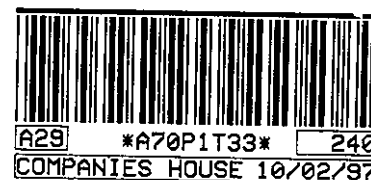


IFA NETWORK LIMITED

REPORT & FINANCIAL STATEMENTS

1 January 1996 to 30 September 1996

Company registration number: 02543561



IFA NETWORK LIMITED

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IFA NETWORK LIMITED

Directors and advisers

Directors:

Nigel P. Barnard *chairman*
Nicholas P. Ansell BA (Hons), ACA
Timothy S. Greenwood BSc.(Hons), ACA, MSI(Dip)
J. Trevor Newham ACII
Alan S. Wilkinson LLB (Hons), Solicitor

Company secretary:

Jeffrey Pinnick FCA

Auditors:

Arthur Andersen
Chartered accountants and registered auditors
1 Surrey Street
London
WC2R 2PS

Harford Michaels
Certified accountants and registered auditors
250 Hendon Way
London
NW4 3NL

Solicitors to the company:

Titmuss Sainer Dechert
2 Serjeants' Inn
London
EC4Y 1LT

Bankers:

National Westminster Bank PLC
4 - 6 Grove Street
Wilmslow
Cheshire
SK9 1EE

Registered office:

250 Hendon Way
London
NW4 3NL

Statement of directors' and auditors' responsibilities
for the period ended 30 September 1996

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 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 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' RESPONSIBILITIES

Company law requires auditors to form an independent opinion on the financial statements presented by the directors based on their audit and to report their opinion to the shareholders. The Companies Act 1985 also requires auditors to report to the shareholders if the following requirements are not met:

- that the company has maintained proper accounting records;
- that the financial statements are in agreement with the accounting records;
- that directors' emoluments and other transactions with directors are properly disclosed in the financial statements; and
- that the auditors have obtained all the information and explanations which, to the best of their knowledge and belief, are necessary for the purpose of their audit.

The auditors' opinion does not encompass the directors' report on pages 4 and 5. However, the Companies Act 1985 requires auditors to report to the shareholders if the matters contained in the directors' report are inconsistent with the financial statements.

IFA NETWORK LIMITED

Directors' report

for the period ended 30 September 1996

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the period ended 30 September 1996. The accounting year end has been changed to 30 September 1996 following the acquisition of the company on 20 May 1996 by SEC Group PLC in order to become co-terminous.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company continues to be the provision of financial services to members of the public and the provision of networking facilities to network members.

The company's balance sheet as detailed on page 9 shows a satisfactory position, with shareholders' funds amounting to £601,848.

It is the directors' intention to further develop the company's trade in order to continue its growth.

HOLDING COMPANY

The company became an ultimately wholly owned subsidiary undertaking of SEC Group PLC, a company incorporated in Great Britain, on 20 May 1996.

RESULTS AND DIVIDENDS

Results, dividends and transfers to reserves are as follows:

	£
Retained profit at 31 December 1995 as originally stated	115,418
Prior year adjustment	64,000
	<hr/>
Retained profit at 31 December 1995 as re-stated	179,418
Profit for the period ended 30 September 1996 transferred to reserves	421,430
	<hr/>
Retained profit at 30 September 1996	600,848
	<hr/>

The directors do not propose the payment of a dividend (1995 - £nil).

DIRECTORS AND THEIR INTERESTS

The directors who served during the period, and their interests in the shares of the company, are:

	30 September 1996	31 December 1995
N. P. Barnard, (appointed 20 May 1996)	—	—
N. P. Ansell BA (Hons), ACA	—	825
T. S. Greenwood BSc.(Hons), ACA, MSI(Dip)	—	825
J. T. Newham ACII	—	—
A. S. Wilkinson LLB (Hons), Solicitor (appointed 20 May 1996)	—	—

All the directors, with the exception of Mr. Newham, are directors of SEC Group PLC; their interests in the shares of that company are disclosed within its financial statements

IFA NETWORK LIMITED

Directors' report (continued) for the period ended 30 September 1996

Mr. Newham holds options on ordinary shares of 10p each of SEC Group PLC as follows:

	<i>Executive share option scheme</i>	<i>Employee share option scheme</i>
Number of shares:	8,905	41,095
Date of grant:	23 May 1996	23 May 1996
Exercise price:	73p	73p
Exercisable between:	1999 and 2003	1999 and 2006

