

Duncan Pocock (Insurance Brokers) Limited
Directors' