

4093521

**REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 31 DECEMBER 2002**

**FOR**

**RISK & REWARD GROUP (HOLDINGS) LIMITED**

**FORMERLY**

**EMPATHY BENEFIT MANAGEMENT LIMITED**



# **RISK & REWARD GROUP (HOLDINGS) LIMITED**

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# **RISK & REWARD GROUP (HOLDINGS) LIMITED**

## **COMPANY INFORMATION FOR THE PERIOD ENDED 31 DECEMBER 2002**

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**DIRECTORS:** T N Johnson  
G R Yearsley

**SECRETARY:** P A W Holden

**REGISTERED OFFICE:** Brettenham House  
Lancaster Place  
LONDON  
WC2E 7EW

**REGISTERED NUMBER:** 4093521 (England and Wales)

**AUDITORS:** MGI Midgley Snelling  
Registered Auditors  
Brettenham House  
Lancaster Place  
London  
WC2E 7EW

# **RISK & REWARD GROUP (HOLDINGS) LIMITED**

## **REPORT OF THE DIRECTORS FOR THE PERIOD ENDED 31 DECEMBER 2002**

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The directors present their report with the audited financial statements of the company and of the group for the period ended 31 December 2002.

### **PRINCIPAL ACTIVITY**

The principal activity of the company and of the group in the period under review was that of employee benefits consultant and Independent Financial Adviser specialising in the design, communication and implementation of employee benefits, in particular flex benefits.

### **REVIEW OF BUSINESS**

The results for the period and the financial position of the group and the company are as shown in the annexed financial statements.

The directors are pleased with the turnover and results for the period and are optimistic for the future. These results are the product of excellent work performed by our employees in delivering a high quality, value added service to our clients. The group intends to continue its principal activity as an employee benefits consultant.

On 4 December 2001 the company acquired 100% of the issued ordinary share capital in Risk & Reward Consulting Limited, a company incorporated in Great Britain.

### **CHANGE OF NAME**

On 4 March 2003, the company changed its name from Empathy Benefit Management Limited to Risk & Reward Group (Holdings) Limited.

### **DIVIDENDS**

No interim dividends were paid during the period ended 31 December 2002.

The directors recommend a dividend of £9 per ordinary £1 share.

The total distribution of dividends for the period ended 31 December 2002 will be £90,000.

### **DIRECTORS**

The directors who held office during the period and their interests in the share capital of the company, were as follows:

|              | Ordinary shares of £1 each |                    |
|--------------|----------------------------|--------------------|
|              | At 31 December 2002        | At 1 November 2001 |
| T N Johnson  | 6,700                      | 1                  |
| G R Yearsley | 3,300                      | -                  |

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **RISK & REWARD GROUP (HOLDINGS) LIMITED**

## **REPORT OF THE DIRECTORS FOR THE PERIOD ENDED 31 DECEMBER 2002**

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### **AUDITORS**

The auditors, MGI Midgley Snelling, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

### **ON BEHALF OF THE BOARD:**



.....  
P A W Holden - SECRETARY

Dated: 3<sup>rd</sup> April 2003

# **RISK & REWARD GROUP (HOLDINGS) LIMITED**

## **REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF RISK & REWARD GROUP (HOLDINGS) LIMITED**

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We have audited the financial statements of Risk & Reward Group (Holdings) Limited for the period ended 31 December 2002 on pages five to sixteen. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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

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

As described on page two the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

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

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

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 affairs of the company and the group as at 31 December 2002 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*MGI Midgley Snelling*

MGI Midgley Snelling  
Registered Auditors  
Brettenham House  
Lancaster Place  
London  
WC2E 7EW

