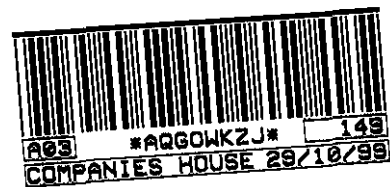


"Registrar"
COMPANY No: 2183530

BAVERSTOCKS

Chartered Accountants

REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998
FOR
FRASER-HANN FINANCIAL SERVICES LIMITED



LAWLEY HOUSE, BUTT ROAD, COLCHESTER, ESSEX. C03 3DG
DICKENS HOUSE, GUTHAVON STREET, WITHAM, ESSEX. CM8 1BJ

FRASER-HANN FINANCIAL SERVICES LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 1998**

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FRASER-HANN FINANCIAL SERVICES LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 1998

DIRECTORS: K I Hann
P Hann

SECRETARY: P Hann

REGISTERED OFFICE: 7 The Square
Martlesham Heath
IPSWICH
Suffolk
IP5 7SL

REGISTERED NUMBER: 02183530 (England and Wales)

AUDITORS: Baverstocks
Registered Auditors
Chartered Accountants
Dickens House
Guithavon Street
WITHAM
Essex CM8 1BJ

BANKERS: Midland Bank Plc
75 Llandennis Road
Rhyd-Y-Penau
CARDIFF
CF2 6EE

FRASER-HANN FINANCIAL SERVICES LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 1998

The directors present their report with the financial statements of the company for the year ended 31 December 1998.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of mortgage and insurance brokers and there have been no significant changes during the year under review.

REVIEW OF BUSINESS

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

DIVIDENDS

No dividends will be distributed for the year ended 31 December 1998.

DIRECTORS

The directors during the year under review were:

K I Hann
P Hann

The beneficial interests of the directors holding office on 31 December 1998 in the issued share capital of the company were as follows:

	31.12.98	1.1.98
Ordinary £1 shares		
K I Hann	500	500
P Hann	500	500

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

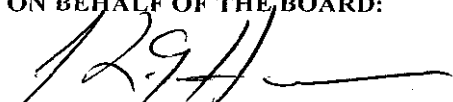
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

AUDITORS

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

ON BEHALF OF THE BOARD:


K I Hann - DIRECTOR

Dated: 26/12/1999

FRASER-HANN FINANCIAL SERVICES LIMITED

**REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF
FRASER-HANN FINANCIAL SERVICES LIMITED**

We have audited the financial statements on pages four to twelve which have been prepared under the historical cost convention and the accounting policies set out on page nine.

Respective responsibilities of directors and auditors

As described on page two the company's directors are responsible for the preparation of financial statements. 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

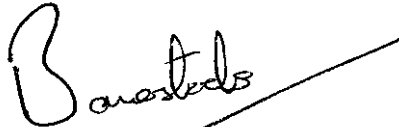
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Baverstocks
Registered Auditors
Chartered Accountants
Dickens House
Guithavon Street
WITHAM
Essex CM8 1BJ


Dated: 27 October 1999

FRASER-HANN FINANCIAL SERVICES LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1998

		<u>1998</u>	<u>1997</u>
	Notes	£	£
TURNOVER		148,180	144,091
GROSS PROFIT		148,180	144,091
Administrative expenses		110,659	117,550
		37,521	26,541
Other operating income		5,512	5,512
OPERATING PROFIT	3	43,033	32,053
Interest receivable and similar income		976	117
		44,009	32,170
Interest payable and similar charges	4	1,632	1,655
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		42,377	30,515
Tax on profit on ordinary activities	5	9,166	6,946
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		33,211	23,569
Dividends	6	-	10,000
		33,211	13,569
Retained profit brought forward		17,007	3,438
RETAINED PROFIT CARRIED FORWARD		<u>£50,218</u>	<u>£17,007</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

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

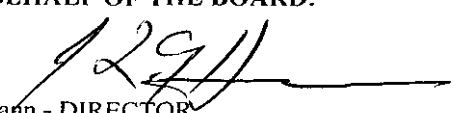
The notes form part of these financial statements

