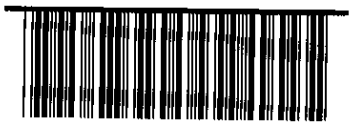
ACCOUNTANTS FINANCIAL SERVICES (SCOTLAND) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED TO 31 MARCH 2000

COMPANY NO - SC 181750



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COMPANIES HOUSE 30/01/01

The Directors present their report, together with financial statements for the year ended 31 March 2000.

1 PRINCIPAL ACTIVITIES

The Company is registered with the Personal Investment Authority (P I A) as an independent financial advisor and is principally engaged in advising its clients in relation to their Pension, Life Assurance and Investment requirements.

2 RESULTS AND DIVIDEND

The profit for the year ended 31 March 2000, before taxation and dividends, was £ 176,396 (1999 - £ 245,933).

The directors recommend that a final dividend of £ 36.50 per share be paid on the shares in issue amounting to £ 98,917 (1999 - Nil) and that the interim dividend of £ 20.32 per share paid on 2 March 2000 be confirmed.

3 REVIEW OF COMPANY DEVELOPMENTS

The Directors intend to continue to develop the membership base of the Company throughout Scotland and they will develop the level of the Company's activities to cope with the demands of members. Additional consultants will be recruited as necessary, on an employed basis, to ensure that a satisfactory service continues to be provided to members.

4 DIRECTORS

The Directors who served during the year, together with their interests in the share capital of the company, at 31 March 2000 and at 31 March 1999, as recorded in the register maintained by the company in accordance with the requirements of the Companies Act 1985, were as follows :

		At 31 March 2000		At 31 March 1999	
		Ordinary Sh of £ 1	Voting Sh of £ 1	Ordinary Sh of £ 1	Voting Sh of £ 1
Andrew Inglis		999	1	999	1
John Hughes		339	1	339	1
Clive B Scott		49	1	49	1
David R Callander	*	-	-	9	1
Jack L Kerr		-	-	-	-
John Di Mambro	%	9	1	-	-

* Resigned on 25 January 2000.
% Appointed on 25 January 2000.

5 AUDITORS

Messrs T Hunter Thomson & Co, Chartered Accountants, offer themselves for re-appointment as auditors in accordance with the provisions of Section 384 (1) of the Companies Act 1985.

BY ORDER OF THE BOARD

John Hughes
Secretary

Registered Office:
Buchanan Court
132 Calton Road
Edinburgh
EH8 8JQ

23rd January 2001

STATEMENT OF THE RESPONSIBILITIES OF THE DIRECTORS OF ACCOUNTANTS FINANCIAL SERVICES (SCOTLAND) LIMITED

Company law requires us as 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 the profit or loss of the company for that period. In preparing those financial statements we 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 a going concern basis unless it is inappropriate to presume that the company will continue in business.

We are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable us to ensure that the financial statements comply with the Companies Act 1985. We 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.

The directors confirm that the financial statements comply with the above requirements.

Andrew Inglis
Chairman

28th January 2001



We have audited the financial statements on pages 5 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 5 & 6.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3 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 as at 31 March 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

(Sgd.) .....
T Hunter Thomson & Co.
Registered Auditors
Chartered Accountants

28 Alva Street.,
Edinburgh, EH2 4QF.

21st. January 2001

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2000

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

The principal accounting policies of the Company, which have been consistently applied, are set out below.

(a) TURNOVER

Turnover is the gross amount receivable by the Company in the ordinary course of business for commissions receivable from financial organisations in respect of contracts completed with them on behalf of the Company's clients. Commission income is taken into account when the contract to which it relates is deemed to be complete.

(b) SHARED COMMISSIONS

Shared commissions are paid by the Company in respect of business introduced by members, the executive directors or the independent consultants acting on its behalf.

The rates generally applicable (based on 100 % of Lautro Rates) are as follows :

Payable to members in respect of their introductions	- 50% to 75%
Payable to executive directors in respect of their introductions	- 50% to 75%
Payable to independent consultants in respect of their introductions	- 85% to 99%
Payable to independent consultants in respect of members' introductions serviced by them	- 25 %

Shared commissions payable are taken into account when the contracts to which they relate are deemed to be complete.

Commissions payable to members contractually due to be paid quarterly in arrears in respect of each calendar quarter. In practice commissions payable to members are paid monthly in arrears in respect of each calendar month. Commissions payable to independent consultants and executive directors are paid at the end of the month in which the commissions are received.

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 MARCH 2000

(c) DEPRECIATION

Depreciation is calculated to write down the cost of all tangible fixed assets in equal annual instalments over their expected useful lives.

