

**Company Registration Number 2368947**

**COUNTRYWIDE INDEPENDENT ADVISERS LIMITED**

**Report and Financial Statements**

**31 May 2000**



# COUNTRYWIDE INDEPENDENT ADVISERS LIMITED

## DIRECTORS' REPORT

The Directors present their annual report and audited financial statements for the year ended 31 May 2000.

### PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the Company is to supply services to Independent Financial Advisers. During the year the Company experienced a significant increase in production levels, resulting in gross commissions increasing by approximately 19% to £121m against the previous year's figure of £103m. The trend of increasing turnover and profit is expected to be sustained for the foreseeable future.

### RESULTS AND DIVIDENDS

The results and dividends of the Company for the year are set out in detail on page 6. The Directors do not recommend the payment of a dividend for the year (1999 : £3,000,000). Profits of £3,959,000 (1999 : Losses £943,000) have been transferred to reserves.

### DIRECTORS AND THEIR INTERESTS

The name of the persons who served as Directors of the Company and their interests in the share capital of the ultimate parent company, Misys plc, were as follows:

	Misys plc	
	Ordinary shares of 1p each	
	2000	1999
		or date of appointment
R Francis (resigned 31/5/00)	-	-
J J Gaskin	0	0
I Martin	24,648	20,329
M J Grant (resigned 31/5/00)	-	-
J G Sussens (resigned 31/5/00)	-	-
R B Fear	0	0
M J Wright	0	0
J R Uttley (resigned 31/5/00)	-	-
C M Lunt (resigned 31/3/00)	-	-
K Budge (appointed 23/3/00)	0	0
A J Wood (appointed 18/4/00)	0	0

All share options, plans and holdings have been adjusted to take account of the subdivision of Misys plc capital on 21 September 1998.

# COUNTRYWIDE INDEPENDENT ADVISERS LIMITED

## DIRECTORS' REPORT

The options held by Directors over shares of the ultimate parent company, Misys plc, were as follows:

	Performance related options	Non-performance related options	Savings related options	2000 Total	1999 or date of appointment Total
A J Wood	0	0	0	0	0
J J Gaskin	0	0	0	13,805	13,805
I Martin	78,872	0	6,124	84,996	40,672
K Budge	0	0	0	0	0
R B Fear	17,968	0	2,167	20,135	5,601
M Wright	12,007	0	2,167	14,174	0

M Wright subscribed for 2,167 savings-related options at an exercise price of 447p per share on 31 August 1999.

R B Fear, M Wright and I Martin were granted 12,367, 12,007 and 44,324 performance related options respectively at an exercise price of 533p per share on 2 August 1999.

The number of rights held by Directors to acquire shares of the ultimate parent company, Misys plc, in relation to annual and matching awards in the Misys Share Incentive Plan was as follows:

	Annual Award			Matching Award		
	At 1 June 1999	Vested	At 31 May 2000	At 1 June 1999	Vested	At 31 May 2000
J J Gaskin	16,195	8,515	7,680	27,210	8,345	18,865
I Martin	46,150	34,660	11,490	46,150	18,301	27,849

The maximum potential number of rights held by Directors to acquire shares of the ultimate parent company, Misys plc, in relation to long term performance awards in the Misys Share Incentive Plan is as follows:

	2000	1999
I Martin	92,045	92,045

Under the Misys annual Award Plan the following director was granted share awards on 2 August 1999:

	Annual Award	Matching Award	Deferred Award
I Martin	4,221	4,221	7,035

Under the Misys 1998 Long-Term Share Incentive Plan, I Martin was granted on 27 October 1998 the maximum potential number of 36,976 rights to acquire shares based on a share price of 406p for which the performance criteria commenced on 1 June 1998. He was also granted on 2 August 1999 the maximum potential number of 29,549 rights to acquire shares based on a share price of 533p for which the performance criteria commenced on 1 June 1999.

