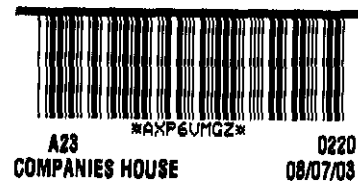


SOUTH ESSEX INSURANCE GROUP LIMITED

Company No. 00779100

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2002**



South Essex Insurance Group Limited

Company Information

Director

B.W. Fehler

Secretary

J. Fehler

Registered Office

South Essex House
North Road
South Ockendon
Essex
RM15 6NU

Bankers

Barclays Bank plc
54 Lombard Street
London
EC3P 3AH

Auditors

Kingston Smith
Devonshire House
60 Goswell Road
London
EC1M 7AD

South Essex Insurance Group Limited

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South Essex Insurance Group Limited

Report of the Director

The director presents his annual report and the audited financial statements for the year ended 31st December 2002.

Principal Activities and Business Review

The principal activities of the group are operating as insurance brokers, tour operators and travel agents.

The group's insurance broking subsidiaries have shown significant increases in both commission income and profits before tax. However, the prevailing climate in the travel industry has had a detrimental effect on the results of the tour operating subsidiary.

Results and Dividend

The results of the group for the year are set out on page 3.

An interim dividend of £227 per share was declared during the year.

Director and his Interest

The director who served the company throughout the year together with his interest in the shares of the company, at the beginning and end of the year, was as follows:

	Ordinary Shares of £1 each	
	31st December 2002	1st January 2002
B.W. Fehler	1,000	1,000

Auditors

Kingston Smith have indicated their willingness to continue in office and in accordance with the provisions of the Companies Act 1985 it is proposed that they be re-appointed auditors for the ensuing year.



B.W. Fehler
Director

South Essex House
North Road
South Ockendon
Essex RM15 6NU

Date: 15/6/03

South Essex Insurance Group Limited

Director's Responsibilities and Report of the Auditors

Statement of Director's Responsibilities

Company law requires the director 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 group and of the profit or loss for that period.

In preparing those financial statements, the director is required to select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; and prepare the financial statements on a going concern basis unless it is inappropriate to assume that the group will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and enable him to ensure that the financial statements comply with the Companies Act 1985. He is also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the Shareholder of South Essex Insurance Group Limited

We have audited the financial statements of South Essex Insurance Group Limited for the year ended 31st December 2002 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Director and Auditors

As described in the Statement of Director's Responsibilities, the company's director is 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 Director's 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 we require for our audit, or if information specified by law regarding the director's remuneration and transactions with the company is not disclosed.

We read the Director's Report and consider the implications for our report if we become aware of any misstatement within it.

Basis of Audit Opinion

We conducted our audit in accordance with United Kingdom 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 director in the preparation of the financial statements and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

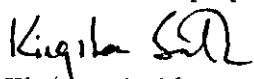
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 and of the group as at 31st December 2002 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Devonshire House
60 Goswell Road
London EC1M 7AD

Date: 26th June 2003


Kingston Smith
Chartered Accountants
and Registered Auditors

South Essex Insurance Group Limited
Consolidated Profit and Loss Account
For the year ended 31st December 2002

	Note	Continuing operations		Total 2002 £	2001 £
		2002 £	Acquisitions 2002 £		
Turnover	2	5,764,932	-	5,764,932	5,705,627
Cost of sales		<u>(4,998,524)</u>	<u>-</u>	<u>(4,998,524)</u>	<u>(4,992,232)</u>
Gross Profit		766,408	-	766,408	713,395
Commission receivable	2	4,166,593	79,483	4,246,076	3,275,601
Other operating income		6,603	-	6,603	-
Administrative expenses		<u>(4,529,636)</u>	<u>(140,098)</u>	<u>(4,669,734)</u>	<u>(4,150,690)</u>
Operating Profit/(Loss)		409,968	(60,615)	349,353	(161,694)
Interest receivable and similar income				306,576	265,696
Interest payable and similar charges	4			<u>(91,842)</u>	<u>(81,232)</u>
Profit on Ordinary Activities before Taxation	5			564,087	22,770
Taxation	6			<u>(189,663)</u>	<u>(28,834)</u>
Profit/(Loss) for the Financial Year				374,424	(6,064)
Dividend on equity shares				<u>(227,000)</u>	<u>(131,000)</u>
Retained Profit/(Loss) for the Financial Year	7			<u>147,424</u>	<u>(137,064)</u>

