

WALMSLEYS INSURANCE BROKERS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996

COMPANY REGISTRATION NUMBER: 297801



WALMSLEYS INSURANCE BROKERS LIMITED

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WALMSLEYS INSURANCE BROKERS LIMITED

COMPANY INFORMATION

DIRECTORS

Edward Walmsley
Philip Roy Williams
Mrs Ann Walmsley (resigned 3.12.96)

SECRETARY

Mr Philip R Williams

REGISTERED OFFICE

Walmsley House
35 Dicconson Street
Wigan

AUDITORS

John Fairhurst & Co.
Chartered Accountants
Douglas Bank House
Wigan Lane
Wigan
WN1 2TB

BANKERS

National Westminster Bank Plc
4 Standishgate
Wigan

WALMSLEYS INSURANCE BROKERS LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the financial statements of the company for the year ended 31 December 1996.

STATEMENT OF 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 of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
- state whether applicable accounting standards have been following, subject to any material departures disclosed and explained in the financial statements.

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 taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of Insurance Brokers and Life Assurance Consultants.

REVIEW OF BUSINESS

The results for the year are set out on page five and the profit on ordinary activities before taxation is as expected given current trading conditions. Adequate finance has been obtained to take advantage of business opportunities and the directors consider the state of affairs to be satisfactory.

DIVIDEND

The directors recommend that a dividend on the Ordinary shares of £18.66 per share be paid for the year, amounting to £28,000, and that the retained profit of £20,976 be added to reserves.

FIXED ASSETS

The changes in fixed assets, details of which are set out in the notes to the annexed financial statements, arose out of normal business requirements. In the opinion of the directors the value of the company's land and buildings is not materially different from the book value included in these financial statements.

WALMSLEYS INSURANCE BROKERS LIMITED

REPORT OF THE DIRECTORS

DIRECTORS

The directors in office during the year and their beneficial interests in the issued share capital were as follows:

	Class of Capital	1996	1995
Edward Walmsley	Ordinary £1	780	780
Philip Roy Williams	Ordinary £1	360	360
Mrs Ann Walmsley- (resigned 3.12.96)	Ordinary £1	—	—

POLITICAL AND CHARITABLE DONATIONS

During the year the company made charitable donations amounting to £655.

AUDITORS

The auditors, John Fairhurst & Co., will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

This report was approved by the board on 21.3.97

Signed on behalf of the board of directors,

A handwritten signature in dark ink, appearing to read 'P R Williams', written over the text 'Signed on behalf of the board of directors,'.

Mr Philip R Williams - Secretary

WALMSLEYS INSURANCE BROKERS LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF
WALMSLEYS INSURANCE BROKERS LIMITED

We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out in note 1.

Respective Responsibilities of Directors and Auditors

As described on page 2 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 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

John Fairhurst & Co

John Fairhurst & Co
Registered Auditor
Chartered Accountants
Douglas Bank House
Wigan Lane
Wigan
WN1 2TB

Dated 24.3.97

WALMSLEYS INSURANCE BROKERS LIMITED

PROFIT AND LOSS ACCOUNT
for the Year Ended 31 December 1996

	Notes	1996 £	1995 £
TURNOVER	1	1,532,916	1,461,891
Administrative Expenses		(1,500,425)	(1,465,451)
OPERATING PROFIT/(LOSS)	2	32,491	(3,560)
Profit on Disposal of Tangible Fixed Assets		10,439	5,558
Loss on Disposal of Tangible Fixed Assets		—	40,449
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		42,930	42,447
Interest Receivable and Similar Income	5	38,210	43,382
Interest Payable	6	(12,732)	(16,511)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		68,408	69,318
Tax on Profit on Ordinary Activities	7	(19,432)	(22,408)
PROFIT FOR THE FINANCIAL YEAR		48,976	46,910
Dividends	8	(28,000)	(28,000)
RETAINED PROFIT FOR THE YEAR		20,976	18,910
Retained Profit brought forward		271,443	252,533
RETAINED PROFIT CARRIED FORWARD		292,419	271,443

There are no recognised gains or losses other than those included
in the profit and loss account.

