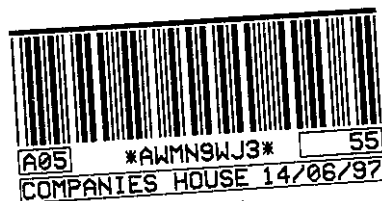


**REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1996  
FOR  
ABACUS FINANCIAL MANAGEMENT LIMITED**

2357612.



**INDEX TO THE FINANCIAL STATEMENTS  
For The Year Ended 31 December 1996**

	<b>Page</b>
<b>Company Information</b>	<b>1</b>
<b>Report of the Directors</b>	<b>2</b>
<b>Report of the Auditors</b>	<b>4</b>
<b>Profit and Loss Account</b>	<b>5</b>
<b>Balance Sheet</b>	<b>6</b>
<b>Cash Flow Statement</b>	<b>7</b>
<b>Notes to the Cash Flow Statement</b>	<b>8</b>
<b>Notes to the Financial Statements</b>	<b>10</b>
<b>Trading and Profit and Loss Account</b>	<b>17</b>

**ABACUS FINANCIAL MANAGEMENT LIMITED**

**COMPANY INFORMATION**  
**For The Year Ended 31 December 1996**

**DIRECTORS:**

A J L Richards  
J A Mostyn  
M E Nicholson

**SECRETARY:**

M E Nicholson

**REGISTERED OFFICE:**

Queen Isabelle House  
Kingsclere Park  
Kingsclere  
Berkshire  
RG20 4SW

**REGISTERED NUMBER:**

2357612 (England and Wales)

**AUDITORS:**

James & Cowper  
Registered Auditor and  
Chartered Accountants  
Phoenix House  
Bartholomew Street  
Newbury  
Berkshire RG14 5QA

# ABACUS FINANCIAL MANAGEMENT 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 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

Interim dividends per share were paid as follows:

Ordinary "A" 5p shares	21.5p	-
Ordinary "B" 5p shares	21.5p	-

The directors recommend that no final dividends be paid.

The total distribution of dividends for the year ended 31 December 1996 will be £279,193.

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

	31.12.96	1.1.96
<b>Ordinary "A" 5p shares</b>		
A J L Richards	375,000	375,000
J A Mostyn	375,000	375,000
M E Nicholson	375,000	375,000

### Ordinary "B" 5p shares

A J L Richards	-	-
J A Mostyn	-	-
M E Nicholson	-	-

### PURCHASE OF OWN SHARES

During the year the company purchased 8,000 of its ordinary "B" shares of 5p each for a total consideration of £265, which represents 0.61% 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.

**ABACUS FINANCIAL MANAGEMENT LIMITED**

**REPORT OF THE DIRECTORS**  
**For The Year Ended 31 December 1996**

**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:**



M E Nicholson - SECRETARY

Dated: 29 April 1997

**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**

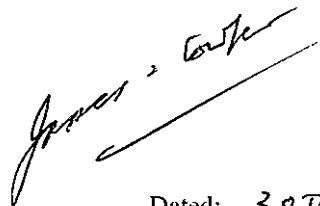
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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 1996 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 RG14 5QA



Dated: 30th APRIL 1997

**ABACUS FINANCIAL MANAGEMENT LIMITED**

**PROFIT AND LOSS ACCOUNT**  
**For The Year Ended 31 December 1996**

	Notes	1996		1995	
		£	£	£	£
<b>TURNOVER</b>	2		2,049,969		1,757,066
Cost of sales			1,133,416		1,084,812
<b>GROSS PROFIT</b>			916,553		672,254
Administrative expenses			688,644		597,537
<b>OPERATING PROFIT</b>	4		227,909		74,717
Income from investments	5	2,031		2,022	
Interest receivable and similar income	6	67,385		63,746	
			69,416		65,768
			297,325		140,485
Interest payable and similar charges	7		1,738		503
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			295,587		139,982
Tax on profit on ordinary activities	8		70,965		36,160
<b>PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION</b>			224,622		103,822
Dividends	9		279,193		57,925
			(54,571)		45,897
Retained profit brought forward			71,971		31,572
			17,400		77,469
Bonus share issue			-		(5,425)
Transfer to reserves			(264)		(73)
<b>RETAINED PROFIT CARRIED FORWARD</b>			£17,136		£71,971

**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.

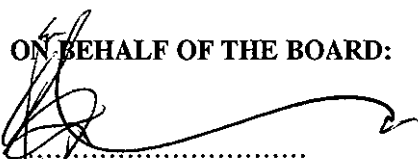
The notes form part of these financial statements

