

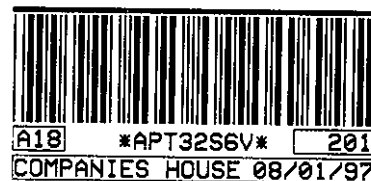
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Company number : 02844161

KESTREL FINANCIAL MANAGEMENT LIMITED

FINANCIAL STATEMENTS

31 AUGUST 1996



Baker Tilly
Chartered Accountants
The Clock House
140 London Road
Guildford
Surrey GU1 1UW

DIRECTORS AND OFFICERS

DIRECTORS

W Lovell
J Mash (Chairman)
K McDonagh

SECRETARY

J Mash

REGISTERED OFFICE

Kestrel House
16/18 Worthing Road
Horsham
West Sussex RH12 15L

AUDITORS

Baker Tilly
Chartered Accountants
The Clock House
140 London Road
Guildford
Surrey GU1 1UW

DIRECTORS' REPORT

The directors submit their report and the financial statements of Kestrel Financial Management Limited for the year ended 31 August 1996.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was the provision of financial services.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company has had another successful year of continued growth and rising profits. This trend is anticipated to continue into the coming year.

RESULTS AND DIVIDENDS

The trading profit for the year after taxation was £75,041 (1995:£1,550 loss).

The directors do not recommend the payment of a final dividend on ordinary shares. An interim dividend of £18,000 (1995:£Nil) was paid, leaving a profit of £57,041 (1995:£1,550 loss) to be taken to reserves.

DIRECTORS

The following directors have held office since 1 September 1995:-

W Lovell (appointed 1 September 1995)
J Mash
K McDonagh

DIRECTORS' INTERESTS IN SHARES

Directors' interests in the shares of the company, including family interests, were as follows:-

	Ordinary shares of £1 each	
	31 August 1996	1 September 1995
W Lovell	3,333	-
J Mash	5,000	5,000
K McDonagh	5,000	5,000

DIRECTORS' REPORT

AUDITORS

During the year Loban Field & Co, Certified Accountants, resigned as auditors and Baker Tilly were appointed in their stead.

A resolution to reappoint Baker Tilly, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

By order of the board

A handwritten signature in black ink, appearing to read 'J Mash', is written over the printed name.

J Mash

Secretary

15 November 1996

**DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF
FINANCIAL STATEMENTS**

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 period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. 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 requirements of 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' REPORT TO THE MEMBERS OF KESTREL FINANCIAL MANAGEMENT LIMITED

We have audited the financial statements on pages 6 to 19.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

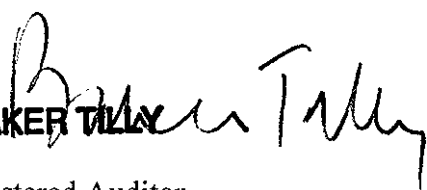
BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of the company's affairs at 31 August 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


BAKER TILLY

Registered Auditor
Chartered Accountants
The Clock House
140 London Road
Guildford
Surrey GU1 1UW

31 December 1996

PROFIT AND LOSS ACCOUNT
for the year ended 31 August 1996

	Notes	1996	1995
TURNOVER	1	3,075,084	973,970
Cost of sales		2,600,736	726,980
Gross profit		<u>474,348</u>	<u>246,990</u>
Other operating expenses (net)	2	369,529	247,213
OPERATING PROFIT/(LOSS)		<u>104,819</u>	<u>(223)</u>
Interest receivable	3	2,469	129
		<u>107,288</u>	<u>(94)</u>
Interest payable	4	2,247	2,540
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	5	<u>105,041</u>	<u>(2,634)</u>
Taxation	7	30,000	(1,084)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		<u>75,041</u>	<u>(1,550)</u>
Dividends	8	18,000	-
RETAINED PROFIT/(LOSS)	16	<u>£ 57,041</u>	<u>£ (1,550)</u>

The operating profit for the year arises from the company's continuing activities.

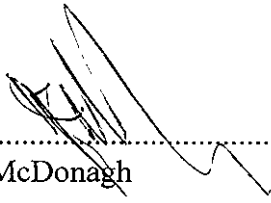
No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

BALANCE SHEET

31 August 1996

	Notes	1996	1995
FIXED ASSETS			
Tangible assets	9	58,021	37,087
CURRENT ASSETS			
Debtors	10	174,312	57,796
Cash at bank and in hand		193,774	56,594
		<u>368,086</u>	<u>114,390</u>
CREDITORS			
Amounts falling due within one year	11	95,126	51,290
NET CURRENT ASSETS			
		<u>272,960</u>	<u>63,100</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>330,981</u>	<u>100,187</u>
CREDITORS			
Amounts falling due after more than one year	12	230,038	49,145
PROVISIONS FOR LIABILITIES AND CHARGES			
	13	-	27,140
		<u>£ 100,943</u>	<u>£ 23,902</u>
CAPITAL AND RESERVES			
Called up share capital	15	13,333	10,000
Share premium account	15	16,667	-
Profit and loss account	16	70,943	13,902
SHAREHOLDERS' FUNDS			
	17	<u>£ 100,943</u>	<u>£ 23,902</u>

