

SOUTH ESSEX INSURANCE BROKERS GROUP LIMITED

COMPANY NO. 779100

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER 1992



**Kingston
Smith**
CHARTERED ACCOUNTANTS

SOUTH ESSEX INSURANCE BROKERS GROUP LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER 1992

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SOUTH ESSEX INSURANCE BROKERS GROUP LIMITED
REPORT OF THE DIRECTOR

The Director presents his annual report and the audited financial statements for the year ended 31st December 1992.

Director

B.W. Fehler

Business Review

The companies within the South Essex Insurance Brokers Group carry on business as Insurance Brokers, Mortgage and Finance Consultants, and Travel Agents. During the year, a new Company, South Essex Equestrian Services was set up to provide equestrian schooling. The Director considers that the results of the Group are satisfactory in light of the prevailing economic climate.

Results and Dividend

The results of the Group for the year are set out on page three. The Director does not recommend payment of a dividend as the funds of the Group are fully employed.

Fixed Assets

During the year the Group acquired additional office premises to facilitate its expansion programme and also acquired premises for the equestrian school.

Director

The interest of the Director in the share capital was as follows:

	<u>1992</u>	<u>1991</u>
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.

BY ORDER OF THE BOARD

J.H. FEHLER
Secretary

J.H. Fehler

South Essex House,
North Road,
South Ockendon,
Essex.

28th June 1993

REPORT OF THE AUDITORS TO THE MEMBERS OF
SOUTH ESSEX INSURANCE BROKERS GROUP LIMITED

We have audited the financial statements on pages three to thirteen in accordance with Auditing Standards.

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 1992 and of the Profit for the the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KINGSTON SMITH
Chartered Accountants
and Registered Auditors

Devonshire House,
146 Bishopsgate,
London, EC2M 4JX.

30th June 1993

SOUTH ESSEX INSURANCE BROKERS GROUP LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 1992

	<u>Note</u>	<u>1992</u>	<u>1991</u>
<u>TURNOVER</u>	2	1,246,355	1,195,018
Cost of Sales		(1,151,459)	(1,026,604)
<u>GROSS PROFIT</u>		94,896	168,414
Commission Received	1(f)	1,779,496	1,282,655
Administrative Expenses		(1,455,298)	(1,148,516)
Other Operating Charges		(202,652)	(126,894)
Interest Receivable and Similar Income		30,907	18,615
Interest Payable and Similar Charges	4	(48,810)	(42,075)
<u>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>	5	198,539	152,199
Taxation	6	72,376	54,981
<u>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</u>	7	126,163	97,218
Dividends		-	30,000
<u>RETAINED PROFIT FOR THE FINANCIAL YEAR</u>		126,163	67,218
<u>RETAINED PROFIT BROUGHT FORWARD</u>		184,560	117,342
<u>RETAINED PROFIT CARRIED FORWARD</u>		£ 310,723	£ 184,560

SOUTH ESSEX INSURANCE BROKERS GROUP LIMITED
CONSOLIDATED BALANCE SHEET AS AT 31ST DECEMBER 1992

<u>FIXED ASSETS</u>	<u>Note</u>	<u>1992</u>	<u>1991</u>
Intangible Assets	8	195,293	210,916
Tangible Assets	9	779,887	276,068
		<u>975,180</u>	<u>486,984</u>
<u>CURRENT ASSETS</u>			
Stocks	11	~	12,100
Show Horses		37,900	33,500
Debtors	12	532,775	405,646
Cash at Bank and in Hand			
- Insurance Broking Account		403,242	205,132
- Office Account		10,299	7,924
		<u>984,216</u>	<u>664,302</u>
<u>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</u>	13	<u>1,187,816</u>	<u>798,005</u>
<u>NET CURRENT LIABILITIES</u>		<u>(203,600)</u>	<u>(133,703)</u>
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>		<u>771,580</u>	<u>353,281</u>
<u>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</u>	14	<u>459,857</u>	<u>167,721</u>
<u>NET ASSETS</u>		<u>£311,723</u>	<u>£185,560</u>
<u>CAPITAL AND RESERVES</u>			
Called up Share Capital	15	1,000	1,000
Profit and Loss Account		310,723	184,560
		<u>£311,723</u>	<u>£185,560</u>


