

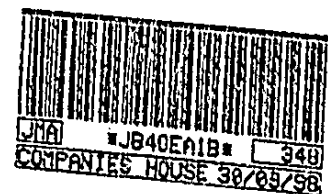
Company Number: 2246025

Financial Options Group Limited

Financial Statements

for the year ended 31 December 1997

**LATHAM CROSSLEY & DAVIS
CHARTERED ACCOUNTANTS
CHORLEY**



Financial Options Group Limited

Company Information

Company No:2246025

Chairman M S Blake

Directors M S Blake
M D Blake
R R Leith
K J Budge

Secretary D E Bolton

Auditors Latham Crossley & Davis
Sumner House
St Thomas's Road
Chorley
PR7 1HP

Financial Options Group Limited

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Financial Options Group Limited**Directors' Report****for the year ended 31 December 1997**

The directors submit their report together with the audited financial statements for the year ended 31 December 1997.

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 the group and of the profit or loss of the group 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;

State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

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 group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and Dividends

The profit on the ordinary activities of the group before taxation amounted to £501,160. After deducting tax the profit of £343,688 has been transferred to reserves.

The directors do not recommend a dividend.

Principal Activity and Business Review

The principal activities of the group are the provision of an administration and compliance service to a network of independent financial advisors.

The principal activity of the company has been of a holding company providing support services to the group.

The directors plan to continue with the management policies which have led to the satisfactory result achieved in the year.

Financial Options Group Limited

Directors' Report

for the year ended 31 December 1997

Fixed Assets

The group's investment properties are stated at market value of £702,801. The directors recognise that there is inevitable uncertainty surrounding the recovery in the value of the property as it involves a prediction of future events and trends over a prolonged period.

Directors and their Interests

The directors who served during the year and their interests in the share capital of the company were as follows:

	Number held at	
	31 December 1997	1 January 1997
Ordinary shares of £1 each		
M S Blake	2,250	2,250
M D Blake	2,250	2,250
R R Leith	3,000	3,000
K J Budge	242	180

Redeemable preference shares of £1 each


R R Leith	51,170	51,170
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K J Budge exercised an option to purchase 1/2% of the current issued ordinary share capital at par on 27 February 1997.

Auditors

The Auditors, Latham Crossley & Davis, Chartered Accountants have indicated that they are willing to be re-appointed at the forthcoming Annual General Meeting.

By Order of the Board:



D E Bolton, Secretary

Date: 14th May 1998

Financial Options Group Limited

Auditors' Report to the Shareholders

on the Financial Statements for the year ended 31 December 1997

We have audited the financial statements on pages 4 to 24 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 8 and 9.

Respective Responsibilities of Directors and Auditors

As described on page 1 the company's directors are responsible for the preparation of the 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 circumstances of the group and the company, 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 affairs of the company and the group as at 31 December 1997 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Latham Crossley & Davis

Latham Crossley & Davis
Registered Auditors and
Chartered Accountants

Sumner House
St. Thomas's Road
Chorley
PR7 1HP

Date: 14th May 1998

Financial Options Group Limited
Consolidated Profit and Loss Account
for the year ended 31 December 1997

	Notes	1997 £	1996 £
Turnover	2	26,415,535	19,683,305
Cost of sales		(21,688,856)	(15,956,017)
Gross profit		4,726,679	3,727,288
Administrative expenses - normal		(3,617,896)	(2,924,201)
Administrative expenses - exceptional	3	(672,909)	-
Income from fixed asset investments	4	18,444	22,817
Operating profit	5	454,318	825,904
Interest receivable		70,316	-
Interest payable	7	(23,474)	(23,609)
Profit on ordinary activities before taxation		501,160	802,295
Tax on profit on ordinary activities	8	(157,472)	(251,897)
Retained profit for the financial year	21	343,688	550,398

All amounts relate to continuing activities.

There have been no recognised gains or losses, other than the results for the financial year, and all profits or losses have been accounted for on an historical cost basis.

The notes on pages 8 to 24 form part of these financial statements.