Approved by the board on 15 November 1996



.....Director
K McDonagh

CASH FLOW STATEMENT
for the year ended 31 August 1996

	Notes	1996	1995
NET CASH FLOW FROM OPERATING ACTIVITIES	19	139,087	52,092
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Interest received		2,469	129
Interest paid		(2,247)	(2,540)
Dividend paid		(18,000)	-
		<u>(17,778)</u>	<u>(2,411)</u>
TAXATION			
Corporation tax repaid/(paid)		1,084	(7,172)
INVESTING ACTIVITIES			
Payments to acquire fixed assets		(49,501)	(32,021)
Receipts from sale of fixed assets		11,743	-
		<u>(37,758)</u>	<u>(32,021)</u>
NET CASH FLOW BEFORE FINANCING		<u>84,635</u>	<u>10,488</u>
FINANCING			
Issue of ordinary share capital		20,000	-
Directors' loans		13,400	15,000
Inception of finance leases		14,600	-
Repayments on finance leases		(4,461)	-
Loan finance		8,000	8,000
Loan repayments		(4,774)	(1,756)
		<u>46,765</u>	<u>21,244</u>
INCREASE IN CASH AND CASH EQUIVALENTS	20	<u>£ 131,400</u>	<u>£ 31,732</u>

Financial statements for the year ended 31 August 1996**ACCOUNTING POLICIES**

BASIS OF ACCOUNTING

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

TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Office equipment	over 4 years
Motor vehicles	over 4 years

LEASED ASSETS AND OBLIGATIONS

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to the profit and loss on a straight line basis over the lease term.

DEFERRED TAXATION

Provision is made for taxation deferred or accelerated by the effect of timing differences, to the extent that it is probable that a liability will crystallise, at the rate expected to be ruling at that date.

Financial statements for the year ended 31 August 1996**ACCOUNTING POLICIES**

TURNOVER

Turnover represents the value of services provided to customers and includes commission income in respect of life policies and pension contracts recognised when received, subject to provisions made in respect of commission on indemnity business which may be repayable.

PENSION CONTRIBUTIONS

Pension costs charged in the financial statements represent the contributions payable by the company during the year into defined contribution and money purchase schemes on behalf of employees.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 1996

**1. TURNOVER AND PROFIT/(LOSS) ON ORDINARY
ACTIVITIES BEFORE TAXATION**

The company's turnover and profit/(loss) before taxation are derived from its principal activity and are generated within the United Kingdom.

	1996	1995
2. OTHER OPERATING EXPENSES (NET)		

Administration expenses	£ 369,529	£ 247,213
	<u> </u>	<u> </u>

3. INTEREST RECEIVABLE

Bank interest	2,441	129
Other interest	28	-
	<u>£ 2,469</u>	<u>£ 129</u>
	<u> </u>	<u> </u>

4. INTEREST PAYABLE

On bank loans and overdrafts and other loans
wholly repayable within 5 years:

Bank interest	1,310	2,540
Finance leases and hire purchase contracts	937	-
	<u>£ 2,247</u>	<u>£ 2,540</u>
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 1996

	1996	1995
5. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		
Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation and amounts written off tangible fixed assets:		
Charge for the year:		
owned assets	15,885	9,711
leased assets	3,903	-
Profit on disposal of fixed assets	(2,964)	-
Operating lease rentals:		
Land and buildings	17,037	2,171
Auditors' remuneration	2,000	3,300
	=====	=====
6. EMPLOYEES		
The average weekly number of persons (including directors) employed by the company during the year was:	No.	No.
Office and administration	10	5
	=====	=====
Staff costs for the above persons:		
Wages and salaries	177,307	85,262
Social security costs	15,569	9,009
Other pension costs	11,513	12,650
	£ 204,389	£ 106,921
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 1996

	1996	1995
DIRECTORS' REMUNERATION		
Directors' fees and other emoluments (including pension contributions and benefits in kind)	£ 125,450 =====	£ 69,950 =====
The directors' fees and other emoluments disclosed above (excluding pension contributions) includes amounts paid to:		
The chairman	£ 30,414 =====	£ 27,300 =====
The highest paid director	£ 50,621 =====	£ 30,000 =====
The number of other directors who received emoluments (excluding pension contributions) in the following ranges was:	No.	No.
£25,001 - £30,000	-	1
£30,001 - £35,000	1 =====	- =====
7. TAXATION		
Based on the profit/(loss) for the year:		
UK Corporation tax at 25% (1995: 25%)	£ 30,000 =====	£ (1,084) =====
8. DIVIDENDS		
Interim paid:		
£1.35 per ordinary share (1995:£Nil)	£ 18,000 =====	£ - =====

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 1996

9. TANGIBLE FIXED ASSETS

	Office equipment	Motor vehicles	TOTAL
Cost:			
1 September 1995	29,493	18,495	47,988
Additions	8,916	40,585	49,501
Disposals	(11,344)	(5,500)	(16,844)
31 August 1996	27,065	53,580	80,645
Depreciation:			
1 September 1995	7,048	3,853	10,901
Charge in the year	8,630	11,158	19,788
Disposals	(6,920)	(1,145)	(8,065)
31 August 1996	8,758	13,866	22,624
Net book value:			
31 August 1996	18,307	39,714	£ 58,021
31 August 1995	22,445	14,642	£ 37,087

The net book value of motor vehicles includes £14,832 (1995:£Nil) in respect of assets held under finance leases.

