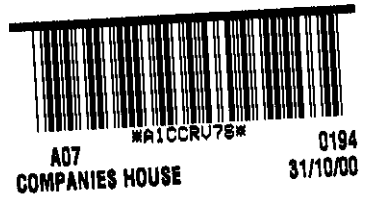


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BAVERSTOCKS
Chartered Accountants

REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999
FOR
FRASER-HANN FINANCIAL SERVICES LIMITED



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FRASER-HANN FINANCIAL SERVICES LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 1999

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FRASER-HANN FINANCIAL SERVICES LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 1999

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 1999

The directors present their report with the financial statements of the company for the year ended 31 December 1999.

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

Interim dividends per share were paid as follows:

£8	- 1 April 1999
<u>£20</u>	- 31 December 1999
<u>£28</u>	

The directors recommend that no final dividend be paid.

The total distribution of dividends for the year ended 31 December 1999 will be £28,000.

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 1999 in the issued share capital of the company were as follows:

	31.12.99	1.1.99
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.

FRASER-HANN FINANCIAL SERVICES LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 1999

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: 27 October 2000

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 five to fourteen which have been prepared under the historical cost convention and the accounting policies set out on page ten.

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

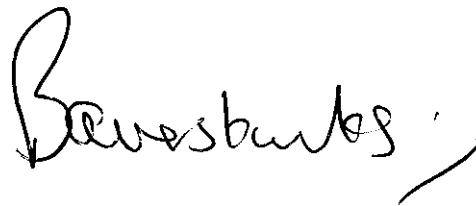
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 1999 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

A handwritten signature in black ink that reads "Baverstocks" with a flourish at the end.

Dated: 27 October 2000

FRASER-HANN FINANCIAL SERVICES LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1999

		<u>1999</u>	<u>1998</u>
	Notes	£	£
TURNOVER		193,911	148,180
GROSS PROFIT		193,911	148,180
Administrative expenses		<u>138,156</u>	<u>110,659</u>
		55,755	37,521
Other operating income		<u>5,512</u>	<u>5,512</u>
OPERATING PROFIT	3	61,267	43,033
Interest receivable and similar income		<u>1,537</u>	<u>976</u>
		62,804	44,009
Interest payable and similar charges	4	<u>1,801</u>	<u>1,632</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		61,003	42,377
Tax on profit on ordinary activities	5	<u>12,488</u>	<u>9,166</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		48,515	33,211
Dividends	6	<u>28,000</u>	-
		20,515	33,211
Retained profit brought forward		<u>50,218</u>	<u>17,007</u>
RETAINED PROFIT CARRIED FORWARD		<u>£70,733</u>	<u>£50,218</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 1999

		<u>1999</u>		<u>1998</u>	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible assets	7		47,994		37,227
CURRENT ASSETS:					
Debtors	8	13,938		19,012	
Cash at bank		<u>55,364</u>		<u>20,050</u>	
		69,302		39,062	
CREDITORS: Amounts falling due within one year	9	<u>34,478</u>		<u>23,404</u>	
NET CURRENT ASSETS:			<u>34,824</u>		<u>15,658</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			82,818		52,885
CREDITORS: Amounts falling due after more than one year	10		<u>11,085</u>		<u>1,667</u>
			<u>£71,733</u>		<u>£51,218</u>
CAPITAL AND RESERVES:					
Called up share capital	13		1,000		1,000
Profit and loss account			<u>70,733</u>		<u>50,218</u>
SHAREHOLDERS' FUNDS:	16		<u>£71,733</u>		<u>£51,218</u>

ON BEHALF OF THE BOARD:


K I Hann - DIRECTOR

Approved by the Board on 27 October 2000

FRASER-HANN FINANCIAL SERVICES LIMITED**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1999**

	Notes	1999		1998	
		£	£	£	£
Net cash inflow from operating activities	1		88,154		49,024
Returns on investments and servicing of finance	2		(264)		(656)
Taxation	2		(11,353)		(4,442)
Capital expenditure	2		(6,294)		(21,292)
Equity dividends paid			<u>(28,000)</u>		<u>-</u>
			42,243		22,634
Financing	2		<u>(6,929)</u>		<u>(22,450)</u>
Increase in cash in the period			<u>£35,314</u>		<u>£184</u>
<hr/>					
Reconciliation of net cash flow to movement in net funds	3				
Increase in cash in the period			35,314		184
Cash outflow from decrease in debt and lease financing			<u>9,247</u>		<u>8,142</u>
Change in net funds resulting from cash flows			44,561		8,326
New finance leases			<u>(22,866)</u>		<u>(8,000)</u>
Movement in net funds in the period			21,695		326
Net funds at 1 January			<u>11,962</u>		<u>11,636</u>
Net funds at 31 December			<u>£33,657</u>		<u>£11,962</u>

