

SOUTH ESSEX INSURANCE GROUP LIMITED

Company No. 779100

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER 1994



South Essex Insurance Group Limited

INDEX

1	Report of the Director
2	Report of the Auditors
3	Consolidated Profit and Loss Account
4	Consolidated Balance Sheet
5	Balance Sheet
6 to 7	Cash Flow Statement
8 to 16	Notes to the Financial Statements

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 1994.

Business Review

The companies within the South Essex Insurance Group carry on business as insurance brokers, mortgage and finance consultants, travel agents and the provision of equestrian schooling. The director considers that the results of the group are satisfactory in light of the prevailing economic climate.

During the year the group acquired new premises for equestrian services and farming and since the balance sheet date, the old premises have been sold at a profit.

Results and Dividend

The results of the group for the year are set out on page 3. The company paid a dividend of £22 per share for the year.

It is recommended that the whole of the retained profit be set aside to reserves.

Director

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

	31.12.1994	1.1.1994
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



B.W. Fehler
Director

South Essex House
North Road
South Ockendon
Essex

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 of the profit or loss of the company 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 company 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 company and 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors' Report to the Members of South Essex Insurance Group Limited

We have audited the financial statements on pages 3 to 16 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective Responsibilities of Directors and Auditors

As described above 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 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 and of the group as at 31st December 1994 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Kingston Smith
KINGSTON SMITH
Chartered Accountants
and Registered Auditors

Devonshire House
146 Bishopsgate
London EC2M 4JX

27th June 1995.

South Essex Insurance Group Limited
Consolidated Profit and Loss Account
For the year ended 31st December 1994

	Note	1994 £	1993 £
Turnover	2	1,462,557	658,193
Cost of sales		<u>(1,252,350)</u>	<u>(632,027)</u>
Gross Profit		210,207	26,166
Commission receivable	1	2,062,090	2,247,068
Administrative expenses		(2,212,712)	(2,027,414)
Interest receivable and similar income		24,773	17,361
Interest payable and similar charges	4	<u>(51,636)</u>	<u>(66,375)</u>
Profit on Ordinary Activities before Taxation	5	32,722	196,806
Taxation	6	<u>13,016</u>	<u>70,545</u>
Profit on Ordinary Activities after Taxation	7	19,706	126,261
Dividends on equity shares	8	<u>22,000</u>	<u>25,000</u>
Retained Profit for the Financial Year		(2,294)	101,261
Retained profit brought forward		<u>411,984</u>	<u>310,723</u>
Retained Profit Carried Forward	17	<u>409,690</u>	<u>411,984</u>

There are no recognised gains and losses in the year other than the profit for the year.

South Essex Insurance Group Limited

Consolidated Balance Sheet at 31st December 1994

	Note	1994 £	1994 £	1993 £	1993 £
Fixed Assets					
Intangible assets	9		164,047		179,670
Tangible assets	10		<u>724,107</u>		<u>892,048</u>
			888,154		1,071,718
Current Assets					
Tangible assets	12	323,856		-	
Stocks	13	109,915		1,252	
Show horses		-		63,725	
Debtors	14	784,853		510,944	
Cash at bank and in hand:					
Insurance broking accounts		380,271		202,011	
Office accounts		<u>115,505</u>		<u>62,796</u>	
		1,714,400		840,728	
Creditors: Amounts falling due within one year	15	<u>1,730,590</u>		<u>1,039,313</u>	
Net Current Liabilities			<u>(16,190)</u>		<u>(198,585)</u>
Total Assets less Current Liabilities			871,964		873,133
Creditors: Amounts falling due after more than one year	16		<u>461,274</u>		<u>460,149</u>
Net Assets			<u><u>410,690</u></u>		<u><u>412,984</u></u>
Capital and Reserves					
Called up share capital - equity interests	17		1,000		1,000
Profit and loss account	17		<u>409,690</u>		<u>411,984</u>
			<u><u>410,690</u></u>		<u><u>412,984</u></u>

The financial statements were approved by the director on 23rd June 1995

B.W. Fehler

Director

South Essex Insurance Group Limited
Balance Sheet at 31st December 1994

	Note	1994 £	1994 £	1993 £	1993 £
Fixed Assets					
Tangible assets	10		41,289		98,324
Investments	11		<u>504,000</u>		<u>504,000</u>
			545,289		602,324
Current Assets					
Debtors	14	38,997		24,255	
Cash at bank and in hand		<u>3,053</u>		<u>3,636</u>	
		42,050		27,891	
Creditors: Amounts falling due within one year	15	<u>17,617</u>		<u>129,214</u>	
Net Current Assets/(Liabilities)			<u>24,433</u>		<u>(101,323)</u>
Total Assets less Current Liabilities			569,722		501,001
Creditors: Amounts falling due after more than one year	16		<u>121,130</u>		<u>146,404</u>
Net Assets			<u><u>448,592</u></u>		<u><u>354,597</u></u>
Capital and Reserves					
Called up share capital - equity interests	17		1,000		1,000
Profit and loss account	17		<u>447,592</u>		<u>353,597</u>
			<u><u>448,592</u></u>		<u><u>354,597</u></u>