Dated: *9 April 2003*

# RISK & REWARD GROUP (HOLDINGS) LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE 14 MONTHS ENDED 31 DECEMBER 2002

|                                                          | Notes | 2002<br>£              | 2001<br>£         |
|----------------------------------------------------------|-------|------------------------|-------------------|
| <b>TURNOVER</b>                                          |       | <b>1,163,460</b>       | -                 |
| Administrative expenses                                  |       | <u>869,585</u>         | <u>-</u>          |
| <b>OPERATING PROFIT</b>                                  | 3     | <b>293,875</b>         | -                 |
| Interest receivable and similar income                   |       | <u>4,071</u>           | <u>-</u>          |
| <b>PROFIT ON ORDINARY ACTIVITIES<br/>BEFORE TAXATION</b> |       | <b>297,946</b>         | -                 |
| Tax on profit on ordinary activities                     | 5     | <u>59,425</u>          | <u>-</u>          |
| <b>PROFIT FOR THE FINANCIAL YEAR<br/>AFTER TAXATION</b>  |       | <b>238,521</b>         | -                 |
| Dividends                                                | 6     | 90,000                 | -                 |
| <b>RETAINED PROFIT FOR THE YEAR</b>                      |       | <u><b>£148,521</b></u> | <u><b>£ -</b></u> |

### CONTINUING OPERATIONS

All of the company's activities were acquired during the current period.

### TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current and previous periods.

### PROFIT OF THE PARENT UNDERTAKING

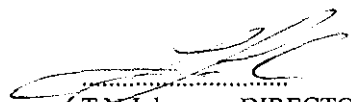
As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent undertaking is not presented as part of these financial statements. The consolidated profit for the financial period includes a profit after tax of £140,991 which is dealt with in the financial statements of the parent undertaking.

# RISK & REWARD GROUP (HOLDINGS) LIMITED

## CONSOLIDATED BALANCE SHEET 31 DECEMBER 2002

|                                               | Notes | 2002<br>£       | 2001<br>£  |
|-----------------------------------------------|-------|-----------------|------------|
| <b>FIXED ASSETS</b>                           |       |                 |            |
| Intangible assets                             | 7     | 24,614          | -          |
| Tangible assets                               | 8     | 48,866          | -          |
| Investments                                   | 9     | 2               | -          |
|                                               |       | <u>73,482</u>   | <u>-</u>   |
| <b>CURRENT ASSETS</b>                         |       |                 |            |
| Debtors                                       | 10    | 167,835         | -          |
| Cash at bank                                  |       | <u>281,650</u>  | <u>1</u>   |
|                                               |       | 449,485         | 1          |
| <b>CREDITORS</b>                              |       |                 |            |
| Amounts falling due within one year           | 11    | <u>358,466</u>  | <u>-</u>   |
| <b>NET CURRENT ASSETS</b>                     |       | <u>91,019</u>   | <u>1</u>   |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>  |       | 164,501         | 1          |
| <b>PROVISIONS FOR LIABILITIES AND CHARGES</b> | 13    | <u>5,980</u>    | <u>-</u>   |
|                                               |       | <u>£158,521</u> | <u>£ 1</u> |
| <b>CAPITAL AND RESERVES</b>                   |       |                 |            |
| Called up share capital                       | 14    | 10,000          | 1          |
| Profit and loss account                       | 15    | <u>148,521</u>  | <u>-</u>   |
| <b>SHAREHOLDERS' FUNDS</b>                    | 17    | <u>£158,521</u> | <u>£ 1</u> |

ON BEHALF OF THE BOARD:

