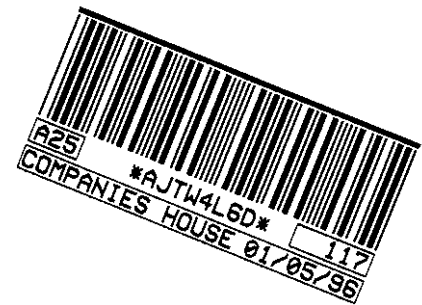


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**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1995
FOR
ABACUS FINANCIAL MANAGEMENT LIMITED**



INDEX TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 1995

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COMPANY INFORMATION
For The Year Ended 31 December 1995

DIRECTORS: A J L Richards
J A Mostyn
M E Nicholson

SECRETARY: M E Nicholson

REGISTERED OFFICE: Phoenix House
Bartholomew Street
Newbury
Berkshire

REGISTERED NUMBER: 2357612 (England and Wales)

AUDITORS: James & Cowper
Registered Auditor and
Chartered Accountants
Phoenix House
Bartholomew Street
Newbury
Berkshire

ABACUS FINANCIAL MANAGEMENT LIMITED

REPORT OF THE DIRECTORS For The Year Ended 31 December 1995

The directors present their report with the financial statements of the company for the year ended 31 December 1995.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of Financial Advisers to members of the Armed Forces.

REVIEW OF BUSINESS

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

DIVIDENDS AND TRANSFERS TO RESERVES

Interim dividends were paid as follows:

5p Ordinary "A"	5p per share -
5p Ordinary "B"	5p per share -

The directors recommend that no final dividends be paid.

The total distribution of dividends for the year ended 31 December 1995 will be £57,925 and the retained profit transferred to reserves will be £45,897.

DIRECTORS

The directors during the year under review were:

A J L Richards
J A Mostyn
M E Nicholson

The beneficial interests of the directors holding office on 31 December 1995 in the issued share capital of the company were as follows:

	31.12.95	1.1.95
Ordinary "A" 5p shares		
A J L Richards	375,000	333,000
J A Mostyn	375,000	333,000
M E Nicholson	375,000	333,000
Ordinary "B" 5p shares		
A J L Richards	-	-
J A Mostyn	-	-
M E Nicholson	-	-

PURCHASE OF OWN SHARES

During the year the company purchased 3,500 of its ordinary "B" shares of 5p each for a total consideration of £73, which represents 0.175% of the called up share capital of the company. Under the share purchase scheme the company has the option to buy its own shares from departing associates.

REPORT OF THE DIRECTORS
For The Year Ended 31 December 1995

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

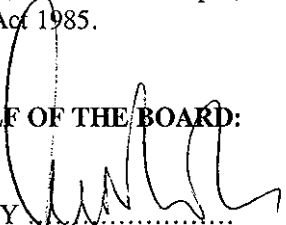
The auditors, James & Cowper, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:

SECRETARY

M E Nicholson

Dated:


26 April 1996

ABACUS FINANCIAL MANAGEMENT LIMITED

**REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF
ABACUS FINANCIAL MANAGEMENT LIMITED**

We have audited the financial statements on pages five to sixteen 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 three 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

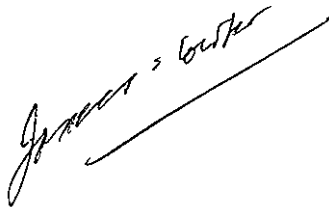
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

James & Cowper
Registered Auditor and
Chartered Accountants
Phoenix House
Bartholomew Street
Newbury
Berkshire



Dated: 26 TH APRIL 1996

PROFIT AND LOSS ACCOUNT
For The Year Ended 31 December 1995

		1995		1994	
	Notes	£	£	£	£
TURNOVER	2		2,193,444		1,907,856
Cost of sales			1,521,190		1,331,086
GROSS PROFIT			672,254		576,770
Administrative expenses			597,537		529,389
OPERATING PROFIT	4		74,717		47,381
Income from investments	5	2,022		1,097	
Interest receivable and similar income	6	63,746		29,009	
			65,768		30,106
			140,485		77,487
Interest payable and similar charges	7		503		302
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			139,982		77,185
Tax on profit on ordinary activities	8		36,160		20,718
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION			103,822		56,467
Dividends	9		57,925		51,615
			45,897		4,852
Retained profit brought forward			31,572		26,732
			77,469		31,584
Bonus share issue			(5,425)		-
Transfer to reserves			(73)		(12)
RETAINED PROFIT CARRIED FORWARD			£71,971		£31,572

CONTINUING OPERATIONS

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

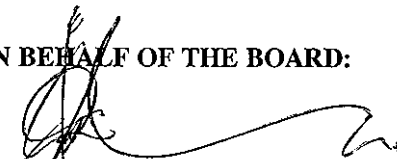
TOTAL RECOGNISED GAINS AND LOSSES

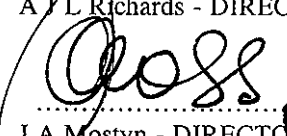
The company has no recognised gains or losses other than the profits for the current and previous years.

