

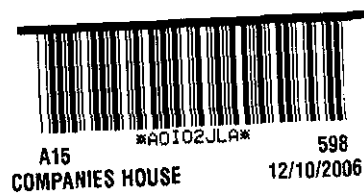
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FRASER - HANN FINANCIAL SERVICES LIMITED

Report of the Directors and

Financial Statements for the Year Ended 31st December 2005

B.T. Hagger FCA
Chartered Accountant &
Registered Auditor
Shirebrook House
Buxhall
Stowmarket
Suffolk
IP14 3DQ



FRASER - HANN FINANCIAL SERVICES LIMITED

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for the Year Ended 31st December 2005**

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FRASER - HANN FINANCIAL SERVICES LIMITED

**Company Information
for the Year Ended 31st December 2005**

DIRECTORS: K I Hann
Mrs P Hann
C Hann

SECRETARY: Mrs P Hann

REGISTERED OFFICE: 7 The Square
Martlesham Heath
Ipswich
Suffolk
IP5 3SL

REGISTERED NUMBER: 02183530 (England and Wales)

AUDITOR: B.T. Hagger FCA
Chartered Accountant &
Registered Auditor
Shirebrook House
Buxhall
Stowmarket
Suffolk
IP14 3DQ

FRASER - HANN FINANCIAL SERVICES LIMITED

Report of the Directors for the Year Ended 31st December 2005

The directors present their report with the financial statements of the company for the year ended 31st December 2005.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of insurance and investment advisors.

REVIEW OF BUSINESS

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

DIVIDENDS

Interim dividends per share were paid as follows:

£10	- 31st March 2005
£30	- 30th June 2005
£16	- 12th October 2005
<u>£18</u>	- 19th December 2005
<u>£74</u>	

The directors recommend that no final dividend be paid.

The total distribution of dividends for the year ended 31st December 2005 will be £74,000.

DIRECTORS

The directors during the year under review were:

K I Hann
Mrs P Hann
C Hann

The beneficial interests of the directors holding office on 31st December 2005 in the issued share capital of the company were as follows:

	31.12.05	1.1.05
Ordinary £1 shares		
K I Hann	334	500
Mrs P Hann	333	500
C Hann	333	-

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year the company made payments of £271 for charitable purposes.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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.

FRASER - HANN FINANCIAL SERVICES LIMITED

**Report of the Directors
for the Year Ended 31st December 2005**

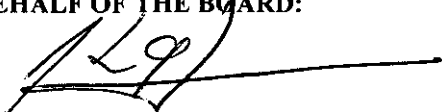
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditor is unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

AUDITOR

The auditor, B.T. Hagger FCA, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to read 'K I Hann', is written over a horizontal line. The signature is stylized and somewhat cursive.

K I Hann - Director

Date: 3rd October 2006

**Report of the Independent Auditor to the Shareholders of
Fraser - Hann Financial Services Limited**

I have audited the financial statements of Fraser - Hann Financial Services Limited for the year ended 31st December 2005 on pages five to sixteen. These financial statements have been prepared under 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. My audit work has been undertaken so that I might state to the company's members those matters I am required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the company and the company's members as a body, for my audit work, for this report, or for the opinions I have formed.

Respective responsibilities of directors and auditor

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 (United Kingdom Generally Accepted Accounting Practice).

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

I read the Report of the Directors and consider the implications for my report if I become aware of any apparent misstatements within it.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) 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.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me 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 my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31st December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



B.T. Hagger FCA
Chartered Accountant &
Registered Auditor
Shirebrook House
Buxhall
Stowmarket
Suffolk
IP14 3DQ

Date: 3rd October 2006

FRASER - HANN FINANCIAL SERVICES LIMITED

**Profit and Loss Account
for the Year Ended 31st December 2005**

	Notes	2005 £	2004 £
TURNOVER		228,051	190,008
Cost of sales		<u>4,705</u>	<u>8,064</u>
GROSS PROFIT		223,346	181,944
Administrative expenses		<u>138,436</u>	<u>148,192</u>
OPERATING PROFIT	3	84,910	33,752
Interest receivable and similar income		<u>1,658</u>	<u>1,867</u>
		86,568	35,619
Interest payable and similar charges	4	<u>184</u>	<u>909</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		86,384	34,710
Tax on profit on ordinary activities	5	<u>16,575</u>	<u>6,341</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		<u>69,809</u>	<u>28,369</u>
RETAINED PROFIT FOR THE YEAR		<u>69,809</u>	<u>28,369</u>

CONTINUING OPERATIONS

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

TOTAL RECOGNISED GAINS AND LOSSES

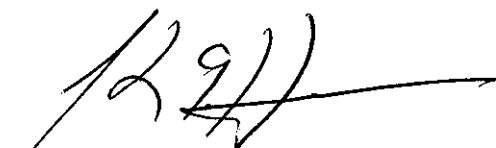
The company has no recognised gains or losses other than the profits for the current year or previous year.