Financial Options Group Limited

Consolidated Balance Sheet

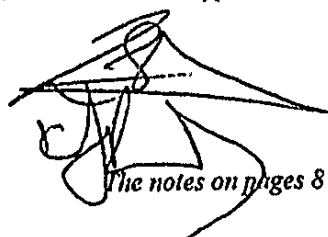
for the year ended 31 December 1997

	Notes	1997 £	1997 £	1996 £	1996 £
Fixed Assets					
Tangible assets	9		304,940		233,311
Investment properties	10		702,801		702,801
Investments	11		15,646		15,646
			<u>1,023,387</u>		<u>951,761</u>
Current Assets					
Debtors	13	1,004,316		446,459	
Cash at bank and in hand		<u>3,296,645</u>		<u>2,089,842</u>	
		4,300,961		2,536,301	
Creditors					
Amounts falling due within one year	15	<u>(1,701,187)</u>		<u>(1,539,979)</u>	
Net Current Assets			<u>2,599,774</u>		<u>996,322</u>
Total Assets Less Current Liabilities			3,623,161		1,948,083
Creditors					
Amounts falling due after more than one year	16		(206,440)		(247,238)
Provisions for Liabilities and Charges	17		(2,285,116)		(912,990)
Minority interest			<u>(250)</u>		<u>(250)</u>
			1,131,355		787,605
Capital and Reserves					
Called up share capital	20		300,242		300,180
Profit and loss account	21		831,113		487,425
Shareholders' funds	22		<u>1,131,355</u>		<u>787,605</u>
Analysis of Shareholders' Funds					
Equity shareholders' funds			843,355		499,605
Non-equity shareholders' funds	23		<u>288,000</u>		<u>288,000</u>
			<u>1,131,355</u>		<u>787,605</u>

These financial statements were approved by the Board on

14 May 1998

M D Blake
K J Budge
Directors



The notes on pages 8 to 24 form part of the financial statements.

Financial Options Group Limited

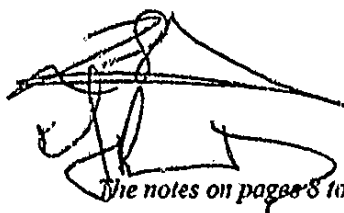
Balance Sheet

as at 31 December 1997

	Notes	1997 £	1997 £	1996 £	1996 £
Fixed Assets					
Tangible assets	9		207,420		175,374
Investment properties	10		702,801		702,801
Investments	11		229,496		229,496
			<u>1,139,717</u>		<u>1,107,671</u>
Current Assets					
Debtors	13	575,716		245,669	
Investments	14	100,000		100,000	
Cash at bank and in hand		788,146		657,172	
		<u>1,463,862</u>		<u>1,002,841</u>	
Creditors					
Amounts falling due within one year	15	<u>(1,914,576)</u>		<u>(1,594,495)</u>	
Net Current Liabilities			<u>(450,714)</u>		<u>(591,654)</u>
Total Assets Less Current Liabilities			689,003		516,017
Creditors					
Amounts falling due after more than one year	16		(206,440)		(247,238)
			<u>482,563</u>		<u>268,779</u>
Capital and Reserves					
Called up share capital	20		300,242		300,180
Profit and loss account	21		182,321		(31,401)
Shareholders' funds			<u>482,563</u>		<u>268,779</u>
Analysis of Shareholders' Funds					
Equity shareholders' funds			194,563		(19,221)
Non-equity shareholders' funds			288,000		288,000
			<u>482,563</u>		<u>268,779</u>

These financial statements were approved by the Board on 14 May 1998

M D Blake
K J Budge
Directors



The notes on pages 8 to 24 form part of these financial statements.

