

PARKDALE GROUP LIMITED

(formerly Parkdale House Financial Services Limited)

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1997

Registered Number: 2140344

Kidsons Impey
Chartered Accountants
Spectrum House
20-26 Cursitor Street
London EC4A 1HY



PARKDALE GROUP LIMITED
(formerly Parkdale House Financial Services Limited)

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 1997

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PARKDALE GROUP LIMITED
(formerly Parkdale House Financial Services Limited)

DIRECTORS' REPORT

31 December 1997

The directors present their report and the audited financial statements for the year ended 31 December 1997.

Principal activity, business review and future developments

The principal activities of the company are to act as independent financial advisors. The directors expect that the company will continue with these principal activities for the foreseeable future.

On 20 January 1997, a resolution was passed to change the name of the company from Parkdale House Financial Services Limited to Parkdale Group Limited.

The profit and loss account for the year is set out on page 6.

Results and dividends

The company made a profit for the year after taxation of £155,000 (1996: profit £70,000) which will be transferred to reserves.

The directors do not recommend the payment of a dividend (1996: £nil).

Directors and their interests

The directors of the company who held office during the year were:-

TM Jackson
E St Clair Kellaway
IGC White
EJH Scott-Hopkins
DEJ Hobbs
JM Phillips (resigned 24 April 1997)
DB Prince
C Darrington

No director of the company had any interest in the share capital of the company during the year ended 31 December 1996. Certain directors have interests in the share capital of the parent company, Parkdale House Limited:

	Number of shares at 31 December			
	£1 "A" ordinary shares		£1 "B" ordinary shares	
	1997	1996	1996	1997
DB Prince	14,142	14,737	-	-
EJH Scott-Hopkins	14,141	10,526	-	-
E St Clair Kellaway	1	1	14,140	14,736

Messrs Jackson, White and Hobbs are directors of the parent company and their interests in shares are disclosed in the accounts of that company.

PARKDALE GROUP LIMITED
(formerly Parkdale House Financial Services Limited)

DIRECTORS' REPORT

31 December 1997
(continued)

Auditors

A resolution to re-appoint Kidsons Impey as auditors will be proposed at the Annual General Meeting.

By order of the Board


T M Jackson

Secretary

Registered office:-

Buxton Court
3 West Way
Oxford
OX2 0SZ

20 May 1998

PARKDALE GROUP LIMITED
(formerly Parkdale House Financial Services Limited)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

We are required under company law 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.

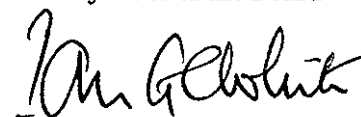
In preparing these financial statements, we are required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- state whether applicable accounting standards have been followed, and give details of any departures; and
- prepare the financial statements on a going concern basis unless in our view the company will be unable to continue in business.

We are also responsible for:

- keeping proper accounting records;
- safeguarding the company's assets; and
- taking reasonable steps for the prevention and detection of fraud.

By order of the Board



Director

20 May 1998

PARKDALE GROUP LIMITED
(formerly Parkdale House Financial Services Limited)

AUDITORS' REPORT

Auditors' report to the members of Parkdale Group Limited

We have audited the financial statements on pages 6 to 15 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 4 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.

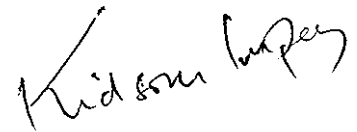
Basis of opinion

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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Kidsons Impey

Registered Auditors

Chartered Accountants

London

20 May 1998

PARKDALE GROUP LIMITED
(formerly Parkdale House Financial Services Limited)

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1997

	Note	1997 £'000	1996 £'000
Turnover	2	2,201	2,544
Cost of sales		<u>(320)</u>	<u>(385)</u>
Gross profit		1,881	2,159
Administrative expenses		(1,740)	(1,997)
Other operating income		<u>36</u>	<u>14</u>
Operating profit	3	177	176
Interest receivable	4	18	8
Interest payable	5	<u>(6)</u>	<u>(6)</u>
Profit on ordinary activities before taxation		189	178
Taxation	7	<u>(34)</u>	<u>(108)</u>
Retained profit for the year	15	<u>155</u>	<u>70</u>

The company's results for the year, as shown above, all arise from continuing operations.

