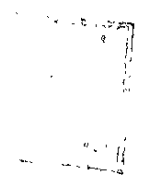


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SUFFOLK MERCANTILE LIMITED

30TH APRIL, 1987

Scrutton, Goodchild and Sanderson,
Chartered Accountants,
Museum Street,
Ipswich.



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SUFFOLK MERCANTILE LIMITED

DIRECTORS' REPORT

DIRECTORS: A. H. Catchpole
 A. G. Barker
 S. R. M. Wilson

The Directors submit their report and accounts for the year ended 30th April, 1987.

RESULTS AND DIVIDENDS

The trading profit for the year, after taxation, amounted to £41,455 (16 months to 30th April, 1986 £39,852 Loss).

The Directors do not recommend the payment of a dividend.

REVIEW OF THE BUSINESS

The company's principal activities during the year were the provision of guarantee credits and short term loans for the building industry. The directors consider the results for the year to be satisfactory.

DIRECTORS AND THEIR INTERESTS

The present Directors, named above, served the company throughout the year. None of the directors held any shares in the company, which is a wholly-owned subsidiary of Suffolk Securities Ltd. Those directors who were also directors of the holding company have disclosed their shareholdings in the Directors Report of that company.

SHARE CAPITAL

An additional 40,000 Ordinary Shares of £1 each were allotted for cash during the year.

AUDITORS

A resolution to re-appoint Scrutton, Goodchild and Sanderson as auditors will be put to the members at the Annual General Meeting.

BY ORDER OF THE BOARD

A. O. STANNARD
SECRETARY

19th October, 1987

SUFFOLK MERCANTILE LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 30th April, 1987

	Notes	£	1987 £	16 months to 30.4.86 £	£
TURNOVER	2		228,370		262,646
Administrative expenses			<u>12,024</u>		<u>44,436</u>
			216,346		218,210
Other operating income			<u>-</u>		<u>15,000</u>
OPERATING PROFIT	3		216,346		233,210
Interest payable	5		<u>174,891</u>		<u>273,062</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION			41,455		(39,852)
Tax on profit/(loss) on ordinary activities	6		<u>-</u>		<u>-</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION			41,455		(39,852)
(Accumulated losses)/retained profits brought forward			(24,165)		<u>15,687</u>
RETAINED PROFITS/(ACCUMULATED LOSSES) CARRIED FORWARD			<u>£17,290</u>		<u>£(24,165)</u>

The notes on pages 5 and 6 form part of these accounts.

SUFFOLK MERCANTILE LIMITED

BALANCE SHEET

As at 30th April, 1987

	Notes	£	1987 £	£	1986 £
CURRENT ASSETS					
Debtors	7	1,814,015		1,388,306	
Cash at bank		<u> </u>		<u>1,136</u>	
			1,814,015		1,389,442
CREDITORS: amounts falling due within one year	8		<u>1,746,725</u>		<u>1,403,607</u>
NET CURRENT ASSETS			<u>£67,290</u>		<u>£(14,165)</u>
CAPITAL AND RESERVES					
Called up share capital	9		50,000		10,000
Profit and loss account			<u>17,290</u>		<u>(24,165)</u>
			<u>£67,290</u>		<u>£(14,165)</u>

Alan Catchpole
A. H. Catchpole)
) DIRECTORS
A. G. Barker)

Alan Catchpole

19th October, 1987

The notes on pages 5 and 6 form part of these accounts.

SUFFOLK MERCANTILE LIMITED
STATEMENT OF SOURCE AND APPLICATION OF FUNDS
For the year ended 30th April, 1987

	1987	16 months to 30.4.86
	£	£
SOURCE OF FUNDS		
Profit/(Loss) before taxation	<u>41,455</u>	<u>(39,852)</u>
Total generated from/(utilised by) operations	41,455	(39,852)
OTHER SOURCES		
Share issue	40,000	-
Bank loan	<u>500,000</u>	<u>-</u>
	<u>£581,455</u>	<u>£(39,852)</u>
INCREASE/(DECREASE) IN NET WORKING CAPITAL		
Debtors	425,709	396,769
Amounts owed to group companies	112,059	(385,050)
Other creditors	107,198	(41,654)
Accruals	<u>(6,809)</u>	<u>23,112</u>
	638,157	(6,823)
Movement in net liquid funds:		
Cash at bank	(1,136)	154
Bank overdraft	<u>(55,566)</u>	<u>(33,183)</u>
	<u>£581,455</u>	<u>£(39,852)</u>

The notes on pages 5 and 6 form part of these accounts

SUFFOLK MERCANTILE LIMITED

NOTES TO THE ACCOUNTS

For the year ended 30th April, 1987

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention.

2. TURNOVER

Turnover represents the gross value of interest receivable and fees for services provided.

All income was derived from within the United Kingdom.

3. OPERATING PROFIT

This is stated after charging:
Auditors' remuneration

1987	1986
£	£
<u>£1,500</u>	<u>£1,610</u>

4. STAFF INFORMATION

The only employees during the year were the directors and secretary of the company.

5. INTEREST PAYABLE

Bank loans and overdrafts
Other loans wholly repayable within five years

1987	1986
£	£
23,159	16,567
<u>151,732</u>	<u>256,495</u>
<u>£174,891</u>	<u>£273,062</u>

6. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

There is no Corporation Tax liability on the results for the year.

There is no potential deferred tax liability.

7. DEBTORS

Advances to Customers
Prepayments and accrued income

1987	1986
£	£
1,794,399	1,369,487
<u>19,616</u>	<u>18,819</u>
<u>£1,814,015</u>	<u>£1,388,306</u>

SUFFOLK MERCANTILE LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 30th April, 1987

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	£	£
Bank loan (see note (a) below)	500,000	-
Bank overdraft (see note (b) below)	181,052	125,486
Amounts owed to group companies (see note (c) below)	1,050,719	1,162,778
Other creditors	500	107,698
Accruals	14,454	7,645
	<u>£1,746,725</u>	<u>£1,403,607</u>

(a). The bank loan is secured by a first debenture over all securities held by the company's borrowers. The loan is repayable in November, 1987 but is renewable on an annual basis.

(b). The bank overdraft is secured by a second debenture over the assets of the company.

(c). Included in amounts due to group companies is £520,574 (1986 £326,994) due to the holding company, Suffolk Life Annuities Limited. This is secured by a third debenture over the company's secured debts. The holding company has indicated its willingness to continue to provide support for the company.

9. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	1987	1986	1987	1986
	No.	No.	£	£
Ordinary Shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>	<u>50,000</u>	<u>10,000</u>

During the year an additional 40,000 ordinary shares of £1 each were allotted at par.

10. HOLDING COMPANY

The ultimate holding company of Suffolk Mercantile Limited is Suffolk Life Annuities Limited, a company incorporated in England and Wales.

11. CONTINGENT LIABILITIES

The company has given an unlimited guarantee to the group's bankers covering all liabilities of both Suffolk Life Annuities Limited and Suffolk Securities Limited.

REPORT OF THE AUDITORS TO THE MEMBERS OF SUFFOLK MERCANTILE LIMITED.

We have audited the accounts on pages 2 to 6 in accordance with approved Auditing Standards.

In our opinion the accounts, which have been prepared on the basis of historic cost, give a true and fair view of the state of the company's affairs at 30th April, 1987 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

IPSWICH
19th October, 1987

SCRUTTON, GOODCHILD AND SANDERSON
Chartered Accountants