The rates generally applicable are :

Heritable Property	- 2.5 %
Motor Vehicles	- 25 %
Fixtures & Equipment	- 20 %
Computer Hardware	- 25 %
Computer Software	- 33.3 %

(d) DEFERRED TAXATION

Deferred taxation is the taxation attributable to timing differences between profits or losses as computed for taxation purposes and results as stated in the financial statements.

Deferred taxation is provided to the extent that it is probable that a liability or asset will crystallise and not provided to the extent that it is probable that a liability or asset will not crystallise.

Deferred taxation is calculated at the rate at which it is estimated that the taxation will be paid (or recovered) when the timing differences reverse.

(e) PENSIONS

Staff and directors' pensions are provided for on a money purchase basis, with separate pension arrangements being in force for each member of staff concerned.

(f) LEASING

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2000

	Note	2000 £	1999 £
TURNOVER	1	1,189,124	1,182,081
Cost of Sales		(481,714)	(519,479)
		707,410	662,602
Staff Costs	2	306,631	259,178
Depreciation	8	49,467	39,271
Gain on Disposal of Fixed Assets		-	(594)
Other Operating Charges		207,621	149,937
		(563,719)	(447,792)
		143,691	214,810
Interest Receivable		35,199	34,490
		178,890	249,300
Interest Payable	4	(2,494)	(3,367)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION AND DIVIDENDS	1	176,396	245,933
Tax on profit on ordinary activities	5	(39,180)	(54,397)
INTERIM DIVIDEND PAID	6	(55,060)	-
FINAL DIVIDEND PROPOSED	6	(98,917)	-
(LOSS)/PROFIT FOR THE YEAR RETAINED AFTER TAXATION AND DIVIDENDS		(16,761)	191,536

There were no recognised gains or losses during the year, other than those included in the above profit and loss account. There were no discontinued operations during the year.

STATEMENT OF RETAINED PROFIT

At 1 April 1999	468,018	-
Acquired on company reconstruction	-	276,482
(Loss)/profit for the year	(16,761)	191,536
At 31 March 2000	451,257	468,018

The accounting policies on pages 5 & 6 and the notes on pages 10 to 16 form part of these financial statements.

ACCOUNTANTS FINANCIAL SERVICES
(SCOTLAND) LIMITED

BALANCE SHEET
AS AT 31 MARCH 2000

	Note	2000 £	1999 £
FIXED ASSETS			
Tangible Assets	8	189,312	199,530
Investments	7	200,000	-
		389,312	199,530
CURRENT ASSETS			
Cash at Bank and on Hand		486,703	630,395
Debtors	9	20,712	29,415
		507,415	659,810
CREDITORS : Amounts falling due within one year	10	(272,033)	(220,887)
NET CURRENT ASSETS		235,382	438,923
TOTAL ASSETS LESS CURRENT LIABILITIES		624,694	638,453
CREDITORS : Amounts falling due after more than one year	11	(21,237)	(26,235)
		603,457	612,218
PROVISION FOR LIABILITIES AND CHARGES	13	(59,000)	(51,000)
ASSETS EMPLOYED		544,457	561,218
Financed By :			
CAPITAL AND RESERVES			
Share Capital	15	2,710	2,710
Share Premium	16	90,490	90,490
Profit and loss account		451,257	468,018
SHAREHOLDERS FUNDS	17	544,457	561,218

These financial statements were approved by the Board of Directors on 23rd January 2001.

..... DIRECTOR
Andrew Inglis

The accounting policies on pages 5 & 6 and the notes on pages 10 to 16 form part of these financial statements.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2000

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000 £	1999 £
Operating profit before financing activities	143,691	214,810
Depreciation charges (less gain on sale)	49,467	38,677
Provision for clawback of indemnity commission	8,000	8,000
Decrease / (increase) in debtors	8,703	(29,415)
(Decrease) / increase in creditors	(32,659)	161,595
Debtors acquired as a result of reconstruction	-	39,638
Creditors acquired as a result of reconstruction	-	(109,127)
Net cash inflow from operating activities	177,202	324,178

CASH FLOW STATEMENT

	Note	2000 £	1999 £
Net cash inflow from operating activities		177,202	324,178
Returns on investments and servicing of finance	1	32,705	31,123
Taxation		(54,292)	(29,781)
Capital expenditure	1	(39,249)	(65,441)
		116,366	260,079
Equity dividends paid		(55,060)	(-)
		61,306	260,079
Management of liquid resources	1	(200,000)	-
Financing	1	(4,998)	(4,465)
(Decrease)/increase in cash		(143,692)	255,614

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS (Note 2)