Statement of Total Recognised Gains and Losses
For the year ended 31st December 2002

	2002 £	2001 £
Profit/(Loss) for the Financial Year	374,424	(6,064)
Unrealised surplus on revaluation of properties	<u>81,780</u>	<u>-</u>
Total Recognised Gains/(Losses) Relating to the Year	<u>456,204</u>	<u>(6,064)</u>

South Essex Insurance Group Limited

Consolidated Balance Sheet at 31st December 2002

	Note	2002 £	2002 £	2001 £	2001 £
Fixed Assets					
Intangible assets	8		104,896		54,686
Tangible assets	9		1,548,478		1,153,431
Investments	10		<u>4,000</u>		<u>4,000</u>
			1,657,374		1,212,117
Current Assets					
Livestock	11	131,690		132,987	
Debtors	12	4,044,579		3,820,922	
Cash at bank and in hand:					
Insurance broking accounts		220,554		49,429	
Office accounts		<u>242,117</u>		<u>100,591</u>	
		4,638,940		4,103,929	
Creditors: Amounts falling due within one year	13	<u>(4,820,349)</u>		<u>(4,377,066)</u>	
Net Current Liabilities			<u>(181,409)</u>		<u>(273,137)</u>
Total Assets less Current Liabilities			1,475,965		938,980
Creditors: Amounts falling due after more than one year	14		<u>(664,069)</u>		<u>(356,288)</u>
Net Assets			<u>811,896</u>		<u>582,692</u>
Capital and Reserves					
Called up share capital - equity interests	15		1,000		1,000
Revaluation reserve	15		456,007		374,227
Profit and loss account	15		<u>354,889</u>		<u>207,465</u>
Shareholder's Funds			<u>811,896</u>		<u>582,692</u>

The financial statements were approved by the Director on 25/6/03

B.W. Fehler Director

South Essex Insurance Group Limited

Balance Sheet at 31st December 2002

	Note	2002 £	2002 £	2001 £	2001 £
Fixed Assets					
Tangible assets	9		438,693		248,199
Investments	10		<u>5,374,531</u>		<u>5,169,001</u>
			5,813,224		5,417,200
Current Assets					
Livestock	11	139,090		122,887	
Debtors	12	78,624		41,388	
Cash at bank and in hand		<u>9,615</u>		<u>-</u>	
		227,329		164,275	
Creditors: Amounts falling due within one year	13	<u>(882,566)</u>		<u>(576,473)</u>	
Net Current Liabilities			<u>(655,237)</u>		<u>(412,198)</u>
Total Assets less Current Liabilities			5,157,987		5,005,002
Creditors: Amounts falling due after more than one year	14		<u>(235,803)</u>		<u>(121,544)</u>
Net Assets			<u><u>4,922,184</u></u>		<u><u>4,883,458</u></u>
Capital and Reserves					
Called up share capital - equity interests	15		1,000		1,000
Revaluation reserve	15		3,888,345		3,888,345
Profit and loss account	15		<u>1,032,839</u>		<u>994,113</u>
Shareholder's Funds			<u><u>4,922,184</u></u>		<u><u>4,883,458</u></u>

The financial statements were approved by the Director on 15/6/03

B.W. Fehler  Director

South Essex Insurance Group Limited
Consolidated Cash Flow Statement
For the year ended 31st December 2002

	Note	2002 £	2002 £	2001 £	2001 £
Net Cash Inflow from Operating Activities	(i)		439,841		72,908
Returns on Investments and Servicing of Finance					
Interest received		306,576		265,696	
Interest paid		<u>(91,842)</u>		<u>(81,232)</u>	
Net Cash Inflow for Returns on Investments and Servicing of Finance			214,734		184,464
Taxation Paid			(26,104)		(6,420)
Capital Expenditure					
Payments to acquire tangible fixed assets		(421,755)		(180,277)	
Receipts from the sale of tangible fixed assets		<u>41,450</u>		<u>210,370</u>	
Net Cash (Outflow)/Inflow for Capital Expenditure			(380,305)		30,093
Acquisitions and Disposals					
Cash at bank and in hand acquired		<u>8,471</u>		<u>-</u>	
Net Cash Inflow for Acquisitions and Disposals			8,471		-
Equity Dividends Paid			<u>(227,000)</u>		<u>(131,000)</u>
Cash Inflow before Financing			29,637		150,045
Financing					
Debt due within a year:					
<i>increase in long-term bank loans</i>		150,000		-	
<i>increase in other long-term loans</i>		205,000		100,000	
<i>repayment of long-term bank loans</i>		(48,168)		(29,654)	
<i>repayment of other long-term loans</i>		(25,000)		-	
Capital element of finance lease rental payments		<u>(33,854)</u>		<u>-</u>	
Net Cash Inflow from Financing			<u>247,978</u>		<u>70,346</u>
Increase in Cash	(ii)		<u>277,615</u>		<u>220,391</u>

South Essex Insurance Group Limited
Notes to the Consolidated Cash Flow Statement
For the year ended 31st December 2002

(i) Reconciliation of Operating Profit/(Loss) to Net Cash Inflow from Operating Activities	2002 £	2001 £		
Operating profit/(loss)	349,353	(161,694)		
Depreciation	138,967	120,847		
Amortisation of goodwill	15,624	15,623		
Profit on the sale of tangible fixed assets	(20,878)	(13,506)		
Decrease in livestock	1,297	6,096		
Increase in debtors	(223,657)	(1,122,866)		
Increase in creditors	179,135	1,228,408		
Net cash inflow from operating activities	439,841	72,908		
(ii) Reconciliation of Net Cash Flow to Movement in Net Debt (Note (iii))				
Increase in cash in the year	277,615	220,391		
Cash inflow from increase in debt and lease financing	(247,978)	(69,075)		
Change in net debt resulting from cash flows	29,637	151,316		
New finance leases	(45,000)	-		
Movement in net debt in the year	(15,363)	151,316		
Net debt at 1st January 2002	(650,296)	(801,612)		
Net debt at 31st December 2002	(665,659)	(650,296)		
(iii) Analysis of Changes in Net Debt	At 1st January 2002 £	Cash Flow £	Other Non-Cash Changes £	At 31st December 2002 £
Cash at bank and in hand				
Insurance broking accounts	49,429	171,125		220,554
Office accounts	100,591	141,526		242,117
Overdrafts				
Insurance broking accounts	(76,809)	(105,587)		(182,396)
Office accounts	(256,482)	70,551		(185,931)
	(183,271)	277,615		94,344
Debt due within one year	(86,883)	15,949	-	(70,934)
Debt due after one year	(356,288)	(297,781)	-	(654,069)
Finance leases	(23,854)	33,854	(45,000)	(35,000)
	(467,025)	(247,978)	(45,000)	(760,003)
Net debt	(650,296)	29,637		(665,659)

South Essex Insurance Group Limited

Notes to the Consolidated Cash Flow Statement

For the year ended 31st December 2002

(iv) Major Non-Cash Transactions

- (a) During the year the group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £45,000 (2001 - £nil).
- (b) The consideration for the purchase of the subsidiary undertaking that occurred during the period comprised a deferred cash payment. Further details of the acquisition are set out below.

(v) Purchase of Subsidiary Undertaking

On the 31st May 2002, the company acquired 100% of the ordinary share capital of Just Equestrian Limited. This was acquired for £55,530 deferred cash consideration.

