

**COTESWORTH & CO. LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**For The 18 Month Period Ended 30th June 1999**



# COTESWORTH & CO. LIMITED

## DIRECTORS' REPORT

The directors have pleasure in submitting their report and audited financial statements of the company for the 18 months ended 30th June 1999.

The results reported are for 18 months. The company changed its accounting period to ensure a coterminous year end with the ultimate parent company of the Cotesworth group of companies, HIH Insurance Limited. The comparative figures in this report are for the 12 months ended 31st December 1997.

### PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company continued to be that of a Lloyd's underwriting agent managing syndicates at Lloyd's. The combined capacity of the active syndicates in 1999 was £202.35m (1998 - £140.08m; 1997 - £158.84m).

Upon the completion of Lloyd's programme of reconstruction and renewal the company entered into agreement with Equitas Limited to administer the run-off of the 1992 & prior years of account of nine syndicates. As at 30<sup>th</sup> September 1998, Equitas had migrated all of the administration relating to the run-off of these syndicates.

### FUTURE DEVELOPMENTS

The company proposes to continue its current activities.

### RESULTS AND DIVIDENDS

The profit for the period, after taxation, amounted to £4,051,707 (1997 £2,266,080). Dividends of £3.387 per share have been paid. The directors propose a further dividend of £5.625 per share (1997: £5.50) on the 'B' non-voting £1 shares amounting to £3,604,998 (1997 £2,200,000). This leaves a retained profit of £446,709 (1997 : £66,080).

### TANGIBLE FIXED ASSETS

A summary of the changes in the tangible fixed assets is given in note 11 on page 11.

### DIRECTORS AND THEIR INTERESTS

The following served as directors of Cotesworth & Co. Limited from 1st January 1998 to the date of this report unless shown otherwise. None of the directors or their families had any interest in the shares of the company. The interests of the directors and their families in Cotesworth Group Limited were as follows:

	<u>Cotesworth Group Limited</u> <u>30th June 1999</u>	<u>Cotesworth Group Limited</u> <u>1st January 1998</u>	
	Ordinary shares, options & preference £1 shares	Ordinary 1p shares	Options Preference £1 shares
P. J. Aitchison	-	10,395	- 107,905
G. H. Bailey (resigned 28.9.98)	-	-	-
T. R. Berry (resigned 13.10.98)	-	52,651	-
A. J. Bonner (appointed 30.9.98)	-	-	-
N. W. Britten	-	44,833	-
G. Davies	-	44,833	-
B. G. Devereese	-	44,833	-
C. L. Dunkley (resigned 28.9.98)	-	10,395	- 107,905
E. J. Fenton	-	-	-
J. S. Hale	-	-	3,855 -
G. McCall (appointed 24.11.98)	-	-	-
M. Payne (appointed 30.9.98)	-	-	-
D. R. Pitman (appointed 30.9.98)	-	-	-
H. R. Rivington (appointed 20.11.97)	-	-	8,352 -
W. Scott	-	-	3,855 -
H. Simons (appointed 24.11.98)	-	-	-
B. R. Smith (resigned 28.9.98)	-	-	- 13,130
P. B. Thompson (appointed 24.11.98)	-	-	-

# COTESWORTH & CO. LIMITED

## DIRECTORS' REPORT (continued)

The interests of the directors and their families, in the parent undertaking, HIH European Holdings Limited were as follows:

