

Company Number: 2773853

FINANCIAL OPTIONS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1995

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LATHAM CROSSLEY & DAVIS
CHARTERED ACCOUNTANTS
CHORLEY



FINANCIAL OPTIONS LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 December 1995.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. 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;
- 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.

Review of the business and future developments

The principal activity of the company is the provision of an administration and compliance service to a network of Independent Financial Advisors.

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

FINANCIAL OPTIONS LIMITED

REPORT OF THE DIRECTORS

Results and dividends

The profit for the year after taxation was £190,767. The directors do not recommend the payment of a dividend and propose that the profit be transferred to reserves.

Directors and their interests

The directors of the company during the year were:

R R Leith
K J Budge
M D Blake

The company is a wholly-owned subsidiary of Financial Options Group Limited and the interests in shares of R R Leith, M D Blake and K J Budge who are directors of that company are disclosed in its directors' report.

Auditors

Latham Crossley & Davis, offer themselves, and are recommended, for re-appointment under the provisions of Section 385 of the Companies Act 1985.

By order of the Board,



Secretary

Date: 27TH JUNE 1996

REPORT OF THE AUDITORS
TO THE SHAREHOLDERS OF FINANCIAL OPTIONS LIMITED

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 4.

Respective responsibilities of directors and auditors

As described on page 1 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.

Fundamental Uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in these financial statements concerning the pension opt-out and transfer review. This issue is described in note 6 to the financial statements.

At present the directors are unable to quantify the effect of the current review on the company. Once known, the results may affect the company's ability to meet the financial resources requirements of the Personal Investment Authority ('PIA'). This in turn may invalidate the company's membership of the PIA and prevent the company from carrying on investment business. As the outcome of this review cannot be known with any certainty, the accounts have been prepared on a going concern basis. 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 as at 31 December 1995 and of its 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,
Chartered Accountants,
Chorley.

Date: 29 June 1996

FINANCIAL OPTIONS LIMITED
STATEMENT OF ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

Preparation of financial statements

Included within the financial statements for the company are all the transactions, assets and liabilities associated with the Appointed Representatives Commission Trust. The trust administers the receipt of commissions from life offices and payment of the commissions to its beneficiaries, who are the appointed representatives and Financial Options Limited.

The trust is a distinct separate legal entity and in previous years the directors were of the opinion that its results should not be included with those of the company. Following discussions with the Personal Investment Authority the directors are now of the opinion that the trust should be incorporated within the results of Financial Options Limited, to give a fairer presentation of the results and financial position of the company.

The effect of the change of policy is shown in note 10.

Turnover

Turnover represents the commission earned from provision of services which fell within the company's ordinary activities exclusive of value added tax.

FINANCIAL OPTIONS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1995

	Note	1995 £	1994 Restated £
Turnover		11,754,906	1,526,467
Cost of sales		(9,446,694)	(1,327,044)
Turnover and gross profit		2,308,212	199,423
Administrative expenses		(2,105,849)	(116,418)
Operating profit	1	202,363	83,005
Taxation	2	(11,596)	-
Profit on ordinary activities after taxation		190,767	83,005
Retained profits at 1 January 1995		83,005	-
Retained profits at 31 December 1995		273,772	83,005

All operations are continuing and all gains and losses for the year are dealt with in the profit and loss account.

FINANCIAL OPTIONS LIMITED

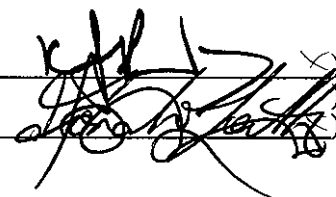
BALANCE SHEET

AS AT 31 DECEMBER 1995

	Note	1995	1994
		£	Restated £
Current assets			
Debtors	3	833,225	689,923
Cash at bank and in hand		<u>463,487</u>	<u>185,720</u>
		1,296,712	875,643
Creditors: Amounts falling due within one year	4	(<u>529,316</u>)	(<u>455,362</u>)
Net current assets		767,396	420,281
Provisions for liabilities and charges	5	(<u>293,624</u>)	(<u>137,276</u>)
		<u>473,772</u>	<u>283,005</u>
Capital and reserves			
Called up share capital	7	200,000	200,000
Profit and loss account		<u>273,772</u>	<u>83,005</u>
Equity shareholders' funds	8	<u>473,772</u>	<u>283,005</u>

Approved by the Board on

27.06.96

X  X

Directors

FINANCIAL OPTIONS LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 1995

	Note	1995	1994
			Restated
		£	£
Net cash inflow/(outflow) from operating activities	A	277,767	(14,278)
Financing			
Issue of share capital		-	<u>199,998</u>
Net cash inflow from financing	B	<u>-</u>	<u>199,998</u>
Increase in cash and cash equivalents	C	<u>277,767</u>	<u>185,720</u>