The notes form part of these financial statements

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1999**

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

	1999 £	1998 £
Operating profit	61,267	43,033
Depreciation charges	15,023	11,363
Loss on sale of fixed assets	3,369	-
Decrease/(Increase) in debtors	3,227	(2,124)
Increase/(Decrease) in creditors	<u>5,268</u>	<u>(3,248)</u>
Net cash inflow from operating activities	<u>88,154</u>	<u>49,024</u>

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

	1999 £	1998 £
Returns on investments and servicing of finance		
Interest received	1,537	976
Interest paid	(313)	(22)
Interest element of hire purchase payments	<u>(1,488)</u>	<u>(1,610)</u>
Net cash outflow for returns on investments and servicing of finance	<u>(264)</u>	<u>(656)</u>
Taxation		
Taxation paid	(11,353)	(4,441)
Exceptional items	<u>-</u>	<u>(1)</u>
Net cash outflow for taxation	<u>(11,353)</u>	<u>(4,442)</u>
Capital expenditure		
Purchase of tangible fixed assets	(12,044)	(21,292)
Sale of tangible fixed assets	<u>5,750</u>	<u>-</u>
Net cash outflow for capital expenditure	<u>(6,294)</u>	<u>(21,292)</u>

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1999**

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

	1999 £	1998 £
Financing		
New Loan Taken Out in Year	5,263	1,245
Loan Repayments in Year	(14,040)	(8,391)
Amount Introduced by Directors	28,000	-
Amount Withdrawn by Directors	<u>(26,152)</u>	<u>(15,304)</u>
Net cash outflow from financing	<u>(6,929)</u>	<u>(22,450)</u>

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.99 £	Cash flow £	Other non-cash changes £	At 31.12.99 £
Net cash:				
Cash at bank and in hand	<u>20,050</u>	<u>35,314</u>		<u>55,364</u>
	<u>20,050</u>	<u>35,314</u>		<u>55,364</u>
Debt:				
Hire purchase	<u>(8,088)</u>	<u>9,247</u>	<u>(22,866)</u>	<u>(21,707)</u>
	<u>(8,088)</u>	<u>9,247</u>	<u>(22,866)</u>	<u>(21,707)</u>
Total	<u>11,962</u>	<u>44,561</u>	<u>(22,866)</u>	<u>33,657</u>
Analysed in Balance Sheet				
Cash at bank and in hand	20,050			55,364
Hire purchase				
within one year	(6,421)			(10,622)
after one year	<u>(1,667)</u>			<u>(11,085)</u>
	<u>11,962</u>			<u>33,657</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999**

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
Computer Equipment	- 33% on cost

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

	1999	1998
	£	£
Wages and salaries	61,226	42,927
Social security costs	<u>5,355</u>	<u>7,728</u>
	<u><u>66,581</u></u>	<u><u>50,655</u></u>

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

	1999	1998
Management and Administration	<u>4</u>	<u>3</u>

3. OPERATING PROFIT

The operating profit is stated after charging:

	1999	1998
	£	£
Depreciation - owned assets	4,979	5,257
Depreciation - assets on hire purchase contracts	10,044	6,106
Loss on disposal of fixed assets	3,369	-
Auditors' remuneration	<u>800</u>	<u>850</u>
	<u><u>40,000</u></u>	<u><u>38,000</u></u>

FRASER-HANN FINANCIAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999**

4. INTEREST PAYABLE AND SIMILAR CHARGES

	1999	1998
	£	£
Other Loan Interest	313	22
Hire Purchase Interest	1,438	1,536
Interest on Corporation Tax	<u>50</u>	<u>74</u>
	<u>1,801</u>	<u>1,632</u>

5. TAXATION

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

	1999	1998
	£	£
UK corporation tax	12,300	9,166
Under-provision in prior years	<u>188</u>	<u>-</u>
	<u>12,488</u>	<u>9,166</u>

UK corporation tax has been charged at 20.25% (1998 - 21%).