	<u>HIH European Holdings Limited</u> <u>30th June 1999</u>				<u>HIH European Holdings Limited</u> <u>1st January 1998</u>			
	C1 Shares	C2 Shares	A Series Loan Notes £	B Series Loan Notes £	C1 Shares	C2 Shares	A Series Loan Notes £	B Series Loan Notes £
P. J. Aitchison	10,395	10,395	600,000	126,890	-	-	-	-
G. H. Bailey (resigned 28.9.98)	-	-	-	-	-	-	-	-
T. R. Berry (resigned 13.10.98)	-	-	-	-	-	-	-	-
A. J. Bonner (appointed 30.9.98)	-	-	-	-	-	-	-	-
N. W. Britten	44,833	44,833	-	547,268	-	-	-	-
G. Davies	44,833	44,833	-	547,268	-	-	-	-
B. G. Devereese	44,833	44,833	-	547,268	-	-	-	-
C. L. Dunkley (resigned 28.9.98)	-	-	-	-	-	-	-	-
E. J. Fenton	-	-	-	-	-	-	-	-
J. S. Hale	-	-	-	-	-	-	-	-
G. McCall (appointed 24.11.98)	-	-	-	-	-	-	-	-
M. Payne (appointed 30.9.98)	-	-	-	-	-	-	-	-
D. R. Pitman (appointed 30.9.98)	2,937	2,937	-	35,851	-	-	-	-
H. R. Rivington (appointed 20.11.97)	-	-	-	-	-	-	-	-
W. Scott	-	-	-	-	-	-	-	-
H. Simons (appointed 24.11.98)	-	-	-	-	-	-	-	-
B. R. Smith (resigned 28.9.98)	-	-	-	-	-	-	-	-
P. B. Thompson (appointed 24.11.98)	-	-	-	-	-	-	-	-

## CASH FLOW STATEMENT

Under the provisions of FRS1 (revised), a cashflow statement has not been prepared as Cotesworth & Co. Limited is a wholly owned subsidiary whose ultimate parent, HIH Insurance Limited, prepares consolidated financial statements in which the company is included.

## YEAR 2000

The directors have considered the impact of the millennium problem on the operations of the company and the group. The costs of this exercise are contained within the ongoing budgets, and no significant additional costs are anticipated. Given the complexity of the issue, it is not possible to guarantee that there will not be any Year 2000 problems, however, the board believes that it will achieve an acceptable state of readiness.

## PARENT UNDERTAKING

The immediate parent undertaking is Cotesworth Holdings Limited. On the 13th October 1998 HIH Insurance Limited, the Australian based international insurance group, acquired the entire share capital of Cotesworth Group Limited and its subsidiary holdings.

## AUDITORS

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Binder Hamlyn be re-appointed as auditors of the company will be put to the Annual General Meeting.

This report was approved by the board of directors on 15th September 1999.

  
W. Scott  
Secretary

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

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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 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 accounts 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' REPORT**

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**REPORT OF THE AUDITORS**

to the Shareholders of Cotesworth & Co. Limited

We have audited the financial statements on pages 5 to 14, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 7 and 8.

**Respective responsibilities of directors and auditors**

As described on page 3 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial 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 affairs of the company as at 30th June 1999 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Binder Hamlyn  
Chartered Accountants and Registered Auditors  
20 Old Bailey  
London  
EC4M 7BH

15th September 1999

**COTESWORTH & CO. LIMITED****PROFIT AND LOSS ACCOUNT**  
**for the 18 months ended 30th June 1999**

	Notes	18 Months to 30.6.99 £	12 Months to 31.12.97 £
<b>TURNOVER</b>			
Continuing activities	2	11,140,834	5,830,513
<b>ADMINISTRATION EXPENSES</b>		(5,599,953)	(2,884,605)
<b>OTHER OPERATING INCOME</b>	3	117,742	201,073
<b>OPERATING PROFIT</b>			
Continuing activities		<u>5,658,623</u>	<u>3,146,981</u>
Investment income	4	234,694	223,463
Interest payable	5	(4,019)	(5,562)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	6	<u>5,889,298</u>	<u>3,364,882</u>
Tax on profit on ordinary activities	9	<u>(1,837,591)</u>	<u>(1,098,802)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		4,051,707	2,266,080
Dividends	10	<u>(3,604,998)</u>	<u>(2,200,000)</u>
<b>RETAINED PROFIT FOR THE FINANCIAL PERIOD</b>		<u><u>£446,709</u></u>	<u><u>£66,080</u></u>

There are no recognised gains and losses other than as shown above.

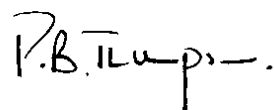
The notes on pages 7 to 14 form an integral part of these financial statements.

**COTESWORTH & CO. LIMITED****BALANCE SHEET**  
**as at 30th June 1999**

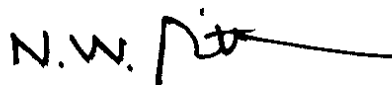
	Notes	30.6.99 £	31.12.97 £
<b>FIXED ASSETS</b>			
Tangible fixed assets	11	<u>21,498</u>	<u>76,809</u>
<b>CURRENT ASSETS</b>			
Debtors	12	5,723,287	5,177,493
Cash at bank		<u>979,765</u>	<u>390,081</u>
		6,703,052	5,567,574
<b>CREDITORS</b>			
Amounts falling due within one year	13	<u>4,798,337</u>	<u>4,143,660</u>
<b>NET CURRENT ASSETS</b>			
		<u>1,904,715</u>	<u>1,423,914</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		1,926,213	1,500,723
<b>CREDITORS</b>			
Amounts falling due after more than one year	14	<u>21,916</u>	<u>43,135</u>
		<u>£1,904,297</u>	<u>£1,457,588</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	400,300	400,300
Profit and loss account	17	<u>1,503,997</u>	<u>1,057,288</u>
<b>SHAREHOLDERS FUNDS</b>			
		<u>£1,904,297</u>	<u>£1,457,588</u>

The notes on pages 7 to 14 form an integral part of these financial statements.

The financial statements on pages 5 to 14 were approved by the Board of Directors on 15th September 1999 and signed on its behalf by



P. B. Thompson  
Director



N. W. Britten  
Director

NOTES TO THE FINANCIAL STATEMENTS  
as at 30th June 1999

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**1. ACCOUNTING POLICIES**

**(a) Accounting convention**

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

Turnover comprises underwriting agency fees and underwriting profit commission for which the following bases are adopted :-

**Underwriting agency fees**

These represent fees from capital providers at Lloyd's in respect of the underwriting year in which they are earned.

**Underwriting profit commission**

This is credited when received and usually relates to the underwriting account closed at the previous 31st December.

**(b) Depreciation**

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Motor vehicles	4 years
Computer equipment	4 years
Office equipment	5 years

**(c) Deferred taxation**

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse. Advance corporation tax which is expected to be recoverable in the future is deducted from the deferred taxation balance.

**(d) Leasing contracts**

Lloyd's syndicates are unable to lease assets and therefore the company has entered into various lease contracts on behalf of its managed syndicates.

Such assets held under finance leases and similar contracts, and the related lease obligations, are recorded in the balance sheet at the inception of the leases and are depreciated over the assets' useful lives.

The amounts by which lease payments exceed the recorded lease obligation are treated as finance charges. These are charged to the profit and loss account over the period of the lease and represents a constant charge on the remaining balance of the liability for each period. The accounting treatment is in accordance with SSAP 21.

In order to ensure that neither the company nor its managed syndicates benefit from the cash flow of these arrangements, any rental instalment is recovered from the syndicate immediately it is paid by the company. The charge to depreciation is not reflected in the profit and loss account as it is deemed recovered from the managed syndicates (see note 11).

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.



**NOTES TO THE FINANCIAL STATEMENTS**  
as at 30th June 1999 (continued)

**1. ACCOUNTING POLICIES (continued)****(e) Pensions**

The pension costs charged to the profit and loss account in respect of the defined contribution scheme represent amounts payable by the company during the accounting period in accordance with the rules of the scheme.

**2. TURNOVER**

	<b>18 Months to 30.6.99 £</b>	<b>12 Months to 31.12.97 £</b>
<b>Continuing activities :</b>		
Managing Agents fees – 1998 (1997)	700,918	794,488
Managing Agents fees – 1999 (6 months)	657,640	-
Profit commission - 1995 (1994) Year of account	6,380,405	6,254,025
Profit commission - 1994 Year of account in advance	-	(1,218,000)
Profit commission - 1996 Year of account	3,401,871	-
	<u>11,140,834</u>	<u>5,830,513</u>

**3. OTHER OPERATING INCOME**

	<b>18 Months to 30.6.99 £</b>	<b>12 Months to 31.12.97 £</b>
Management fee	<u>117,742</u>	<u>201,073</u>

**4. INVESTMENT INCOME**

	<b>18 Months to 30.6.99 £</b>	<b>12 Months to 31.12.97 £</b>
Bank interest receivable	234,694	222,922
Other interest	-	541
	<u>234,694</u>	<u>223,463</u>