The financial statements were approved by the director on 23rd June 1995

B.W. Fehler Director

South Essex Insurance Group Limited
Consolidated Cash Flow Statement
For the year ended 31st December 1994

	Note	1994 £	1994 £	1993 £	1993 £
Net Cash Inflow from Operating Activities	1		325,743		256,009
Returns on Investment and Servicing of Finance					
Interest received		24,773		17,361	
Interest paid		(51,636)		(66,375)	
Dividends paid		<u>(22,000)</u>		<u>(25,000)</u>	
Net Cash Outflow from Returns on Investments and Servicing of Finance			(48,863)		(74,014)
Taxation					
Corporation tax paid (including advance corporation tax)			(29,403)		(78,820)
Investing Activities					
Purchase of tangible fixed assets		(372,592)		(261,061)	
Receipts from sale of tangible fixed assets		<u>125,500</u>		<u>35,050</u>	
Net Cash Outflow from Investing Activities			<u>(247,092)</u>		<u>(226,011)</u>
Increase/(Decrease) in Cash Equivalents	2		<u>385</u>		<u>(122,836)</u>

South Essex Insurance Group Limited
Notes to the Consolidated Cash Flow Statement
For the year ended 31st December 1994

1	Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities	1994 £	1993 £
	Operating profit	59,585	245,820
	Depreciation	142,388	143,067
	Profit on sale of tangible fixed assets	(35,587)	(13,594)
	Increase in stock	(108,663)	(1,252)
	Increase in debtors	(210,184)	(13,994)
	Increase/(decrease) in creditors	478,204	(104,038)
	Net Cash Inflow from continuing Operating Activities	<u>325,743</u>	<u>256,009</u>

2	Analysis of changes in Cash and Cash Equivalents during the Year	1994 £	1993 £
	Balance at 1st January 1994	(45,608)	77,228
	Net cash inflow/(outflow)	<u>385</u>	<u>(122,836)</u>
	Balance at 31st December 1994	<u>(45,223)</u>	<u>(45,608)</u>

3 Analysis of the balances of Cash and Cash
Equivalents as shown in the Balance Sheet

	1994 £	1993 £	Change in year £
Cash at bank and in hand:			
Insurance broking account	380,271	202,011	178,260
Office account	115,505	62,796	52,709
Bank loan	<u>(540,999)</u>	<u>(310,415)</u>	<u>(230,584)</u>
	<u>(45,223)</u>	<u>(45,608)</u>	<u>385</u>

South Essex Insurance Group Limited

Notes to the Financial Statements

For the year ended 31st December 1994

1 Accounting Policies

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.

Consolidation

The consolidated financial statements incorporate the financial statements of South Essex Insurance 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.

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

Stocks

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

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.

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

Assets held under foreign currencies are translated into Sterling at the rates of exchange ruling at the end of the financial year. All exchange differences are dealt with in the profit and loss account.

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.

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.

South Essex Insurance Group Limited
Notes to the Financial Statements
For the year ended 31st December 1994 (Continued)

1 Accounting Policies (Continued)

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 to 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.

3 Staff Numbers and Costs

1994

1993

The average number of persons employed by the group (including the director) during the year was as follows:

Management	3	3
Administration	13	13
Clerical	61	49
Farm staff and grooms	4	4
	<u>81</u>	<u>69</u>

Total employees

The aggregate payroll costs of these persons were as follows:

1994

1993

£

£

Wages and salaries	865,938	801,067
Social security costs	70,735	74,096
Pension contributions	18,899	14,573
	<u>955,572</u>	<u>889,736</u>

4 Interest Payable and Similar Charges

1994

1993

£

£

On bank loans and overdrafts and other loans repayable by instalments:

within five years

24,456

26,615

after five years

22,203

30,188

Finance lease and hire purchase interest

4,977

9,572

51,636

66,375

South Essex Insurance Group Limited
Notes to the Financial Statements
For the year ended 31st December 1994 (Continued)