  
P N Johnson - DIRECTOR

Approved by the Board on 3/4/03

# RISK & REWARD GROUP (HOLDINGS) LIMITED

## CONSOLIDATED CASH FLOW STATEMENT FOR THE 14 MONTHS ENDED 31 DECEMBER 2002

|                                                          | Notes | £ | 2002 | £                      | £ | 2001     | £                 |
|----------------------------------------------------------|-------|---|------|------------------------|---|----------|-------------------|
| Net cash inflow from operating activities                | 1     |   |      | 590,989                |   |          | -                 |
| Returns on investments and servicing of finance          | 2     |   |      | 4,071                  |   |          | -                 |
| Taxation                                                 |       |   |      | (8,784)                |   |          | -                 |
| Capital expenditure                                      | 2     |   |      | (61,542)               |   |          | -                 |
| Acquisitions                                             | 2     |   |      | <u>1,916</u>           |   |          | -                 |
|                                                          |       |   |      | 526,650                |   |          | -                 |
| Financing                                                | 2     |   |      | <u>(245,001)</u>       |   |          | <u>1</u>          |
| Increase in cash in the period                           |       |   |      | <u><u>£281,649</u></u> |   |          | <u><u>£ 1</u></u> |
| Reconciliation of net cash flow to movement in net funds | 3     |   |      |                        |   |          |                   |
| Increase in cash in the period                           |       |   |      | <u>281,649</u>         |   | <u>1</u> |                   |
| Change in net funds resulting from cash flows            |       |   |      | <u>281,649</u>         |   |          | <u>1</u>          |
| Movement in net funds in the period                      |       |   |      | 281,649                |   |          | 1                 |
| Net funds at 1 November 2001                             |       |   |      | <u>1</u>               |   |          | -                 |
| Net funds at 31 December 2002                            |       |   |      | <u><u>£281,650</u></u> |   |          | <u><u>£ 1</u></u> |

# RISK & REWARD GROUP (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE 14 MONTHS ENDED 31 DECEMBER 2002

### 1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

|                                                  | 2002<br>£             | 2001<br>£       |
|--------------------------------------------------|-----------------------|-----------------|
| Operating profit                                 | 293,875               | -               |
| Depreciation charges                             | 12,677                | -               |
| Amortisation charges                             | 6,153                 | -               |
| Decrease in debtors                              | 118,414               | -               |
| Increase in creditors                            | <u>159,870</u>        | <u>-</u>        |
| <b>Net cash inflow from operating activities</b> | <b><u>590,989</u></b> | <b><u>-</u></b> |

### 2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

|                                                                            | 2002<br>£               | 2001<br>£       |
|----------------------------------------------------------------------------|-------------------------|-----------------|
| <b>Returns on investments and servicing of finance</b>                     |                         |                 |
| Interest received                                                          | <u>4,071</u>            | <u>-</u>        |
| <b>Net cash inflow for returns on investments and servicing of finance</b> | <b><u>4,071</u></b>     | <b><u>-</u></b> |
| <b>Capital expenditure</b>                                                 |                         |                 |
| Purchase of tangible fixed assets                                          | <u>(61,542)</u>         | <u>-</u>        |
| <b>Net cash outflow for capital expenditure</b>                            | <b><u>(61,542)</u></b>  | <b><u>-</u></b> |
| <b>Acquisitions</b>                                                        |                         |                 |
| Purchase of subsidiary undertakings                                        | <u>(40,844)</u>         | <u>-</u>        |
| Cash acquired with subsidiary                                              | <u>42,760</u>           | <u>-</u>        |
| <b>Net cash inflow for acquisitions</b>                                    | <b><u>1,916</u></b>     | <b><u>-</u></b> |
| <b>Financing</b>                                                           |                         |                 |
| Repayment of loan                                                          | <u>(255,000)</u>        | <u>-</u>        |
| Issue of ordinary share capital                                            | <u>9,999</u>            | <u>1</u>        |
| <b>Net cash (outflow)/inflow from financing</b>                            | <b><u>(245,001)</u></b> | <b><u>1</u></b> |

### 3. ANALYSIS OF CHANGES IN NET FUNDS

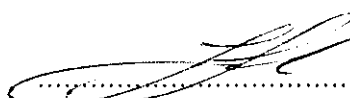
|              | At 1/11/01<br>£ | Cash flow<br>£ | At 31/12/02<br>£ |
|--------------|-----------------|----------------|------------------|
| Net cash:    |                 |                |                  |
| Cash at bank | <u>1</u>        | <u>281,649</u> | <u>281,650</u>   |