**5. INTEREST PAYABLE**

	<b>18 Months to 30.6.99 £</b>	<b>12 Months to 31.12.97 £</b>
Finance lease	11,145	18,976
Hire purchase contracts	5,170	4,136
Other interest	752	-
	<u>17,067</u>	<u>23,112</u>
Less recovered from managed syndicates	<u>(13,048)</u>	<u>(17,550)</u>
Costs borne by the company	<u>4,019</u>	<u>5,562</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**as at 30th June 1999 (continued)**

**6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	<b>18 Months to 30.6.99 £</b>	<b>12 Months to 31.12.97 £</b>
This is stated after charging:		
Auditors' remuneration in respect of:		
audit services	14,129	10,000
non audit services	14,543	8,263
Depreciation of owned tangible fixed assets	6,817	58,463
Depreciation of tangible fixed assets held under finance leases and hire purchase contracts	<u>44,258</u>	<u>260,833</u>

**7. STAFF COSTS**

The average number of persons, including directors, employed by the company during the year was 78 (1997: 87).

The employment costs to the company of those persons were as follows:

	<b>18 Months to 30.6.99 £</b>	<b>12 Months to 31.12.97 £</b>
Salaries	6,496,206	4,173,263
Bonuses	3,481,722	1,626,651
Social security costs	963,605	569,331
Other pension costs	1,283,144	776,200
Other staff costs	<u>140,368</u>	<u>119,360</u>
Total group staff cost before recoveries from syndicates	12,365,045	7,264,805
Recovered from managed syndicates	<u>(7,151,403)</u>	<u>(4,768,203)</u>
Costs borne by the company	<u>5,213,642</u>	<u>2,496,602</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**as at 30th June 1999 (continued)**

**8. DIRECTORS' REMUNERATION***Remuneration*

The remuneration of the directors was as follows:

	<b>18 Months to 30.6.99 £</b>	<b>12 Months to 31.12.97 £</b>
Emoluments	4,412,326	2,448,150
Company contributions to money purchase pension schemes	495,569	305,240
	<u>4,907,895</u>	<u>2,753,390</u>
Recovered from Managed Syndicates	<u>(2,371,969)</u>	<u>(1,266,609)</u>
Cost borne by the Company	<u>2,535,926</u>	<u>1,486,781</u>

*Pensions*

The number of directors who were members of money purchase pension schemes was 9 (1997: 9).

*Highest-paid director*

The above amounts for remuneration include the following in respect of the highest paid director:

	<b>18 Months to 30.6.99 £</b>	<b>12 Months to 31.12.97 £</b>
Emoluments and long term incentive schemes	1,448,811	763,999
Company contributions to money purchase schemes	75,000	50,000
	<u>1,523,811</u>	<u>813,999</u>
Recovered from Managed Syndicates	<u>(424,020)</u>	<u>(262,123)</u>
Cost borne by the Company	<u>1,099,791</u>	<u>551,876</u>

**9. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	<b>18 Months to 30.6.99 £</b>	<b>12 Months to 31.12.97 £</b>
Based on the adjusted profit for the year:		
U. K. Corporation tax at 31% (31½%)	1,850,000	1,100,000
Adjustment in respect of prior year	<u>(12,409)</u>	<u>(1,198)</u>
	<u>1,837,591</u>	<u>1,098,802</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
as at 30th June 1999 (continued)

**10. DIVIDENDS**

	18 Months to 30.6.99 £	12 Months to 31.12.97 £
Proposed dividend of £5.625 per share (1997: £5.50)	2,250,000	2,200,000
Paid dividend of £3.387	1,354,998	-
Total dividends	<u>3,604,998</u>	<u>2,200,000</u>