	1996	1995
10. DEBTORS		
Due within one year:		
Trade debtors	107,528	8,901
Corporation tax	4,500	1,084
Other debtors	20,693	11,885
Prepayments and accrued income	41,591	35,926
	£ 174,312	£ 57,796

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 1996

	1996	1995
11. CREDITORS		
Amounts falling due within one year:		
Bank loans	4,894	3,144
Bank overdrafts	5,780	-
Obligations under finance leases	4,867	-
Trade creditors	16,824	-
Corporation tax	34,500	-
Other taxation and social security costs	11,312	3,572
Other creditors	-	16,378
Accruals and deferred income	16,949	28,196
	<u>£ 95,126</u>	<u>£ 51,290</u>
	=====	=====
12. CREDITORS		
Amounts falling due after more than one year:		
Bank loans	4,575	3,099
Obligations under finance leases	5,273	-
Clawback retentions	191,790	31,046
Directors' loans	28,400	15,000
	<u>£ 230,038</u>	<u>£ 49,145</u>
	=====	=====
Repayable by instalments:		
Bank loans:		
between 2 and 5 years	4,575	3,099
Obligations under finance leases:		
between 2 and 5 years	5,273	-
	<u>£ 9,848</u>	<u>£ 3,099</u>
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 1996

	1996	1995
13. PROVISIONS FOR LIABILITIES AND CHARGES		
Indemnity commission provisions	£ -	£ 27,140
	=====	=====

14. DEFERRED TAXATION

Deferred taxation provided in the financial statements and the unprovided potential liability are as follows:-

	Amount provided		Unprovided (asset)/liability	
	1996	1995	1996	1995
Excess of tax allowances over depreciation	£ -	£ -	£ 584	£ 960
	=====	=====	=====	=====

	1996	1995
15. SHARE CAPITAL		
Authorised:		
500,000 ordinary shares of £1 each	£ 500,000	£ 500,000
	=====	=====
Allotted, issued and fully paid:		
13,333 ordinary shares of £1 each	£ 13,333	£ 10,000
	=====	=====

On 18 January 1996 an additional 3,333 ordinary shares of £1 each were issued for cash consideration at a premium of £5 in excess of their nominal value.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 1996

	1996	1995
16. PROFIT AND LOSS ACCOUNT		
1 September 1995	13,902	15,452
Profit/(loss) for the year	57,041	(1,550)
31 August 1996	£ 70,943	£ 13,902
	=====	=====
17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS		
Profit/(loss) for the financial year	75,041	(1,550)
Dividends	(18,000)	-
	57,041	(1,550)
Issue of ordinary share capital	20,000	-
Opening shareholders' funds	23,902	25,452
Closing shareholders' funds	£ 100,943	£ 23,902
	=====	=====
18. COMMITMENTS UNDER OPERATING LEASES		
At 31 August 1996 the company had annual commitments under non-cancellable operating leases as follows:		
Land buildings:		
expiring after 5 years	£ 17,037	£ 17,036
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 1996

	1996	1995	
19. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit/(loss)	104,819	(223)	
Depreciation	19,788	9,711	
Profit on disposal of fixed assets	(2,964)	-	
Increase in debtors	(113,099)	(3,070)	
Increase in creditors	157,683	36,845	
Movement in provisions	(27,140)	8,829	
Net cash flow from operating activities	£ 139,087	£ 52,092	
20. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR			
Balance at 1 September 1995	56,594	24,862	
Net cash inflow	131,400	31,732	
Balance at 31 August 1996	£ 187,994	£ 56,594	
21. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET			
	1996	1995	Change in year
Cash at bank and in hand	193,774	56,594	137,180
Bank overdrafts	(5,780)	-	(5,780)
	£ 187,994	£ 56,594	£ 131,400

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 1996

**22. ANALYSIS OF CHANGES IN FINANCING
DURING THE YEAR**

	1996		1995	
	Share capital	Loans and finance lease obligations	Share capital	Loans and finance lease obligations
Balance at 1 September 1995	10,000	21,244	10,000	-
Issue of ordinary share capital	20,000	-	-	-
Directors' loans	-	13,400	-	15,000
Inception of finance leases	-	14,600	-	-
Repayments on finance leases	-	(4,461)	-	-
Loan finance	-	8,000	-	8,000
Loan repayments	-	(4,774)	-	(1,756)
Balance at 31 August 1996	<u>£ 30,000</u>	<u>£ 48,009</u>	<u>£ 10,000</u>	<u>£ 21,244</u>

23. CONTINGENT LIABILITIES

There are no unprovided contingent liabilities at the balance sheet date (1995:£Nil).

24. RELATED PARTY TRANSACTIONS

During the year, rent of £12,148 was received from Kestrel General Insurance Limited, a company in which J Mash and K McDonagh have a significant interest.