FRASER - HANN FINANCIAL SERVICES LIMITED

**Balance Sheet
31st December 2005**

	Notes	2005 £	£	2004 £	£
FIXED ASSETS					
Tangible assets	7		28,640		20,880
CURRENT ASSETS					
Debtors	8	27,202		35,438	
Cash at bank		<u>42,977</u>		<u>24,318</u>	
		70,179		59,756	
CREDITORS					
Amounts falling due within one year	9	<u>44,398</u>		<u>34,201</u>	
NET CURRENT ASSETS			<u>25,781</u>		<u>25,555</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			54,421		46,435
CREDITORS					
Amounts falling due after more than one year	10		(16,498)		(7,042)
PROVISIONS FOR LIABILITIES	13		<u>(6,124)</u>		<u>(3,403)</u>
NET ASSETS			<u>31,799</u>		<u>35,990</u>
CAPITAL AND RESERVES					
Called up share capital	14		1,000		1,000
Profit and loss account	15		<u>30,799</u>		<u>34,990</u>
SHAREHOLDERS' FUNDS	18		<u>31,799</u>		<u>35,990</u>

ON BEHALF OF THE BOARD:



K I Hann - Director

Approved by the Board on 3rd October 2006

FRASER - HANN FINANCIAL SERVICES LIMITED

**Cash Flow Statement
for the Year Ended 31st December 2005**

	Notes	2005		2004	
		£	£	£	£
Net cash inflow from operating activities	1		105,552		34,402
Returns on investments and servicing of finance	2		1,474		958
Taxation			(11,747)		(8,523)
Capital expenditure	2		(11,887)		15,989
Equity dividends paid			<u>(74,000)</u>		<u>(66,100)</u>
			(9,392)		(23,274)
Financing	2		<u>9,267</u>		<u>(4,334)</u>
Increase/(Decrease) in cash in the period			<u>18,659</u>		<u>(27,608)</u>
<hr/>					
Reconciliation of net cash flow to movement in net funds	3				
Increase/(Decrease) in cash in the period		18,659		(27,608)	
Cash inflow from increase in debt and lease financing		<u>(5,307)</u>		<u>(3,070)</u>	
Change in net funds resulting from cash flows			<u>13,352</u>		<u>(30,678)</u>
Movement in net funds in the period			13,352		(30,678)
Net funds at 1st January			<u>16,512</u>		<u>47,190</u>
Net funds at 31st December			<u>29,864</u>		<u>16,512</u>

The notes form part of these financial statements

FRASER - HANN FINANCIAL SERVICES LIMITED

Notes to the Cash Flow Statement
for the Year Ended 31st December 2005

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

	2005	2004
	£	£
Operating profit	84,910	33,752
Depreciation charges	3,433	6,751
Loss on disposal of fixed assets	694	5,616
Movement on other provisions	2,721	(481)
Decrease in debtors	8,236	(8,815)
(Decrease)/Increase in creditors	<u>5,558</u>	<u>(2,421)</u>
Net cash inflow from operating activities	<u>105,552</u>	<u>34,402</u>

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

	2005	2004
	£	£
Returns on investments and servicing of finance		
Interest received	1,658	698
Interest paid	(233)	(51)
Interest element of hire purchase payments	<u>49</u>	<u>(2,251)</u>
Net cash inflow for returns on investments and servicing of finance	<u>1,474</u>	<u>(1,604)</u>
Capital expenditure		
Purchase of tangible fixed assets	(26,762)	(42,248)
Sale of tangible fixed assets	<u>14,875</u>	<u>47,944</u>
Net cash (outflow)/inflow for capital expenditure	<u>(11,887)</u>	<u>5,696</u>
Financing		
Capital repayments in year	(8,897)	(8,294)
New loans during the year	<u>18,164</u>	<u>3,960</u>
Net cash inflow from financing	<u>9,267</u>	<u>(4,334)</u>