The fair values of the identifiable assets and liabilities of the new subsidiary at the date of acquisition were as follows:

Net assets acquired	£
Tangible fixed assets	6,051
Cash at bank and in hand	8,471
Creditors	<u>(24,826)</u>
	(10,304)
Goodwill	<u>65,834</u>
	<u><u>55,530</u></u>
Satisfied by:	
Deferred cash consideration	<u><u>55,530</u></u>

There were no significant fair value or accounting policy adjustments.

The summarised profit and loss account of the acquired entity for the period from the beginning of its financial period on 1st April 2002 to the effective date of acquisition is set out below:

	£
Commission receivable	22,709
Administrative expenses	<u>(40,028)</u>
Operating loss	(17,319)
Interest receivable	<u>3,533</u>
Loss on ordinary activities before taxation	(13,786)
Taxation	<u>1,921</u>
Loss for the period transferred to reserves	<u><u>(11,865)</u></u>

The loss transferred to reserves for the previous financial year was £758.

South Essex Insurance Group Limited

Notes to the Financial Statements

For the year ended 31st December 2002

1 Accounting Policies

Accounting Basis and Standards

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

The group acts, in part, as an agent in broking the insurable risks of its clients and, generally, is not liable as a principal for premiums due to underwriters or for claims payable to clients. Notwithstanding the group's legal relationship with clients and underwriters and since in practice premiums and claim monies are usually accounted for by insurance intermediaries, it has followed generally accepted accounting practice by showing cash, debtors and creditors relating to insurance business as assets and liabilities of the group itself.

Basis of Consolidation

The group financial statements incorporate a consolidation of the financial statements of the company and its subsidiary undertakings. The results of the subsidiary undertakings acquired during the year are included in the consolidated financial statements using acquisition accounting from the effective date of acquisition.

Goodwill

Goodwill is determined by comparing the amount paid on the acquisition of a subsidiary or associated undertaking and the group's share of the aggregate fair value of its separable net assets. Goodwill is capitalised and amortised over a period of 15 years.

Fixed Asset Investments

Fixed asset investments are included at cost less any amount written off in respect of any permanent diminution in value.

Depreciation

Depreciation is calculated so as to write off the cost of tangible fixed assets over their estimated useful lives as follows:

Freehold land	nil
Freehold buildings	1% per annum
Motor vehicles	4 years straight line
Furniture, fittings and equipment	between 5 and 10 years straight line

Livestock

Livestock are revalued annually at the balance sheet date by the company's director.

Deferred Taxation

The company has adopted FRS 19. Deferred tax is now recognised as a liability or asset if transactions or events that give the company the obligation to pay more tax in future or a right to pay less tax in the future have occurred by the balance sheet date.

Commission

Commission, other than life commission, is credited to the profit and loss account in accordance with amounts receivable from insurance companies. Life commissions are credited to the profit and loss account as they are received.

Foreign Currencies

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the end of the financial year. All exchange differences are dealt with in the profit and loss account.

South Essex Insurance Group Limited

Notes to the Financial Statements

For the year ended 31st December 2002 (Continued)

1 Accounting Policies (Continued)

Leasing and Hire Purchase

Assets held under hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged in the profit and loss account over the period of the lease. Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Pension Scheme Arrangements

Pension arrangements are being made for certain individuals employed by the group. Such arrangements all relate to money purchase schemes (defined contributions) and may at the sole discretion of the group be discontinued at any time with no outgoing liability to the group. Such contributions are held in trustee administered funds completely independent of the group's finances. The contributions made by the group are charged against profits on an accruals basis.

2 Turnover

Turnover represents the value of services provided where invoiced in full. Deposits received have been treated as deferred income. Commission represents commission receivable from insurance companies.

The total turnover for the year has been derived from activities wholly undertaken in the United Kingdom.