The results for the year ended 31 May 2000 entitled I Martin to participate in The Misys Annual Award Plan. The number of shares under each of the three awards, deferred, annual and matching, will not be determined until after the announcement of the results for the Misys Group on 27 July 2000.

## **COUNTRYWIDE INDEPENDENT ADVISERS LIMITED**

### **DIRECTORS' REPORT**

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Details of all the Share Option Schemes and the Misys Share Incentive Plan together with performance criteria, where applicable, are disclosed in the Report and Financial Statement of the ultimate parent company, Misys plc.

No director had any interest in shares of the company or any other group undertaking except as disclosed above.

#### **YEAR 2000**

The comprehensive group-wide internal programme to ensure that all computer dependent systems continue to operate with the Y2K related date changes progressed satisfactorily to plan and, to date, there has been no disruption to Misys' operations.

Further details, including estimated costs associated with this programme, are shown in the financial statements of Misys plc.

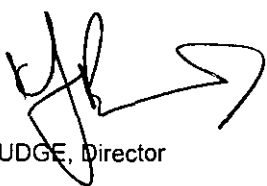
#### **PAYMENTS TO SUPPLIERS**

It is the Company's policy to agree terms and conditions for its business transactions with its suppliers. The Company seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

#### **AUDITORS**

PricewaterhouseCoopers have expressed their willingness to continue in office as Auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 25 July 2000 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'K BUDGE', with a large, stylized flourish extending to the right.

K BUDGE, Director

## **COUNTRYWIDE INDEPENDENT ADVISERS LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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The Directors are required to prepare financial statements which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for the period to that date. The requirements are specified in the Companies Act 1985 and in applicable accounting standards. It is also the Directors responsibility to:

Maintain adequate accounting records;

Safeguard the assets of the Company;

Prevent and detect fraud and other irregularities;

Prepare financial statements on the going concern basis, unless it is inappropriate.

The Directors confirm that suitable accounting policies consistently applied and supported by reasonable and prudent judgements and estimates have been used in the preparation of the financial statements and that applicable accounting standards have been followed.

## COUNTRYWIDE INDEPENDENT ADVISERS LIMITED

### AUDITORS REPORT

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We have audited the financial statements on pages 6 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

#### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Report and Financial Statements. As described on page 4, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the director's report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

#### **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.

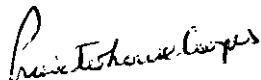
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

#### **Provision for pension transfers and opt outs and the Free Standing Additional Voluntary Contribution (FSAVC) review**

In forming our opinion we have considered the adequacy of the disclosures made in the accounts concerning the costs of rectification and investigation that may become payable as a result of the Financial Services Authority and Personal Investment Authority pronouncements in respect of the selling of pensions and FSAVC business. The number of clients who may have to be compensated and the amount of compensation which may be payable to those clients is yet to be finally determined. Therefore, considerable uncertainty exists regarding the ultimate cost and this may require material adjustments to be made to the provision established. Details of the circumstances relating to this fundamental uncertainty are set out in note 9. Our opinion is not qualified in this respect.

#### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 May 2000 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
1 Embankment Place  
London  
WC2N 6NN

25 July 2000

**COUNTRYWIDE INDEPENDENT ADVISERS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
Year ended 31 May 2000

	Note	2000 £'000	1999 £'000
<b>TURNOVER</b>	1	121,082	103,184
<b>Cost of sales</b>		(104,556)	(89,097)
<b>GROSS PROFIT</b>		<u>16,526</u>	<u>14,087</u>
<b>Operating costs</b>			
Administrative expenses	1	<u>(10,750)</u>	<u>(11,016)</u>
<b>OPERATING PROFIT</b>	2	5,776	3,071
Interest	3	<u>46</u>	<u>56</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		5,822	3,127
Tax on profit on ordinary activities	5	<u>(1,863)</u>	<u>(1,070)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		3,959	2,057
Dividends Payable		-	(3,000)
<b>PROFIT/(LOSS) FOR THE YEAR</b>	11	<u><u>3,959</u></u>	<u><u>(943)</u></u>

The results for the year reflect trading from continuing operations. There are no gains and losses for the years other than the profit for the financial years above. Accordingly, no statement of total recognised gains and losses is given.