Financial Options Group Limited
Consolidated Cash Flow Statement
for the year ended 31 December 1997

	Notes	1997 £	1996 £
Cash flow from operating activities	24	1,739,939	2,302,996
Returns on investments and servicing of finance	25	46,842	(23,609)
Taxation		(251,015)	(28,558)
Capital expenditure and financial investment	25	(189,351)	(195,477)
Cash inflow/(outflow) before financing		1,346,415	2,055,352
Financing	25	(139,612)	(539,107)
Increase/(decrease) in cash in the year		<u>1,206,803</u>	<u>1,516,245</u>
Reconciliation of net cash flow to movement in net funds			
Increase/(decrease) in cash in the year		1,206,803	1,516,245
Cash inflow/(outflow) from increase/(decrease) in debt and lease financing		139,674	(60,773)
Change in net funds resulting from cash flows		<u>1,346,477</u>	<u>1,455,472</u>
Net funds at 1 January 1997		1,703,050	247,578
Net funds at 31 December 1997	26	<u>3,049,527</u>	<u>1,703,050</u>

The notes on pages 8 to 24 form part of these financial statements.

Financial Options Group Limited

Notes to the Financial Statements

for the year ended 31 December 1997

1 Principal Accounting Policies

Accounting Convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with applicable Accounting Standards.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and all of its subsidiary undertakings made up to the balance sheet date.

The company is exempt from the requirement to present its own profit and loss account under the provisions of Section 230 of the Companies Act 1985.

Turnover

Turnover represents commission earned from the provision of services which fell within the group's ordinary activities exclusive of VAT.

Investment properties

Investment properties are valued annually by the directors on an open market value for existing use basis. Changes in value are taken directly to the investment property revaluation reserve and any permanent deficits on cost are taken directly to the profit and loss account. In accordance with Statement of Standard Accounting Practice 19 ('SSAP 19') no depreciation is provided in respect of investment properties. The requirement of the Companies Act 1985 is to depreciate all tangible fixed assets but that requirement conflicts with the generally accepted accounting principles set out in SSAP 19. The directors consider that adopting SSAP 19 results in the accounts showing a true and fair view.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided so as to write off the cost of the assets over their expected useful economic lives. The principal annual rates used under the straight-line method are:

Plant and equipment	20 - 33%
Motor vehicles	25%

Fixed asset investments

Fixed asset investments are stated at cost.

Financial Options Group Limited

Notes to the Financial Statements

for the year ended 31 December 1997

Leasing

All lease held are operating leases and the rentals are charges to the profit and loss account as incurred.

Deferred taxation

Deferred taxation is provided under the liability method as the appropriate rate of tax in respect of timing differences between profits as computed for tax purposes and profits as stated in the financial statements to the extent that, in the opinion of the directors, those differences will give rise to tax liabilities in the foreseeable future.

Pension costs

Pension costs are recognised on a systematic basis over the period that the company benefits from the services of the employees who are members of the pension scheme.

2 Turnover

The turnover and operating profit for the year was derived from the group's principal activity and was carried out wholly in the UK.

3 Exceptional Item

	1997	1996
	£	£
Pension Transfer Review Recovery	(250,456)	-
Pension Transfer Review Costs and Fine	923,365	-
	<u>672,909</u>	<u>-</u>

The exceptional cost represents the costs incurred by the group in relation to the review of pension opt-out and transfer business. The exceptional income represents recovery of some of those costs from insurers and members of the network.

4 Other Fixed Asset Investment Income

	1997	1996
	£	£
Net rental income	<u>18,444</u>	<u>22,817</u>

Financial Options Group Limited

Notes to the Financial Statements

for the year ended 31 December 1997

5 Operating Profit

The operating profit is stated after charging or crediting:

	1997	1996
	£	£
Operating lease rentals - land and buildings	115,469	85,265
Amounts payable to the auditors in respect of audit services -		
- group	15,750	15,000
- company	12,750	12,800
Amounts payable to the auditors in respect of non-audit services	11,800	13,020
Depreciation - owned assets	117,725	72,418

6 Directors and Employees

Staff costs during the year were as follows:

	1997	1996
	£	£
Wages and salaries	905,320	731,384
Social security costs	86,115	58,245
Other pension costs	19,584	15,678
	<u>1,011,019</u>	<u>805,307</u>

The company has made payments totalling £19,584 (1996:£15,678) to a defined contribution pension scheme, the assets of which are held in an independently administered fund. The pension cost charge represents the total contributions payable to the fund.