 B.W. FEHLER

- DIRECTOR

The financial statements were approved by the Director
 on 28th June 1993

SOUTH ESSEX INSURANCE BROKERS GROUP LIMITED
BALANCE SHEET AS AT 31ST DECEMBER 1992

	<u>Note</u>	<u>1992</u>	<u>1991</u>
<u>FIXED ASSETS</u>			
Tangible Assets	9	188,979	15,000
Investments	10	256,000	156,000
		<u>444,979</u>	<u>171,000</u>
<u>CURRENT ASSETS</u>			
Debtors	12	57,109	122,719
Cash at Bank and in Hand		1,574	2,226
		<u>58,683</u>	<u>124,945</u>
<u>CREDITORS: AMOUNTS FALLING</u> <u>DUE WITHIN ONE YEAR</u>	13	<u>146,262</u>	<u>43,290</u>
<u>NET CURRENT (LIABILITIES)/ASSETS</u>		<u>(87,579)</u>	<u>81,655</u>
<u>TOTAL ASSETS LESS CURRENT</u> <u>LIABILITIES</u>		357,400	252,655
<u>CREDITORS: AMOUNTS FALLING</u> <u>DUE AFTER MORE THAN ONE</u> <u>YEAR</u>	14	<u>239,361</u>	<u>125,000</u>
<u>NET ASSETS</u>		<u>£118,039</u>	<u>£127,655</u>
<u>CAPITAL AND RESERVES</u>			
Called up Share Capital	15	1,000	1,000
Profit and Loss Account		117,039	126,655
		<u>£118,039</u>	<u>£127,655</u>

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B.W. FEHLER

- DIRECTOR

The financial statements were approved by the Director
on 28th June 1993

SOUTH ESSEX INSURANCE BROKERS GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1992

1. ACCOUNTING POLICIES

(a) Accounting Basis and Standards

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

The Group acts 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 Company'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 Company itself.

(b) Consolidation

The consolidated financial statements incorporate the financial statements of South Essex Insurance Brokers Group Limited and its Group Undertakings. The financial statements of all group undertakings are made up to 31st December annually.

A separate Profit and Loss Account dealing solely with the results of the Company has not been presented.

(c) Depreciation

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

Freehold Property	- 1% per annum
Long Leasehold Property	- Period of Lease
Motor Vehicles	- 4 years
Furniture, Fittings and Equipment	- Between 5 and 10 years

(d) Stocks

Stocks are stated at the lower of cost and net realisable value.

(e) Deferred Taxation

Deferred Taxation is provided in respect of the taxation effect of all timing differences other than those which are expected with reasonable probability to continue in the foreseeable future.

(f) Commission

Commission, other than life commission, is credited to the Profit and Loss Account in accordance with the accounts agreed with insurance companies. Life commissions are credited to the Profit and Loss Account as they are received.

(g) Foreign Currencies

Assets held in foreign currencies are translated into Sterling at rates 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 BROKERS GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1992 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(h) Goodwill

Goodwill is determined by comparing the amount paid on the acquisition of a business and the aggregate fair value of its separable net liabilities and is written off over its estimated economic life of 15 years.

(i) 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.

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.

3. STAFF NUMBERS AND COSTS

	<u>1992</u>	<u>1991</u>
The average number of persons employed by the Group (including Director) during the year was as follows:		
Management	4	4
Administration	12	11
Clerical	39	31
Total Employees	<u>55</u>	<u>46</u>

The aggregate payroll costs of these persons were as follows:

Wages and Salaries	637,189	535,814
Social Security Costs	55,081	56,588
Pension Contributions	15,697	10,841
	<u>£707,967</u>	<u>£603,243</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

On Bank Loans and Overdrafts and

Other Loans repayable:

within five years

after five years

Finance Lease and Hire Purchase

Interest

16,114	28,885
21,908	-
<u>10,783</u>	<u>13,190</u>
<u>£ 48,810</u>	<u>£ 42,075</u>

SOUTH ESSEX INSURANCE BROKERS GROUP LIMITED
NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1992 (CONTINUED)

