ACCOUNTANTS FINANCIAL SERVICES
(SCOTLAND) LIMITED

DIRECTORS' REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
TO 31 MARCH 2002

COMPANY NO - SC 181750

SCT S99X6I0V 0433
COMPANIES HOUSE 29/01/03

The Directors present their report, together with financial statements for the year ended 31 March 2002.

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 2002, before taxation and dividends, was £ 231,263 (2001 - £ 239,733).

The directors do not recommend the payment of a dividend (2001 - £ 115,688).

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 2002 and at 31 March 2001, 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 2002		At 31 March 2001	
	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
Jack L Kerr	-	-	-	-
John Di Mambro *	-	-	9	1
George Lewis	49	1	49	1
Malcolm McCreath **	49	1	-	-

* Retired on 22 March 2002.
** Appointed on 22 March 2002.

5AUDITORS

Scott & Paterson, 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

21 January 2003

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

23 January 2003



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ACCOUNTANTS FINANCIAL SERVICES (SCOTLAND) LIMITED

We have audited the financial statements of Accountants Financial Services (Scotland) Limited for the year ended 31 March 2002 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 1985. 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 required for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Audit 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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

(Sgd.) Scott & Paterson

Scott & Paterson
Registered Auditors
Chartered Accountants

Bruntsfield House
6 Bruntsfield Terrace
Edinburgh
EH10 4EX

23 January 2003

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2002

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	- 20%
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 2002

(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 2002

	Note	2002 £	2001 £
TURNOVER	1	1,112,148	1,128,289
Cost of Sales		(318,682)	(303,626)
		793,466	824,663
Staff Costs	2	385,610	362,063
Depreciation	8	40,111	42,983
Written Off Fixed Asset Investments	1	-	23,660
Loss on Disposal of Fixed Assets		-	235
Other Operating Charges		164,391	184,057
		(590,112)	(612,998)
		203,354	211,665
Interest Receivable		29,539	30,046
		232,893	241,711
Interest Payable	4	(1,630)	(1,978)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION AND DIVIDENDS	1	231,263	239,733
Tax on profit on ordinary activities	5	(47,783)	(53,511)
FINAL DIVIDEND PROPOSED	6	(-)	(115,688)
PROFIT/(LOSS) FOR THE YEAR RETAINED AFTER TAXATION AND DIVIDENDS		183,480	70,534

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 2001	521,791	451,257
Profit/(loss) for the year	183,480	70,534
At 31 March 2002	705,271	521,791

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

BALANCE SHEET
AS AT 31 MARCH 2002

	Note	2002 £	2001 £
FIXED ASSETS			
Tangible Assets	8	145,142	164,683
Investments	7	231,800	178,193
		376,942	342,876
CURRENT ASSETS			
Cash at Bank and on Hand		709,941	604,409
Debtors	9	22,244	20,494
		732,185	624,903
CREDITORS : Amounts falling due within one year	10	(242,617)	(278,976)
NET CURRENT ASSETS		489,568	345,927
TOTAL ASSETS LESS CURRENT LIABILITIES		866,510	688,803
CREDITORS : Amounts falling due after more than one year	11	(10,039)	(15,812)
		856,471	672,991
PROVISION FOR LIABILITIES AND CHARGES	13	(58,000)	(58,000)
ASSETS EMPLOYED		798,471	614,991
Financed By :			
CAPITAL AND RESERVES			
Share Capital	15	2,710	2,710
Share Premium	16	90,490	90,490
Profit and loss account		705,271	521,791
SHAREHOLDERS FUNDS	17	798,471	614,991

These financial statements were approved by the Board of Directors on 23 January 2003.

..... 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 2002

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 £	2001 £
Operating profit before financing activities	203,354	211,665
Depreciation charges (incl loss on sale)	40,111	43,218
Amount written off fixed asset investments	-	23,660
Provision for clawback of indemnity commission	-	(1,000)
Decrease / (increase) in debtors	(1,750)	218
(Decrease) / increase in creditors	83,943	(23,439)
Net cash inflow from operating activities	325,658	254,322

CASH FLOW STATEMENT

	Note	2002 £	2001 £
Net cash inflow from operating activities		325,658	254,322
Returns on investments and servicing of finance	1	27,909	28,068
Taxation		(53,117)	(39,900)
Capital expenditure	1	(20,570)	(18,589)
		279,880	223,901
Equity dividends paid		(115,688)	(98,917)
		164,192	124,984
Management of liquid resources	1	(3,615)	(1,853)
Financing	1	(5,773)	(5,425)
Increase/(decrease) in cash		154,804	117,706

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

	2002 £	2001 £
Increase/(decrease) in cash	154,804	117,706
Cash used to reduce bank loans	5,773	5,425
Change in net funds	160,577	123,131
Net funds at 1 April 2001	583,597	460,466
Net funds at 31 March 2002	744,174	583,597

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2002

1 GROSS CASH FLOWS

	2002 £	2001 £
Returns on investments and servicing of finance		
Interest receivable	29,539	30,046
Interest payable	(1,630)	(1,978)
	27,909	28,068
Capital Expenditure		
Payments to acquire tangible fixed assets	(25,570)	(18,989)
Receipts from sale of tangible fixed assets	5,000	400
	(20,570)	(18,589)
Management of Liquid Resources		
Purchase of fixed asset investments	(3,615)	(1,853)
Sale of fixed asset investments	-	-
	(3,615)	(1,853)
Financing		
Bank term loans repaid	(5,773)	(5,425)
	(5,773)	(5,425)

2 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 March 2001	Cash flows	Other changes	At 31 March 2002
	£	£	£	£
Cash in hand and at bank	604,409	154,804	-	759,213
Debt due within 1 year	(5,000)	5,773	(5,773)	(5,000)
Debt due after 1 year	(15,812)	-	5,773	(10,039)
TOTAL	583,597	160,577	-	744,174

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2002

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2002 £	2001 £
Turnover:		
Gross Commissions from external sources	1,112,148	1,128,289

Profit on ordinary activities before taxation is stated after charging :

	2002 £	2001 £
Auditors' remuneration	2,585	2,468
Depreciation	40,111	42,983
Written off fixed asset investments	-	23,660
Loss on disposal of tangible fixed assets		235
Operating lease rentals - plant & machinery	492	541
- other	9,000	9,000

2 DIRECTORS AND EMPLOYEES

	2002 £	2001 £
Staff Costs during the year :		
Wages & Salaries Costs	335,361	315,629
Social Security Costs	35,973	33,506
Pension Premiums	14,276	12,928
	385,610	362,063

The average number of employees of the Company during the year was 14 (2001 - 15).
Staff costs include remuneration in respect of Directors as follows:

	2002 £	2001 £
Management Remuneration	146,081	134,866
Fees	8,500	8,188
Company contributions to money purchase pension schemes	11,662	10,918
	166,243	153,972

Management remuneration is inclusive of benefits in kind valued at £ 15,486 (2001 - £ 14,202). During the year 2 directors were accruing benefits under money purchase schemes (2001 - 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.

	2002 £	2001 £
Andrew Inglis	33,887	34,314
John Hughes	5,470	2,010
Jack Kerr	51,043	42,898

NOTES TO THE FINANCIAL STATEMENTS (Contd)
FOR THE YEAR ENDED 31 MARCH 2002

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 £ 2,614 (2001 - £ 2,010).

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 £ 11,662 (2001 - £ 10,918).