6. DIVIDENDS

	1999	1998
	£	£
Equity shares:		
Interim - Ordinary Shares	<u>28,000</u>	<u>-</u>

7. TANGIBLE FIXED ASSETS

	Fittings & Equipm- ent	Motor Vehicles	Computer Equipment	Totals
	£	£	£	£
COST:				
At 1 January 1999	18,168	53,896	-	72,064
Additions	1,995	30,976	1,939	34,910
Disposals	<u>-</u>	<u>(25,306)</u>	<u>-</u>	<u>(25,306)</u>
At 31 December 1999	<u>20,163</u>	<u>59,566</u>	<u>1,939</u>	<u>81,668</u>
DEPRECIATION:				
At 1 January 1999	11,504	23,334	-	34,838
Charge for year	1,278	13,105	640	15,023
Eliminated on disposals	<u>-</u>	<u>(16,187)</u>	<u>-</u>	<u>(16,187)</u>
At 31 December 1999	<u>12,782</u>	<u>20,252</u>	<u>640</u>	<u>33,674</u>
NET BOOK VALUE:				
At 31 December 1999	<u>7,381</u>	<u>39,314</u>	<u>1,299</u>	<u>47,994</u>
At 31 December 1998	<u>6,665</u>	<u>30,562</u>	<u>-</u>	<u>37,227</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999**

7. TANGIBLE FIXED ASSETS - continued

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

	<u>Motor Vehicles</u>
	£
COST:	
At 1 January 1999	37,571
Additions	30,976
Disposals	<u>(25,306)</u>
At 31 December 1999	<u>43,241</u>
DEPRECIATION:	
At 1 January 1999	19,253
Charge for year	10,044
Eliminated on disposals	<u>(16,187)</u>
At 31 December 1999	<u>13,110</u>
NET BOOK VALUE:	
At 31 December 1999	<u>30,131</u>
At 31 December 1998	<u>18,318</u>

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

	1999	1998
	£	£
Trade Debtors	5,529	6,712
Prepayments and Accrued Income	2,310	4,353
Directors' current accounts	<u>6,099</u>	<u>7,947</u>
	<u>13,938</u>	<u>19,012</u>

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

	1999	1998
	£	£
Other Loans (see note 11)	1,466	996
Hire purchase contracts (see note 12)	10,622	6,421
Trade Creditors	-	3,431
Other Creditors	1,006	-
Social Security & Other Taxes	5,936	1,966
Corporation Tax	10,300	9,165
Accruals and Deferred Income	<u>5,148</u>	<u>1,425</u>
	<u>34,478</u>	<u>23,404</u>

FRASER-HANN FINANCIAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999**

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

	1999	1998
	£	£
Hire purchase contracts (see note 12)	<u>11,085</u>	<u>1,667</u>

11. LOANS AND OVERDRAFTS

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

	1999	1998
	£	£
Amounts falling due within one year or on demand:		
Other Loans	<u>1,466</u>	<u>996</u>

12. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	1999	1998
	£	£
Gross obligations repayable:		
Within one year	12,027	7,395
Between one and five years	<u>12,860</u>	<u>1,851</u>
	<u>24,887</u>	<u>9,246</u>
Finance charges repayable:		
Within one year	1,405	974
Between one and five years	<u>1,775</u>	<u>184</u>
	<u>3,180</u>	<u>1,158</u>
Net obligations repayable:		
Within one year	10,622	6,421
Between one and five years	<u>11,085</u>	<u>1,667</u>
	<u>21,707</u>	<u>8,088</u>

13. CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid:			1999	1998
Number:	Class:	Nominal value:	£	£
1,000	Ordinary	£1	<u>1,000</u>	<u>1,000</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999**

14. CONTINGENT LIABILITIES

Since the Balance Sheet date the Company has been subject to a routine compliance check from the National Insurance authorities. Their findings have not been concluded at the date of signing these financial statements and consequently no entries have been included within these statements to reflect any potential adjustments that may arise upon conclusion of the review.

In common with other companies in the insurance sector, the Company has been required to carry out an extensive compliance check on some of its past practices to comply with the recent "Pension Review" legislation. It is not possible to determine what amount of compensation, if any, will be payable at the conclusion of this review procedure.

At the date of signing this report no costs had been incurred in respect of this matter and no notification of the status of the cases involved had been made available to the Directors.

As a consequence of the above no reserves in connection with anticipated costs have been made within these financial statements.

15. TRANSACTIONS WITH DIRECTORS

Included within debtors at the balance sheet date is an amount of £6,099 (1998: £7,947) due from the Directors.

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999	1998
	£	£
Profit for the financial year	48,515	33,211
Dividends	<u>(28,000)</u>	<u>-</u>
Net addition to shareholders' funds	20,515	33,211
Opening shareholders' funds	<u>51,218</u>	<u>18,007</u>
Closing shareholders' funds	<u>71,733</u>	<u>51,218</u>
Equity interests	<u>71,733</u>	<u>51,218</u>