BALANCE SHEET
31 December 1995

		1995		1994	
	Notes	£	£	£	£
FIXED ASSETS:					
Intangible assets	10		10,500		11,250
Tangible assets	11		50,465		45,390
			<u>60,965</u>		<u>56,640</u>
CURRENT ASSETS:					
Debtors	12	586,807		588,396	
Investments	13	30,313		46,813	
Cash at bank and in hand		1,109,179		679,238	
		<u>1,726,299</u>		<u>1,314,447</u>	
CREDITORS: Amounts falling due within one year	14	1,087,791		857,837	
		<u>1,087,791</u>		<u>857,837</u>	
NET CURRENT ASSETS:			638,508		456,610
TOTAL ASSETS LESS CURRENT LIABILITIES:			<u>699,473</u>		<u>513,250</u>
PROVISIONS FOR LIABILITIES AND CHARGES:	16		563,277		423,628
			<u>£136,196</u>		<u>£89,622</u>
CAPITAL AND RESERVES:					
Called up share capital	17		64,225		57,350
Capital redemption reserve	18		-		700
Profit & loss account			71,971		31,572
Shareholders' funds	19		<u>£136,196</u>		<u>£89,622</u>

ON BEHALF OF THE BOARD:


A J L Richards - DIRECTOR


J A Mostyn - DIRECTOR

Approved by the Board on 26th April 1996

CASH FLOW STATEMENT
For The Year Ended 31 December 1995

	1995		1994	
	£	£	£	£
Net cash inflow from operating activities		407,275		137,114
Returns on investments and servicing of finance				
Interest received	63,746		29,009	
Interest paid	(503)		(302)	
Dividends received	2,022		1,097	
Dividends paid	(57,925)		(51,615)	
Net cash inflow/(outflow) from returns on investments and servicing of finance		7,340		(21,811)
Taxation				
Corporation Tax paid	(20,720)		15,425	
Tax (paid)/received		(20,720)		15,425
Investing activities				
Purchase of tangible fixed assets	(34,904)		(51,882)	
Sale of tangible fixed assets	7,713		26,227	
Net cash outflow from investing activities		(27,191)		(25,655)
Net cash inflow before financing		366,704		105,073
Financing				
Issue of shares	750		1,275	
Share repurchase	(73)		(12)	
Net cash inflow from financing		677		1,263
Increase in cash and cash equivalents		<u>£367,381</u>		<u>£106,336</u>

The notes form part of these financial statements

NOTES TO THE CASH FLOW STATEMENT
For The Year Ended 31 December 1995

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

	1995 £	1994 £
Operating profit	74,717	47,381
Depreciation charges	25,891	28,088
Loss on sale of fixed assets	1,688	1,598
Profit on sale of fixed assets	(4,713)	(17,338)
Decrease in debtors	2,174	39,810
Increase in creditors	307,518	37,575
	<hr/>	<hr/>
Net cash inflow from operating activities	407,275	137,114
	<hr/>	<hr/>

2. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

Year ended 31 December 1995

	£
Balance at 1 January 1995	621,060
Net cash inflow	367,381
	<hr/>
Balance at 31 December 1995	988,441
	<hr/>

Year ended 31 December 1994

	£
Balance at 1 January 1994	514,724
Net cash inflow	106,336
	<hr/>
Balance at 31 December 1994	621,060
	<hr/>

3. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

Year ended 31 December 1995

	31.12.95 £	1.1.95 £	Change in year £
Cash at bank and in hand	1,109,179	679,238	429,941
Short-term investments	30,313	46,813	(16,500)
Bank overdrafts	(151,051)	(104,991)	(46,060)
	<hr/>	<hr/>	<hr/>
	988,441	621,060	367,381
	<hr/>	<hr/>	<hr/>

