and no business can guarantee that there will be no Year 2000 problems. As all businesses are dependent on the compliance of their major customers, suppliers and other trading partners, any impact that has occurred on their systems will affect the company's business to a greater or lesser extent.

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



Christophe Reech

Director

Date:

17/03/2000

REPORT OF THE AUDITORS TO THE MEMBERS OF

REECH CAPITAL PLC

We have audited the financial statements on pages 7 to 17 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and accounting standards. 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1999 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

LONDON

DATE: 17 March 2000

PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies of the company are set out below. They have been applied consistently throughout the period.

BASIS OF ACCOUNTING

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

TURNOVER

Turnover represents the invoiced value of goods sold and services provided to customers excluding Value Added Tax.

DEPRECIATION

Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets in equal annual instalments over their expected useful lives.

The periods generally applicable are:

Fixtures, fittings and equipment	- 3 years
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DEFERRED TAXATION

Deferred tax is provided for using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account.

CONTRIBUTIONS TO PENSION FUNDS

Defined contribution scheme:

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period

REECH CAPITAL PLC**PROFIT AND LOSS ACCOUNT**

For the period ended 31 DECEMBER 1999

	<i>Note</i>	1 May 1999 to 31 December 1999 £
Turnover	1	121,726
Administrative expenses		<u>(694,927)</u>
Operating loss		(573,201)
Interest receivable	2	<u>3,378</u>
Loss on ordinary activities before taxation	1	(569,823)
Tax on loss on ordinary activities	3	<u>-</u>
Retained loss for the financial period	9	<u><u>(569,823)</u></u>

All transactions arise from continuing operations.

There were no recognised gains or losses other than the loss for the period.

The accompanying accounting policies and notes form an integral part of these financial statements.

REECH CAPITAL PLC

BALANCE SHEET AT 31 DECEMBER 1999

	Note	1999 £
Fixed assets		
Tangible assets	5	<u>32,561</u>
Current assets		
Debtors (£30,000 due after more than one year)	6	156,501
Cash at bank and in hand		<u>71,286</u>
		227,787
Creditors: amounts falling due within one year	7	<u>(93,421)</u>
Net current assets		<u>134,366</u>
Total assets less current liabilities		<u><u>166,927</u></u>
Capital and reserves		
Called up share capital	8	736,750
Profit and loss account	9	<u>(569,823)</u>
Equity shareholders' funds	10	<u><u>166,927</u></u>

These financial statements were approved by the Board of Directors on: 17/3/2000

Christophe Reech

Gregoire Patel

)
)
) Directors

The accompanying accounting policies and notes form an integral part of these financial statements.

REECH CAPITAL PLC**CASH FLOW STATEMENT**

For the period ended 31 DECEMBER 1999

	Note	1 May 1999 to 31 December 1999 £
Net cash outflow from operating activities	11	<u>(629,873)</u>
Returns on investment and servicing of finance		
Interest received		<u>3,378</u>
Net cash inflow from returns on investments and servicing of finance		<u>3,378</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	5	<u>(38,969)</u>
Net cash outflow from capital expenditure and financial investment		<u>(38,969)</u>
Financing		
Issue of shares	8	<u>736,750</u>
Net cash inflow from financing		<u>736,750</u>
Increase in cash	12	<u><u>71,286</u></u>

The accompanying accounting policies and notes form an integral part of these financial statements.

REECH CAPITAL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 DECEMBER 1999

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAX

Turnover is attributable to the company's principal activity, that of banking consultancy and recruitment. Turnover attributable to geographical markets outside the United Kingdom amounted to 30%.

The loss on ordinary activities before taxation is stated after charging the following:

	1 May 1999 to 31 December 1999 £
Depreciation of tangible fixed assets	6,408
Auditors' remuneration	
- audit services	6,450
- non audit services	7,176
Hire of plant and machinery	16,789
Other operating lease rentals	<u>36,875</u>

2 NET INTEREST

	1 May 1999 to 31 December 1999 £
Other interest receivable	<u>3,378</u>

3 TAX ON LOSS ON ORDINARY ACTIVITIES

No corporation tax charge is expected to arise on the loss for the period.

REECH CAPITAL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 DECEMBER 1999

4 DIRECTORS AND EMPLOYEES

Staff costs during the period were as follows:

	1 May 1999 to 31 December 1999 £
Wages and salaries	259,427
Social security costs	27,215
Pension costs	12,356
	<u>298,998</u>

The average number of employees of the company during the period, including directors, was 8.