PAYMENT OF SUPPLIERS

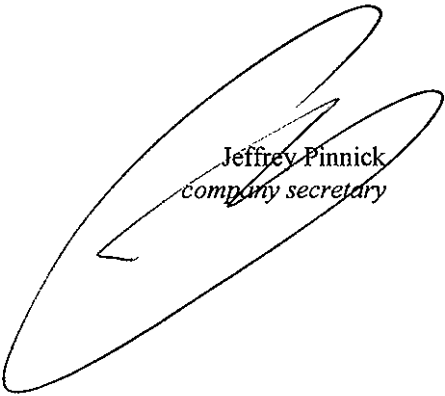
It is the company's policy to aim to pay suppliers within the agreed terms of trading. Where queries arise as to the quality of the goods or services received, or the amounts charged, the company aims to pay suppliers as soon as is practicable after the query has been mutually resolved.

AUDITORS

The directors will place a resolution before the annual general meeting to re-appoint Arthur Andersen and Harford Michaels as joint auditors for the ensuing year.

250 Hendon Way
London
NW4 3NL

By order of the board


Jeffrey Pinnick
company secretary

23 December 1996

IFA NETWORK LIMITED

Auditors' report

TO THE SHAREHOLDERS OF IFA NETWORK LIMITED:

We have audited the financial statements on pages 7 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 10.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3, 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.

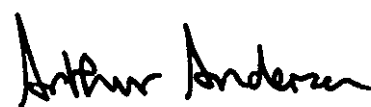
BASIS OF OPINION

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 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 mis-statement, 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 at 30 September 1996 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered accountants and registered auditors
1 Surrey Street
London
WC2R 2PS



Harford Michaels
Certified accountants and registered auditors
250 Hendon Way
London
NW4 3NL

23 December 1996

IFA NETWORK LIMITED

Profit and loss account

for the period ended 30 September 1996

	Notes	9 months to 30/9/96 £	12 months to 31/12/95 £ <i>as restated</i>
Turnover	1	13,102,017	10,951,930
Cost of sales		(12,449,594)	(10,784,612)
Gross profit		652,423	167,318
Administrative expenses	3	(53,108)	(900)
Operating profit		599,315	166,418
Interest receivable	2	29,685	—
Profit on ordinary activities before taxation	3	629,000	166,418
Tax on profit on ordinary activities	4	(207,570)	(47,945)
Profit on ordinary activities after taxation	10	421,430	118,473

Details of a prior year adjustment are given in note 10.

None of the company's activities were acquired or discontinued during the year.

A statement of movement in reserves is given in note 10.

The accompanying notes are an integral part of this profit and loss account.

IFA NETWORK LIMITED

Statement of total recognised gains and losses for the period ended 30 September 1996

	<i>Notes</i>	<i>9 months to 30/9/96 £</i>	<i>12 months to 31/12/95 £ as restated</i>
Profit for the financial period		421,430	118,473
Total recognised gains and losses relating to the period		<u>421,430</u>	<u>118,473</u>
Prior year adjustment relating to 1995 and earlier years	10	96,000	
Less: Taxation on prior year adjustment	10	<u>(32,000)</u>	
Total gains and losses recognised since last annual report and financial statements		<u><u>485,430</u></u>	

Details of the prior year adjustment are given in note 10.

The accompanying notes are an integral part of this statement of recognised gains and losses.


IFA NETWORK LIMITED

Balance sheet

as at 30 September 1996

	Notes	30 September 1996 £	31 December 1995 £ <i>as restated</i>
<u>Current assets</u>			
Debtors	5	1,042,384	841,361
Cash at bank	6	1,468,498	680,727
		<u>2,510,882</u>	<u>1,522,088</u>
<u>Creditors:</u> Amounts falling due within one year	7	<u>(1,807,597)</u>	<u>(1,341,670)</u>
Net current assets		703,285	180,418
<u>Provisions for liabilities and charges</u>	8	<u>(101,437)</u>	<u>—</u>
<u>Net assets</u>		<u>601,848</u>	<u>180,418</u>
 <u>Capital and reserves</u>			
Called-up share capital	9	1,000	1,000
Profit and loss account	10	600,848	179,418
<u>Shareholders' funds (all equity)</u>	11	<u>601,848</u>	<u>180,418</u>

Signed on behalf of the board


N. P. Ansell
director

23 December 1996

The accompanying notes are an integral part of this balance sheet.

Accounting policies

30 September 1996

A summary of the principal accounting policies is set out below. Except where indicated in “(b) Turnover and cost of sales” beneath, all policies have been applied consistently throughout the current period and preceding year.