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

	1997	1996
	Number	Number
Office and management	38	32
Sales and marketing	4	2
	<u>42</u>	<u>34</u>

Financial Options Group Limited

Notes to the Financial Statements

for the year ended 31 December 1997

Remuneration in respect of directors was as follows:

	1997	1996
	£	£
Emoluments	349,172	296,081
Payments to defined contribution pension scheme	11,203	9,140
	<u>360,375</u>	<u>305,221</u>

Remuneration in respect of the highest paid director was as follows:

	1997	1996
	£	£
Total emoluments excluding pension contributions	107,794	96,302
Payment to defined contribution pension scheme	3,603	3,123
	<u>111,397</u>	<u>99,425</u>

The number of directors accruing retirement benefits was as follows:

	1997	1996
	Number	Number
Defined contributions pension scheme	<u>4</u>	<u>4</u>

The number of directors exercising share options was as follows:

	1997	1996
	Number	Number
Options on ordinary shares	<u>1</u>	<u>1</u>

7 Interest Payable

	1997	1996
	£	£
On bank loans	22,726	23,173
On other loan	748	436
	<u>23,474</u>	<u>23,609</u>

Financial Options Group Limited

Notes to the Financial Statements

for the year ended 31 December 1997

8 Tax on Profit on Ordinary Activities

	1997 £	1996 £
<i>Based on the profit for the year;</i>		
UK Corporation tax at 31.50% (1996:33.00%)	158,543	252,086
Prior year adjustments - corporation tax	(1,071)	(189)
	<u>157,472</u>	<u>251,897</u>

The tax charge for the year has been reduced by £ nil (1996:£7,500) in respect of brought forward losses, and increased by approximately £ 700 (1996: reduced by £5,000) in respect of deferred tax not provided on current year timing differences.

9 Tangible Fixed Assets

Group	Plant and equipment £	Motor Vehicles £	Total £
Cost			
At 1 January 1997	128,967	212,585	341,552
Additions	<u>87,867</u>	<u>101,484</u>	<u>189,351</u>
At 31 December 1997	<u>216,834</u>	<u>314,069</u>	<u>530,903</u>
Depreciation			
At 1 January 1997	60,712	47,526	108,238
Charge for the year	<u>53,268</u>	<u>64,457</u>	<u>117,725</u>
At 31 December 1997	<u>113,980</u>	<u>111,983</u>	<u>225,963</u>
Net book value			
At 31 December 1997	<u>102,854</u>	<u>202,086</u>	<u>304,940</u>
At 31 December 1996	<u>68,255</u>	<u>165,059</u>	<u>233,314</u>

Financial Options Group Limited

Notes to the Financial Statements

for the year ended 31 December 1997

Company	Plant and equipment £	Motor Vehicles £	Total £
Cost			
At 1 January 1997	27,352	212,585	239,937
Additions	-	101,484	101,484
At 31 December 1997	27,352	314,069	341,421
Depreciation			
At 1 January 1997	17,037	47,526	64,563
Charge for the year	4,981	64,457	69,438
At 31 December 1997	22,018	111,983	134,001
Net book value			
At 31 December 1997	5,334	202,086	207,420
At 31 December 1996	10,315	165,059	175,374

10 Investment Properties

Group and company

£

Cost

At 1 January 1997 and at 31 December 1997

702,801

In the opinion of the directors the total open market value of the group's investment properties at 31 December 1997 is not significantly different to their cost. Therefore, no revaluation adjustment has been made.