# RISK & REWARD GROUP (HOLDINGS) LIMITED

## COMPANY BALANCE SHEET FOR THE 14 MONTHS ENDED 31 DECEMBER 2002

|                                                  | Notes | 2002<br>£      | 2001<br>£ |
|--------------------------------------------------|-------|----------------|-----------|
| <b>FIXED ASSETS</b>                              |       |                |           |
| Investments                                      | 9     | 40,844         | -         |
| <b>CURRENT ASSETS</b>                            |       |                |           |
| Debtors                                          | 10    | 146,500        | -         |
| Cash at Bank                                     |       | <u>20,124</u>  | <u>1</u>  |
|                                                  |       | 166,624        | 1         |
| <b>CREDITORS</b>                                 |       |                |           |
| Amounts falling due within one year              | 11    | <u>146,477</u> | <u>-</u>  |
| <b>NET CURRENT ASSETS</b>                        |       | 20,147         | 1         |
| <b>TOTAL ASSETS LESS<br/>CURRENT LIABILITIES</b> |       | <u>60,991</u>  | <u>1</u>  |
| <b>CAPITAL AND RESERVES</b>                      |       |                |           |
| Called up share capital                          | 14    | 10,000         | 1         |
| Profit and loss account                          | 15    | <u>50,991</u>  | <u>-</u>  |
| <b>SHAREHOLDERS' FUNDS</b>                       | 17    | <u>60,991</u>  | <u>1</u>  |

ON BEHALF OF THE BOARD

  
T N Johnson - DIRECTOR

Approved by the Board on .... 3/4/03 .....

# **RISK & REWARD GROUP (HOLDINGS) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2002**

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### **1. ACCOUNTING POLICIES**

#### **Basis of preparing the financial statements**

The financial statements are prepared in accordance with United Kingdom applicable accounting standards. The particular accounting policies adopted are described below.

#### **Accounting convention**

The financial statements have been prepared under the historical cost convention.

#### **Basis of consolidation**

The Group accounts incorporate the financial statements of the company and of its subsidiary undertaking, Risk & Reward Consulting Limited, in accordance with Financial Reporting Standard No. 6, Acquisitions and Mergers. The results of the subsidiary undertaking acquired in the period are included in the Group Profit and Loss Account from the effective date of acquisition. The Holding Company's accounting policies are consistently applied throughout the Group. Intercompany balances and transactions have been eliminated.

The company has taken advantage of the exemption conferred by Section 230 (4) of the United Kingdom Companies Act, 1985 not requiring the parent undertaking to publish its own profit and loss account.

#### **Related Party Transactions**

The exemption given under Financial Reporting Standard No. 8 from the requirement to disclose transactions with related parties where 90% or more of the voting rights are controlled within the Group have been adopted.

#### **Turnover**

Turnover excludes Value Added Tax but includes disbursements arising on behalf of clients and arises wholly in the United Kingdom.

Turnover represents commissions receivable from insurance companies and the invoiced value of fees for professional services supplied. Initial commissions are recognised when placed "on risk" and commissions on annually renewing policies are recognised when renewed. Low value, long term renewal and fund based commissions are recognised on a cash received basis. Fees are recognised when services are invoiced.

#### **Fixed Asset Investments**

Investments are stated at cost less provisions for permanent diminutions in value.

#### **Intangible fixed assets**

Amortisation is provided on intangible fixed assets at annual rates calculated to write off the cost of the assets over their anticipated useful lives. The useful economic life is the period over which the Group expects to derive economic benefits from the assets. The rates used are as follows:-

Goodwill       -     Straight line over 5 years.

#### **Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

|                          |                                |
|--------------------------|--------------------------------|
| Improvements to property | - Over the period of the lease |
| Furniture and equipment  | - 25% and 50% on cost          |

#### **Deferred tax**

The accounting policy in respect of deferred tax has been changed to reflect the requirements of the Financial Reporting Standard 19 'Deferred Tax'. Deferred tax is provided for on the liability method to take account of timing differences between certain items for taxation and accounting purposes. Tax deferred is accounted for in respect of material timing differences. The company has not adopted a policy of discounting deferred tax assets and liabilities.