NOTES TO THE CASH FLOW STATEMENT
For The Year Ended 31 December 1995

Year ended 31 December 1994

	31.12.94	1.1.94	Change in year
	£	£	£
Cash at bank and in hand	679,238	611,616	67,622
Short-term investments	46,813	-	46,813
Bank overdrafts	(104,991)	(96,892)	(8,099)
	<u>621,060</u>	<u>514,724</u>	<u>106,336</u>

4. **ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR**

Year ended 31 December 1995

	Share Capital £
Issue of shares	750
Share repurchase	(73)
	<u>677</u>
Balance at 31 December 1995	<u>677</u>

Year ended 31 December 1994

	Share Capital £
Issue of shares	1,275
Share repurchase	(12)
	<u>1,263</u>
Balance at 31 December 1994	<u>1,263</u>

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 1995

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

Turnover

Turnover represents commission and brokerage earned on insurance contracts. Income from indemnity commission is recognised in the financial statements on an accruals basis after provision has been set up for commission which is likely to lapse or be clawed back within the initial commission earnings period. Non indemnity commission is based on amounts received.

Goodwill

Goodwill, being the amount paid in connection with the acquisition of a business in 1990, is being written off evenly over its estimated useful life of twenty years.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Office furniture	- 20% straight line
Office equipment	- 25% straight line
Fixtures & fittings	- 20% straight line
Motor vehicles	- 25% straight line

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.

Pensions

The company operates a small self administered defined contribution pension scheme providing benefits to the directors. Contributions to this scheme are charged to the profit and loss account in the period in which they are incurred. The contributions are determined by a qualified actuary on the basis of triennial valuations. The latest valuation was at 1st March 1996.

2. TURNOVER

The turnover and profit before taxation are attributable to commissions received on the investment and insurance broking activities of the company.

3. STAFF COSTS

	1995	1994
	£	£
Wages and salaries	251,183	209,254
Social security costs	22,789	21,479
Other pension costs	41,474	81,796
	<u>315,446</u>	<u>312,529</u>

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 1995

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

	1995	1994
Administration	13	11
	<u> </u>	<u> </u>

4. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	1995	1994
	£	£
Depreciation - owned assets	25,140	27,338
Profit on disposal of fixed assets	(3,025)	(15,740)
Goodwill written off	750	750
Auditors' remuneration	5,750	5,250
	<u> </u>	<u> </u>
Directors' emoluments (see below)	186,886	203,612
	<u> </u>	<u> </u>

Details of individual emoluments, excluding pension contributions, were as follows:

	1995	1994
	£	£
Chairman	40,000	18,000
Highest paid director	53,300	52,857

These emoluments are included in the information which follows.

The directors' emoluments, excluding pension contributions, fell within the following ranges:

	1995	1994
£15,001 - £20,000	-	1
£35,001 - £40,000	1	-
£50,001 - £55,000	2	2

5. INCOME FROM INVESTMENTS

	1995	1994
	£	£
Dividend income	2,022	1,097
	<u> </u>	<u> </u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	1995	1994
	£	£
Deposit account interest	52,813	26,486
Other interest receivable	10,933	2,523
	<u> </u>	<u> </u>
	63,746	29,009
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 1995

7. INTEREST PAYABLE AND SIMILAR CHARGES

	1995 £	1994 £
Bank loans, overdrafts and other loans repayable within five years: otherwise than by instalments	<u>503</u>	<u>302</u>

8. TAXATION

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

	1995 £	1994 £
Based on the adjusted results of the year:		
UK Corporation Tax	35,794	20,499
Tax credit on FII	<u>366</u>	<u>219</u>
	<u>36,160</u>	<u>20,718</u>

UK Corporation Tax has been charged at 25% (1994 - 25%).

9. DIVIDENDS

	1995 £	1994 £
Equity shares:		
1,125,000 Ordinary "A" shares of 5p each		
Paid ordinary dividend	49,950	44,955
159,500 Ordinary "B" shares of 5p each		
Paid ordinary dividend	<u>7,975</u>	<u>6,660</u>
	<u>57,925</u>	<u>51,615</u>

10. INTANGIBLE FIXED ASSETS

	Goodwill £
COST:	
At 1 January 1995	
and 31 December 1995	<u>15,000</u>
AMORTISATION:	
At 1 January 1995	3,750
Charge for year	<u>750</u>
At 31 December 1995	<u>4,500</u>
NET BOOK VALUE:	
At 31 December 1995	<u>10,500</u>
At 31 December 1994	<u>11,250</u>