FINANCIAL OPTIONS LIMITED

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 1995

A. Reconciliation of operating profit to net cash outflow from operating activities	1995	1994
	£	Restated £
Operating profit	202,363	83,005
Increase in debtors	(143,302)	(689,921)
Increase in creditors	62,358	455,362
Increase in indemnity commision provision	<u>156,348</u>	<u>137,276</u>
	277,767	(14,278)
	<u> </u>	<u> </u>
B. Analysis of changes in financing during the year		£
Share capital		
At 1 January 1994		2
Issue of share capital		<u>199,998</u>
At 1 January 1995		200,000
Issue of share capital		<u>-</u>
At 31 December 1995		<u>200,000</u>
		<u> </u>
C. CASH AND CASH EQUIVALENTS		Cash at bank and in hand £
At 1 January 1994		-
Change in year		<u>185,720</u>
At 1 January 1995		185,720
Change in year		<u>277,767</u>
At 31 December 1995		<u>463,487</u>

FINANCIAL OPTIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1995

1. OPERATING PROFIT

a. Staff costs

Financial Options Group Limited, the ultimate parent company, employs staff who work on the Financial Options Limited business which has no employees. These costs and additional overheads are recharged to Financial Options via a management charge.

2. TAXATION

	1995	1994 Restated
On profit on ordinary activities for the year		
- corporation tax at 25% (1994 : 25%)	11,596	-
	<u>11,596</u>	<u>-</u>

The tax charge has been reduced by £38,500 (1994 : £21,000) in respect of brought forward losses and by £500 (1994 : £Nil) due to short-term temporary timing differences.

3. DEBTORS

	1995 £	1994 Restated £
Trade debtors	421,020	387,918
Amounts owed by group undertakings	355,507	302,005
Other debtors and prepayments	<u>56,698</u>	<u>-</u>
	<u>833,225</u>	<u>689,923</u>

4. CREDITORS

	1995 £	1994 £
Amounts falling due within one year		
Trade creditors	516,237	441,148
Corporation tax	11,596	-
Other creditors	-	14,214
Accruals and deferred income	<u>1,483</u>	<u>-</u>
	<u>529,316</u>	<u>455,362</u>

FINANCIAL OPTIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1995

5. PROVISIONS FOR LIABILITIES AND CHARGES

£

Indemnity commission provision

At 1 January 1995

137,276

Provisions made in year

156,348

At 31 December 1995

293,624

Financial Options Limited is regulated by the Personal Investment Authority ('PIA'). Under PIA rules, the company is required to make a provision for clawbacks of commission received on indemnity terms. The provision in these accounts has been calculated in accordance with those PIA rules.

6. PENSION OPT-OUT/TRANSFER REVIEW

Following guidance issued by the Securities and Investment Board, the company has begun to review 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 company 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 company maintains professional indemnity insurance and therefore the directors believe that any compensation paid out should be recoverable from the company'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 company has not yet completed its review. In addition, it has not yet received any information from other bodies carrying out similar reviews which might identify liabilities of the company relating to past network members. Therefore, the directors do not feel able to assess the level of compensation that may be payable nor any connected recoveries.

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

In addition as part of the terms under which it conducts investment business, the company is required to meet the financial resources requirements of the PIA. The impact of this review on the company's ability to meet these requirements cannot yet be known. The directors are confident that the company will be able to meet the financial resources requirements of the PIA and have therefore prepared the accounts on a going concern basis.

FINANCIAL OPTIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1995

7. SHARE CAPITAL	1995	1994
	£	£
Authorised 250,000 (1994 : 250,000) ordinary shares of £1 each	250,000	250,000
Allotted, called up and fully paid 200,000 (1994 : 200,000) ordinary shares of £1 each	200,000	200,000
8. RECONCILIATIONS OF MOVEMENTS IN SHAREHOLDERS' FUNDS		
Profit on ordinary activities after taxation	190,767	83,005
New share capital subscribed	-	199,998
Net increase in shareholders' funds	190,767	283,003
Shareholders' funds at 1 January 1995	283,005	2
Shareholders' funds at 31 December 1995	473,772	283,005
9. PARENT UNDERTAKING		

The directors consider the ultimate parent company to be Financial Options Group Limited, a company registered in England and Wales. Financial Options Group Limited is the only undertaking which prepares group accounts including the financial statements of the company.

10. CHANGE OF ACCOUNTING POLICY

The effect of the change of the accounting policy regarding the Appointed Representatives Commissions Trust has been to increase certain figures in the financial statements as follows:

	1995	1994
	£	£
Debtors	339,431	407,918
Cash	398,553	184,720
Creditors	(452,851)	(455,362)
Provision	(285,133)	(137,276)
Net assets	-	-
Turnover	9,446,694	1,327,044
Cost of sales	(9,446,694)	(1,327,044)
Gross profit	-	-