# RISK & REWARD GROUP (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2002

### 1. ACCOUNTING POLICIES continued

#### Pensions

All employees with the required period of service are eligible to join the group pension plan, which is a defined contribution scheme.

Two of the company's directors retain a preserved benefit in the Pension and Assurance scheme of BMS Associates Limited, a defined benefit pension scheme, operated by the company's former parent undertaking. The company's membership of the scheme ceased on 4 December 2002.

The company has no liabilities in respect of the assets and liabilities of either of these schemes, and accordingly no FRS 17 Retirement Benefits disclosures are required.

The pension cost charge represents the contributions payable by the company for the year under the rules of the two schemes.

#### Operating leases

Rental paid under operating leases is charged to the profit and loss account on a straight line basis over the terms of the lease.

### 2. STAFF COSTS

|                       | 2002<br>£      | 2001<br>£ |
|-----------------------|----------------|-----------|
| Wages and salaries    | 411,833        | -         |
| Social security costs | 43,656         | -         |
| Other pension costs   | 39,157         | -         |
|                       | <u>494,646</u> | <u>-</u>  |

The average monthly number of employees during the period was as follows:

| 2002      | 2001     |
|-----------|----------|
| <u>10</u> | <u>-</u> |

### 3. OPERATING PROFIT

The operating profit is stated after charging:

|                                           | 2002<br>£      | 2001<br>£ |
|-------------------------------------------|----------------|-----------|
| Amortisation of intangible fixed assets   | 6,153          | -         |
| Depreciation - owned assets               | 12,677         | -         |
| Auditors remuneration                     | 11,250         | -         |
| Auditors' remuneration for non audit work | <u>4,200</u>   | <u>-</u>  |
| Directors' emoluments                     | <u>176,805</u> | <u>-</u>  |

# RISK & REWARD GROUP (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2002

### 4. SUMMARISED PROFIT AND LOSS ACCOUNT FOR SUBSIDIARY UNDERTAKING TO DATE OF ACQUISITION

|                                                         | Period from 1<br>January 2001 to<br>4 December<br>2001 | Year ended<br>31 December<br>2000 |
|---------------------------------------------------------|--------------------------------------------------------|-----------------------------------|
|                                                         | £                                                      | £                                 |
| Turnover                                                | 619,572                                                | 640,274                           |
| Operating Profit                                        | 99,951                                                 | 38,611                            |
| Profit on Ordinary Activities before taxation           | 86,272                                                 | 14,450                            |
| Tax credit/(charge) on profit on<br>Ordinary activities | 153,376                                                | (711)                             |
| Retained profit on ordinary activities after taxation   | 239,648                                                | 13,739                            |

### 5. TAXATION

#### Analysis of the tax charge

The tax charge on the profit on ordinary activities for the period was as follows:

|                                      | 2002<br>£     | 2001<br>£ |
|--------------------------------------|---------------|-----------|
| Current tax:                         |               |           |
| UK corporation tax - parent          | 21,477        | -         |
| - subsidiary                         | 31,912        | -         |
| Under provision of corporation tax   | <u>56</u>     | <u>-</u>  |
| Total current tax                    | 53,445        | -         |
| Deferred tax:                        |               |           |
| Deferred taxation                    | <u>5,980</u>  | <u>-</u>  |
| Tax on profit on ordinary activities | <u>59,425</u> | <u>-</u>  |

#### Factors affecting the tax charge

The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The difference is explained below:

|                                                                                                            | 2002<br>£      | 2001<br>£ |
|------------------------------------------------------------------------------------------------------------|----------------|-----------|
| Profit on ordinary activities before tax                                                                   | <u>297,946</u> | <u>-</u>  |
| Profit on ordinary activities<br>multiplied by the standard rate of corporation tax<br>in the UK of 19.25% | 57,355         | -         |
| Effects of:                                                                                                |                |           |
| Disallowable expenditure                                                                                   | 522            | -         |
| Excess of depreciation over capital allowances                                                             | (4,488)        | -         |
| Underprovision in prior years                                                                              | <u>56</u>      | <u>-</u>  |
| Current tax charge                                                                                         | <u>53,445</u>  | <u>-</u>  |

