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Chartered Accountants

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REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996
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

INDEX TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996

	Page
Company Information	1
Report of the Directors	2
Report of the Auditors	3
Profit and Loss Account	4
Balance Sheet	5
Cash Flow Statement	6
Notes to the Cash Flow Statement	7
Notes to the Financial Statements	9
Profit and Loss Account	14

FRASER-HANN FINANCIAL SERVICES LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 1996

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 1996

The directors present their report with the financial statements of the company for the year ended 31 December 1996.

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 1996.

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 1996 in the issued share capital of the company were as follows:

	31.12.96	1.1.96
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 judgments 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:


.....
P Hann - SECRETARY

Dated: 24/2/97

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 thirteen 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 judgments 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.

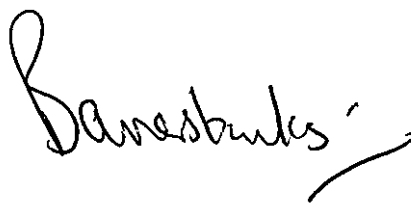
Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the continued support of the company's creditors. The financial statements do not include any adjustment that would result if the company was not a going concern. Details of this are disclosed in note 1 to the financial statements. Our opinion is not qualified in this respect.

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 1996 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: 25 July 1997

FRASER-HANN FINANCIAL SERVICES LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1996

		1996	1995
	Notes	£	£
TURNOVER	2	128,886	118,701
GROSS PROFIT		128,886	118,701
Administrative expenses		114,289	113,156
		14,597	5,545
Other operating income		1,304	-
OPERATING PROFIT	4	15,901	5,545
Interest receivable and similar income	5	1	-
		15,902	5,545
Interest payable and similar charges	6	1,750	3,325
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		14,152	2,220
Tax on profit on ordinary activities	7	4,023	1,453
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		10,129	767
Deficit brought forward		(6,690)	(7,457)
RETAINED PROFIT/(DEFICIT) CARRIED FORWARD		£3,439	£(6,690)

CONTINUING OPERATIONS

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

TOTAL RECOGNISED GAINS AND LOSSES

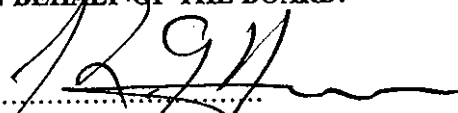
The company has no recognised gains or losses other than the profits for the current and previous years.

FRASER-HANN FINANCIAL SERVICES LIMITED

BALANCE SHEET
31 DECEMBER 1996

	Notes	1996		1995	
		£	£	£	£
FIXED ASSETS:					
Tangible assets	8		22,654		29,195
CURRENT ASSETS:					
Debtors	9	8,727		11,548	
Cash at bank and in hand		2,938		5	
		<u>11,665</u>		<u>11,553</u>	
CREDITORS: Amounts falling due within one year	10	<u>21,651</u>		<u>32,400</u>	
NET CURRENT LIABILITIES:			<u>(9,986)</u>		<u>(20,847)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			12,668		8,348
CREDITORS: Amounts falling due after more than one year	11		8,229		14,038
			<u>£4,439</u>		<u>£(5,690)</u>
CAPITAL AND RESERVES:					
Called up share capital	14		1,000		1,000
Profit and loss account			3,439		(6,690)
Shareholders' funds	15		<u>£4,439</u>		<u>£(5,690)</u>

ON BEHALF OF THE BOARD:


K I Hann - DIRECTOR


P Hann - DIRECTOR

Approved by the Board on 24/7/97

FRASER-HANN FINANCIAL SERVICES LIMITED**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1996**

		1996		1995	
	Notes	£	£	£	£
Net cash inflow from operating activities	1		16,754		16,475
Returns on investments and servicing of finance	2		(1,749)		(3,325)
Taxation			(2,396)		-
Capital expenditure	2		-		(4,717)
			<u>12,609</u>		<u>8,433</u>
Financing	2		(7,317)		(10,650)
Increase/(Decrease) in cash in the period			<u>£5,292</u>		<u>£(2,217)</u>
<hr/>					
Reconciliation of net cash flow to movement in net debt	3				
Increase/(Decrease) in cash in the period		5,292		(2,217)	
Cash inflow from increase in debt and lease financing		<u>5,809</u>		<u>227</u>	
Change in net debt resulting from cash flows			<u>11,101</u>		<u>(1,990)</u>
Movement in net debt in the period			<u>11,101</u>		<u>(1,990)</u>
Net debt at 1 January 1996			<u>(22,201)</u>		<u>(20,211)</u>
Net debt at 31 December 1996			<u>£(11,100)</u>		<u>£(22,201)</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 1996