The company has no recognised gains and losses other than those included in the profits above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the profit for the year stated above, and their historical cost equivalents.

The notes on pages 9 to 15 form part of these financial statements.


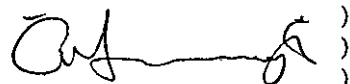
PARKDALE GROUP LIMITED
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BALANCE SHEET

at 31 December 1997

	Note	1997 £'000	1996 £'000
Fixed assets	8	59	115
Current assets			
Debtors	9	598	515
Cash at bank and in hand		<u>349</u>	<u>351</u>
		947	866
Creditors: amounts falling due within one year	10	<u>(589)</u>	<u>(723)</u>
Net current assets		<u>358</u>	<u>143</u>
Total assets less current liabilities		417	258
Creditors: amounts falling due after more than one year	11	(6)	(27)
Provisions for liabilities and charges	13	<u>(150)</u>	<u>(125)</u>
Total assets less liabilities		<u>261</u>	<u>106</u>
Share capital and reserves			
Called up share capital	14	52	52
Capital redemption reserve	17	753	753
Profit and loss account	15	<u>(544)</u>	<u>(699)</u>
Equity shareholders' funds		<u>261</u>	<u>106</u>

The financial statements on pages 6 to 15 were approved by the board of directors on 20 May 1998 and signed on their behalf by:



) Directors

The notes on pages 9 to 16 form part of these financial statements.

PARKDALE GROUP LIMITED
(formerly Parkdale House Financial Services Limited)

CASH FLOW STATEMENT

for the year ended 31 December 1997

	Note	1997 £'000	1996 £'000
Net cash inflow from operating activities	(a)	63	4,210
Returns on investment and servicing of finance	(b)	12	2
Taxation		(90)	-
Capital expenditure	(b)	31	(90)
Financing	(b)	<u>(18)</u>	<u>(3,760)</u>
(Decrease)/increase in cash		<u>(2)</u>	<u>362</u>
Reconciliation of net cash flow to movement in net funds/(debt)			
(Decrease)/increase in cash in the period		(2)	362
Opening net funds/(debt)		<u>351</u>	<u>(9)</u>
Closing net funds		<u>349</u>	<u>351</u>

Notes:-

(a) Reconciliation of operating profit to net cash inflow from operating activities

Operating profit	177	176
Depreciation	38	33
Profit on sale of fixed assets	(13)	-
Amortisation of renewal income stream	-	43
(Increase)/decrease in debtors	(83)	3,411
(Decrease)/increase in creditors	<u>(56)</u>	<u>547</u>
Net cash inflow from operating activities	<u>63</u>	<u>4,210</u>

(b) Gross cash flows

Returns on investment and servicing of finance

Interest received	18	8
Interest paid	<u>(6)</u>	<u>(6)</u>
	<u>12</u>	<u>2</u>

Capital expenditure

Purchase of tangible fixed assets	(25)	(90)
Proceeds from sale of tangible fixed assets	<u>56</u>	<u>-</u>
	<u>31</u>	<u>(90)</u>

Financing

Purchase of own shares	-	(3,747)
Capital element of finance lease rentals	<u>(18)</u>	<u>(13)</u>
	<u>(18)</u>	<u>(3,760)</u>

PARKDALE GROUP LIMITED
(formerly Parkdale House Financial Services Limited)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1997

1 Principal accounting policies

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

(a) Turnover

Turnover comprises commissions earned from the sale of life and pension policies and other financial planning products and services. Commission on life and pension policies is recognised when the business is written, net of provisions made for cancellations and clawbacks. Renewal income is recognised when cash is received.

(b) Depreciation

Depreciation of fixed assets is charged by equal annual instalments commencing with the year of acquisition at rates estimated to write off their cost less any residual value over the expected useful life of the assets which are as follows:

Leasehold improvements	over period of lease (5 years)
Office equipment	10 years
Computers and telephones	3 - 4 years

(c) Leasing transactions

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of the inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

Operating lease costs are charged to the profit and loss account on a straight line basis over the lease term.

(d) Deferred taxation

Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Provision is made at the rate which is expected to be applied when the liability or asset is expected to crystallise. Where this is not known the latest estimate of the long term tax rate applicable has been adopted. The amount of unprovided deferred tax is calculated at the best estimate of corporation tax rates in the longer term and is analysed into its major components.

(e) Pension costs

The company operates a defined contribution scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

2 Turnover

Turnover arose from the company's principal activities which are to act as independent financial advisors. All of the turnover arose in the United Kingdom.

PARKDALE GROUP LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1997
(continued)

3 Operating profit	1997 £'000	1996 £'000
Operating profit is stated after charging/(crediting):		
Auditor's remuneration	8	8
Depreciation of tangible fixed assets		
- Owned assets	19	14
- Assets held under finance leases	19	19
Profit on sale of fixed assets	(13)	-
Irrecoverable VAT	57	87
Operating leases		
- Plant and machinery	67	52
- Other	<u>59</u>	<u>91</u>
The total amount charged against profits in respect of finance leases and hire purchase contracts is (of which part is shown as depreciation and the balance is shown as interest payable):	<u>25</u>	<u>25</u>
Included in administration expenses are exceptional costs £126,000 (1996: £Nil) which relate to staff redundancies and other costs associated with the relocation of the company's offices from London to Reading.		
4 Interest receivable	1997 £'000	1996 £'000
Bank interest receivable	<u>18</u>	<u>8</u>
5 Interest payable		
Finance leases	<u>6</u>	<u>6</u>
6 Directors and employees		
Staff costs including directors' emoluments		
Wages and salaries	1,046	1,081
Social security costs	86	90
Other pension costs	<u>77</u>	<u>64</u>
	<u>1,209</u>	<u>1,235</u>

PARKDALE GROUP LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1997
(continued)

6 Directors and employees (continued)	1997 Number	1996 Number
Average number employed, including executive directors:		
Sales consultants	12	15
Administration	<u>16</u>	<u>18</u>
	<u>28</u>	<u>33</u>
	1997 £'000	1996 £'000
Directors		
Emoluments for management (including pension contributions)	732	600
Compensation on loss of office	<u>25</u>	<u>-</u>
	<u>757</u>	<u>600</u>
Emoluments excluding pension contributions:-		
Highest paid director	<u>123</u>	<u>114</u>
	Number	Number
Number of directors qualifying for benefits under defined contribution pension schemes	<u>8</u>	<u>8</u>
	£'000	£'000
Pension contributions paid in respect of these directors	<u>59</u>	<u>37</u>
Including, amount paid in respect of highest paid director	<u>5</u>	<u>4</u>
Pension costs		

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

7 Tax on profit on ordinary activities	1997 £'000	1996 £'000
Corporation tax on profits for the year	52	108
(Over) provision in respect of earlier years	<u>(18)</u>	<u>-</u>
Corporation tax on profits for the year	<u>34</u>	<u>108</u>

The corporation tax charge for the previous year was high due to timing differences which arose in the accounting and taxation treatment of certain transactions occurring during that year. No provision was made in the accounts for the deferred tax asset which existed as a result of those timing differences.

PARKDALE GROUP LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1997
(continued)

8 Fixed assets

	Leasehold improvements £'000	Office equipment £'000	Computers and telephones £'000	Total £'000
Cost				
At 31 December 1996	39	24	85	148
Additions in the year	10	-	15	25
Disposals	<u>(39)</u>	<u>(3)</u>	<u>(10)</u>	<u>(52)</u>
Cost at 31 December 1997	<u>10</u>	<u>21</u>	<u>90</u>	<u>121</u>
Depreciation				
At 31 December 1996	5	2	26	33
Charge for the year	6	2	30	38
Disposals	<u>(9)</u>	<u>-</u>	<u>-</u>	<u>(9)</u>
Depreciation at 31 December 1997	<u>2</u>	<u>4</u>	<u>56</u>	<u>62</u>
Net book amount				
31 December 1997	<u>8</u>	<u>17</u>	<u>34</u>	<u>59</u>

The net book amount of computers and telephones includes £17,334 in respect of assets held under finance leases, the depreciation of which is shown in note 3.

9 Debtors

	1997 £'000	1996 £'000
Amounts falling due within one year:		
Trade debtors	56	122
Amount owed by former fellow subsidiary undertaking	-	-
Other debtors	69	55
Prepayments and accrued income	<u>38</u>	<u>77</u>
	<u>163</u>	<u>254</u>
Amounts falling due after one year:-		
Amounts owed by parent undertaking	367	103
Other debtors	<u>68</u>	<u>158</u>
	<u>435</u>	<u>261</u>
	<u>598</u>	<u>515</u>

Included in other debtors, due within one year, are season ticket loans to directors, offered on the same terms as to staff.