Financial Options Group Limited
Notes to the Financial Statements
for the year ended 31 December 1997

11 Fixed Asset Investments

Group

	£
Interests in associated undertakings at cost	
At 1 January 1997 and 31 December 1997	<u>15,646</u>

Company	Subsidiary undertakings £	Participating interests £	Total £
Cost			
At 1 January 1997 and at 31 December 1997	<u>213,850</u>	<u>15,646</u>	<u>229,496</u>

Financial Options Group Limited
Notes to the Financial Statements
for the year ended 31 December 1997

12 Principal Fixed Asset Investments

The company holds more than 20% of the share capital of the following:

Name	Class of share	Proportion held	Nature of business
<i>Principal subsidiary undertakings:</i>			
Financial Options Limited	Ordinary	100%	Administration and compliance services to a network of independent financial advisors
	Preference	100%	
Investment Options Limited	Ordinary	100%	Administration and compliance services to a network of independent financial advisors
Endowment Options Limited	Ordinary	75%	Dormant
Education and Development Limited	Ordinary	100%	Provision of training venues
I.F.A. Training School Limited	Dormant	100%	Dormant
Investment Options Management Limited	Ordinary	100%	Administration and compliance services to independent financial advisors
Financial Options Advisors Limited (formerly Pennekamp Tiler Limited)	Ordinary	100%	Independent Financial Advisor
<i>Associated undertakings:</i>			
Independent Specialist Technology Limited	Ordinary	29.82%	Computer software

The company's voting rights in respect of each subsidiary undertaking are held in the same proportion as the company's share of the ordinary share capital of each subsidiary.

On 28 January 1998, the company acquired a 30% interest in the issued ordinary share capital of School Fees Investment Advisers Limited, an Independent Financial Adviser company.

Financial Options Group Limited

Notes to the Financial Statements

for the year ended 31 December 1997

13 Debtors

	Group 1997	Group 1996	Company 1997	Company 1996
	£	£	£	£
Trade debtors	92,102	155,221	2,675	2,303
Amounts owed by group undertakings	-	-	66,754	37,741
Amounts owed by associated undertaking	13,177	21,468	13,177	21,468
Other debtors	555,622	15,662	308,132	15,662
Prepayments	343,415	254,108	184,979	168,495
	<u>1,004,316</u>	<u>446,459</u>	<u>575,717</u>	<u>245,669</u>

The amounts owed by associated undertaking is due from Independent Specialist Technology (UK) Limited.

14 Current Asset Investments

	Group 1997	Group 1996	Company 1997	Company 1996
	£	£	£	£
Shares in subsidiary undertakings	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>

The investment represents 100,000 redeemable preference shares of £1 each in Financial Options Limited (note 12).

Financial Options Group Limited

Notes to the Financial Statements

for the year ended 31 December 1997

15 Creditors: Amounts falling due within one year

	Group 1997 £	Group 1996 £	Company 1997 £	Company 1996 £
Bank loans	40,678	139,554	40,678	139,554
Trade creditors	1,246,995	886,574	264,925	242,779
Amounts owed to group undertakings	-	-	1,344,580	853,501
Corporation tax	158,543	252,086	103,096	147,717
Other taxes and social security	39,121	24,487	39,121	23,652
Other creditors	-	123,650	-	123,650
Accruals	215,850	113,628	122,176	63,642
	<u>1,701,187</u>	<u>1,539,979</u>	<u>1,914,576</u>	<u>1,594,495</u>

16 Creditors: Amounts falling due after more than one year

	Group 1997 £	Group 1996 £	Company 1997 £	Company 1996 £
Bank loans	<u>206,440</u>	<u>247,238</u>	<u>206,440</u>	<u>247,238</u>

Bank loans are secured by a fixed and floating charge over the group's assets and the loans are also secured by a legal mortgage over the investment properties. Interest is charged at 2.00% over base rate with a minimum of 7.25% and is repayable by instalments by 2003.

Bank loans fall due for repayment:

	Group 1997 £	Group 1996 £	Company 1997 £	Company 1996 £
Within one year	40,678	139,554	40,678	139,554
Between one and two years	44,715	43,050	44,715	43,050
Between two and five years	161,725	153,357	161,725	153,357
After more than five years	-	50,831	-	50,831
	<u>247,118</u>	<u>386,792</u>	<u>247,118</u>	<u>386,792</u>

Financial Options Group Limited

Notes to the Financial Statements

for the year ended 31 December 1997

17 Provisions for liabilities and charges

	Indemnity Commission	Pension Transfer Review Costs and Fine	Total
	£	£	£
At 1 January 1997	912,990	-	912,990
Provisions made in year	658,961	713,165	1,372,126
Balance 31 December 1997	1,571,951	713,165	2,285,116

Two of the group companies, Financial Options Limited and Investment Options Limited, are regulated by the Personal Investment Authority ('PIA'). Under PIA rules the companies are required to make provision for clawbacks of commission received on indemnity terms. The provisions in these financial statements have been calculated in accordance with these PIA rules.