FRASER - HANN FINANCIAL SERVICES LIMITED

**Notes to the Cash Flow Statement
for the Year Ended 31st December 2005**

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.05	Cash flow	At
	£	£	31.12.05
			£
Net cash:			
Cash at bank	<u>24,318</u>	<u>18,659</u>	<u>42,977</u>
	<u>24,318</u>	<u>18,659</u>	<u>42,977</u>
Debt:			
Hire purchase	<u>(7,806)</u>	<u>(5,307)</u>	<u>(13,113)</u>
	<u>(7,806)</u>	<u>(5,307)</u>	<u>(13,113)</u>
Total	<u>16,512</u>	<u>13,352</u>	<u>29,864</u>

FRASER - HANN FINANCIAL SERVICES LIMITED

Notes to the Financial Statements
for the Year Ended 31st December 2005

1. ACCOUNTING POLICIES

Accounting convention

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

Turnover

Turnover represents commissions earned on life and pension policies and investment arrangements completed during the year, where the company is entitled absolutely to the commission. Where policies are arranged on indemnity terms, commission is credited to the profit and loss account only after making due provision for commission which could be recoverable by insurance companies in the event that policies are cancelled in the future.

Turnover is attributable to one continuing activity, that of insurance and investment advisors.

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.

Fixtures and fittings 15%

Motor vehicles 25%

Computer equipment 25%

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

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.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

2. STAFF COSTS

	2005	2004
	£	£
Wages and salaries	72,761	67,507
Social security costs	8,083	7,035
Other pension costs	<u>1,442</u>	<u>1,395</u>
	<u>82,286</u>	<u>75,937</u>

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

2005	2004
<u>5</u>	<u>5</u>

FRASER - HANN FINANCIAL SERVICES LIMITED

**Notes to the Financial Statements - continued
for the Year Ended 31st December 2005**

3. OPERATING PROFIT

The operating profit is stated after charging:

	2005	2004
	£	£
Depreciation - owned assets	1,904	1,561
Depreciation - assets on hire purchase contracts	1,529	5,190
Loss on disposal of fixed assets	694	5,616
Auditors' remuneration	<u>4,489</u>	<u>3,425</u>
Directors' emoluments	<u>39,376</u>	<u>46,375</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>1</u>	<u>1</u>
------------------------	----------	----------

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2005	2004
	£	£
Corporation tax interest	233	51
Hire purchase	<u>(49)</u>	<u>858</u>
	<u>184</u>	<u>909</u>

5. TAXATION

Analysis of the tax charge

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

	2005	2004
	£	£
Current tax:		
UK corporation tax	15,925	6,691
Deferred tax	<u>650</u>	<u>(350)</u>
Tax on profit on ordinary activities	<u>16,575</u>	<u>6,341</u>

6. DIVIDENDS

	2005	2004
	£	£
Equity shares:		
Interim	<u>74,000</u>	<u>53,300</u>

FRASER - HANN FINANCIAL SERVICES LIMITED

**Notes to the Financial Statements - continued
for the Year Ended 31st December 2005**

7. TANGIBLE FIXED ASSETS

	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
COST				
At 1st January 2005	23,393	20,759	4,941	49,093
Additions	2,302	24,460	-	26,762
Disposals	<u>-</u>	<u>(20,759)</u>	<u>-</u>	<u>(20,759)</u>
At 31st December 2005	<u>25,695</u>	<u>24,460</u>	<u>4,941</u>	<u>55,096</u>
DEPRECIATION				
At 1st January 2005	19,627	5,190	3,396	28,213
Charge for year	1,517	1,529	387	3,433
Eliminated on disposal	<u>-</u>	<u>(5,190)</u>	<u>-</u>	<u>(5,190)</u>
At 31st December 2005	<u>21,144</u>	<u>1,529</u>	<u>3,783</u>	<u>26,456</u>
NET BOOK VALUE				
At 31st December 2005	<u>4,551</u>	<u>22,931</u>	<u>1,158</u>	<u>28,640</u>
At 31st December 2004	<u>3,766</u>	<u>15,569</u>	<u>1,545</u>	<u>20,880</u>