**COUNTRYWIDE INDEPENDENT ADVISERS LIMITED**  
**BALANCE SHEET**  
**31 May 2000**

	Note	2000 £'000	1999 £'000
<b>FIXED ASSETS</b>			
Tangible Fixed Assets	6	826	834
<b>CURRENT ASSETS</b>			
Debtors	7	20,766	23,871
Cash at bank and in hand		11,798	7,958
		<u>32,564</u>	<u>31,829</u>
<b>CREDITORS: amounts falling due within one year</b>	8	<u>(13,680)</u>	<u>(11,843)</u>
<b>NET CURRENT ASSETS</b>		<u>18,884</u>	<u>19,986</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		19,710	20,820
<b>CREDITORS: amounts falling due after more than one year</b>		(95)	(112)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	9	<u>(4,537)</u>	<u>(9,589)</u>
		<u>15,078</u>	<u>11,119</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	10	6,420	6,420
Share premium account		350	350
Profit and loss account	11	8,308	4,349
<b>EQUITY SHAREHOLDER'S FUNDS</b>	12	<u>15,078</u>	<u>11,119</u>

Approved by the Board of Directors on 25 July 2000 and signed on its behalf by

  
K BUDGE, Director



**COUNTRYWIDE INDEPENDENT ADVISERS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 May 2000**

**1. ACCOUNTING POLICIES**

**Change In Presentation**

During the year ended 31st May 2000, the Company has made a change in the presentation of its financial statements. Comparative figures have been restated. The accounting treatment for transactions where the Company acts as an agent between Insurance company and IFA has been modified to show the transaction gross, rather than net. This change has been made to provide a fairer presentation of the Company's results and financial position.

The impact of this change is to increase turnover by £104.5m (1999: £89.1m) cost of sales by £104.5m (1999: £89.1m), trade debtors by £2.8m (1999: £5.2m), and other creditors by £2.8m (1999: £5.2m).

**Accounting convention**

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

**Turnover**

Turnover, which includes indemnity commission income, represents the amounts (excluding value added tax) derived from membership subscriptions and insurance policies written and accepted by insurance companies from the Company's principal activity and is all derived in the UK. Provision is made, based on historical experience, for clawbacks and other instances where full income may not be received.

**Deferred taxation**

Deferred taxation is calculated using the liability method on all timing differences, at the rate at which it is anticipated the timing difference will reverse. Deferred taxation assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

**Pensions**

The Company operates a defined contribution pension scheme covering some of its employees. The costs of the pension scheme are charged to the profit and loss account as incurred.

**Tangible fixed assets**

Depreciation is provided at rates calculated to write off the cost, less estimated residual value of each asset, on a straight line basis over its expected useful life. The rates applied from the date of purchase are:

Furniture, fittings & equipment	10% - 25% per annum
Motor vehicles	25% per annum

**Leases**

Fixed assets held under finance leases are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under leases are included as liabilities in the balance sheet. The interest elements of the lease obligations are charged to the profit and loss account over the period of the leases. Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

**2. OPERATING PROFIT**

	2000 £'000	1999 £'000
Operating profit is arrived at after charging:		
Depreciation on owned assets	391	188
Depreciation on assets held under finance leases	30	15
Operating Leases- Plant and Machinery	200	177
Operating Leases- Land and Buildings	358	298
Auditors remuneration	<u>47</u>	<u>23</u>

**COUNTRYWIDE INDEPENDENT ADVISERS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 May 2000**

**3. INTEREST**

	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
Interest payable	(13)	(10)
Interest receivable	59	66
	<u>46</u>	<u>56</u>

**4. DIRECTORS AND EMPLOYEES**

The average number of staff employed by the company was as follows:

	<b>2000</b>	<b>1999</b>
	<b>Number</b>	<b>Number</b>
Management and administration	<u>319</u>	<u>249</u>

Employee costs during the year amounted to:

	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	5,240	4,269
Social security costs	490	394
Other pension costs	174	109
	<u>5,904</u>	<u>4,772</u>

**DIRECTORS' EMOLUMENTS**

	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
Management remuneration	730	281
Pension costs	65	30
	<u>795</u>	<u>311</u>

Remuneration of the highest paid Director, excluding pension contributions of £14K (1999 : £5K).