	2000 £	1999 £
(Decrease)/increase in cash	(143,692)	255,614
Cash used to reduce bank loans	4,998	4,465
Change in net funds	(138,694)	260,079
Net funds acquired on reconstruction	-	339,081
Net funds at 1 April 1999	599,160	-
Net funds at 31 March 2000	460,466	599,160

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2000

1 GROSS CASH FLOWS

	2000 £	1999 £
Returns on investments and servicing of finance		
Interest receivable	35,199	34,490
Interest payable	(2,494)	(3,367)
	32,705	31,123
Capital Expenditure		
Payments to acquire tangible fixed assets	(39,249)	(71,449)
Receipts from sale of tangible fixed assets	-	6,008
	(39,249)	(65,441)
Management of Liquid Resources		
Purchase of fixed asset investments	200,000	-
Sale of fixed asset investments	-	-
	200,000	-
Financing		
Bank term loans repaid	(4,998)	(4,465)
	(4,998)	(4,465)

2 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 March 1999	Cash flows	Other changes	At 31 March 2000
	£	£	£	£
Cash in hand and at bank	630,395	(143,692)	-	486,703
Debt due within 1 year	(5,000)	4,998	(4,998)	(5,000)
Debt due after 1 year	(26,235)	-	4,998	(21,237)
TOTAL	599,160	(138,694)	-	460,466

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2000

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2000 £	1999 £
Turnover:		
Gross Commissions from external sources	1,189,124	1,182,081

Profit on ordinary activities before taxation is stated after charging :

	2000 £	1999 £
Auditors' remuneration	2,350	2,262
Depreciation	49,467	39,271
Operating Lease rentals - plant & machinery	48	-
- other	6,917	9,000

2 DIRECTORS AND EMPLOYEES

	2000 £	1999 £
Staff Costs during the year :		
Wages & Salaries Costs	265,928	226,172
Social Security Costs	28,129	21,685
Pension Premiums	12,574	11,321
	306,631	259,178

The average number of employees of the Company during the year was 14 (1999 - 13).
Staff costs include remuneration in respect of Directors as follows:

	2000 £	1999 £
Management Remuneration	94,097	89,230
Fees	8,500	8,600
Company contributions to money purchase pension schemes	10,521	10,056
	113,118	107,886

Management remuneration is inclusive of benefits in kind valued at £ 14,591 (1999 - £ 10,940). During the year 2 directors were accruing benefits under money purchase schemes (1999 - 2 Directors).

In addition to remuneration as an officer of the company three directors received the undernoted commissions (gross) in respect of their share of commissions on contracts transacted for clients introduced to the company by them.

	2000 £	1999 £
Andrew Inglis	37,054	25,561
John Hughes	1,721	-
Jack Kerr	40,634	38,072

NOTES TO THE FINANCIAL STATEMENTS (Contd)
FOR THE YEAR ENDED 31 MARCH 2000

3 PENSION COSTS

The company operates a contributory pension scheme for the benefit of staff. It is a defined contribution scheme and contributions are charged in the profit and loss account as they accrue. The charge for the year was £ 2,053 (1999 - £ 1,265).

The company also operates a non-contributory pension scheme for the directors. It is a defined contribution scheme and contributions are charged in the profit and loss account as they accrue. The charge for the year was £ 10,521 (1999 - £ 10,056).

4 INTEREST PAYABLE

	2000 £	1999 £
On Bank Overdrafts and Loans	2,494	3,367

5 TAXATION

The taxation charge in the financial statements represents :

	2000 £	1999 £
U K Corporation Tax at 20 % (1999 - 21 %)	39,180	54,292
Prior Period adjustment	-	105
Transfer (from)/to Deferred Taxation	-	-
	39,180	54,397

6 DIVIDENDS

	2000 £	1999 £
Interim dividend paid on 2,710 shares at £ 20.32 per share	55,060	-
Final dividend proposed on 2,710 shares at £ 36.50 per share	98,917	-
	153,977	-

7 FIXED ASSET INVESTMENTS (Listed)

	2000 £	1999 £
Cost at 1 April 1999	-	-
Additions	200,000	-
Disposals	-	-
Cost at 31 March 2000	200,000	-

At the end of the year the market value of listed investments was £ 195,473.