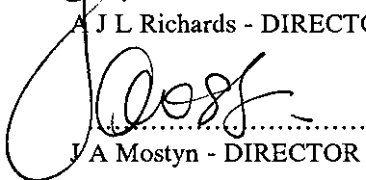
ABACUS FINANCIAL MANAGEMENT LIMITED

BALANCE SHEET  
31 December 1996

		1996		1995	
	Notes	£	£	£	£
<b>FIXED ASSETS:</b>					
Intangible assets	10		9,750		10,500
Tangible assets	11		38,206		50,465
			<u>47,956</u>		<u>60,965</u>
<b>CURRENT ASSETS:</b>					
Debtors	13	539,151		586,807	
Investments	14	30,313		30,313	
Cash at bank and in hand		968,708		1,109,179	
		<u>1,538,172</u>		<u>1,726,299</u>	
<b>CREDITORS:</b> Amounts falling due within one year	15	<u>1,036,578</u>		<u>1,087,791</u>	
<b>NET CURRENT ASSETS:</b>			<u>501,594</u>		<u>638,508</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES:</b>			549,550		699,473
<b>PROVISIONS FOR LIABILITIES AND CHARGES:</b>	18		466,939		563,277
			<u>£82,611</u>		<u>£136,196</u>
<b>CAPITAL AND RESERVES:</b>					
Called up share capital	19		65,075		64,225
Capital redemption reserve	20		400		-
Profit and loss account			17,136		71,971
Shareholders' funds	22		<u>£82,611</u>		<u>£136,196</u>

ON BEHALF OF THE BOARD:

  
A J L Richards - DIRECTOR

  
J A Mostyn - DIRECTOR

Approved by the Board on 29 April 1997

The notes form part of these financial statements



**ABACUS FINANCIAL MANAGEMENT LIMITED**

**CASH FLOW STATEMENT**  
**For The Year Ended 31 December 1996**

		1996		1995	
	Notes	£	£	£	£
<b>Net cash inflow from operating activities</b>	1		61,876		407,275
<b>Returns on investments and servicing of finance</b>	2		76,923		65,265
<b>Taxation</b>			(46,302)		(20,720)
<b>Capital expenditure and financial investment</b>	2		(12,589)		(10,691)
<b>Equity dividends paid</b>			(279,193)		(57,925)
			<u>(199,285)</u>		<u>383,204</u>
<b>Financing</b>	2		986		677
<b>(Decrease)/Increase in cash in the period</b>			<u>£(198,299)</u>		<u>£383,881</u>
<hr/>					
<b>Reconciliation of net cash flow to movement in net funds</b>	3				
<b>(Decrease)/Increase in cash in the period</b>			(198,299)		383,881
Cash inflow from decrease in liquid resources			-		(16,500)
			<u>-</u>		<u>(16,500)</u>
<b>Change in net funds resulting from cash flows</b>			(198,299)		367,381
<b>Movement in net funds in the period</b>			<u>(198,299)</u>		<u>367,381</u>
<b>Net funds at 1 January 1996</b>			988,441		621,060
<b>Net funds at 31 December 1996</b>			<u>£790,142</u>		<u>£988,441</u>

The notes form part of these financial statements

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	218,664	74,717
Depreciation charges	24,567	25,891
Loss on sale of fixed assets	1,031	1,688
Profit on sale of investment	-	(4,713)
Decrease in debtors	57,919	2,174
(Decrease)/Increase in creditors	(240,305)	307,518
<b>Net cash inflow from operating activities</b>	<b>61,876</b>	<b>407,275</b>

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

	1996 £	1995 £
<b>Returns on investments and servicing of finance</b>		
Interest received	67,385	63,746
Interest paid	(1,738)	(503)
Dividends received	11,276	2,022
<b>Net cash inflow for returns on investments and servicing of finance</b>	<b>76,923</b>	<b>65,265</b>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(12,609)	(34,904)
Sale of tangible fixed assets	20	3,000
Sale of investments	-	21,213
<b>Net cash outflow for capital expenditure</b>	<b>(12,589)</b>	<b>(10,691)</b>
<b>Financing</b>		
Issue of shares	1,250	750
Share repurchase	(264)	(73)
<b>Net cash inflow from financing</b>	<b>986</b>	<b>677</b>

**ABACUS FINANCIAL MANAGEMENT LIMITED**

**NOTES TO THE CASH FLOW STATEMENT  
For The Year Ended 31 December 1996**

**3. ANALYSIS OF CHANGES IN NET FUNDS**

	At 1.1.96 £	Cash flow £	At 31.12.96 £
Net cash:			
Cash at bank and in hand	1,109,179	(140,471)	968,708
Bank overdrafts	(151,051)	(57,828)	(208,879)
	<u>958,128</u>	<u>(198,299)</u>	<u>759,829</u>
Liquid resources:			
Current asset investments	30,313	-	30,313
	<u>30,313</u>	<u>-</u>	<u>30,313</u>
Total	<u>988,441</u>	<u>(198,299)</u>	<u>790,142</u>
<b>Analysed in Balance Sheet</b>			
Cash at bank and in hand	1,109,179		968,708
Current asset investments	30,313		30,313
Bank overdrafts	(151,051)		(208,879)
	<u>988,441</u>		<u>790,142</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
For The Year Ended 31 December 1996

**1. ACCOUNTING POLICIES**

**Accounting convention**

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

**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 and 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.

**Hire purchase and leasing commitments**

Rentals paid under operating leases are charged to the profit and loss account as incurred.

**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.

The 1995 comparatives for turnover and cost of sales incorrectly included commission income and outgo in the sum of £436,378. These figures had no effect on the profit or reserves for that year and the 1995 comparative figures have been adjusted accordingly.

**3. STAFF COSTS**

	1996	1995
	£	£
Wages and salaries	270,265	251,183
Social security costs	28,755	22,789
Other pension costs	55,781	41,474
	<u>354,801</u>	<u>315,446</u>

**ABACUS FINANCIAL MANAGEMENT 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
Administration	14	13
	<u>      </u>	<u>      </u>

**4. OPERATING PROFIT**

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

	1996	1995
	£	£
Depreciation - owned assets	23,817	25,140
Profit on disposal of fixed assets	(8,214)	(3,025)
Goodwill written off	750	750
Auditors' remuneration	8,000	5,750
	<u>          </u>	<u>          </u>
Directors' emoluments (see below)	206,922	186,886
	<u>          </u>	<u>          </u>

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

	1996	1995
	£	£
Chairman	39,000	40,000
Highest paid director	56,969	53,300

These emoluments are included in the information which follows.

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

	1996	1995
£35,001 - £40,000	1	1
£50,001 - £55,000	-	2
£55,001 - £60,000	2	-

**5. INCOME FROM INVESTMENTS**

	1996	1995
	£	£
Dividend income	2,031	2,022
	<u>      </u>	<u>      </u>

**6. INTEREST RECEIVABLE AND SIMILAR INCOME**

	1996	1995
	£	£
Deposit account interest	56,940	52,813
Other interest receivable	10,445	10,933
	<u>          </u>	<u>          </u>
	67,385	63,746
	<u>          </u>	<u>          </u>

**ABACUS FINANCIAL MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended 31 December 1996**

**7. INTEREST PAYABLE AND SIMILAR CHARGES**

	1996	1995
	£	£
Bank interest	<u>1,738</u>	<u>503</u>

**8. TAXATION**

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

	1996	1995
	£	£
UK Corporation Tax	71,467	35,794
Tax credit on FII	406	366
Overprovision in prior year	(908)	-
	<u>70,965</u>	<u>36,160</u>

UK Corporation Tax has been charged at 24% (1995 - 25%).

**9. DIVIDENDS**

	1996	1995
	£	£
Equity shares:		
1,125,000 Ordinary "A" shares of 5p each		
Paid ordinary dividend	241,875	49,950
176,500 Ordinary "B" shares of 5p each		
Paid ordinary dividend	<u>37,318</u>	<u>7,975</u>
	<u>279,193</u>	<u>57,925</u>

**10. INTANGIBLE FIXED ASSETS**

	Goodwill
	£
<b>COST:</b>	
At 1 January 1996	
and 31 December 1996	<u>15,000</u>
<b>AMORTISATION:</b>	
At 1 January 1996	4,500
Charge for year	<u>750</u>
At 31 December 1996	<u>5,250</u>
<b>NET BOOK VALUE:</b>	
At 31 December 1996	<u>9,750</u>
At 31 December 1995	<u>10,500</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended 31 December 1996**

**11. TANGIBLE FIXED ASSETS**

	Office furniture	Office equipment	Fixtures and fittings	Motor vehicles	Totals
	£	£	£	£	£
<b>COST:</b>					
At 1 January 1996	11,329	57,416	8,075	55,329	132,149
Additions	2,023	9,729	-	857	12,609
Disposals	-	(17,204)	-	-	(17,204)
At 31 December 1996	13,352	49,941	8,075	56,186	127,554
<b>DEPRECIATION:</b>					
At 1 January 1996	10,855	43,588	5,254	21,987	81,684
Charge for year	815	7,970	916	14,116	23,817
Eliminated on disposals	-	(16,153)	-	-	(16,153)
At 31 December 1996	11,670	35,405	6,170	36,103	89,348
<b>NET BOOK VALUE:</b>					
At 31 December 1996	1,682	14,536	1,905	20,083	38,206
At 31 December 1995	474	13,828	2,821	33,342	50,465

**12. FIXED ASSET INVESTMENTS**

The company's investments at the balance sheet date in the share capital of unlisted companies include the following:

**Richards, Mostyn & Nicholson Ltd**

Country of incorporation: Cyprus

Nature of business: Not trading

	% holding
Class of shares:	
Ordinary	100.00

	1996 £	1995 £
Aggregate capital and reserves	2,759	4,653
Loss for the year	(1,894)	(2,329)

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

	1996 £	1995 £
Trade debtors	437,568	479,382
Other debtors	77,268	89,092
Prepayments & accrued income	13,467	17,748
Tax recoverable	10,848	585
	<u>539,151</u>	<u>586,807</u>

**ABACUS FINANCIAL MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended 31 December 1996**

**14. CURRENT ASSET INVESTMENTS**

	1996	1995
	£	£
Listed investments	30,313	30,313

Market value of listed investments at 31 December 1996 - £30,705 (1995 - £27,131).

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

	1996	1995
	£	£
Bank loans and overdrafts (see note 16)	208,879	151,051
Trade creditors	174,905	185,642
Associates and other creditors	541,113	694,807
Social security & other taxes	11,213	6,999
Taxation	12,517	21,678
ACT payable	58,568	14,481
Accruals and deferred income	29,383	13,133
	<u>1,036,578</u>	<u>1,087,791</u>

**16. 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>208,879</u>	<u>151,051</u>

**17. OBLIGATIONS UNDER LEASING AGREEMENTS**

The following payments are committed to be paid within one year:

	1996	Land and buildings operating leases 1995
	£	£
Expiring:		
In more than five years	<u>30,000</u>	<u>-</u>



NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended 31 December 1996

18. PROVISIONS FOR LIABILITIES AND CHARGES

	1996 £	1995 £
Indemnity commission clawbacks (see note 23)	466,939	563,277
	<u>466,939</u>	<u>563,277</u>
		Indemnity- commission clawbacks £
Balance at 1 January 1996		563,277
Movement in the year		(96,338)
		<u>466,939</u>
Balance at 31 December 1996		<u>466,939</u>

19. CALLED UP SHARE CAPITAL

Authorised:			1996	1995
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:				
Number:	Class:	Nominal value:	1996 £	1995 £
1,125,000	Ordinary "A"	5p	56,250	56,250
176,500	Ordinary "B"	5p	8,825	7,975
			<u>65,075</u>	<u>64,225</u>

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

25,000 Ordinary "B" shares of 5p each

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

20. CAPITAL REDEMPTION RESERVE

	1996 £	1995 £
Brought forward	-	700
Bonus share issue	-	(875)
Purchase of own shares	400	175
	<u>400</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended 31 December 1996

21. RELATED PARTY TRANSACTIONS

Abacus Financial Management was originally established as a partnership in 1988 with the three directors, who control the majority of the issued share capital of the company, as partners. In order for the consultants and staff to benefit from an interest in the business as future shareholders the principle activities of the partnership were sold to Abacus Financial Management Limited. The partnership has remained in existence as insurance brokers and under the terms of the sale agreement can call upon the company to provide, at no cost, various administrative support services. During 1996 for banking and logistical reasons the company collected and settled premiums to insurance companies, consultants and sub-agents totalling approximately £2,335,519. As these sums were collected and settled on behalf of the partnership the amounts involved do not affect the results of the company for the year.

The partners purchased the offices occupied by the company with the aid of a business mortgage and receive a market rent of £30,000 annually.

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £	1995 £
Profit for the financial year	224,622	103,822
Dividends	(279,193)	(57,925)
	<hr/>	<hr/>
	(54,571)	45,897
New share capital subscribed	1,250	7,050
Transfer to reserves	(264)	(73)
Bonus share issue	-	(6,300)
	<hr/>	<hr/>
<b>NET (REDUCTION)/ADDITION TO SHAREHOLDERS' FUNDS</b>	<b>(53,585)</b>	<b>46,574</b>
Opening shareholders' funds	136,196	89,622
	<hr/>	<hr/>
<b>CLOSING SHAREHOLDERS' FUNDS</b>	<b>82,611</b>	<b>136,196</b>
	<hr/>	<hr/>
Equity interests	82,611	136,196
	<hr/>	<hr/>

23. INDEMNITY COMMISSION CLAWBACK PROVISION

The provision of £466,939 shown in note 18 is the company's share of the estimated liability, excluding amounts repaid in January and February 1997 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 1996 these totalled £927,131 (1995 £838,703).