4 INTEREST PAYABLE

	2002 £	2001 £
On Bank Overdrafts and Loans	1,630	1,978

5 TAXATION

The taxation charge in the financial statements represents :

	2002 £	2001 £
U K Corporation Tax at 20 %	48,153	52,861
Prior Period adjustment	(370)	650
Transfer (from)/to Deferred Taxation	-	-
	47,783	53,511

6 DIVIDENDS

	2002 £	2001 £
Final dividend proposed on 2,710 shares at £ Nil (2001 - £ 42.69 per share)	-	115,688
	-	115,688

7 FIXED ASSET INVESTMENTS (Listed)

	2002 £	2001 £
Cost or valuation at 1 April 2001	178,193	200,000
Additions	49,992	-
Disposals	-	-
Amount written off	-	(23,660)
Dividends reinvested	3,615	1,853
Cost at 31 March 2002	231,800	178,193

At the end of the year the market value of listed investments was £ 221,507. (2001 - £ 182,530)

NOTES TO THE FINANCIAL STATEMENTS (Contd)
FOR THE YEAR ENDED 31 MARCH 2002

8 TANGIBLE FIXED ASSETS

	Total	Heritable Property	Motor Vehicles	Computer Equipment	Fixtures & Equipment
	£	£	£	£	£
COST					
At 1 April 2001	417,036	107,270	85,636	176,071	48,059
Additions	25,570	-	23,870	-	1,700
Disposals	(23,994)	-	(23,994)	-	-
At 31 March 2002	418,612	107,270	85,512	176,071	49,759
DEPRECIATION					
At 1 April 2001	252,353	18,324	59,421	131,793	42,815
Charge for year	40,111	2,680	12,708	22,185	2,538
On Disposals	(18,994)	-	(18,994)	-	-
At 31 March 2002	273,470	21,004	53,135	153,978	45,353
NET BOOK AMOUNT					
At 31 March 2002	145,142	86,266	32,377	22,093	4,406
NET BOOK AMOUNT					
At 31 March 2001	164,683	88,946	26,215	44,278	5,244

9 DEBTORS

	2002 £	2001 £
Amounts falling due within one year:		
Prepayments	22,244	20,494
Other Debtors	-	-
	22,244	20,494

10 CREDITORS - Amounts falling due within one year :

	2002 £	2001 £
Shared Commissions Payable	114,423	61,020
Accruals	14,457	9,895
Bank Term Loans (see note 11 re security)	5,000	5,000
Social Security & Other Taxes	60,560	34,582
Current Taxation	48,177	52,791
Proposed Dividend	-	115,688
	242,617	278,976

NOTES TO THE FINANCIAL STATEMENTS(Contd)
FOR THE YEAR ENDED 31 MARCH 2002

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

	2002 £	2001 £
Bank Term Loans (Secured)	10,039	15,812

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 :	2002 £	2001 £
Within one year or on demand	5,000	5,000
Between one and two years	5,000	5,000
Between two and five years	5,039	10,812

13 PROVISION FOR LIABILITIES & CHARGES

	2002 £	2001 £
Provision for clawback of Indemnity Commissions		
At 1 April 2001	58,000	59,000
Transfer for year	(-)	(1,000)
At 31 March 2002	58,000	58,000
Deferred taxation (see note 14)	-	-
Total Provisions for Liabilities & Charges	58,000	58,000

14 DEFERRED TAXATION

	2002 £	2001 £
Accelerated Capital Allowances	(160)	(132)
Other Timing Differences	160	132
	-	-

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 2002 & 2001	100	51	10,000	2,659

16 SHARE PREMIUM

	2002 £	2001 £
At 1 April 2001	90,490	90,490
Movement in year	-	-
At 31 March 2002	90,490	90,490

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	2002 £	2001 £
At 1 April 2001	614,991	544,457
Profit/(loss) for year	183,480	70,534
At 31 March 2002	798,471	614,991

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 2002 the company had annual commitments under non-cancellable operating leases as detailed below :

	Land & Buildings 2002 £	Land & Buildings 2001 £
Operating leases which expire :		
Within one year	2,250	2,250
Within two to five years	-	-

	Other Items 2002 £	Other Items 2001 £
Operating Leases which expire :		
In more than five years	388	388

20 RELATED PARTY TRANSACTIONS

During the year a further £ 5,852 was paid to Jack Kerr, a director, in respect of the acquisition of the remaining 50 % of his personal client database, the first 50 % having been acquired in 2000/01.