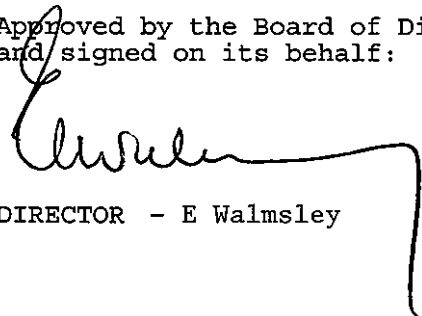
The notes form part of these financial statements

WALMSLEYS INSURANCE BROKERS LIMITED

BALANCE SHEET
As at 31 December 1996

	Notes	£	1996	£	£	1995	£
FIXED ASSETS							
Tangible Assets	9			499,111			529,642
Investments	10			186,232			176,854
				<u>685,343</u>			<u>706,496</u>
CURRENT ASSETS							
Debtors	11		372,798			443,954	
Cash at Bank and In Hand			<u>713,020</u>			<u>586,035</u>	
			1,085,818			1,029,989	
CREDITORS: Amounts falling due within one year	12		<u>(1,244,154)</u>			<u>(1,217,480)</u>	
NET CURRENT LIABILITIES				(158,336)			(187,491)
TOTAL ASSETS LESS CURRENT LIABILITIES				<u>527,007</u>			<u>519,005</u>
CREDITORS: Amounts falling due after more than one year	13			(161,487)			(172,871)
PROVISIONS FOR LIABILITIES AND CHARGES							
Deferred Taxation	16			(9,832)			(11,422)
				<u>355,688</u>			<u>334,712</u>
CAPITAL AND RESERVES							
Called Up Share Capital	17			1,500			1,500
Revaluation Reserve				61,769			61,769
Profit & Loss Account				<u>292,419</u>			<u>271,443</u>
Shareholders' Funds	18			<u>355,688</u>			<u>334,712</u>

Approved by the Board of Directors on 21.3.97
and signed on its behalf:


DIRECTOR - E Walmsley

WALMSLEYS INSURANCE BROKERS LIMITED

**CASH FLOW STATEMENT
for the Year Ended 31 December 1996**

	1996 £	£	1995 £	£
Net cash flow from operating activities		183,566		(21,224)
Returns on investments and servicing of finance				
Interest Received	31,610		36,782	
Investment Income	6,600		6,600	
Interest paid including interest on finance lease and hire				
purchase rental payments	(12,732)		(16,511)	
Dividends paid	(28,000)		(28,000)	
Net cash outflow from returns on investments and servicing of Finance		(2,522)		(1,129)
Taxation				
Tax paid		(25,577)		(16,792)
Investing activities				
Payments to acquire tangible fixed assets including those on finance leases and hire purchase contracts	(101,814)		(146,020)	
Receipts from sales of				
Tangible fixed assets	79,750		44,351	
Purchase of fixed assets investment	(1,925)		(2,789)	
Receipt from sale of fixed asset investment	-		51,712	
Net cash outflow from investing activities		(23,989)		(52,746)
Net cash outflow before financing		<u>131,478</u>		<u>(91,891)</u>
Financing				
Hire Purchase Repayments	(31,929)		(15,004)	
Bank Loan Repayment	(13,500)		(4,500)	
New Loan/Hire Purchase	42,135		70,000	
Net cash inflow from financing		(3,294)		50,496
Increase / decrease in cash and cash equivalents		<u>(128,184)</u>		<u>41,395</u>
		<u>(131,478)</u>		<u>91,891</u>

The notes form part of these financial statements

WALMSLEYS INSURANCE BROKERS LIMITED

**NOTES TO THE CASH FLOW STATEMENT
for the Year Ended 31 December 1996**

	1996 £	1995 £
a) Reconciliation of Operating Profit/(Loss) to net cash flow from operating activities		
Operating Profit/(Loss)	32,491	(3,560)
Amortisation of Investments	10,000	-
Depreciation	63,035	64,548
Diminution in value of Investments	-	20,045
Decrease/(Increase) in Debtors	64,074	(45,563)
Increase/(Decrease) in Creditors	31,420	(56,694)
Revaluation of Investments	(17,454)	-
Net cash flow from Operating activities	<u>183,566</u>	<u>(21,224)</u>
b) Analysis of changes in cash and cash equivalents during the year		
	£	
Balance at 31 December 1994	626,231	
Net Cash Outflow	(41,395)	
Balance at 31 December 1995	584,836	
Net Cash Inflow	128,184	
Balance at 31 December 1996	<u>713,020</u>	

c) Analysis of the balance of cash and cash equivalents during the year

	1996 £	1995 £	Change in Year 1996 £	1995 £
Bank Overdrafts	-	(1,199)	1,199	(1,199)
Cash at Bank and in Hand	713,020	586,035	126,985	(40,196)
	<u>713,020</u>	<u>584,836</u>	<u>128,184</u>	<u>(41,395)</u>

d) Analysis of Changes in Financing during the year

	Balance b/f £	Cash Inflow £	Cash Outflow £	New HP/ Leases £	Balance c/f £
1996					
Hire purchase	35,016	-	(31,929)	42,135	45,222
Bank Loans	169,500	-	(13,500)	-	156,000
	<u>204,516</u>	<u>-</u>	<u>(45,429)</u>	<u>42,135</u>	<u>201,222</u>

WALMSLEYS INSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 1996

1. ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets and in accordance with applicable accounting standards. The financial statements include the results of the company's activities described in the directors report, all of which are continuing.