3 Staff Numbers and Costs

Number of Employees

The average number of employees (including the director) during the year was as follows:

	2002	2001
Management	3	3
Administration	19	19
Clerical	74	72
Farm staff and grooms	1	1
Total employees	<u>97</u>	<u>95</u>

Their total remuneration was:

	2002 £	2001 £
Wages and salaries	1,794,586	1,586,969
Social security costs	151,605	140,101
Pension contributions	37,716	347,296
Compensation for loss of office	60,000	-
	<u>2,043,907</u>	<u>2,074,366</u>

Director's emoluments

Emoluments for qualifying services	80,999	78,250
Pension contributions	300	320,000
Compensation for loss of office	60,000	-
	<u>141,299</u>	<u>398,250</u>

South Essex Insurance Group Limited
Notes to the Financial Statements
For the year ended 31st December 2002 (Continued)

4 Interest Payable and Similar Charges	2002	2001
	£	£
On bank loans and overdrafts and other loans repayable by instalments:		
within five years	56,239	53,418
after five years	8,939	12,105
Finance leases and hire purchase contracts	2,307	2,294
Director's pension fund loan interest	24,357	13,415
	<u>91,842</u>	<u>81,232</u>
5 Profit/(Loss) on Ordinary Activities before Taxation	2002	2001
	£	£
This is stated after charging/(crediting):		
Auditors' remuneration and expenses	29,300	20,124
Depreciation:		
Owned tangible fixed assets	96,851	95,551
Assets held under finance leases and hire purchase contracts	42,116	25,296
Profit on sale of tangible fixed assets	(20,878)	(13,506)
Amortisation of goodwill	15,624	15,623
Profit on foreign exchange	(9,234)	(15,152)
Compensation for loss of office	60,000	-
Pension contribution - exceptional item	-	320,000
Pension scheme review compensation - exceptional item	-	86,000
Pension redress costs - exceptional item	60,000	-
Operating lease charges - office equipment	13,527	4,861
	<u>13,527</u>	<u>4,861</u>
6 Taxation	2002	2001
	£	£
Current year tax		
UK corporation tax	186,870	22,000
Adjustment for prior years	2,979	6,834
Current tax charge	<u>189,849</u>	<u>28,834</u>
Deferred tax charge	<u>(186)</u>	<u>-</u>
	<u>189,663</u>	<u>28,834</u>
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	<u>564,087</u>	<u>22,770</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2001 - 30.00%)	<u>169,226</u>	<u>6,782</u>
Effects of:		
Non deductible expenses	22,231	13,129
Depreciation	46,378	40,941
Capital allowances	(41,397)	(31,131)
Tax losses utilised	3,728	-
Adjustments to previous periods	2,979	6,834
Difference in estimating quantum of profits for tax provisioning	265	(2,694)
Small companies relief	(9,424)	(5,027)
Other tax adjustments	(4,137)	-
	<u>20,623</u>	<u>22,052</u>
Current tax charge	<u>189,849</u>	<u>28,834</u>

South Essex Insurance Group Limited
Notes to the Financial Statements
For the year ended 31st December 2002 (Continued)

7 Profit for the Financial Year

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the company is not presented as part of these financial statements. The group profit for the financial year of £147,424 (2001 - £137,064 loss) includes a profit of £38,726 (2001 - £288,961) which is dealt with in the financial statements of the company.

8 Intangible Assets

Goodwill
£

**Group
Cost**

At 1st January 2002	234,351
Additions	<u>65,834</u>
At 31st December 2002	<u>300,185</u>

Amortisation

At 1st January 2002	179,665
Charge for the year	<u>15,624</u>
At 31st December 2002	<u>195,289</u>

Net Book Value

At 31st December 2002	<u><u>104,896</u></u>
At 31st December 2001	<u><u>54,686</u></u>

9 Tangible Assets

**Company
Cost or Valuation**

	Freehold Property £	Furniture, Fittings and Equipment £	Total £
At 1st January 2002	175,000	302,017	477,017
Additions	<u>131,041</u>	<u>104,599</u>	<u>235,640</u>
At 31st December 2002	<u>306,041</u>	<u>406,616</u>	<u>712,657</u>

Depreciation

At 1st January 2002	1,000	227,818	228,818
Charge for the year	<u>1,650</u>	<u>43,496</u>	<u>45,146</u>
At 31st December 2002	<u>2,650</u>	<u>271,314</u>	<u>273,964</u>