	31 December 1997 £	Maximum outstanding during the year £	31 December 1996 £
I G C White	297	1,723	712
C Darrington	848	3,108	286
E St. Clair Kellaway	550	660	843
D B Prince	-	540	540
T M Jackson	-	1,300	1,300

PARKDALE GROUP LIMITED
(formerly Parkdale House Financial Services Limited)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1997
(continued)

10 Creditors: amounts falling due within one year	1997	1996
	£'000	£'000
Trade creditors	15	123
Corporation tax	52	108
Other taxation and social security	32	42
Finance leases	21	18
Other creditors	2	7
Accruals and deferred income	<u>467</u>	<u>425</u>
	<u>589</u>	<u>723</u>
11 Creditors: amounts falling due after more than one year		
Finance leases	<u>6</u>	<u>27</u>
12 Finance leases		
Obligations under finance leases are repayable by monthly instalments as follows:		
Within one year	24	24
Between two to five years	<u>6</u>	<u>30</u>
	30	54
Less: finance charges allocated to future periods	<u>(3)</u>	<u>(9)</u>
	<u>27</u>	<u>45</u>
13 Provisions for liabilities and charges		
General provision	25	25
Provision against clawback of indemnity commission	50	50
Provision in relation to pension advice	<u>75</u>	<u>50</u>
	<u>150</u>	<u>125</u>
14 Share capital	1997	1996
	£'000	£'000
Authorised		
Ordinary shares of £1 each	<u>4,552</u>	<u>4,552</u>
Allotted, called up and fully paid		
Ordinary shares of £1 each	<u>52</u>	<u>52</u>

PARKDALE GROUP LIMITED
(formerly Parkdale House Financial Services Limited)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1997
(continued)

15 Profit and loss account	1997	1996
	£'000	£'000
At 1 January	(699)	(769)
Retained profit for the year	<u>155</u>	<u>70</u>
At 31 December	<u>(544)</u>	<u>(699)</u>
16 Reconciliation of movements in equity shareholders' funds		
Profit for the financial year	155	70
Own shares purchased	<u>-</u>	<u>(3,747)</u>
	155	(3,677)
Opening shareholders' funds	<u>106</u>	<u>3,783</u>
Closing shareholders' funds	<u>261</u>	<u>106</u>
17 Capital redemption reserve		£'000
Balance at 31 December 1997 and 1996		<u>753</u>

18 Operating lease commitments

The company has annual commitments under non-cancellable operating leases as follows:

	Land and buildings 1997 £'000	Other 1997 £'000	Land and buildings 1996 £'000	Other 1996 £'000
Within 1 year	-	34	-	-
Expiring between one and five years inclusive	-	9	73	85
Expiring in more than 5 years	<u>15</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>15</u>	<u>43</u>	<u>73</u>	<u>85</u>

19 Commitments and guarantees

There were no contracted capital commitments at 31 December 1997 (1996: £Nil).

The company has guaranteed the amounts owed by its parent company, Parkdale House Limited, to its former parent company, Johnson Fry Holdings PLC. At the balance sheet date the amount owed by Parkdale House Limited in this respect was £789,424.

PARKDALE GROUP LIMITED
(formerly Parkdale House Financial Services Limited)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1997
(continued)

20 Ultimate parent undertaking

The company's immediate and ultimate parent undertaking is Parkdale House Limited, a company incorporated in Great Britain and registered in England. Parkdale House Limited has taken advantage of the exemption from preparing consolidated accounts as it is a small company.

21 Related party transactions

a *Parkdale House Limited*

Parkdale House Limited is the parent undertaking of the company. Consolidated accounts have not been prepared. During the year, Parkdale Group Limited paid obligations on behalf of Parkdale House Limited amounting to £263,208 in respect of loan repayments.

b *Transactions with directors*

The following transactions were undertaken during the year:

D E Hobbs, a director of the company, received rental income in the year from Parkdale Group Limited of £12,000 relating to the company's former Worcester premises. No amounts were outstanding at the year end.

In addition certain directors received interest free season ticket loans from the company, details are given in note 9. A balance of £384 was written off the amount due by JM Phillips in relation to his season ticket on his resignation as a director.