NOTES TO THE FINANCIAL STATEMENTS (Contd)
FOR THE YEAR ENDED 31 MARCH 2000

8 TANGIBLE FIXED ASSETS

	Total	Heritable Property	Motor Vehicles	Computer Equipment	Fixtures & Equipment
	£	£	£	£	£
COST					
At 1 April 1999	364,893	107,270	66,875	146,450	44,298
Additions	39,249	-	24,856	13,277	1,116
Disposals	-	-	-	-	-
At 31 March 2000	404,142	107,270	91,731	159,727	45,414
DEPRECIATION					
At 1 April 1999	165,363	12,961	31,890	84,396	36,116
Charge for year	49,467	2,681	20,143	23,099	3,544
On Disposals	-	-	-	-	-
At 31 March 2000	214,830	15,642	52,033	107,495	39,660
NET BOOK AMOUNT At 31 March 2000	189,312	91,628	39,698	52,232	5,754
NET BOOK AMOUNT At 31 March 1999	199,530	94,309	34,985	62,054	8,182

9 DEBTORS

	2000 £	1999 £
Amounts falling due within one year:		
Gross Commissions Receivable	-	17,907
Prepayments	13,817	11,192
Other Debtors	6,895	316
	20,712	29,415

Other debtors includes the following amounts which are due by individuals who are directors of the company :

	At 31 March 2000 £	At 31 March 1999 £	Maximum overdrawn amount in year £
Andrew Inglis	5,516	316	5,516
John Hughes	1,379	-	3,779

10 CREDITORS - Amounts falling due within one year :

	2000 £	1999 £
Shared Commissions Payable	75,620	84,684
Accruals	22,543	46,168
Bank Term Loans (see note 9 re security)	5,000	5,000
Social Security & Other Taxes	30,773	30,743
Current Taxation	39,180	54,292
Proposed Dividend	98,917	-
	272,033	220,887

11 CREDITORS - Amounts falling due after more than one year:

	2000 £	1999 £
Bank Term Loans (Secured)	21,237	26,235

Bank term loans include a loan secured on the heritable property owned by the Company and repayable by monthly instalment over a period of in excess of five years. Interest is charged at Bank of Scotland base rate + 3.5 %.

12 BORROWINGS

Analysis of maturity of debt :

Bank Loans and Overdrafts :	2000 £	1999 £
Within one year or on demand	5,000	5,000
Between one and two years	5,000	5,000
Between two and five years	16,237	15,000
After five years	-	6,235

Analysis of creditors falling due after more than five years :

Aggregate of instalments which fall due for payment after five years :	2000 £	1999 £
Bank Loans	-	6,235

The payment terms and interest rate for the bank loan for which an amount falls due after five years are as follows :

Payment Terms - Monthly
Interest rate - Bank of Scotland base rate + 3.5 %

13 PROVISION FOR LIABILITIES & CHARGES

	2000 £	1999 £
Provision for clawback of Indemnity Commissions		
At 1 April 1999	51,000	-
Acquired on reconstruction	-	43,000
Transfer for year	8,000	8,000
At 31 March 1999	59,000	51,000
Deferred taxation (see note 14)	-	-
Total Provisions for Liabilities & Charges	59,000	51,000

14 DEFERRED TAXATION

	2000 £	1999 £
Accelerated Capital Allowances	(92)	(440)
Other Timing Differences	92	440
	-	-

15 SHARE CAPITAL

	Voting Shares of £ 1 each		Ordinary Shares of £ 1 each	
	Authorised	Allotted Called Up & Fully Pd	Authorised	Allotted Called Up & Fully Pd
At 31 March 2000 & 1999	100	51	10,000	2,659

16 SHARE PREMIUM

	2000 £	1999 £
At 1 April 1999	90,490	-
Movement in year	-	90,490
At 31 March 2000	90,490	90,490

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	2000 £	1999 £
At 1 April 1999	561,218	-
(Loss)/profit for year	(16,761)	191,536
New Share Capital subscribed	-	93,200
Acquired as a result of reconstruction	-	276,482
At 31 March 2000	544,457	561,218

18 CONTINGENT LIABILITIES

The Company receives a proportion of its commissions from Life Assurance Companies, on an indemnity basis, over a two year period. A contingent liability exists in respect of the clawback of commissions received on this basis, a proportion of which may be reclaimed if a policyholder fails to make payment of the premiums due during the first two years of an insurance arrangement.

In the event that such a clawback of indemnity commissions occurs the Company will have the ability to claw back a like proportion of any shared commissions paid out when the policy was initiated.

Although it is not possible to quantify such contingent liabilities, the Directors feel that it is prudent that a provision be made and this has been done as detailed in note 13.

The company has carried out the phase 2 mailing required under the pensions mis-selling review and has currently received 19 requests for review, 4 of which have been excluded as not requiring redress. The remaining 15 cases are in the process of being tested for compliance and it is possible that liabilities, currently unquantifiable, may arise.

19 LEASING COMMITMENTS

At 31 March 2000 the company had annual commitments under non-cancellable operating leases as detailed below :

	Land & Buildings 2000 £	1999 £
Operating leases which expire :		
Within two to five years	9,000	9,000
In more than five years	194	-