The company and its subsidiaries comprise a medium sized group. The company has therefore taken advantage of section 248 of the Companies Act 1985 not to prepare group accounts. The financial statements therefore present information about the company as an individual undertaking and not about its group.

Turnover

Turnover comprises the invoiced value of services provided by the company, net of insurance premium tax, and arose wholly in the United Kingdom.

Tangible Fixed Assets

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided, after taking account of any grants receivable, at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold Property	- not provided
Office Furniture	- 15% on reducing balance
Property Improvements	- 15% on reducing balance
Computer Equipment	- 20% on reducing balance
Office Equipment	- 15% on reducing balance
Motor Vehicles	- 25% on reducing balance

Leasing and Hire Purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets and depreciated over the shorter of the lease term and their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Operating Leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account as incurred.

Deferred Taxation

Provision is made at current rates for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation purposes, using the liability method, only to the extent that, in the opinion of the directors, there is reasonable probability that a liability or asset will crystallise in the foreseeable future.

Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

WALMSLEYS INSURANCE BROKERS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 1996**

2. OPERATING PROFIT

The Operating Profit is stated after charging:

	1996 £	1995 £
Operating Lease Rentals		
– hire of plant and machinery	7,101	4,343
– land and buildings	39,210	43,617
– other assets	10,075	7,822
Depreciation of Tangible Fixed Assets		
– owned by the company	43,843	46,664
– held under finance leases and hire purchase contracts	19,191	17,884
Auditor's Remuneration	5,050	4,900
	<u>196,570</u>	<u>195,030</u>

3. STAFF COSTS

Staff Costs, including directors' remuneration, were as follows:

	1996 £	1995 £
Wages and Salaries	919,256	892,807
Social Security Costs	93,747	75,813
Other Pension Costs	54,515	52,561
	<u>1,067,518</u>	<u>1,021,181</u>

The average weekly number of employees, including directors, during the year were as follows:

	1996	1995
Administration	<u>67</u>	<u>51</u>

4. DIRECTORS' REMUNERATION

Directors emoluments were:

	1996 £	1995 £
Management Remuneration	173,617	166,077
Pension Costs	30,018	30,018
	<u>203,635</u>	<u>196,095</u>

The emoluments of the chairman, excluding pension contributions were £76,289 (1995 – £73,406), and of the highest paid director £94,412 (1995 – £89,697). Other directors emoluments, excluding pension contributions, fell within the following ranges.

	1996 No.	1995 No.
Nil – £5,000	1	1

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	1996 £	1995 £
Rents Received	6,600	6,600
Bank Interest	31,282	34,304
Dividends Received	326	2,447
Inland Revenue Interest	2	31
	<u>38,210</u>	<u>43,382</u>

WALMSLEYS INSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 1996

6. INTEREST PAYABLE

	1996 £	1995 £
On Bank Loans, Overdrafts and Other Loans repayable within five years	9,119	6,768
On Other Loans not wholly repayable within five years	—	7,987
Finance Leases and Hire Purchase Contracts	3,613	1,756
	<u>12,732</u>	<u>16,511</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1996 £	1995 £
Based on the results of the year:		
UK Corporation Tax at 24% (1995 - 25%)	21,700	19,054
Transfer (from) to Deferred Taxation	(1,590)	3,047
(Over)/under provision in prior years	(678)	307
	<u>19,432</u>	<u>22,408</u>

8. DIVIDENDS

	1996 £	1995 £
Dividends on ordinary shares:		
Paid	28,000	28,000

9. TANGIBLE FIXED ASSETS

	Leasehold Property £	Office Furniture £	Property Improvements £
Cost / Valuation			
As at 1 January 1996	230,000	18,197	12,397
Additions	—	1,123	—
As at 31 December 1996	<u>230,000</u>	<u>19,320</u>	<u>12,397</u>
Depreciation			
As at 1 January 1996	—	8,636	248
Charge for Year	—	1,547	243
As at 31 December 1996	<u>—</u>	<u>10,183</u>	<u>491</u>
Net Book Values			
As at 31 December 1996	<u>230,000</u>	<u>9,137</u>	<u>11,906</u>
As at 31 December 1995	<u>230,000</u>	<u>9,561</u>	<u>12,149</u>
Net Book Value of Leased Assets — included in above			
As at 31 December 1996	<u>—</u>	<u>—</u>	<u>—</u>
As at 31 December 1995	<u>—</u>	<u>—</u>	<u>—</u>

WALMSLEYS INSURANCE BROKERS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 1996**