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 1995

11. TANGIBLE FIXED ASSETS

	Office furniture	Office equipment	Fixtures & fittin- gs	Motor vehicles	Totals
	£	£	£	£	£
COST:					
At 1 January 1995	11,329	58,059	4,897	50,248	124,533
Additions	-	8,987	3,177	22,740	34,904
Disposals	-	(9,630)	-	(17,659)	(27,289)
At 31 December 1995	11,329	57,416	8,074	55,329	132,148
DEPRECIATION:					
At 1 January 1995	9,994	43,606	4,149	21,395	79,144
Charge for year	861	9,339	1,104	13,836	25,140
Eliminated on disposals	-	(9,357)	-	(13,244)	(22,601)
At 31 December 1995	10,855	43,588	5,253	21,987	81,683
NET BOOK VALUE:					
At 31 December 1995	474	13,828	2,821	33,342	50,465
At 31 December 1994	1,335	14,454	748	28,853	45,390

12. DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR

	1995 £	1994 £
Trade debtors	479,382	407,277
Other debtors	89,092	169,470
Prepayments & accrued income	17,748	11,649
Tax recoverable	585	-
	586,807	588,396

13. CURRENT ASSET INVESTMENTS

	1995 £	1994 £
Listed investments	30,313	46,813

Market value of listed investments at 31 December 1995 - £27,131 (1994 - £41,755).

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 1995

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1995 £	1994 £
Bank loans and overdrafts (see note 15)	151,051	104,991
Trade creditors	302,648	295,432
Associates and other creditors	577,801	423,033
Social security & other taxes	6,999	7,814
Taxation	36,159	20,134
Accruals and deferred income	13,133	6,433
	<u>1,087,791</u>	<u>857,837</u>

15. LOANS AND OVERDRAFTS

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

	1995 £	1994 £
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>151,051</u>	<u>104,991</u>

16. PROVISIONS FOR LIABILITIES AND CHARGES

	1995 £	1994 £
Indemnity commission clawbacks (see note 20)	<u>563,277</u>	<u>423,628</u>
	<u>563,277</u>	<u>423,628</u>

	Indemnity Commission- Clawbacks £
Balance at 1 January 1995	423,628
Movement in the year	<u>139,649</u>
Balance at 31 December 1995	<u>563,277</u>

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 1995

17. CALLED UP SHARE CAPITAL

Authorised:			1995	1994
Number:	Class:	Nominal value:	£	£
1,500,000	Ordinary "A"	5p	75,000	75,000
500,000	Ordinary "B"	5p	25,000	25,000
			<u>100,000</u>	<u>100,000</u>

Allotted, issued and fully paid:			1995	1994
Number:	Class:	Nominal value:	£	£
1,125,000	Ordinary "A"	5p	56,250	49,950
159,500	Ordinary "B"	5p	7,975	7,400
			<u>64,225</u>	<u>57,350</u>

The following shares were allotted and fully paid for cash at par during the year:

15,000 Ordinary "B" shares of 5p each

The following shares were allotted as fully paid as a bonus issue out of reserves during the year:

126,000 Ordinary "A" shares of 5p each

The issue was made under the company's share purchase scheme.

18. CAPITAL REDEMPTION RESERVE

	1995	1994
	£	£
Brought forward	700	650
Bonus share issue	(875)	-
Purchase of own shares	175	50
	<u>-</u>	<u>700</u>

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 1995

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1995	1994
	£	£
Profit for the financial year	103,822	56,467
Dividends	(57,925)	(51,615)
	<hr/>	<hr/>
New share capital subscribed	45,897	4,852
Transfer to reserves	7,050	1,275
Bonus share issue	(73)	(12)
	(6,300)	-
	<hr/>	<hr/>
NET ADDITION TO SHAREHOLDERS' FUNDS	46,574	6,115
Opening shareholders' funds	89,622	83,507
	<hr/>	<hr/>
CLOSING SHAREHOLDERS' FUNDS	136,196	89,622
	<hr/>	<hr/>
Equity interests	136,196	89,622
	<hr/>	<hr/>

20. INDEMNITY COMMISSION CLAWBACK PROVISION

The provision of £563,277 shown in note 16 is the company's share of the estimated liability, excluding amounts repaid in January and February 1996 which are shown under trade creditors, for the repayment/clawback of initial commission as a result of the lapse or surrender of insurance and investment policies during the initial commission earnings period. The company also holds bank deposits on trust for current and past representatives which will enable their share of any clawback to be paid. As at 31 December 1995 these totalled £838,703 (1994 £800,528).