# RISK & REWARD GROUP (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2002

### 6. DIVIDENDS

|                                   | Group<br>£ | 2002<br>Company<br>£ | 2001<br>Company<br>£ |
|-----------------------------------|------------|----------------------|----------------------|
| Equity Shares:                    |            |                      |                      |
| 10,000 Ordinary Shares of £1 each |            |                      |                      |
| Final                             | 90,000     | 90,000               | -                    |

### 7. INTANGIBLE FIXED ASSETS The Group

|                       | Goodwill<br>£ |
|-----------------------|---------------|
| <b>COST</b>           |               |
| At 1 November 2001    | -             |
| Additions             | 30,767        |
| At 31 December 2002   | 30,767        |
| <b>AMORTISATION</b>   |               |
| At 1 November 2001    | -             |
| Charge for period     | 6,153         |
| At 31 December 2002   | 6,153         |
| <b>NET BOOK VALUE</b> |               |
| At 31 December 2002   | 24,614        |

### 8. TANGIBLE FIXED ASSETS The Group

|                        | Improvements<br>to<br>property<br>£ | Furniture<br>and<br>equipment<br>£ | Totals<br>£ |
|------------------------|-------------------------------------|------------------------------------|-------------|
| <b>COST:</b>           |                                     |                                    |             |
| At 1 November 2001     | -                                   | -                                  | -           |
| Additions              | 8,210                               | 53,332                             | 61,542      |
| At 31 December 2002    | 8,210                               | 53,332                             | 61,542      |
| <b>DEPRECIATION:</b>   |                                     |                                    |             |
| At 1 November 2001     | -                                   | -                                  | -           |
| Charge for period      | 2,189                               | 10,487                             | 12,676      |
| At 31 December 2002    | 2,189                               | 10,487                             | 12,676      |
| <b>NET BOOK VALUE:</b> |                                     |                                    |             |
| At 31 December 2002    | 6,021                               | 42,845                             | 48,866      |
| At 31 December 2001    | -                                   | -                                  | -           |

# RISK & REWARD GROUP (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2002

| 9. INVESTMENTS      | 2002       |               | 2001         |
|---------------------|------------|---------------|--------------|
|                     | Group<br>£ | Company<br>£  | Company<br>£ |
| <b>COST</b>         |            |               |              |
| At 1 November 2001  | -          | -             | -            |
| Additions           | <u>2</u>   | <u>40,844</u> | <u>-</u>     |
| At 31 December 2002 | <u>2</u>   | <u>40,844</u> | <u>-</u>     |

During the period the group acquired the following 3 subsidiaries, all of which are incorporated in the United Kingdom.

Risk & Reward Limited  
Risk & Reward Human Capital Limited  
Risk & Reward Consulting Limited

Risk & Reward Limited and Risk & Reward Human Capital Limited have net assets of £1 each, and have remained dormant since incorporation.

Risk & Reward Consulting Limited has been consolidated into these group financial statements on an acquisition accounting basis, from the date of acquisition, 4 December 2001.

The group acquired Risk & Reward Consulting Limited for a total cash consideration of £40,842 (including expenses).

The initial fair value of separate net assets acquired was as follows:

|                                        | £             |
|----------------------------------------|---------------|
| Debtors                                | 286,249       |
| Cash at bank and in hand               | 42,760        |
| Creditors                              | (63,934)      |
| Creditors due after more than one year | (255,000)     |
|                                        | <u>10,075</u> |
| Goodwill                               | 30,767        |
|                                        | <u>40,842</u> |

There was no difference between the book value and the fair value of the assets acquired.