5. (a)	<u>PROFIT ON ORDINARY ACTIVITIES</u> <u>BEFORE TAXATION</u>	<u>1992</u>	<u>1991</u>
	Profit on Ordinary Activities before Taxation is stated after charging:		
	Auditors' Remuneration and Expenses	13,905	10,050
	Director's Emoluments	70,752	56,730
	Depreciation:		
	Owned Tangible Fixed Assets	59,560	39,487
	Assets held under Finance Leases	40,601	58,407
	Amortisation of Goodwill	15,623	15,623
	Operating Lease Charges	12,833	11,538
		<u> </u>	<u> </u>
(b)	<u>Director's Emoluments</u>		
	Remuneration	61,450	39,800
	Other Emoluments	9,302	16,930
		<u> </u>	<u> </u>
		£ 70,752	£ 56,730
		<u> </u>	<u> </u>
6.	<u>TAXATION</u>		
	Taxation charge based on the results for the year:		
	Corporation Tax based on the results for the year at the rate of 33% (1991 - 25%)	72,376	52,155
	Under/Overprovision in prior year	-	2,826
		<u> </u>	<u> </u>
		£ 72,376	£ 54,981
		<u> </u>	<u> </u>
7.	<u>PROFIT ON ORDINARY ACTIVITIES</u> <u>AFTER TAXATION</u>		
	Dealt with in the Accounts of the Company	(9,636)	(1,685)
	Retained by Group Undertakings	132,688	98,903
		<u> </u>	<u> </u>
		£123,052	£ 97,218
		<u> </u>	<u> </u>
8.	<u>FIXED ASSETS - INTANGIBLE</u>		
	<u>Goodwill</u>		
	Cost:		
	At 1st January 1992 and at 31st December 1992		£234,351
			<u> </u>
	Amortisation:		
	At 1st January 1992		23,435
	Charge for the year		15,623
			<u> </u>
	At 31st December 1992		£ 39,058
			<u> </u>
	Net Book Value:		
	At 31st December 1992		£195,293
			<u> </u>
	At 31st December 1991		£210,916
			<u> </u>

SOUTH ESSEX INSURANCE BROKERS GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1992 (CONTINUED)

9. FIXED ASSETS - TANGIBLE

<u>Holding Company</u>	<u>Freehold Properties</u>	<u>Long Leasehold Property</u>	<u>Total</u>
<u>Cost or Valuation</u>			
At 1st January 1992	15,000	-	15,000
Additions	137,234	37,431	174,665
At 31st December 1992	<u>£152,234</u>	<u>£ 37,431</u>	<u>£ 189,665</u>
<u>Depreciation</u>			
At 1st January 1992	-	-	-
Charge for the year	686	-	686
At 31st December 1992	<u>£ 686</u>	<u>£ -</u>	<u>£ 686</u>
<u>Net Book Value</u>			
At 31st December 1992	<u>£151,548</u>	<u>£ 37,431</u>	<u>£ 188,979</u>
At 31st December 1991	<u>£ 15,000</u>	<u>£ -</u>	<u>£ 15,000</u>

<u>Group</u>	<u>Freehold Property</u>	<u>Long Leasehold Property</u>	<u>Motor Vehicles</u>	<u>Furniture, Fittings and Equipment</u>	<u>Total</u>
<u>Cost or Valuation</u>					
At 1st January 1992	94,335	9,926	225,623	322,369	652,253
Additions	422,026	37,431	94,696	71,785	625,938
Disposals	-	-	(79,955)	(1,453)	(81,408)
At 31st December 1992	<u>£516,361</u>	<u>£ 47,357</u>	<u>£240,364</u>	<u>£392,701</u>	<u>£1,196,783</u>
<u>Depreciation</u>					
At 1st January 1992	2,659	8,474	131,508	233,544	376,185
Charge for the year	2,722	1,451	54,899	41,089	100,161
Disposals	-	-	(59,364)	(86)	(59,450)
At 31st December 1992	<u>£ 5,381</u>	<u>£ 9,925</u>	<u>£127,043</u>	<u>£274,547</u>	<u>£ 416,896</u>
<u>Net Book Value</u>					
At 31st December 1992	<u>£510,980</u>	<u>£ 37,432</u>	<u>£113,321</u>	<u>£118,154</u>	<u>£ 779,887</u>
At 31st December 1991	<u>£ 91,676</u>	<u>£ 1,452</u>	<u>£ 94,115</u>	<u>£ 88,825</u>	<u>£ 276,068</u>

Freehold Land is not depreciated.

The net book value of the group's fixed assets includes an amount of £100,874 (1991 - £87,099) in respect of assets held under finance leases and hire purchase contracts.

SOUTH ESSEX INSURANCE BROKERS GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1992 (CONTINUED)

10. FIXED ASSETS - INVESTMENTS

<u>Cost</u>	<u>Subordinated Loan to Group Undertakings</u>	<u>Shares in Group Undertakings</u>	<u>Total</u>
At 1st January 1992	125,000	31,000	156,000
Additions	-	100,000	100,000
	<u> </u>	<u> </u>	<u> </u>
At 31st December 1992	<u>£125,000</u>	<u>£131,000</u>	<u>£256,000</u>

11. STOCKS

	<u>1992</u>	<u>1991</u>
<u>Group</u>		
Stocks of Brochures	£ -	£ 12,100
	<u> </u>	<u> </u>