Net Book Value

At 31st December 2002	<u><u>303,391</u></u>	<u><u>135,302</u></u>	<u><u>438,693</u></u>
At 31st December 2001	<u><u>174,000</u></u>	<u><u>74,199</u></u>	<u><u>248,199</u></u>

South Essex Insurance Group Limited
Notes to the Financial Statements
For the year ended 31st December 2002 (Continued)

9 Tangible Assets

Group	Freehold Properties	Land and Buildings Leasehold	Motor Vehicles	Furniture, Fittings and Equipment	Total
Cost or Valuation	£	£	£	£	£
At 1st January 2002	914,000	-	311,259	900,791	2,126,050
Additions	131,041	81,929	97,843	155,942	466,755
Acquired with subsidiary	-	-	-	18,705	18,705
Revaluation	76,000	-	-	-	76,000
Disposals	-	-	(103,194)	-	(103,194)
At 31st December 2002	<u>1,121,041</u>	<u>81,929</u>	<u>305,908</u>	<u>1,075,438</u>	<u>2,584,316</u>
Depreciation					
At 1st January 2002	6,780	-	208,774	757,065	972,619
Acquired with subsidiary	-	-	-	12,654	12,654
Charge for the year	1,650	-	58,905	78,412	138,967
Revaluation adjustment	(5,780)	-	-	-	(5,780)
Disposals	-	-	(82,622)	-	(82,622)
At 31st December 2002	<u>2,650</u>	<u>-</u>	<u>185,057</u>	<u>848,131</u>	<u>1,035,838</u>
Net Book Value					
At 31st December 2002	<u>1,118,391</u>	<u>81,929</u>	<u>120,851</u>	<u>227,307</u>	<u>1,548,478</u>
At 31st December 2001	<u>907,220</u>	<u>-</u>	<u>102,485</u>	<u>143,726</u>	<u>1,153,431</u>

Certain freehold property assets of the group were valued in February 2003 and March 2003 by Calcutt MacLean Standen, Chartered Surveyors and Gerald Cope & Co., Chartered Surveyors, on an open market basis. These firms are external to the group. The remaining freehold properties were revalued as at 31st December 1999.

Included above are assets held under finance leases or hire purchase contracts as follows:

Asset description	2002 Net Book Value £	2002 Depreciation Charge £	2001 Net Book Value £	2001 Depreciation Charge £
Motor vehicles	<u>50,461</u>	<u>16,819</u>	<u>70,208</u>	<u>29,773</u>

South Essex Insurance Group Limited
Notes to the Financial Statements
For the year ended 31st December 2002 (Continued)

10 Investments

Company Cost or Valuation	Shares in Group Undertakings £	Subordinated Loans to Group Undertakings £	Total £
At 1st January 2002	4,371,001	798,000	5,169,001
Additions	55,530	150,000	205,530
At 31st December 2002	4,426,531	948,000	5,374,531
Amortisation			
At 1st January 2002	-	-	-
Charge for the year	-	-	-
At 31st December 2002	-	-	-
Net Book Value			
At 31st December 2002	4,426,531	948,000	5,374,531
At 31st December 2001	4,371,001	798,000	5,169,001

The following details relate to the company's wholly owned subsidiary undertakings, all of which are incorporated in England and Wales and are included in the consolidated financial statements. These companies have prepared accounts to 31st December 2002.

The company's investment in South Essex Insurance Brokers Limited was revalued by the director at 31 December 2000 to reflect its market value. The revaluation was carried out on the basis of market values of comparable companies that were sold during 2000.