	1 May 1999 to 31 December 1999 £
Remuneration in respect of directors was as follows:	
Emoluments	111,626
Pension contributions to money purchase pension schemes	8,199
	<u>119,825</u>

During the period three directors participated in money purchase pension schemes.

5 TANGIBLE FIXED ASSETS

	Office equipment £	Furniture and fixtures £	Total £
Cost			
Additions and at 31 December 1999	<u>28,082</u>	<u>10,887</u>	<u>38,969</u>
Depreciation			
Provided in the period and at 31 December 1999	<u>4,951</u>	<u>1,457</u>	<u>6,408</u>
Net book value			
At 31 December 1999	<u>23,131</u>	<u>9,430</u>	<u>32,561</u>

REECH CAPITAL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 DECEMBER 1999

6 DEBTORS

	1999 £
Trade debtors	5,150
Other debtors	80,064
Called up share capital not paid (note 8)	46,250
Prepayments	<u>25,037</u>
	<u>156,501</u>

Included in other debtors is a balance of £30,000 in respect of a rent deposit; this balance is recoverable after more than one year.

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £
Trade creditors	26,349
Other creditors	33,245
Taxation and social security	15,942
Accruals	<u>17,885</u>
	<u>93,421</u>

REECH CAPITAL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 DECEMBER 1999

8 SHARE CAPITAL

	1999 £
Authorised:	
650,000 ordinary shares of £1 each	650,000
350,000 'A' shares of £1 each	<u>350,000</u>
	<u>1,000,000</u>
Allotted and called up:	
609,750 ordinary shares of £1 each - fully paid	609,750
40,250 ordinary shares of £1 each - unpaid	<u>40,250</u>
	<u>650,000</u>
Allotted and called up to the value of 25p:	
323,000 'A' shares of £1 each, paid to 25p each - fully paid	80,750
24,000 'A' shares of £1 each, paid to 25p each - unpaid	<u>6,000</u>
	<u>86,750</u>
Allotted and uncalled:	
347,000 'A' shares of £1 each, 75p each uncalled	<u>260,250</u>

Two ordinary shares were allotted and issued on incorporation. On 2 February 1999 a further 81,998 ordinary shares were allotted in order to obtain a certificate to commence trading under section 117 of the Companies Act 1985.

Since that date there have been a further three allotments of shares to provide working capital:

	Ordinary shares	'A' shares
1 July 1999	226,750	279,000
15 September 1999	147,000	20,000
15 December 1999	<u>194,250</u>	<u>48,000</u>

REECH CAPITAL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 DECEMBER 1999

9 PROFIT AND LOSS ACCOUNT

	1999 £
On incorporation	-
Retained loss for the period	<u>(569,823)</u>
At 31 December 1999	<u><u>(569,823)</u></u>

10 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £
Loss for the financial period	(569,823)
Issue of shares	<u>736,750</u>
Movement in the period	166,927
Opening equity shareholders' funds	<u>-</u>
Closing equity shareholders' funds	<u><u>166,927</u></u>

11 RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	1 May 1999 to 31 December 1999 £
Operating loss	(573,201)
Depreciation	6,408
Increase in debtors	(156,501)
Increase in creditors	<u>93,421</u>
Net cash outflow from operating activities	<u><u>(629,873)</u></u>

REECH CAPITAL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 DECEMBER 1999

12 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	1 May 1999 to 31 December 1999 £
Increase in cash in period	71,286
Net funds on incorporation	<u>-</u>
Net funds at 31 December 1999	<u>71,286</u>

13 ANALYSIS OF CHANGES IN NET DEBT

	On incorporation £	Cashflow £	31 December 1999 £
Cash in hand and at bank	<u>-</u>	<u>71,286</u>	<u>71,286</u>

14 PENSIONS

The company operates a defined contribution pension scheme for the benefit of the directors. The assets of the scheme are administered by trustees in a fund independent from those of the company.

15 LEASING COMMITMENTS

Operating lease payments amounting to £65,438 are due within one year. The leases to which these amounts relate expire as follows:

	1999 Land and Buildings £	1999 Other £
In one year or less	39,375	13,800
Between one and five years	<u>-</u>	<u>12,263</u>
	<u>39,375</u>	<u>26,063</u>

REECH CAPITAL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 DECEMBER 1999

16 CAPITAL COMMITMENTS

There were no capital commitments at 31 December 1999.

17 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 1999.

18 CONTROLLING RELATED PARTY

In the opinion of the directors, the ultimate controlling party is Christophe Reech.