12. DEBTORS

Holding Company

Amounts owed by Group Undertakings	56,501	22,719
Other Debtors	608	100,000
	<u> </u>	<u> </u>
	£ 57,109	£122,719
	<u> </u>	<u> </u>

Group

Amount due from Principals and Insurance Companies in respect of Insurance Transactions	376,566	281,148
Trade Debtors	45,304	12,868
Other Debtors	82,101	98,501
Advance Corporation Tax Recoverable	10,000	-
Prepayments and Accrued Income	18,804	13,129
	<u> </u>	<u> </u>
	£532,775	£405,646
	<u> </u>	<u> </u>

SOUTH ESSEX INSURANCE BROKERS GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1992 (CONTINUED)

13. <u>CREDITORS: AMOUNTS FALLING DUE</u> <u>WITHIN ONE YEAR</u>	<u>1992</u>	<u>1991</u>
<u>Company</u>		
Bank Loan	2,972	-
Amounts due to Group Undertakings	142,114	42,114
Accruals and Deferred Income	1,176	1,176
	<u>£ 146,262</u>	<u>£ 43,290</u>
<u>Group</u>		
Bank Loans and Overdrafts	60,566	50,589
Amounts due to Principals and Insurance Companies in respect of Insurance transactions	769,375	491,818
Trade Creditors	102,826	98,734
Obligations under Finance Leases	37,802	33,284
Other Creditors including Taxation and Social Security	153,020	83,532
Accruals and Deferred Income	64,227	40,048
	<u>£1,187,816</u>	<u>£798,005</u>

Other Creditors includes an amount of £146,794 (1991 - £69,256) relating to Taxation and Social Security, of which £127,769 (1991 - £50,892) relates to Corporation Tax.

Bank Loans and Overdrafts are secured by a charge over the freehold properties of the Group.

14. <u>CREDITORS: AMOUNTS FALLING DUE</u> <u>AFTER MORE THAN ONE YEAR</u>	<u>1992</u>
<u>Company</u>	
Bank Loan	114,361
Director's Loan	125,000
	<u>£ 239,361</u>
<u>Group</u>	
Bank Loans	275,747
Director's Loan	125,000
Obligations under Finance Leases	14,110
Pension Scheme	45,000
	<u>£ 459,857</u>
	<u>£167,721</u>

Bank Loans are secured by a charge over the freehold properties of the Group.

SOUTH ESSEX INSURANCE BROKERS GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1992 (CONTINUED)

15. <u>SHARE CAPITAL</u>	<u>1992</u>	<u>1991</u>
Authorised:		
1,000 Ordinary Shares of £1 per Share	<u>£ 1,000</u>	<u>£ 1,000</u>
Called up Share Capital, Allotted and Fully Paid:		
1,000 Ordinary Shares of £1 per Share	<u>£ 1,000</u>	<u>£ 1,000</u>

16. FUTURE FINANCIAL COMMITMENTS

(a) Operating Leases

At 31st December 1992 the Group had annual commitments under operating leases as set out below:

	<u>1992</u>	<u>1991</u>
Operating Leases which expire:		
within one year	-	-
in the second to fifth years	3,643	-
after five years	1,494	-
	<u>£ 5,137</u>	<u>£ -</u>

(b) Finance Leases

At 31st December 1992 the Group had obligations under finance leases which are set out below:

Gross Amount Payable:		
within one year	42,473	40,356
in the second to fifth years	16,356	15,796
	58,829	56,152
<u>Deduct:</u> Finance Charges allocated to future periods	<u>(6,917)</u>	<u>(10,253)</u>
	<u>£51,912</u>	<u>£45,899</u>

SOUTH ESSEX INSURANCE BROKERS GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1992 (CONTINUED)

17. CONTINGENT LIABILITIES

The Company has entered into an agreement whereby it guarantees the Group Undertaking bank loans and overdrafts. At 31st December 1992 the contingent liability in respect of these guarantees was £336,313 (1991 - £60,695).

18. TRANSACTIONS CONCERNING DIRECTOR

<u>Group</u>	Outstanding at <u>31.12.1992</u>	Maximum Liability <u>during 1991</u>
(a) Included in Other Debtors are the following:		
Director's Current Account	£ 4,971	£ 9,059

The balance on Director's Current Account was repaid in full on 14th May 1993.

19. GROUP UNDERTAKINGS

The Company wholly owns 100% of the ordinary share capital of the following companies which are both registered in England.

	<u>Activity</u>
South Essex Insurance Brokers Limited	Insurance Brokers
Harlequin Worldwide Travel Limited	Travel Agents