Subsidiary Undertaking	Class of Shares Held	Principal Activity	Holding
South Essex Insurance Brokers Limited	Ordinary	Insurance Brokers	100%
Harlequin Worldwide Travel Limited	Ordinary	Tour Operators	100%
South Essex Equestrian Services Limited	Ordinary	Dormant	100%
Equestrian Underwriting Agencies Limited	Ordinary	Insurance Brokers	100%
Just Equestrian Limited	Ordinary	Insurance Brokers	100%
Group		2002 £	2001 £
Unlisted investments at cost		4,000	4,000

11 Livestock

	2002 £	2001 £
Company		
Show horses	126,700	109,200
Animal feed	12,390	13,687
	139,090	122,887
Group		
Show horses	119,300	119,300
Animal feed	12,390	13,687
	131,690	132,987

South Essex Insurance Group Limited
Notes to the Financial Statements
For the year ended 31st December 2002 (Continued)

12 Debtors	2002	2001
	£	£
Company		
Amounts owed by group undertakings	76,500	17,619
Other debtors	2,124	8,925
Prepayments and accrued income	-	14,844
	<u>78,624</u>	<u>41,388</u>
Group		
Amounts owed by principals and insurance companies in respect of insurance transactions	3,622,543	3,241,750
Trade debtors	196,807	241,862
Other debtors	90,785	150,699
Prepayments and accrued income	134,444	186,611
	<u>4,044,579</u>	<u>3,820,922</u>

Other debtors includes an amount of £nil (2001 - £70,000) receivable after more than one year.

13 Creditors: Amounts falling due within one year	2002	2001
	£	£
Company		
Bank loans and overdrafts	139,332	235,561
Amounts owed to group undertakings	670,439	318,743
Corporation tax	-	1,311
Social security and other taxes	-	-
Other creditors	55,250	-
Accruals and deferred income	17,545	20,858
	<u>882,566</u>	<u>576,473</u>
Group		
Bank loans and overdrafts - insurance broking accounts	182,396	76,809
- office accounts	236,865	298,365
Amounts owed to principals and insurance companies in respect of insurance transactions	3,064,911	2,866,330
Trade creditors	649,216	689,800
Corporation tax	186,870	23,311
Social security and other taxes	51,146	46,584
Loans from director's pension fund	20,000	45,000
Other creditors	87,640	24,351
Obligations under finance leases and hire purchase contracts	25,000	23,854
Accruals and deferred income	316,305	282,662
	<u>4,820,349</u>	<u>4,377,066</u>

The bank loans and overdrafts are secured by way of a fixed and floating charge over the assets of the group.

The maturity of the group's debt, as well as its short-term creditors and debtors, is shown above and in notes 14 and 16.

Included in accruals and deferred income is an amount of £60,000 (2001 - £nil) in respect of pension redress costs in excess of the company's indemnity insurance cover.

South Essex Insurance Group Limited
Notes to the Financial Statements
For the year ended 31st December 2002 (Continued)

14 Creditors: Amounts falling due after more than one year	2002 £	2001 £
Company		
Bank loans	125,803	11,544
Director's loan	110,000	110,000
	<u>235,803</u>	<u>121,544</u>
Group		
Bank loans	214,069	121,288
Director's loan	110,000	110,000
Obligations under finance leases and hire purchase contracts	10,000	-
Loans from director's pension fund	330,000	125,000
	<u>664,069</u>	<u>356,288</u>
Bank loans repayable by instalments:		
in more than one year but not more than two years	50,934	41,883
in more than two years but not more than five years	139,922	79,405
in more than five years	23,213	-
	<u>214,069</u>	<u>121,288</u>

Included above are bank loans totalling £36,296 (2001: £47,252) and £51,970 (2001: £62,492) which are repayable in instalments by 31 March 2007 and 13 October 2010 respectively, and carry interest at 3% over Barclays Bank plc base rate. The loans are secured on the group's freehold premises.

	2002 £	2001 £
The amounts owed to director's pension fund are repayable:		
in more than one year but not more than two years	25,000	-
in more than two years but not more than five years	305,000	125,000
	<u>330,000</u>	<u>125,000</u>

15 Shareholder's Funds

Company	Called up Share Capital	Revaluation Reserve	Profit and Loss Account	Total
2002	£	£	£	£
Balance at 1st January 2002	1,000	3,888,345	994,113	4,883,458
Retained profit for the year	-	-	38,726	38,726
Balance at 31st December 2002	<u>1,000</u>	<u>3,888,345</u>	<u>1,032,839</u>	<u>4,922,184</u>
2001				
Balance at 1st January 2001	1,000	3,888,345	705,152	4,594,497
Retained profit for the year	-	-	288,961	288,961
Balance at 31st December 2001	<u>1,000</u>	<u>3,888,345</u>	<u>994,113</u>	<u>4,883,458</u>