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

	1996 £	1995 £
Operating profit	15,901	5,545
Depreciation charges	6,541	5,027
Loss on sale of fixed assets	-	3,882
Decrease in debtors	2,821	8,151
Decrease in creditors	(8,509)	(6,130)
Net cash inflow from operating activities	16,754	16,475

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

	1996 £	1995 £
Returns on investments and servicing of finance		
Interest received	1	-
Interest paid	(428)	(314)
Interest element of hire purchase or finance lease rentals payments	(1,322)	(3,011)
Net cash outflow for returns on investments and servicing of finance	(1,749)	(3,325)
Capital expenditure		
Purchase of tangible fixed assets	-	(25,306)
Sale of tangible fixed assets	-	20,589
Net cash outflow for capital expenditure	-	(4,717)
Financing		
Amount Withdrawn by Directors	(7,317)	(10,650)
Net cash outflow from financing	(7,317)	(10,650)

FRASER-HANN FINANCIAL SERVICES LIMITED

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1996

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.1.96 £	Cash flow £	At 31.12.96 £
Net cash:			
Cash at bank and in hand	5	2,933	2,938
Bank overdraft	(2,359)	2,359	-
	<u>(2,354)</u>	<u>5,292</u>	<u>2,938</u>
Debt:	<u>(19,847)</u>	<u>5,809</u>	<u>(14,038)</u>
Total	<u>(22,201)</u>	<u>11,101</u>	<u>(11,100)</u>
Analysed in Balance Sheet			
Cash at bank and in hand	5		2,938
Bank overdraft	(2,359)		-
Hire purchase or finance leases within one year	(5,809)		(5,809)
after one year	(14,038)		(8,229)
	<u>(22,201)</u>		<u>(11,100)</u>

FRASER-HANN FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996

1. ACCOUNTING POLICIES

Going Concern

The directors have prepared the financial statements on a going concern basis. The company is reliant upon the support of its creditors to fund its working capital requirement as disclosed by the net current liabilities shown on the balance sheet at 31 December 1996.

The directors are confident that the trading performance of the company in the year subsequent to the balance sheet date will be sufficient to ensure that this position will be eradicated.

In the event that the company could not continue on a going concern basis then adjustments would have to be made to reduce the value of assets to their recoverable amount, to provide any further liabilities which might arise and to reclassify fixed assets as current assets.

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.

Furniture, 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. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

3. STAFF COSTS

	1996	1995
	£	£
Wages and salaries	68,867	60,789
Social security costs	5,418	3,574
	<hr/>	<hr/>
	74,285	64,363
	<hr/>	<hr/>

FRASER-HANN FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996

3. STAFF COSTS - continued

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

	1996	1995
Management and Administration	3	3
	<u> </u>	<u> </u>

4. OPERATING PROFIT

The operating profit is stated after charging:

	1996	1995
	£	£
Depreciation - owned assets	1,137	1,337
Depreciation - assets on hire purchase contracts or finance leases	5,404	3,690
Loss on disposal of fixed assets	-	3,882
Auditors' remuneration	1,150	1,998
	<u> </u>	<u> </u>
Directors' emoluments	38,750	37,000
	<u> </u>	<u> </u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	1996	1995
	£	£
Deposit Account Interest	1	-
	<u> </u>	<u> </u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	1996	1995
	£	£
Bank Overdraft Interest	428	281
Bank Loan Interest	-	33
Hire Purchase Interest	1,278	3,011
Interest on Corporation Tax	44	-
	<u> </u>	<u> </u>
	1,750	3,325
	<u> </u>	<u> </u>

7. TAXATION

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

	1996	1995
	£	£
UK Corporation Tax	4,023	1,453
	<u> </u>	<u> </u>

UK Corporation Tax has been charged at 24.25% (1995 - 25%).