18 Pension Opt-Out/Transfer Review

Following guidance issued by the Securities and Investment Board, the company's subsidiaries are reviewing past pension opt-out and transfer business written by current members of the network. The purpose of the review is to identify whether any non-compliant advice was given in the course of this business.

The group may have to pay compensation in respect of any non-compliant advice given by network members and the review currently underway will aim to quantify the amount of any such payments.

The group maintains professional indemnity insurance and therefore the directors believe that any compensation paid out should be recoverable from the group's insurers with the excess recoverable from the members. The review will therefore also identify the potential recoveries expected.

At the date of approval of these financial statements, the group has not yet completed its review. In addition, the group cannot be sure that it has received all the information it needs from other bodies, carrying out similar reviews, which might identify liabilities of the company relating to past network members.

In accordance with the requirements of the PIA, full provision has been made for the costs of carrying out the review. Where cases have been identified as requiring compensation, provision has been made for the compensation payable and the expected recoveries. There are cases still requiring review to identify whether any compensation is payable, however the directors do not feel able to assess the level of compensation that may be payable in relation to these cases nor any connected recoveries. In addition, the PIA has indicated that they intend to levy a fine on the group, the directors have included provision for this at their best estimate of the amount which may be payable.

Financial Options Group Limited

Notes to the Financial Statements

for the year ended 31 December 1997

As no estimate of any further liability is available the directors are unable to assess the impact of the issue on the financial statements.

In addition, as part of the terms under which it conducts investment business, the subsidiary companies, Financial Options Limited and Investment Options Limited are required to meet the financial resources requirements of the PIA. The impact of this review on their ability to meet these requirements cannot yet be known. The directors are confident that they will be able to meet the financial resources requirements of the PIA and have therefore prepared the financial statements on a going concern basis.

19 Contingent Liabilities

The directors consider that all the costs associated with the pension transfer review are fully allowable for corporation tax purposes and consequently have not provided for corporation tax in respect of potentially disallowable items. Should the Inland Revenue deem any such items to be disallowable, then an increased tax charge will arise.

20 Share Capital

	1997 £	1996 £
Authorised		
12,500 ordinary shares of £1 each	12,500	12,500
288,000 redeemable preference shares of £1 each	288,000	288,000
600,000 redeemable 'A' preference shares of £1 each	600,000	600,000
	<u>900,500</u>	<u>900,500</u>
Allotted called up and fully paid		
12,242 ordinary shares of £1 each	12,242	12,180
288,000 redeemable preference shares of £1 each	288,000	288,000
600,000 redeemable 'A' preference shares of £1 each	-	-
	<u>300,242</u>	<u>300,180</u>

On 27 February 1997 the company issued 62 ordinary share capital of £1 each for cash at par to K J Budge in accordance with an option granted to him.

The redeemable preference shares are redeemable by the company at any time with no less than one months' notice and in any event are redeemable on 31 December 1999. The shares have no dividend or voting rights. No premium was payable on redemption but the shares have redemption priority over the ordinary shares in the case of winding up.