**11. TANGIBLE FIXED ASSETS**

	Motor Vehicles £	Computer and Office Equipment £	Total £
<b>Cost</b>			
1st January 1998	216,303	1,844,366	2,060,669
Additions	31,272	-	31,272
Disposals	(121,694)	-	(121,694)
30th June 1999	<u>125,881</u>	<u>1,844,366</u>	<u>1,970,247</u>
<b>Accumulated depreciation</b>			
1st January 1998	146,311	1,837,549	1,983,860
Charge for the year	44,257	6,817	51,074
Disposals	(86,185)	-	(86,185)
30th June 1999	<u>104,383</u>	<u>1,844,366</u>	<u>1,948,749</u>
<b>Net Book Value</b>			
30th June 1999	<u>21,498</u>	<u>-</u>	<u>21,498</u>
1st January 1998	<u>69,992</u>	<u>6,817</u>	<u>76,809</u>

The net book value at the period end of assets held under finance leases and similar contracts was £21,498 (1997: £11,108). The cost of these assets were £31,272 and the accumulated depreciation at the end of the period was £9,774. As detailed in the accounting policies the company recharges depreciation to its managed syndicates. For 18 months ended 30th June 1999 the amount recharged was £23,406 (1997: £287,232).

**12. DEBTORS**

	30.6.99 £	31.12.97 £
Amount owed by group undertakings	5,063,857	4,040,085
Other debtors	657,990	1,115,364
Prepayments and accrued income	1,440	22,044
	<u>5,723,287</u>	<u>5,177,493</u>

Amount owed by group undertakings is payable on demand.

**NOTES TO THE FINANCIAL STATEMENTS**  
**as at 30th June 1999 (continued)**

**13. CREDITORS: Amounts falling due within one year**

	<b>30.6.99</b>	<b>31.12.97</b>
	<b>£</b>	<b>£</b>
Trade creditors	202,060	438,644
UK Corporation tax	1,850,000	1,100,000
Other taxes and social security costs	34,704	151,549
Proposed dividend	2,250,000	2,200,000
Accruals and deferred income	142,718	185,638
Amount owed to group undertakings	303,446	25,365
Obligations under finance leases and hire purchase contracts	15,409	42,464
	<u>4,798,337</u>	<u>4,143,660</u>

**14. CREDITORS: Amounts falling due after more than one year**

	<b>30.6.99</b>	<b>31.12.97</b>
	<b>£</b>	<b>£</b>
Obligations under finance leases and hire purchase contracts	<u>21,916</u>	<u>43,135</u>

**15. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS**

	<b>30.6.99</b>	<b>31.12.97</b>
	<b>£</b>	<b>£</b>
(a) Obligations, net of finance charges, may be analysed as follows:		
Amounts payable within one year	15,409	42,464
Amounts payable within two to five years	21,916	43,135
	<u>37,325</u>	<u>85,599</u>
(b) Analysis of changes in obligations under finance leases and hire purchase contracts during the period		
At 1st January 1998 (1st January 1997)	85,599	268,279
Inception of finance lease contracts	31,272	-
Capital element of finance lease rental payments	(79,546)	(182,680)
	<u>(48,274)</u>	<u>(182,680)</u>
At 30th June 1999 (31st December 1997)	<u>37,325</u>	<u>85,599</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
as at 30th June 1999 (continued)

**16. SHARE CAPITAL**

	30.6.99 £	31.12.97 £
Authorised:		
'A' voting shares of £1 each	500	500
'B' non-voting shares of £1 each	499,500	499,500
	<u>500,000</u>	<u>500,000</u>
Allotted, issued and fully paid:		
'A' voting shares of £1 each	300	300
'B' non-voting shares of £1 each	400,000	400,000
	<u>400,300</u>	<u>400,300</u>

Only 'B' non-voting shares have rights to dividends. On a division of assets in a winding-up, the amount available for distribution amongst the shareholders would be applied first in repayment of nominal value to the holders of the 'A' voting shares. The balance of the assets would be divided among the holders of the 'B' non voting shares. All shares are non-redeemable.

**17. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES**

	Non-Equity Share Capital £	Equity Share Capital £	Profit and Loss Account £	Total £
At 1st January 1998	300	400,000	1,057,288	1,457,588
Profit for the year	-	-	4,051,707	4,051,707
Dividends	-	-	(3,604,998)	(3,604,998)
	<u>300</u>	<u>400,000</u>	<u>1,503,997</u>	<u>1,904,297</u>
At 30th June 1999	<u>300</u>	<u>400,000</u>	<u>1,503,997</u>	<u>1,904,297</u>

**18. PENSIONS**

The company contributes to two defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds and amounted to £1,283,144 (1997: £728,239).