	Computer Equipment £	Office Equipment £	Motor Vehicles £	Totals £
Cost / Valuation				
As at 1 January 1996	164,288	152,646	220,796	798,324
Additions	1,288	1,737	97,666	101,814
Disposals	—	—	(137,659)	(137,659)
As at 31 December 1996	165,576	154,383	180,803	762,479
Depreciation				
As at 1 January 1996	105,269	81,707	72,822	268,682
Charge for Year	12,000	10,784	38,461	63,035
Eliminated on Disposals	—	—	(68,348)	(68,348)
As at 31 December 1996	117,269	92,491	42,935	263,369
Net Book Values				
As at 31 December 1996	48,307	61,892	137,868	499,110
As at 31 December 1995	59,019	70,939	147,974	529,642
Net Book Value of Leased Assets — included in above				
As at 31 December 1996	—	—	115,889	115,889
As at 31 December 1995	—	—	105,017	105,017

In accordance with SSAP 19, the leasehold property has not been subject to depreciation as the unexpired term on the lease exceeds 25 years. The directors do not consider that the leasehold property is held in balance sheet at a figure greater than market value.

The leasehold property was revalued at 31 December 1992. The term of the lease is 999 years from 2 February 1877. At December 1992 there were approximately 883 years left.

The property has been revalued at £230,000. The depreciation over 883 years would equate to £260 per annum. Over the four years to 1996 this would accumulate to £1,040.

If a rate of 2% per annum was considered, the cumulated depreciation to 1996 would be £18,400.

10. INVESTMENTS

	1996 £	1995 £
Investments listed on recognised stock exchange:		
Cost	23,047	23,048
Market value at 31 December 1996	£190,944	(1995 — £100,756)
Unlisted Investments		
	1996 £	1995 £
Cost	153,806	183,221
Additions	1,925	630
Amortisation	(10,000)	—
Revaluation	17,454	—
Diminution Value	—	(20,045)
Disposal	—	(10,000)
	163,185	153,806

WALMSLEYS INSURANCE BROKERS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 1996**

11. DEBTORS

	1996	1995
	£	£
Trade Debtors	345,236	401,450
ACT Recoverable	6,918	14,000
Other Debtors	350	11,123
Prepayments	20,294	17,381
	<u>372,798</u>	<u>443,954</u>

**12. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	1996	1995
	£	£
Bank Loans and Overdrafts (see note 14)	12,000	13,199
Trade Creditors	982,009	939,056
Corporation Tax	17,917	19,054
Other Taxes and Social Security	60,029	53,806
Hire Purchase and Finance Leases (see note 15)	27,735	21,017
Directors Current Accounts	27,000	41,291
Other Creditors	75,102	77,195
Amounts due to Group Companies	14,362	14,362
Proposed Dividend	28,000	28,000
ACT Payable	-	10,500
	<u>1,244,154</u>	<u>1,217,480</u>

**13. CREDITORS: AMOUNTS FALLING
AFTER MORE THAN ONE YEAR**

	1996	1995
	£	£
Bank Loans and Overdrafts (see note 14)	144,000	157,500
Other Creditor	-	1,372
Hire Purchase and Finance Leases (see note 15)	17,487	13,999
	<u>161,487</u>	<u>172,871</u>

14. BANK LOANS AND OVERDRAFTS

The bank loan is subject to interest at the market rate prevailing at the time of the advance and is repayable by instalments. The aggregate amount of instalments falling due after more than five years is £96,000 (1995 - £109,500).

SECURITY

The loan is secured by a legal charge dated 18 April 1978 in favour of National Westminster Bank PLC on land and buildings at 35 Dicconson Street, Wigan.

15. FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The finance leases and hire purchase contracts are secured on the assets concerned and are repayable by instalments as follows:

	1996	1995
	£	£
Within one year	27,735	21,017
Between two and five years	17,487	13,999
	<u>45,222</u>	<u>35,016</u>

WALMSLEYS INSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 1996

16. DEFERRED TAXATION

Deferred taxation has been provided for in full.

	1996	1995
	£	£
Accelerated Capital Allowances	9,832	11,422

In respect of leasehold property no provision for deferred taxation is considered, due to the base cost plus indexation of the property to be in excess of the revalued amount.

If the list investments were sold taking 31 December 1996 values, a liability to taxation would arise in the sum of approximately £41,974 (1995 - £19,427).

17. CALLED UP SHARE CAPITAL

	1996	1995
	£	£
Authorised 1,500 Ordinary Shares of £1 each	1,500	1,500
Allotted, Issued and Fully Paid 1,500 Ordinary Shares of £1 each	1,500	1,500

18. MOVEMENT OF SHAREHOLDERS' FUNDS

	1996	1995
	£	£
Profit for the Year	48,976	46,910
Dividend	(28,000)	(28,000)
Retained Profit for the Year	20,976	18,910
Shareholders' Funds at 1 January 1996	334,712	315,802
Shareholders' Funds at 31 December 1996	355,688	334,712

19. CONTINGENT LIABILITY

The net amount of Indemnity Commission included in the accounts is £74,695.