Financial Options Group Limited

Notes to the Financial Statements

for the year ended 31 December 1997

Movements During the Year

	1997 £
At 1 January 1997	300,180
Issues during the year	62
At 31 December 1997	<u>300,242</u>

21 Reserves

Group	Profit and loss account £
At 1 January 1997	487,425
Retained profit for the year	<u>343,688</u>
At 31 December 1997	<u>831,113</u>

Group	1997 £	1996 £
The profit for the financial year is dealt with in the financial statements of:		
The company	213,722	333,785
Subsidiary undertakings	<u>129,966</u>	<u>216,613</u>
	<u>343,688</u>	<u>550,398</u>

Company	Profit and loss account £
At 1 January 1997	(31,401)
Retained profit for the year	<u>213,722</u>
At 31 December 1997	<u>182,321</u>

Financial Options Group Limited

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for the year ended 31 December 1997

22 Reconciliation of the Movement in Shareholders' Funds

	1997	1996
	£	£
Profit for the financial year	343,688	550,398
New share capital subscribed	62	120
Redemption of share capital	-	(600,000)
Increase/(decrease) in shareholders' funds	343,750	(49,482)
Opening shareholders' funds	787,605	837,087
Closing shareholders' funds	1,131,355	787,605

23 Non-equity shareholders' funds

	1997	1996
	£	£
Group and company		
288,000 redeemable preferences shares of £1 each	288,000	288,000

24 Reconciliation of Operating Profit to Operating Cash Flows

	1997	1996
	£	£
Operating profit	454,318	825,904
Depreciation charges	117,725	72,418
(Increase)/decrease in debtors	(557,857)	537,499
Increase in creditors	353,627	284,527
Increase in provisions	1,372,126	582,648
	1,739,939	2,302,996

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Notes to the Financial Statements

for the year ended 31 December 1997

25 Gross Cash Flows

	1997 £	1996 £
Returns on investments and servicing of finance		
Interest received	70,316	-
Interest paid	(23,474)	(23,609)
Net cash inflow/(outflow) for returns on investments and services of finance	<u>46,842</u>	<u>(23,609)</u>

	1997 £	1996 £
Capital expenditure and financial investment		
Purchase of investment in associated undertaking	-	(15,646)
Purchase of tangible fixed assets	(189,351)	(221,331)
Proceeds from the sale of tangible fixed assets	-	41,500
Net cash outflow for capital expenditure and financial investment	<u>(18,951)</u>	<u>(195,477)</u>

	1997 £	1996 £
Financing		
Issue of share capital	62	120
Redemption of share capital	-	(600,000)
Debt due within a year: increase in short-term borrowings	-	100,000
Debt due within a year: repayments made	(139,674)	(39,227)
Net cash inflow/(outflow) from financing	<u>(139,612)</u>	<u>(539,107)</u>

Financial Options Group Limited

Notes to the Financial Statements

for the year ended 31 December 1997

26 Analysis of Changes in Net Funds

	At 1 January 1997 £	Cash flows £	Other non-cash changes £	At 31 December 1997 £
Cash at bank and in hand	2,089,842	1,206,803	-	3,296,645
Debt due within one year	(139,554)	139,674	(40,798)	(40,678)
Debt due after one year	(247,238)	-	40,798	(206,440)
	(386,792)	139,674	-	(247,118)
Total	1,703,050	1,346,477	-	3,049,527

27 Control

The company is under the control of its directors who control, together with members of their close families, the whole of the company's issued ordinary share capital throughout the whole of the year and the previous year.

28 Related Party Transactions

During the year £nil (1996: £86,250) was loaned to Blythe Holdings Limited a company controlled by M S Blake and M D Blake who are directors of Financial Options Group Limited. No interest was being charged on this loan which was fully settled during 1996. The maximum amount outstanding during the year was £nil (1996: £400,750) and the total balance outstanding at 31 December 1997 was £nil (1996: £nil).

Included in other creditors of the company and the group is £nil (1996: £123,650) payable to B D Blake, a close relative of M S Blake and M D Blake. £199,250 was advanced to the company in May 1996 and the amount outstanding has been reduced by subsequent repayments.

Included in other debtors of the company and group is £268,328 (1996: £nil) due from BD Blake, a close relative of M S Blake and M D Blake.

Financial Options Group Limited

Notes to the Financial Statements

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29 Commitments

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the next financial year:

	Group 1997 £	Group 1996 £	Company 1997 £	Company 1996 £
Leases of land and buildings which expire:				
- after five years	<u>17,000</u>	<u>17,000</u>	<u>17,000</u>	<u>17,000</u>