	<u>158</u>	<u>56</u>
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During the year 1 Director exercised share options (1999 : 2)

**COUNTRYWIDE INDEPENDENT ADVISERS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 May 2000**

**5. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2000 £'000	1999 £'000
Corporation tax at 31% (1999 : 31%)	1,863	1,070

The tax charge is higher than normal by approximately £70,000 as a result of a combination of expenditure in respect of which a tax deduction is not currently claimed, and an increase in timing differences where no deferred tax assets have been recognised in the period.

**6. TANGIBLE FIXED ASSETS**

	Furniture, fittings and equipment £'000	Motor Vehicles £'000	Total £'000
<b>Cost</b>			
As at 1 June 1999	2,040	174	2,214
Additions	400	48	448
Group Transfers	-	(46)	(46)
Disposals	-	-	-
As at 31 May 2000	2,440	176	2,616
<b>Accumulated depreciation</b>			
As at 1 June 1999	1,357	23	1,380
Charge for the year	391	30	421
Group transfers	-	(11)	(11)
Disposals	-	-	-
At 31 May 2000	1,748	42	1,790
<b>Net Book Value</b>			
As at 31 May 2000	692	134	826
As at 31 May 1999	683	151	834

Included in the above analysis are fixed assets held under finance leases with a net book value of £ 134,000 (1999 : £151,000).

**COUNTRYWIDE INDEPENDENT ADVISERS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 May 2000**

**7. DEBTORS**

	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
Debtors due within one year		
Trade debtors	5,201	7,034
Amounts owed by group undertakings	12,607	9,611
Other debtors	25	108
Prepayments and accrued income	2,933	7,118
	<u>20,766</u>	<u>23,871</u>

**8. CREDITORS**

	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year</b>		
Obligations under finance leases	31	31
Trade creditors	456	1,023
Corporation tax	1,969	106
Other taxation and social security	217	250
Other creditors	8,405	8,730
Accruals and deferred income	2,602	1,703
	<u>13,680</u>	<u>11,843</u>
<b>Amounts falling due after more than one year</b>		
Obligations under finance leases between two to five years	95	112
	<u>13,775</u>	<u>11,955</u>

**9. PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>Pension opt-outs and transfers £'000</b>	<b>Indemnity commission £'000</b>	<b>Total £'000</b>
At 1 June 1999	8,297	1,292	9,589
Charged to the profit and loss account	0	147	147
Recoverable from third parties	251	-	251
Utilised	(5,450)	-	(5,450)
At 31 May 2000	<u>3,098</u>	<u>1,439</u>	<u>4,537</u>

**COUNTRYWIDE INDEPENDENT ADVISERS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 May 2000**

**9. PROVISIONS FOR LIABILITIES AND CHARGES (Continued)**

**Deferred taxation**

The unprovided assets are as follows:

	2000 £'000	1999 £'000
Depreciation in excess of capital allowances	-	136
Other timing differences	-	243
	<u>-</u>	<u>379</u>

**Pension transfers and opt outs**

The Company continues to direct significant resources to a detailed examination and review of past Pension transfer and Opt-Out business. The intention of this review is to determine the level of redress that should be offered to any customer who has been given non-compliant advice to Pension Transfer or Opt-Out of an occupational pension scheme.

During the year the Company made good progress towards the satisfactory conclusion of Phase 1 of the review. It also commenced Phase 2 of the review under the terms required by the Personal Investment Authority.

