IFA NETWORK CONSULTANCY SERVICES LIMITED

REPORT & FINANCIAL STATEMENTS

30 September 1999

Company registration number: 03458083

Contents

Statement of directors' and auditors' responsibilities
for the year ended 30 September 1999

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 director's report on pages 3 and 4. However, the Companies Act 1985 requires auditors to report to the shareholders if the matters contained in the director's report are inconsistent with the financial statements.

Directors' report
for the year ended 30 September 1999

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 30 September 1999.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW
The principal activity of the company continues to be that of providing compliance and support services to independent financial advisers.

The company's balance sheet as detailed on page 7 shows a satisfactory position, with shareholders' funds amounting to £34,000.

HOLDING COMPANY
The company is a wholly owned subsidiary undertaking of i.e. group plc, a company incorporated in Great Britain.

RESULTS AND DIVIDENDS
Results and transfers to reserves are as follows:

	£'000
Retained profit for the year ended 30 September 1999, transferred to reserves	14

The directors do not propose payment of a dividend.

DIRECTORS AND THEIR INTERESTS
The directors who served during the year are:

Nicholas P. Ansell (appointed 18 January 1999)
Paul R. Trueman (appointed 13 September 1999)
Tony Drain (resigned 10 September 1999)
Timothy S. Greenwood (resigned 6 January 1999)
Alan S. Wilkinson (resigned 28 October 1998)

All the directors are or were directors of i.e. group plc during part of the year and their interests in the shares of that company are disclosed within its financial statements.

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.

Directors' report (continued)
for the year ended 30 September 1999

FIXED ASSETS
Information relating to changes in fixed assets is given in note 6 to the financial statements.

YEAR 2000 and EUROS
A company Year 2000 project was launched in May 1998. A full review was undertaken of all date handling equipment. Where the equipment was found to be non Year 2000 compliant, a programme to replace the equipment by October 1999 was implemented. Warranties were obtained from all suppliers identified as being crucial to business continuity. No issues have arisen in the New Year to date.

A project to assess the potential effect on the group of the introduction of Euros to the United Kingdom has been launched.

AUDITORS
Harford Michaels resigned as auditors during the year. The directors appointed PricewaterhouseCoopers in their place. The directors will place a resolution before the annual general meeting to re-appoint PricewaterhouseCoopers as auditors for the ensuing year.

1 Heathcock Court
415 The Strand
London
WC2R 0PA

By order of the board

Paul R. Trueman
company secretary

28 January 2000

Auditors' report to the members of IFA Network Consultancy Services Limited

We have audited the financial statements on pages 6 to 12 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 Annual Report, including as described on page 2, the financial statements. Our responsibilities, as independent auditors, are established 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 directors' 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 audit 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 30 September 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered accountants and registered auditors
10 Bricket Road
St Albans
Herts
AL1 3JX

28 January 2000

Profit and loss account
for the year ended 30 September 1999

	Notes	1999 £'000	1998 £'000
Turnover	1	95	85
Cost of sales		(51)	(5)
Gross profit		44	80
Administrative expenses		(23)	(57)
Operating profit		21	23
Interest receivable	2	2	2
Profit on ordinary activities before taxation	3	23	25
Tax on profit on ordinary activities	4	(9)	(5)
Profit on ordinary activities after taxation	11	14	20

There were no recognised gains or losses in either period other than the profit for each period.

A statement of movement in reserves is given in note 12.

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

Balance sheet
as at 30 September 1999

	Notes	1999 £'000	1998 £'000
Fixed assets			
Tangible assets	6	6	6
Current assets			
Debtors	7	53	26
Cash at bank and in hand		1	111
		54	137
Creditors: Amounts falling due within one year	8	(26)	(123)
Net current assets		28	14
Net assets		34	20
Capital and reserves			
Called-up share capital	10	-	-
Profit and loss account	11	34	20
Shareholders' funds (all equity)	12	34	20

Signed on behalf of the board

Nicholas P. Ansell
director

28 January 2000

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

Accounting policies
30 September 1999

A summary of the principal accounting policies is set out below.

(a) Basis of accounting
The financial statements are prepared under the historical cost convention. The financial statements have been prepared in accordance with applicable accounting standards.

(b) Turnover
Turnover represents the amount derived from the provision of services which fall within the company's ordinary activities.

(c) Tangible fixed assets
Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life, as follows:

Fixtures, fittings and equipment	25% reducing balance per annum

(d) 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.

(e) Leases
The company enters into operating leases.

Rentals on operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are spread on a straight line basis over the lease term, or, if shorter than the full lease term, over the period to the review date on which the rent is first expected to be adjusted to the then prevailing market rate.

(f) 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 year ended 30 September 1999. A consolidated cash flow statement can be found in the financial statements of the parent undertaking, i.e. group plc.

(g) Intra-group transactions
The company has taken advantage of the exemption provided by Financial Reporting Standard No. 8 not to disclose details of transactions with i.e. group plc or other group undertakings as the consolidated financial statements of i.e. group plc, in which the company is included, are publicly available.

Notes to the financial statements
30 September 1999

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 its principal activity.

(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

	1999	*1998*
	£'000	*£'000*
Bank interest receivable	2	2

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities is stated after charging:

	1999	*1998*
	£'000	*£'000*
Depreciation	1	2
Operating lease charges – motor vehicle	5	3
Auditors' remuneration	1	2

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is based on the adjusted profit for each period and comprises:

	1999	*1998*
	£'000	*£'000*
UK corporation tax at 20% (1998 - 21%)	7	5
Under provision in previous years	2	-
	9	5

No charge or provision is required in respect of deferred taxation.

Notes to the financial statements (continued)
30 September 1999

5. STAFF COSTS
Directors' and employees' costs amounted to:

	1999	*1998*
	£'000	*£'000*
Wages and salaries	10	22
Social security costs	1	2
Pension costs	1	-
	12	24

The average monthly number of persons employed by the company during the year was as follows:

	1999	*1998*
	Number	*Number*
Administration	1	1

6. TANGIBLE FIXED ASSETS
Tangible fixed assets comprise:

	Fixtures, fittings & equipment
	£'000
Cost:	
At beginning of year	8
Additions	1
At end of year	9
Depreciation:	
At beginning of year	2
Charge	1
At end of year	3
Net book values:	
At 30 September 1999	6
At 30 September 1998	6

Notes to the financial statements (continued)
30 September 1999

7. DEBTORS

Amounts falling due within one year:	*1999* *£'000*	*1998* *£'000*
Trade debtors	5	25
Amounts owed by group undertakings	2	-
Other debtors	2	-
Prepayments and accrued income	44	1
	53	26

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 *£'000*	*1998* *£'000*
Amounts owed to group undertakings	25	114
UK corporation tax payable	-	5
Other taxation and social security	-	1
Accruals and deferred income	1	3
	26	123

9. OTHER FINANCIAL COMMITMENTS

At 30 September the company had annual commitments under non-cancellable operating leases as set out below:

	Other	
	1999 £'000	1998 £'000
Operating leases which expire:		
Within 1 to 2 years	5	-
Within 2 to 5 years	-	5
	5	5

10. CALLED-UP SHARE CAPITAL

	1999 £'000	*1998* £'000
Authorised		
50,000 ordinary shares of £1 each	50	50
Allotted, called-up and fully-paid		
2 ordinary shares of £1 each	-	-