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BAVERSTOCKS
Chartered Accountants

REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997
FOR
FRASER-HANN FINANCIAL SERVICES LIMITED

RECEIVED
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FRASER-HANN FINANCIAL SERVICES LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 1997

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FRASER-HANN FINANCIAL SERVICES LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 1997

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 1997

The directors present their report with the financial statements of the company for the year ended 31 December 1997.

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 interim dividend was paid during the year. The directors recommend a final dividend of £10 per share.

The total distribution of dividends for the year ended 31 December 1997 will be £10,000.

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 1997 in the issued share capital of the company were as follows:

	31.12.97	1.1.97
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 385A of the Companies Act 1985.

ON BEHALF OF THE BOARD:


K I Hann - DIRECTOR

Dated: 29 June 1998

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.

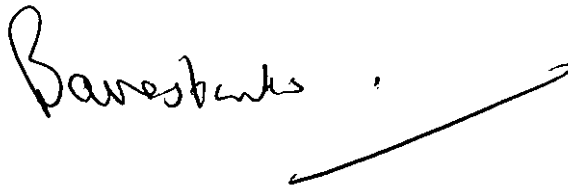
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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 1997 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

Baverstocks



Dated: 6 July 1998

FRASER-HANN FINANCIAL SERVICES LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1997

		<u>1997</u>	<u>1996</u>
	Notes	£	£
TURNOVER	2	144,091	128,886
GROSS PROFIT		<u>144,091</u>	<u>128,886</u>
Administrative expenses		117,550	114,290
		<u>26,541</u>	<u>14,596</u>
Other operating income		5,512	1,304
OPERATING PROFIT	4	<u>32,053</u>	<u>15,900</u>
Interest receivable and similar income	5	117	1
		<u>32,170</u>	<u>15,901</u>
Interest payable and similar charges	6	1,655	1,750
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>30,515</u>	<u>14,151</u>
Tax on profit on ordinary activities	7	6,946	4,023
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		<u>23,569</u>	<u>10,128</u>
Dividends	8	10,000	-
		<u>13,569</u>	<u>10,128</u>
Retained profit/(deficit) brought forward		3,438	(6,690)
RETAINED PROFIT CARRIED FORWARD		<u><u>£17,007</u></u>	<u><u>£3,438</u></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 1997

		1997		1996	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible assets	9		19,297		22,654
CURRENT ASSETS:					
Debtors	10	8,941		8,727	
Cash at bank and in hand		19,866		2,938	
		28,807		11,665	
CREDITORS: Amounts falling due within one year	11	27,676		21,651	
NET CURRENT ASSETS/(LIABILITIES):			1,131		(9,986)
TOTAL ASSETS LESS CURRENT LIABILITIES:			20,428		12,668
CREDITORS: Amounts falling due after more than one year	12		2,421		8,230
			£18,007		£4,438
CAPITAL AND RESERVES:					
Called up share capital	14		1,000		1,000
Profit and loss account			17,007		3,438
Shareholders' funds	15		£18,007		£4,438

ON BEHALF OF THE BOARD:


K F Hann - DIRECTOR


P Hann - DIRECTOR

Approved by the Board on 29 June 1998

The notes form part of these financial statements

FRASER-HANN FINANCIAL SERVICES LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1997

	Notes	1997		1996	
		£	£	£	£
Net cash inflow from operating activities	1		37,526		22,563
Returns on investments and servicing of finance	2		(1,538)		(1,749)
Taxation			(7,723)		(2,396)
Capital expenditure	2		(1,757)		-
Equity dividends paid			(10,000)		-
			<u>16,508</u>		<u>18,418</u>
Financing	2		420		(13,126)
Increase in cash in the period			<u>£16,928</u>		<u>£5,292</u>
<hr/>					
Reconciliation of net cash flow to movement in net debt	3				
Increase in cash in the period		16,928		5,292	
Cash outflow from decrease in debt and lease financing		<u>5,809</u>		<u>5,808</u>	
Change in net debt resulting from cash flows			<u>22,737</u>		<u>11,100</u>
Movement in net debt in the period			<u>22,737</u>		<u>11,100</u>
Net debt at 1 January 1997			<u>(11,101)</u>		<u>(22,201)</u>
Net funds/(debt) at 31 December 1997			<u>£11,636</u>		<u>£(11,101)</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 1997

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

	1997 £	1996 £
Operating profit	32,053	15,900
Depreciation charges	5,114	6,541
(Increase)/Decrease in debtors	(215)	2,822
Increase/(Decrease) in creditors	574	(2,700)
	<u> </u>	<u> </u>
Net cash inflow from operating activities	<u>37,526</u>	<u>22,563</u>

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

	1997 £	1996 £
Returns on investments and servicing of finance		
Interest received	117	1
Interest paid	-	(428)
Interest element of hire purchase payments	(1,655)	(1,322)
	<u> </u>	<u> </u>
Net cash outflow for returns on investments and servicing of finance	<u>(1,538)</u>	<u>(1,749)</u>
Capital expenditure		
Purchase of tangible fixed assets	(1,757)	-
	<u> </u>	<u> </u>
Net cash outflow for capital expenditure	<u>(1,757)</u>	<u>-</u>
Financing		
Loan Repayments in Year	(5,809)	(5,809)
Amount Introduced by Directors	15,405	-
Amount Withdrawn by Directors	(9,176)	(7,317)
	<u> </u>	<u> </u>
Net cash inflow/(outflow) from financing	<u>420</u>	<u>(13,126)</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 1997