5 Profit on Ordinary Activities before Taxation	1994 £	1993 £
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration and expenses	16,961	14,831
Director's emoluments	60,464	65,509
Depreciation:		
Owned tangible fixed assets	63,885	67,524
Assets held under finance leases	62,880	59,920
Amortisation of goodwill	15,623	15,623
Operating lease charges	<u>12,524</u>	<u>13,566</u>
 Director's Emoluments		
Remuneration	56,364	59,100
Other emoluments	<u>4,100</u>	<u>6,409</u>
	<u>60,464</u>	<u>65,509</u>
 6 Taxation	 1994 £	 1993 £
Taxation charge based on the results for the year:		
Corporation tax based on the results for the year at the rate of 25% (1993 - 33%)	<u>13,016</u>	<u>70,545</u>
 7 Profit on Ordinary Activities after Taxation	 1994 £	 1993 £
Dealt with in the accounts of the company	(21,702)	50,558
Retained by group undertakings	<u>41,408</u>	<u>75,703</u>
	<u>19,706</u>	<u>126,261</u>
 8 Dividends	 1994 £	 1993 £
Paid	<u>22,000</u>	<u>25,000</u>

South Essex Insurance Group Limited
Notes to the Financial Statements
For the year ended 31st December 1994 (Continued)

9 Fixed Assets - Intangible

Goodwill	£
Cost	
At 1st January 1994 and at 31st December 1994	<u>234,351</u>
Amortisation	
At 1st January 1994	54,681
Charge for the year	<u>15,623</u>
At 31st December 1994	<u>70,304</u>
Net Book Value	
At 31st December 1994	<u>164,047</u>
At 31st December 1993	<u>179,670</u>

10 Fixed Assets - Tangible

Holding Company

	Freehold Properties £	Long Leasehold Property £	Furniture, Fittings and Equipment £	Total £
Cost or valuation				
At 1st January 1994	15,000	37,431	57,365	109,796
Additions	-	-	8,587	8,587
Disposals	<u>(15,000)</u>	<u>(37,431)</u>	<u>-</u>	<u>(52,431)</u>
At 31st December 1994	<u>-</u>	<u>-</u>	<u>65,952</u>	<u>65,952</u>
Depreciation				
At 1st January 1994	-	-	11,472	11,472
Charged in year	<u>-</u>	<u>-</u>	<u>13,191</u>	<u>13,191</u>
At 31st December 1994	<u>-</u>	<u>-</u>	<u>24,663</u>	<u>24,663</u>
Net Book Value				
At 31st December 1994	<u>-</u>	<u>-</u>	<u>41,289</u>	<u>41,289</u>
At 31st December 1993	<u>15,000</u>	<u>37,431</u>	<u>45,893</u>	<u>98,324</u>

The net book value of the company's fixed assets includes an amount of £24,657 (1993 - £32,876) in respect of assets held under finance leases and hire purchase contracts.

South Essex Insurance Group Limited
Notes to the Financial Statements
For the year ended 31st December 1994 (Continued)

10 Fixed Assets - Tangible (Continued)

Group

	Freehold Properties	Long Leasehold Property	Motor Vehicles	Fittings and Equipment	Total
Cost or valuation	£	£	£	£	£
At 1st January 1994	562,137	47,357	286,727	498,190	1,394,411
Additions	204,700	-	120,907	46,985	372,592
Disposals	(16,000)	(47,357)	(115,733)	-	(179,090)
Transfer to current assets	(329,568)	-	-	-	(329,568)
At 31st December 1994	421,269	-	291,901	545,175	1,258,345
Depreciation					
At 1st January 1994	8,855	9,925	153,577	330,006	502,363
Charged in year	4,621	-	66,555	55,589	126,765
Disposals	-	(9,925)	(79,253)	-	(89,178)
Transfer to current assets	(5,712)	-	-	-	(5,712)
At 31st December 1994	7,764	-	140,879	385,595	534,238
Net Book Value					
At 31st December 1994	413,505	-	151,022	159,580	724,107
At 31st December 1993	553,282	37,432	133,150	168,184	892,048

Freehold land is not depreciated.

The net book value of the group's fixed assets includes an amount of £164,212 (1993 - £157,240) in respect of assets held under finance leases and hire purchase contracts.

11 Fixed Assets - Investments

Holding Company

	Subordinated Loan to Group Undertakings	Shares in Group Undertakings	Total
Cost	£	£	£
At 1st January 1994 and 31st December 1994	373,000	131,000	504,000

The following details relate to the company's wholly owned subsidiary undertakings, all of which are incorporated and registered in England and Wales.

Subsidiary Undertaking	Class of Shares Held	Nature of Business
South Essex Insurance Brokers Limited	Ordinary	Insurance Brokers
Harlequin Worldwide Travel Limited	Ordinary	Travel Agents
South Essex Equestrian Services Limited	Ordinary	Equestrian Schooling and Farming

South Essex Insurance Group Limited
Notes to the Financial Statements
For the year ended 31st December 1994 (Continued)

12 Tangible Assets

	Freehold Land and Buildings held for future sale
Cost	£
Transfer from fixed assets	<u>329,568</u>
Depreciation	
Transfer from fixed assets	<u>5,712</u>
Net Book Value at 31st December 1994	<u><u>323,856</u></u>