### 10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

|                                    | 2002           |                | 2001         |
|------------------------------------|----------------|----------------|--------------|
|                                    | Group<br>£     | Company<br>£   | Company<br>£ |
| Trade debtors                      | 153,181        | -              | -            |
| Other debtors                      | 2,192          | -              | -            |
| Amounts owed by group undertakings | -              | 95,000         | -            |
| Prepayments and accrued income     | <u>12,462</u>  | <u>51,500</u>  | <u>-</u>     |
|                                    | <u>167,835</u> | <u>146,500</u> | <u>-</u>     |

# RISK & REWARD GROUP (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2002

### 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

|                                 | 2002           |                | 2001         |
|---------------------------------|----------------|----------------|--------------|
|                                 | Group<br>£     | Company<br>£   | Company<br>£ |
| Trade creditors                 | 46,825         | -              | -            |
| Taxation                        | 50,159         | 21,477         | -            |
| Social Security and other taxes | 47,425         | -              | -            |
| Other creditors                 | 124,057        | 35,000         | -            |
| Proposed dividends              | <u>90,000</u>  | <u>90,000</u>  | -            |
|                                 | <u>358,466</u> | <u>146,477</u> | <u>-</u>     |

### 12. OBLIGATIONS UNDER LEASING AGREEMENTS

At the balance sheet date the Group was committed to making the following annual payments in respect of operating leases:-

|                           | Land and<br>buildings<br>operating<br>leases<br>2002<br>£ |
|---------------------------|-----------------------------------------------------------|
| Expiring: Within one year | <u>33,955</u>                                             |

### 13. PROVISION FOR LIABILITIES AND CHARGES

|              | 2002         |              | 2001         |
|--------------|--------------|--------------|--------------|
|              | Group<br>£   | Company<br>£ | Company<br>£ |
| Deferred tax | <u>5,980</u> | -            | -            |

### 14. CALLED UP SHARE CAPITAL

|                                  |          |                |           |           |
|----------------------------------|----------|----------------|-----------|-----------|
| Authorised:                      |          |                |           |           |
| Number:                          | Class:   | Nominal value: | 2002<br>£ | 2001<br>£ |
| 10,000                           | Ordinary | £1             | 10,000    | 1         |
|                                  |          |                |           |           |
| Allotted, issued and fully paid: |          |                |           |           |
| Number:                          | Class:   | Nominal value: | 2002<br>£ | 2001<br>£ |
| 10,000                           | Ordinary | £1             | 10,000    | 1         |

### 15. RESERVES

|                                | Profit and<br>Loss account |               |
|--------------------------------|----------------------------|---------------|
|                                | Group<br>£                 | Company<br>£  |
| At 1 November 2001             | -                          | -             |
| Retained profit for the period | 148,521                    | 50,991        |
| At 31 December 2002            | <u>148,521</u>             | <u>50,991</u> |

# RISK & REWARD GROUP (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2002

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### 16. RELATED PARTY DISCLOSURES

As at the balance sheet date the company owed £35,000 to the directors. These loans are unsecured, interest free with no fixed terms of repayment.

### 17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

|                                     | 2002           |               | 2001         |
|-------------------------------------|----------------|---------------|--------------|
|                                     | Group<br>£     | Company<br>£  | Company<br>£ |
| Profit for the financial period     | 238,521        | 89,491        | -            |
| Dividends                           | <u>90,000</u>  | <u>90,000</u> | <u>-</u>     |
|                                     | 148,521        | 50,991        | -            |
| New share capital subscribed        | <u>9,999</u>   | <u>9,999</u>  | <u>-</u>     |
| Net addition to shareholders' funds | 158,520        | 60,990        | -            |
| Opening shareholders' funds         | <u>1</u>       | <u>1</u>      | <u>1</u>     |
| Closing shareholders' funds         | <u>158,521</u> | <u>60,991</u> | <u>1</u>     |
| Equity interests                    | <u>158,521</u> | <u>60,991</u> | <u>1</u>     |

On 19 March 2002, 999 Ordinary £1 shares were issued for cash at par. On 6 September 2002 a further 9,000 Ordinary £1 shares were issued for cash at par.