FRASER-HANN FINANCIAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996**

8. TANGIBLE FIXED ASSETS

	Furnitur- e, Fittin- gs & Equipment	Motor Vehicles	Totals
	£	£	£
COST:			
At 1 January 1996 and 31 December 1996	15,710	25,306	41,016
DEPRECIATION:			
At 1 January 1996	8,131	3,690	11,821
Charge for year	1,137	5,404	6,541
At 31 December 1996	9,268	9,094	18,362
NET BOOK VALUE:			
At 31 December 1996	6,442	16,212	22,654
At 31 December 1995	7,579	21,616	29,195

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

	Motor Vehicles
	£
COST:	
At 1 January 1996 and 31 December 1996	25,306
DEPRECIATION:	
At 1 January 1996	3,690
Charge for year	5,404
At 31 December 1996	9,094
NET BOOK VALUE:	
At 31 December 1996	16,212
At 31 December 1995	21,616

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

	1996	1995
	£	£
Trade Debtors	7,275	10,132
Prepayments and Accrued Income	1,452	1,416
	8,727	11,548

FRASER-HANN FINANCIAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996**

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

	1996	1995
	£	£
Bank loans and overdrafts (see note 12)	-	2,359
Directors Loan Accounts	1,129	8,446
Hire Purchase Liabilities	5,809	5,809
Other Creditors	1,188	2,922
Social Security & Other Taxes	5,858	7,699
Corporation Tax	5,217	3,590
Accruals and Deferred Income	2,450	1,575
	<u>21,651</u>	<u>32,400</u>

**11. CREDITORS: AMOUNTS FALLING
DUE AFTER MORE THAN ONE YEAR**

	1996	1995
	£	£
Hire Purchase Liabilities	<u>8,229</u>	<u>14,038</u>

12. LOANS AND OVERDRAFTS

An analysis of the maturity of loans and overdrafts is given below:

	1996	1995
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>-</u>	<u>2,359</u>

13. SECURED DEBTS

The following secured debts are included within creditors:

	1996	1995
	£	£
Bank overdrafts	<u>-</u>	<u>2,359</u>

Bank borrowings are secured by a debenture over the company's assets.

14. CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid:

Number:	Class:	Nominal value:	1996	1995
			£	£
1,000	Ordinary	£1	<u>1,000</u>	<u>1,000</u>

FRASER-HANN FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996	1995
	£	£
Profit for the financial year	10,129	767
	<hr/>	<hr/>
NET ADDITION TO SHAREHOLDERS' FUNDS	10,129	767
Opening shareholders' funds	(5,690)	(6,457)
	<hr/>	<hr/>
CLOSING SHAREHOLDERS' FUNDS	4,439	(5,690)
	<hr/> <hr/>	<hr/> <hr/>
Equity interests	4,439	(5,690)
	<hr/> <hr/>	<hr/> <hr/>

FRASER-HANN FINANCIAL SERVICES LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1996

	1996		1995	
	£	£	£	£
Income:				
Commissions Receivable		128,886		118,701
Other income:				
Rents Receivable	1,304		-	
Deposit Account Interest	1		-	
	<hr/>	1,305	<hr/>	-
		<hr/>		<hr/>
		130,191		118,701
Administration costs:				
Directors Remuneration	38,750		37,000	
Employers National Insurance	5,418		3,574	
Salaries and Training Costs	30,117		23,789	
Directors Life Insurance	958		958	
Telephone and Computer Services	1,968		2,073	
Postage, Stationery and Advertising	1,323		1,731	
Motor and Travelling Expenses	9,806		11,225	
Licenses and Insurances	3,801		4,140	
Subscriptions	2,638		2,661	
Sundry Expenses and Cleaning	915		993	
Audit and Accountancy	1,150		1,998	
Legal and Professional Fees	-		1,616	
	<hr/>	96,844	<hr/>	91,758
		<hr/>		<hr/>
		33,347		26,943
Selling and marketing costs:				
Commissions Paid		740		5,199
		<hr/>		<hr/>
		32,607		21,744
Establishment costs:				
Rent and Rates	8,309		4,776	
Light and Heat	565		1,190	
Repairs and Renewals	-		386	
Service Charges	637		-	
	<hr/>	9,511	<hr/>	6,352
		<hr/>		<hr/>
Carried forward		23,096		15,392

FRASER-HANN FINANCIAL SERVICES LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1996

	1996		1995	
	£	£	£	£
Brought forward		23,096		15,392
Finance costs:				
Bank Overdraft Interest	428		281	
Bank Loan Interest	-		33	
Hire Purchase Interest	1,278		3,011	
Interest on Corporation Tax	44		-	
Bank Charges	653		924	
Interest on P.A.Y.E.	-		14	
		<u>2,403</u>		<u>4,263</u>
		20,693		11,129
Depreciation:				
Furniture, Fittings & Equipment	1,137		1,337	
Motor Vehicles	5,404		3,690	
		<u>6,541</u>		<u>5,027</u>
		14,152		6,102
Loss on disposal of fixed assets:				
Motor Vehicles		-		(3,882)
NET PROFIT		<u>£14,152</u>		<u>£2,220</u>