FRASER-HANN FINANCIAL SERVICES LIMITED

BALANCE SHEET
31 DECEMBER 1998

		1998		1997	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible assets	7		37,227		19,297
CURRENT ASSETS:					
Debtors	8	19,012		8,941	
Cash at bank and in hand		20,050		19,866	
		39,062		28,807	
CREDITORS: Amounts falling due within one year	9	23,404		27,676	
NET CURRENT ASSETS:			15,658		1,131
TOTAL ASSETS LESS CURRENT LIABILITIES:			52,885		20,428
CREDITORS: Amounts falling due after more than one year	10		1,667		2,421
			<u>£51,218</u>		<u>£18,007</u>
CAPITAL AND RESERVES:					
Called up share capital	12		1,000		1,000
Profit and loss account			50,218		17,007
Shareholders' funds	14		<u>£51,218</u>		<u>£18,007</u>

ON BEHALF OF THE BOARD:


K I Hann - DIRECTOR

Approved by the Board on 26.12.1998

The notes form part of these financial statements

FRASER-HANN FINANCIAL SERVICES LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1998**

		1998		1997	
	Notes	£	£	£	£
Net cash inflow from operating activities	1		42,073		37,526
Returns on investments and servicing of finance	2		(656)		(1,538)
Taxation			(4,442)		(7,723)
Capital expenditure	2		(29,292)		(1,757)
Equity dividends paid			-		(10,000)
			<u>7,683</u>		<u>16,508</u>
Financing	2		(7,499)		420
Increase in cash in the period			<u>£184</u>		<u>£16,928</u>
<hr/>					
Reconciliation of net cash flow to movement in net funds	3				
Increase in cash in the period		184		16,928	
Cash outflow from decrease in debt and lease financing			<u>142</u>		<u>5,809</u>
Change in net funds resulting from cash flows			<u>326</u>		<u>22,737</u>
Movement in net funds in the period			326		22,737
Net funds/(debt) at 1 January 1998			<u>11,636</u>		<u>(11,101)</u>
Net funds at 31 December 1998			<u>£11,962</u>		<u>£11,636</u>

The notes form part of these financial statements

FRASER-HANN FINANCIAL SERVICES LIMITED

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1998

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

	1998 £	1997 £
Operating profit	43,033	32,053
Depreciation charges	11,363	5,114
Increase in debtors	(10,071)	(215)
(Decrease)/Increase in creditors	(2,252)	574
Net cash inflow from operating activities	<u>42,073</u>	<u>37,526</u>

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

	1998 £	1997 £
Returns on investments and servicing of finance		
Interest received	976	117
Interest paid	(22)	-
Interest element of hire purchase payments	(1,610)	(1,655)
Net cash outflow for returns on investments and servicing of finance	<u>(656)</u>	<u>(1,538)</u>
Capital expenditure		
Purchase of tangible fixed assets	(29,292)	(1,757)
Net cash outflow for capital expenditure	<u>(29,292)</u>	<u>(1,757)</u>
Financing		
Loan Repayments in Year	(142)	(5,809)
Amount Introduced by Directors	-	15,405
Amount Withdrawn by Directors	(7,357)	(9,176)
Net cash (outflow)/inflow from financing	<u>(7,499)</u>	<u>420</u>

The notes form part of these financial statements

FRASER-HANN FINANCIAL SERVICES LIMITED

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1998

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.98 £	Cash flow £	At 31.12.98 £
Net cash:			
Cash at bank and in hand	19,866	184	20,050
	<u>19,866</u>	<u>184</u>	<u>20,050</u>
Debt:			
Hire purchase	(8,230)	142	(8,088)
	<u>(8,230)</u>	<u>142</u>	<u>(8,088)</u>
Total	<u>11,636</u>	<u>326</u>	<u>11,962</u>
Analysed in Balance Sheet			
Cash at bank and in hand	19,866		20,050
Hire purchase			
within one year	(5,809)		(6,421)
after one year	(2,421)		(1,667)
	<u>11,636</u>		<u>11,962</u>

The notes form part of these financial statements

FRASER-HANN FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

1. ACCOUNTING POLICIES

Accounting convention

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

Turnover

Turnover represents net invoiced sales of services, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Fittings & Equipment	- 15% on reducing balance
Motor Vehicles	- 25% on reducing balance

Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

2. STAFF COSTS

	1998	1997
	£	£
Wages and salaries	42,927	55,534
Social security costs	7,728	5,204
	<u>50,655</u>	<u>60,738</u>

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

	1998	1997
Management and Administration	<u>3</u>	<u>3</u>

3. OPERATING PROFIT

The operating profit is stated after charging:

	1998	1997
	£	£
Depreciation - owned assets	5,257	1,061
Depreciation - assets on hire purchase contracts	6,106	4,053
Auditors' remuneration	850	1,230
	<u>12,213</u>	<u>6,344</u>
Directors' emoluments	<u>38,000</u>	<u>38,000</u>