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

	Motor vehicles £
COST	
At 1st January 2005	20,759
Additions	24,460
Disposals	<u>(20,759)</u>
At 31st December 2005	<u>24,460</u>
DEPRECIATION	
At 1st January 2005	5,190
Charge for year	1,529
Eliminated on disposal	<u>(5,190)</u>
At 31st December 2005	<u>1,529</u>
NET BOOK VALUE	
At 31st December 2005	<u>22,931</u>
At 31st December 2004	<u>15,569</u>

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £	2004 £
Trade debtors	16,098	12,325
Directors' current accounts	6,434	14,788
Prepayments	<u>4,670</u>	<u>8,325</u>
	<u>27,202</u>	<u>35,438</u>

FRASER - HANN FINANCIAL SERVICES LIMITED

**Notes to the Financial Statements - continued
for the Year Ended 31st December 2005**

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2005	2004
	£	£
Hire purchase contracts (see note 12)	4,534	4,724
Tax	16,370	11,541
Social security and other taxes	3,636	4,712
Other creditors	10,864	13,224
Directors' current accounts	<u>8,994</u>	<u>-</u>
	<u>44,398</u>	<u>34,201</u>
10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2005	2004
	£	£
Other loans (see note 11)	7,919	3,960
Hire purchase contracts (see note 12)	<u>8,579</u>	<u>3,082</u>
	<u>16,498</u>	<u>7,042</u>
11. LOANS		
An analysis of the maturity of loans is given below:		
	2005	2004
	£	£
Amounts falling due between two and five years:		
Commercial loan	<u>7,919</u>	<u>3,960</u>
12. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS	2005	2004
	£	£
Net obligations repayable:		
Within one year	4,534	4,724
Between one and five years	<u>8,579</u>	<u>3,082</u>
	<u>13,113</u>	<u>7,806</u>
13. PROVISIONS FOR LIABILITIES	2005	2004
	£	£
Deferred tax	800	150
Other provisions	<u>5,324</u>	<u>3,253</u>
	<u>6,124</u>	<u>3,403</u>
	Deferred tax	Indemnity Commission
	£	£
Balance at 1st January 2005	150	3,253
Decrease in provision		
Increase in provision	<u>650</u>	<u>2,071</u>
Balance at 31st December 2005	<u>800</u>	<u>5,324</u>

FRASER - HANN FINANCIAL SERVICES LIMITED

**Notes to the Financial Statements - continued
for the Year Ended 31st December 2005**

13. PROVISIONS FOR LIABILITIES - continued

The company has made a provision of £5,324 (2004: £3,253) in respect of indemnity commission which may be repaid, based on previous years experience. During the year to 31 December 2005 commission to the value of £2,647 (2004: £4,121) was repaid to providers, in respect of 5 policies.

14. CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2005	2004
			£	£
1,000	Ordinary	£1	<u>1,000</u>	<u>1,000</u>

15. RESERVES

	Profit and loss account
	£
At 1st January 2005	34,990
Retained profit for the year	69,809
Dividends	<u>(74,000)</u>
At 31st December 2005	<u>30,799</u>

16. CONTINGENT LIABILITIES

There is a contingent liability in respect of potential claims which have been or may be brought against the company for alleged negligent advice relating to the arrangement of endowment mortgages. This is a matter which affects all Independent Financial Advisors.

The Directors are confident that the Company has properly followed the guidance of the regulatory bodies and that existing claims, or any that might arise in future, will be successfully refuted.

17. OTHER FINANCIAL COMMITMENTS

At the year end the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings	Land and buildings
	2005	2004
	£	£
Operating leases which expire:		
Between 2 and 5 years	5,971	5,971
	<u><u>5,971</u></u>	<u><u>5,971</u></u>

FRASER - HANN FINANCIAL SERVICES LIMITED

**Notes to the Financial Statements - continued
for the Year Ended 31st December 2005**

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005	2004
	£	£
Profit for the financial year	69,809	28,369
Dividends	<u>(74,000)</u>	<u>(53,300)</u>
Net reduction of shareholders' funds	(4,191)	(24,931)
Opening shareholders' funds	<u>35,990</u>	<u>60,921</u>
Closing shareholders' funds	<u>31,799</u>	<u>35,990</u>
Equity interests	<u>31,799</u>	<u>35,990</u>

19. DIRECTORS TRANSACTIONS

The directors maintain current accounts with the company. One was overdrawn during the year, the balance at the end of the year was £6,434 and the highest balance during the year was £26,790. The other account was in credit at the end of the year, the balance being £8,994, which was also the highest balance during the year for that particular account.