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.1.97 £	Cash flow £	At 31.12.97 £
Net cash:			
Cash at bank and in hand	2,938	16,928	19,866
	<u>2,938</u>	<u>16,928</u>	<u>19,866</u>
Debt:			
Hire purchase	(14,039)	5,809	(8,230)
	<u>(14,039)</u>	<u>5,809</u>	<u>(8,230)</u>
Total	<u>(11,101)</u>	<u>22,737</u>	<u>11,636</u>
Analysed in Balance Sheet			
Cash at bank and in hand	2,938		19,866
Hire purchase			
within one year	(5,809)		(5,809)
after one year	(8,230)		(2,421)
	<u>(11,101)</u>		<u>11,636</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 1997

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. **TURNOVER**

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

3. **STAFF COSTS**

	1997	1996
	£	£
Wages and salaries	55,534	68,867
Social security costs	5,204	5,418
	<hr/>	<hr/>
	60,738	74,285
	<hr/> <hr/>	<hr/> <hr/>

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

	1997	1996
Management and Administration	3	3
	<hr/>	<hr/>

FRASER-HANN FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997

4. OPERATING PROFIT

The operating profit is stated after charging:

	1997	1996
	£	£
Depreciation - owned assets	1,061	1,137
Depreciation - assets on hire purchase contracts	4,053	5,404
Auditors' remuneration	1,230	1,150
	<u> </u>	<u> </u>
Directors' emoluments	38,000	38,750
	<u> </u>	<u> </u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	1997	1996
	£	£
Deposit Account Interest	117	1
	<u> </u>	<u> </u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	1997	1996
	£	£
Bank Overdraft Interest	-	428
Hire Purchase Interest	1,277	1,278
Interest on Corporation Tax	378	44
	<u> </u>	<u> </u>
	1,655	1,750
	<u> </u>	<u> </u>

7. TAXATION

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

	1997	1996
	£	£
UK Corporation Tax	6,940	4,023
Under-provision in prior years	6	-
	<u> </u>	<u> </u>
	6,946	4,023
	<u> </u>	<u> </u>

UK Corporation Tax has been charged at 21.75% (1996 - 24.25%).

8. DIVIDENDS

	1997	1996
	£	£
Equity shares:		
Final - Ordinary Shares	10,000	-
	<u> </u>	<u> </u>

FRASER-HANN FINANCIAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997**

9. TANGIBLE FIXED ASSETS

	Fittings & Equipm- ent	Motor Vehicles	Totals
	£	£	£
COST:			
At 1 January 1997	15,710	25,306	41,016
Additions	1,757	-	1,757
At 31 December 1997	<u>17,467</u>	<u>25,306</u>	<u>42,773</u>
DEPRECIATION:			
At 1 January 1997	9,268	9,094	18,362
Charge for year	1,061	4,053	5,114
At 31 December 1997	<u>10,329</u>	<u>13,147</u>	<u>23,476</u>
NET BOOK VALUE:			
At 31 December 1997	<u>7,138</u>	<u>12,159</u>	<u>19,297</u>
At 31 December 1996	<u>6,442</u>	<u>16,212</u>	<u>22,654</u>

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

	Motor Vehicles
	£
COST:	
At 1 January 1997 and 31 December 1997	<u>25,306</u>
DEPRECIATION:	
At 1 January 1997	9,094
Charge for year	4,053
At 31 December 1997	<u>13,147</u>
NET BOOK VALUE:	
At 31 December 1997	<u>12,159</u>
At 31 December 1996	<u>16,212</u>

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

	1997 £	1996 £
Trade Debtors	8,314	7,275
Prepayments and Accrued Income	627	1,452
	<u>8,941</u>	<u>8,727</u>

FRASER-HANN FINANCIAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997**

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

	1997 £	1996 £
Hire purchase contracts (see note 13)	5,809	5,809
Directors Loan Accounts	7,357	1,129
Other Creditors	1,651	1,188
Social Security & Other Taxes	3,469	5,858
Advance Corporation Tax	2,500	-
Corporation Tax	4,440	5,217
Accruals and Deferred Income	2,450	2,450
	<u>27,676</u>	<u>21,651</u>

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

	1997 £	1996 £
Hire purchase contracts (see note 13)	<u>2,421</u>	<u>8,230</u>

13. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	1997 £	1996 £
Gross obligations repayable:		
Within one year	7,087	7,087
Between one and five years	2,953	10,040
	<u>10,040</u>	<u>17,127</u>
Finance charges repayable:		
Within one year	1,278	1,278
Between one and five years	532	1,810
	<u>1,810</u>	<u>3,088</u>
Net obligations repayable:		
Within one year	5,809	5,809
Between one and five years	2,421	8,230
	<u>8,230</u>	<u>14,039</u>

14. CALLED UP SHARE CAPITAL

Number:	Class:	Nominal value:	1997 £	1996 £
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 1997

15. **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	1997	1996
	£	£
Profit for the financial year	23,569	10,128
Dividends	(10,000)	-
NET ADDITION TO SHAREHOLDERS' FUNDS	13,569	10,128
Opening shareholders' funds	4,438	(5,690)
CLOSING SHAREHOLDERS' FUNDS	18,007	4,438
Equity interests	18,007	4,438