South Essex Insurance Group Limited
Notes to the Financial Statements
For the year ended 31st December 2002 (Continued)

15 Shareholder's Funds (continued)

Group	Called up Share Capital	Revaluation Reserve	Profit and Loss Account	Total
	£	£	£	£
2002				
Balance at 1st January 2002	1,000	374,227	207,465	582,692
Retained profit for the year	-	-	147,424	147,424
Revaluation during the year	-	81,780	-	81,780
Balance at 31st December 2002	<u>1,000</u>	<u>456,007</u>	<u>354,889</u>	<u>811,896</u>
2001				
Balance at 1st January 2001	1,000	441,337	277,419	719,756
Retained loss for the year	-	-	(137,064)	(137,064)
Transfer from profit and loss account	-	(67,110)	67,110	-
Balance at 31st December 2001	<u>1,000</u>	<u>374,227</u>	<u>207,465</u>	<u>582,692</u>

The authorised share capital comprises:

	2002 £	2001 £
Authorised:		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Called up, allotted and fully paid:		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

16 Future Financial Commitments

Operating Leases

At 31st December 2002 the group had annual commitments under operating leases as set out below:

	2002		2001	
	Land and Buildings £	Other £	Land and Buildings £	Other £
Leases which expire:				
within one year	-	-	-	3,889
in the second to fifth year	-	13,470	-	-
after five years	52,750	-	14,000	-
	<u>52,750</u>	<u>13,470</u>	<u>14,000</u>	<u>3,889</u>

Finance Leases and Hire Purchase Contracts

At 31st December 2002 the group had obligations under finance leases and hire purchase contracts as set out below:

	2002 £	2001 £
Gross amount payable:		
within one year	26,724	25,140
in the second to fifth years	<u>10,808</u>	<u>-</u>
	37,532	25,140
Deduct: Finance charges allocated to future periods	<u>2,532</u>	<u>1,286</u>
	<u>35,000</u>	<u>23,854</u>

South Essex Insurance Group Limited
Notes to the Financial Statements
For the year ended 31st December 2002 (Continued)

16 Future Financial Commitments (Continued)	2002	2001
	£	£
Finance leases and hire purchase contracts are analysed as follows:		
due within one year (Note 13)	25,000	23,854
due after more than one year (Note 14)	<u>10,000</u>	<u>-</u>
	<u>35,000</u>	<u>23,854</u>

17 Contingent Liabilities

The company has entered into a guarantee with other group companies to secure the bank borrowings of the group companies. This is secured by a fixed and floating charge over the assets of the group. At 31st December 2002 the potential liability amounted to £226,007 (2001 - £162,505).

The group has given Barclays Bank plc and insurance companies a general indemnity in respect of bonds issued by the bank in favour of the Association of British Travel Agents (ABTA), the International Air Transportation Authority (IATA), and the Civil Aviation Authority (CAA). The amount of these bonds at 31st December 2002 was £1,163,000 (2002 - £1,061,400).

18 Related Party Transactions

Included in other debtors of £90,785 (2001 - £150,699) are amounts of £7,414 (2001 - £7,399) and £699 (2001 - £699) due from Pet Insurance Management Services Limited and South Essex Independent Financial Advisors Limited respectively. Both companies are under the control of the sole director, B.W. Fehler.

Also included in other debtors, is an amount due from B.W. Fehler's spouse of £12,281 (2001 - £nil) and an amount due from his pension fund, South Essex Insurance Pension Fund, of £6,144 (2001 - £nil).

In addition, the group paid rent of £14,000 (2001 - £14,000) to B.W. Fehler's pension fund for occupation of business premises.

19 Controlling Party

The ultimate controlling party is B.W. Fehler by virtue of his ownership of 100% of the issued share capital in the company.