In accordance with the requirements of TECH 8/98 issued by the ICAEW in March 1998, the Company continues to make full provision for the anticipated costs of investigation and cost of redress. During the year no additional provision was made.

Investigation costs also include the supervisory costs of ensuring that members of the network satisfactorily review Pension transfer and Opt-out cases before they joined the network.

As at 31 May 2000, the costs of the investigation and redress estimated to complete both phases of the review comprised:

	Cost of investigation £'000	Cost of redress £'000	Total £'000
At 1 June 1999	2,182	6,115	8,297
Charged (credited) to the profit and loss account	-	-	0
Recoverable from third parties	-	251	251
Utilised	(1,533)	(3,917)	(5,450)
At 31 May 2000	<u>649</u>	<u>2,449</u>	<u>3,098</u>

The Company is initially responsible for payment of compensation in respect of any non-compliant advice given by its Network members. However, the Company has the right to recover any compensation payments for the cost of redress from the relevant Network members or other third parties. With respect to the cost of investigation, the Company anticipates that, with the additional provisioning made during the financial year, full provision for the cost of the investigation has been made at 31 May 2000.

The impact of the Pension transfers and Opt-Out review on the industry as a whole may result in increases in the Investors Compensation Scheme Levy in future years. No provision has been made for any such change in the amount of the Levy or the proportion payable by the Company, as it cannot be estimated reasonably at this time. Such amounts will be recharged to the Company's members.

**COUNTRYWIDE INDEPENDENT ADVISERS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 May 2000**

**9. (Continued)**

In May 2000, the Financial Services authority ("FSA") issued the Free Standing additional Voluntary Contributions ("FSAVCs") review model, which indicated a proposed structure for and methodology to be used in performing an industry wide review of FSAVCs. These guidelines are proposed and not finalised yet, therefore it is very difficult to quantify the scale of the exercise. However, it is a widely held belief in the industry that given the proportion of sales of FSAVCs relative to personal pensions, the scale of the proposed review will be significantly less than that of the pensions review. The FSA also propose to make available an industry database of cases requiring review, which should significantly reduce the level of work needed to be performed. No provision has been made within these financial statements due to the inherent uncertainty of the underlying liability.

**10. SHARE CAPITAL**

	2000	1999
	£'000	£'000
<b>Authorised</b>		
6,420,000 (1999 : 6,420,000) Ordinary shares of £1 each	6,420	6,420
1,500,000 6.75% Cumulative Redeemable Participating Preference shares of £1 each	1,500	1,500
	<u>7,920</u>	<u>7,920</u>
<b>Allotted and fully paid</b>		
6,420,000 (1999 : 6,420,000) Ordinary shares of £1 each	<u>6,420</u>	<u>6,420</u>

**11. PROFIT AND LOSS ACCOUNT**

	1999
	£'000
At 1 June 1999	4,349
Retained profit for the year	3,959
At 31 May 2000	<u>8,308</u>

**12. RECONCILIATION OF SHAREHOLDER'S FUNDS**

	2000	1999
	£'000	£'000
Profit for the financial year	3,959	2,057
Dividends	-	(3,000)
Ordinary share capital issued	-	6,000
Opening shareholder's funds	11,119	6,062
Closing shareholder's funds	<u>15,078</u>	<u>11,119</u>

**COUNTRYWIDE INDEPENDENT ADVISERS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 May 2000**

**13. FINANCIAL COMMITMENTS**

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

	Land and buildings		Other	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within one year	13	2	44	-
Between two and five years	326	317	200	204
	<u>339</u>	<u>319</u>	<u>244</u>	<u>204</u>

**14. ULTIMATE PARENT COMPANY AND GROUP TRANSACTIONS**

The Company's ultimate parent company is Misys plc, a company registered in England. Copies of the group financial statements of Misys plc may be obtained from The Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.

The Company has taken advantage of the exemption under FRS8 Related Party Transactions not to disclose transactions with group undertakings since Misys plc is the beneficial owner of all of the equity share capital of the Company.