13 Stocks

	1994 £	1993 £
Group		
Show horses and livestock - at valuation	102,500	-
Farm crops	<u>7,415</u>	<u>1,252</u>
	<u><u>109,915</u></u>	<u><u>1,252</u></u>

14 Debtors

	1994 £	1993 £
Holding Company		
Amounts owed by group undertakings	31,306	10,751
Other debtors	6,511	12,658
Prepayments and accrued income	<u>1,180</u>	<u>846</u>
	<u><u>38,997</u></u>	<u><u>24,255</u></u>
Group		
Amount due from principals and insurance companies in respect of insurance transactions	570,999	336,685
Trade debtors	15,207	38,005
Other debtors	183,883	125,056
Prepayments and accrued income	<u>14,764</u>	<u>11,198</u>
	<u><u>784,853</u></u>	<u><u>510,944</u></u>

**15 Creditors: Amounts falling due
within one year**

	1994 £	1993 £
Holding Company		
Amounts due to group undertakings	-	115,697
Obligations under finance leases	10,274	10,274
Accruals and deferred income	<u>7,343</u>	<u>3,243</u>
	<u><u>17,617</u></u>	<u><u>129,214</u></u>

South Essex Insurance Group Limited
Notes to the Financial Statements
For the year ended 31st December 1994 (Continued)

15 Creditors: Amounts falling due within one year (Continued)	1994 £	1993 £
Group		
Bank loans and overdrafts	298,908	58,989
Amounts due to principals and insurance companies in respect of insurance transactions	946,063	592,769
Trade creditors	154,571	95,537
Obligations under finance leases	69,596	56,832
Other creditors including taxation and social security	136,445	148,042
Accruals and deferred income	125,007	87,144
	<u>1,730,590</u>	<u>1,039,313</u>

Other creditors includes an amount of £120,344 (1993 - £137,083) relating to taxation and social security.
Bank loans and overdrafts are secured by a fixed and floating charge over the assets of the group.

16 Creditors: Amounts falling due after more than one year	1994 £	1993 £
Company		
Director's loan	110,000	125,000
Obligations under finance leases	11,130	21,404
	<u>121,130</u>	<u>143,404</u>
Group		
Bank loans	242,091	251,426
Director's loan	110,000	125,000
Obligations under finance leases	39,283	38,723
Pension scheme	69,900	45,000
	<u>461,274</u>	<u>460,149</u>
Amounts repayable by instalments:		
within five years	95,095	131,137
after five years	165,267	178,737
	<u>260,362</u>	<u>309,874</u>
Less: Amounts falling due within one year	18,271	19,725
	<u>242,091</u>	<u>290,857</u>

The bank loans are repayable at 3% over the bank base rate. The loans are secured on one of the group's freehold properties and by a fixed and floating charge over the assets of one of the group's companies.

South Essex Insurance Group Limited
Notes to the Financial Statements
For the year ended 31st December 1994 (Continued)

17 Shareholders' Funds

Company

	Called up Share Capital £	Profit and Loss Account £	Total £
Balance at 1st January 1994	1,000	353,597	354,597
Transfer from profit and loss account	-	93,995	93,995
Balance at 31st December 1994	<u>1,000</u>	<u>447,592</u>	<u>448,592</u>

	Called up Share Capital £	Profit and Loss Account £	Total £
Balance at 1st January 1994	1,000	411,984	412,984
Transfer from profit and loss account	-	(21,269)	(21,269)
Balance at 31st December 1994	<u>1,000</u>	<u>390,715</u>	<u>391,715</u>

The authorised share capital comprises:

	1994 £	1993 £
Authorised:		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Called up share capital, allotted and fully paid:		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

18 Future Financial Commitments

Operating Leases

At 31st December 1994, the company had annual commitments under operating leases as set out below:

	1994 £	1993 £
Operating leases which expire:		
within one year	2,044	-
in the second to fifth years	26,270	3,643
after five years	<u>-</u>	<u>3,220</u>
	<u>28,314</u>	<u>6,863</u>

Finance Leases

At 31st December 1994, the company had obligations under finance leases and hire purchase contracts which are set out below:

	1994 £	1993 £
Gross amount payable:		
within one year	77,511	64,138
in the second to fifth years	<u>44,706</u>	<u>45,161</u>
	122,217	109,299
Deduct: Finance charges allocated to future periods	<u>(13,338)</u>	<u>(13,744)</u>
	<u>108,879</u>	<u>95,555</u>

South Essex Insurance Group Limited
Notes to the Financial Statements
For the year ended 31st December 1994 (Continued)

19 Contingent Liabilities

The company has entered into an agreement whereby it guarantees the group undertaking bank loans and overdrafts. At 31st December 1994 the contingent liability in respect of these guarantees was £290,999 (1993 - £310,415).

20 Transactions concerning Director

During the year land belonging to the company was sold to the director for £15,000.