FRASER-HANN FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998

4. **INTEREST PAYABLE AND SIMILAR CHARGES**

	1998	1997
	£	£
Other Loan Interest	22	-
Hire Purchase Interest	1,536	1,277
Interest on Corporation Tax	74	378
	<u>1,632</u>	<u>1,655</u>

5. **TAXATION**

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

	1998	1997
	£	£
UK corporation tax	9,166	6,940
Under-provision in prior years	-	6
	<u>9,166</u>	<u>6,946</u>

UK corporation tax has been charged at 21% (1997 - 21.75%).

6. **DIVIDENDS**

	1998	1997
	£	£
Equity shares:		
Final - Ordinary Shares	<u>-</u>	<u>10,000</u>

7. **TANGIBLE FIXED ASSETS**

	Fittings & Equipm- ent	Motor Vehicles	Totals
	£	£	£
COST:			
At 1 January 1998	17,467	25,306	42,773
Additions	702	28,590	29,292
At 31 December 1998	<u>18,169</u>	<u>53,896</u>	<u>72,065</u>
DEPRECIATION:			
At 1 January 1998	10,328	13,147	23,475
Charge for year	1,176	10,187	11,363
At 31 December 1998	<u>11,504</u>	<u>23,334</u>	<u>34,838</u>
NET BOOK VALUE:			
At 31 December 1998	<u>6,665</u>	<u>30,562</u>	<u>37,227</u>
At 31 December 1997	<u>7,138</u>	<u>12,159</u>	<u>19,297</u>

FRASER-HANN FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998

7. TANGIBLE FIXED ASSETS - continued

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Motor Vehicles
	£
COST:	
At 1 January 1998	25,306
Additions	12,265
At 31 December 1998	<u>37,571</u>
DEPRECIATION:	
At 1 January 1998	13,147
Charge for year	6,106
At 31 December 1998	<u>19,253</u>
NET BOOK VALUE:	
At 31 December 1998	<u>18,318</u>
At 31 December 1997	<u>12,159</u>

**8. DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	1998	1997
	£	£
Trade Debtors	6,712	8,314
Prepayments and Accrued Income	4,353	627
Directors Loan Account	7,947	-
	<u>19,012</u>	<u>8,941</u>

**9. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	1998	1997
	£	£
Hire purchase contracts (see note 11)	6,421	5,809
Trade Creditors	3,431	-
Directors Loan Accounts	-	7,357
Other Creditors	996	1,651
Social Security & Other Taxes	1,966	3,469
Advance Corporation Tax	-	2,500
Corporation Tax	9,165	4,440
Accruals and Deferred Income	1,425	2,450
	<u>23,404</u>	<u>27,676</u>

FRASER-HANN FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
		1998	1997
		£	£
Hire purchase contracts (see note 11)		1,667	2,421
		<u>1,667</u>	<u>2,421</u>
11. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS			
		1998	1997
		£	£
Gross obligations repayable:			
Within one year		7,395	7,087
Between one and five years		1,851	2,953
		<u>9,246</u>	<u>10,040</u>
Finance charges repayable:			
Within one year		974	1,278
Between one and five years		184	532
		<u>1,158</u>	<u>1,810</u>
Net obligations repayable:			
Within one year		6,421	5,809
Between one and five years		1,667	2,421
		<u>8,088</u>	<u>8,230</u>
12. CALLED UP SHARE CAPITAL			
Authorised, allotted, issued and fully paid:			
Number:	Class:	Nominal value:	
			1998
			1997
			£
			£
1,000	Ordinary	£1	1,000
			<u>1,000</u>
			<u>1,000</u>
13. TRANSACTIONS WITH DIRECTORS			
Included within debtors at the balance sheet date is an amount of £7,947 (1997: £Nil) due from the Directors. This amount was repaid on 1 April 1999 .			
14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS			
		1998	1997
		£	£
Profit for the financial year		33,211	23,569
Dividends		-	(10,000)
		<u>33,211</u>	<u>13,569</u>
NET ADDITION TO SHAREHOLDERS' FUNDS		33,211	13,569
Opening shareholders' funds		18,007	4,438
		<u>51,218</u>	<u>18,007</u>
CLOSING SHAREHOLDERS' FUNDS		51,218	18,007
Equity interests		<u>51,218</u>	<u>18,007</u>