**NOTES TO THE FINANCIAL STATEMENTS**  
**as at 30th June 1999 (continued)**

**19. OTHER FINANCIAL COMMITMENTS**

At 30th June 1999 the company had annual commitments under non-cancellable operating leases, the majority of which will be recharged to managed syndicates as incurred, as follows:

	<b>Buildings</b>		<b>Other</b>	
	<b>30.6.99</b>	<b>31.12.97</b>	<b>30.6.99</b>	<b>31.12.97</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Operating leases which expire:				
within one year	-	-	9,300	16,524
within two to five years	-	428,177	92,046	96,860
	<u>-</u>	<u>428,177</u>	<u>101,346</u>	<u>113,384</u>

On 31st March 1999, Cotesworth & Co. Limited terminated its lease on the office building.

**20. DIRECTORS' INTERESTS**

The following directors had not resigned their membership of Lloyd's underwriting syndicates for which the company acts as managing agent, with effect from 1999 year of account, and in that capacity have interests in contracts between the company and third parties:-

P. J. Aitchison  
A. J. Bonner  
B. G. Devereese  
M. W. Payne

*There is no other matter which, in the opinion of the directors, should be drawn to the attention of the shareholders.*

**21. PARENT UNDERTAKING**

The immediate parent undertaking is Cotesworth Holdings Limited, incorporated in Great Britain and registered in England and Wales. Copies of the financial statements of Cotesworth Holdings Limited are available from Companies House, Crown Way, Maindy, Cardiff.

The ultimate parent undertaking is HIH Insurance Limited, the Australian based international insurance group. This is the largest group for which group accounts are prepared. HIH European Holdings Limited is the smallest group which produces accounts incorporating Cotesworth & Co. Limited.

The entire shareholdings held by the directors of Cotesworth Group Limited, were sold to HIH European Holdings Limited on 13th October 1998.

**COTESWORTH & CO. LIMITED**
**DETAILED PROFIT AND LOSS ACCOUNT**  
**for the 18 months ended 30th June 1999**

	18 Months to 30.6.99 £	12 Months to 31.12.97 £
<b>TURNOVER</b>		
Agency fees 1998	700,918	794,488
Agency fees 1999 (6 months)	657,640	-
Total Agency fees	1,358,558	794,488
Profit commission – 1995 / (1994) year of account	6,380,405	6,254,025
1996 year of account	3,401,871	-
1994 year of account (in advance)	-	(1,218,000)
Total profit commission	9,782,276	5,036,025
<b>TOTAL TURNOVER</b>	11,140,834	5,830,513
<b>OTHER OPERATING INCOME</b>		
Management fee - Equitas	117,742	201,073
<b>INVESTMENT INCOME</b>		
Interest	234,694	223,463
<b>TOTAL INCOME</b>	11,493,270	6,255,049
<b>ADMINISTRATION EXPENSES</b>		
Salaries and related costs	5,213,642	2,496,602
Motor expenses	10,184	21,246
Motor leases / depreciation	39,267	57,843
Rent and rates	73,206	85,476
Insurance	4,650	10,259
Printing & stationery	17,468	6,474
Telephones	10,283	17,588
Postage	11,131	7,739
Repairs & maintenance	111	3,384
Computer costs	21,705	6,764
Audit fee	14,129	6,500
Legal & professional	39,296	41,368
Consultancy	3,125	2,500
Subscriptions	53,672	51,621
UK Travel & entertaining	40,063	33,834
O/S Travel & entertaining	34,878	12,264
Sundries	15,699	8,983
Non-recoverable VAT	15,933	14,141
Depreciation (f&f and lease)	1,364	11,592
Bank charges	1,401	2,087
Profit on sale of assets	(21,254)	(13,660)
	5,599,953	2,884,605
<b>Exceptional operating expense</b>		
Interest payable	4,019	5,562
<b>TOTAL EXPENSES</b>	5,603,972	2,890,167
<b>PROFIT FOR THE YEAR BEFORE TAXATION</b>	£5,889,298	£3,364,882

UNAUDITED