(a) Basis of accounting

The financial statements are prepared under the historical cost convention. Assets and liabilities are recognised in the financial statements when, as a result of past transactions or events, the company has rights or other access to future economic benefits controlled by the company, or obligations to transfer economic benefits. The financial statements have been prepared in accordance with applicable accounting standards.

(b) Turnover and cost of sales

Turnover, which represents commissions receivable in respect of business placed with financial institutions and income for other services provided to network members, is credited to the profit and loss account in the accounting period when the business is placed or the other services are provided.

Cost of sales, which represents commissions payable in respect of commissions earned, is charged to the profit and loss account in the accounting period when the corresponding income is credited.

The credit or charge to the profit and loss account as described above represents a change in accounting policy as previously such income and expense were credited or charged to the profit and loss account only when payment was received or made in respect of such activities. Further details of the effect of these changes on the net assets of the company for the current and past accounting period ends, and the profit for the financial periods then ended, are shown in note 10 to the financial statements.

Provision is made for the possible future clawback of commissions received and receivable on an indemnity basis.

(c) Taxation

Corporation taxes payable are provided on taxable profits at current rates.

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes to the extent that they are expected to reverse in the future. The provision is calculated at the rate at which it is estimated that tax will be payable.

(d) Cash flow statement

The company has taken advantage of the exemption provided by Financial Reporting Standard no. 1 and has not prepared a cash flow statement for the period ended 30 September 1996. A consolidated cash flow statement can be found in the financial statements of the parent company, SEC Group PLC.

IFA NETWORK LIMITED

Notes to the financial statements

30 September 1996

1. SEGMENT INFORMATION

Contributions to turnover and allocation of net assets, all of which originate from continuing operations, are as follows:

Turnover

(i) By activity

The company's turnover is derived from the provision of financial services to members of the public and networking facilities to network members.

(ii) By geographical origin and destination

The turnover of the company originates wholly from, and is for destinations wholly within, the United Kingdom.

Net assets

The company's net assets are located in the United Kingdom and are not separately attributable to turnover analysed by activity or geographical origin or destination.

2. INTEREST RECEIVABLE

	<i>9 months to 30/9/1996</i>	<i>12 months to 31/12/1995</i>
	£	£
Bank interest receivable	29,685	—

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities is stated after charging:

	<i>9 months to 30/9/1996</i>	<i>12 months to 31/12/1995</i>
	£	£
Auditors' remuneration - audit services	—	900

For the period ended 30 September 1996, with the exception of provisions and write offs of bad debts and provisions for claims, all the company's administration and other operating expenses (including auditors' remuneration) have been borne by IFA Network (Services) Limited.

For the year ended 31 December 1995, all the company's administration and other operating expenses (excluding auditor's remuneration) were borne by IFA Network (Services) Limited.

The profit on ordinary activities is stated on an historical cost basis.

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is based on the profits of each period and comprises:

	<i>9 months to 30/9/1996</i>	<i>12 months to 31/12/1995</i>
	£	£
UK corporation tax for current period at 33% (1995 - 25% and 33%)	207,570	as restated 47,945

IFA NETWORK LIMITED

Notes to the financial statements (continued)

30 September 1996

5. DEBTORS

	1996	31 December 1995
	£	£ <i>as restated</i>
<u>Amounts falling due within one year:</u>		
Trade debtors	1,042,384	836,856
Amounts owed by group undertakings	—	4,505
	<u>1,042,384</u>	<u>841,361</u>

6. CASH AT BANK

	1996	31 December 1995
	£	£
At end of period	<u>1,468,498</u>	<u>680,727</u>

At 30 September 1996, the following amounts are included within the above balances:

Monies held in member designated bank accounts to meet liabilities to network members and included in trade creditors of £620,258 (1995 - £430,449)	<u>788,498</u>	<u>680,727</u>
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7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996	31 December 1995
	£	£ <i>as restated</i>
Trade creditors	1,484,182	1,108,847
Amounts owed to group undertakings	83,845	165,878
UK corporation tax payable	239,570	66,945
	<u>1,807,597</u>	<u>1,341,670</u>

Included within amounts owed to group undertakings is an amount of £80,000 (1995 - £80,000) which is subject to a sub-ordinated loan agreement in favour of the company's regulator under the Financial Services Act 1986, the Personal Investment Authority.

IFA NETWORK LIMITED

Notes to the financial statements (continued)

30 September 1996

8. PROVISIONS FOR LIABILITIES AND CHARGES

	1996	31 December 1995
	£	£
<i>Provisions for indemnity commission clawback and claims</i>		
At beginning of period	—	—
Increase in provisions	101,437	—
At end of period	101,437	—

In common with other organisations operating in the financial services industry, there is a contingent liability in respect of clawback on cancelled policies where business is written on an indemnity basis. A contingent liability also arises in respect of amounts not covered by professional indemnity insurance which may become payable as a result of advice (including that in relation to pension transfers and opt outs - see below) given by members.

In October 1994, the Securities and Investments Board issued its report "Pension Transfers and Opt Outs, Review of Past Business". Its objective was to secure compensation for individuals who, since April 1988, have been wrongly advised to transfer or opt out of occupational pension schemes and enter into personal pension plans and have therefore suffered actual or potential loss. Pension business conducted during the relevant period is required to be reviewed so as to assess the extent to which compensation should be paid to clients who were wrongly advised. This company has been involved in business of this nature and is currently undertaking its review. The extent of any losses arising will depend upon the outcome of this review and recoveries made from members and professional indemnity insurers. The directors are unable to estimate the potential financial effect but, based on information currently available, do not expect significant liabilities or costs will be incurred.

Up to 31 December 1995, the provisions for clawback commissions and claims in relation to business carried out by IFA Network Limited had been provided for in the financial statements of IFA Network (Services) Limited, based on past experience and information available to the directors (who were also directors of IFA Network (Services) Limited). As from 1 January 1996, these provisions have been made in the financial statements of IFA Network Limited.

9. CALLED-UP SHARE CAPITAL

	1996	31 December 1995
	£	£
<u>Authorised</u>		
2,000 ordinary shares of 50p each	1,000	1,000
<u>Allotted, called-up and fully-paid</u>		
2,000 ordinary shares of 50p each	1,000	1,000

IFA NETWORK LIMITED

Notes to the financial statements (continued)

30 September 1996

10. PROFIT AND LOSS ACCOUNT

	1996	31 December 1995
	£	£
Balance brought forward, as previously stated		21,945
Prior year adjustment affecting 12 months ended 31/12/1994 and prior years		39,000
Balance brought forward, as re-stated	179,418	60,945
Retained profit for the period	421,430	118,473
Balance carried forward	600,848	179,418

The balance on this account is distributable.

The prior year adjustment arises as a result of the company's accounting policy in respect of income and cost of sales recognition being revised from one of accounting for these items on a cash received basis to one of accounting for them on an accruals basis, to bring them into line with that of its parent undertaking. The effect of this change in policy on the net assets of the company as at 30 September 1996 and earlier accounting period ends and profits for the financial periods then ended is summarised below.

Profit and loss account

	9 months ended 30/9/1996	12 months ended 31/12/1995	12 months ended 31/12/1994 and prior years
	£	£	£
Turnover	237,924	301,000	450,000
Cost of sales	(208,924)	(263,000)	(392,000)
Taxation	(9,570)	(13,000)	(19,000)
<u>Increase in profit on ordinary activities after taxation</u>	<u>19,430</u>	<u>25,000</u>	<u>39,000</u>

Balance sheet

	30/9/1996	31/12/1995	31/12/1994
	£	£	£
<u>Debtors:</u>			
Trade debtors	988,924	751,000	450,000
<u>Creditors:</u>			
Trade creditors	(863,924)	(655,000)	(392,000)
Taxation	(41,570)	(32,000)	(19,000)
<u>Increase in net assets</u>	<u>83,430</u>	<u>64,000</u>	<u>39,000</u>

IFA NETWORK LIMITED

Notes to the financial statements (continued)

30 September 1996

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996	31 December 1995
	£	£
Shareholders' funds at the beginning of the period, as originally stated		22,945
Prior year adjustment affecting 12 months ended 31/12/1994 and prior years		39,000
Shareholders' funds at the beginning of the period, as re-stated	180,418	61,945
Profit for the financial period	421,430	118,473
Shareholders' funds at the end of the period	601,848	180,418

12. TRANSACTIONS WITH DIRECTORS

Prior to 20 May 1996, IFA Network Limited and IFA Network (Services) Limited (a fellow subsidiary undertaking) were companies in which N.P. Ansell and T.S. Greenwood ultimately had substantial beneficial interests.

During the period, commissions were payable to IFA Network (Services) Limited of £1,190,547 (1995 - £1,338,207).

13. ULTIMATE PARENT UNDERTAKING

The company is a subsidiary undertaking of SEC Group PLC. The largest group of which IFA Network Limited is a member and for which group financial statements are drawn up is SEC Group PLC. The consolidated financial statements of this group are available to the public and may be obtained from 250 Hendon Way, London, NW4 3NL.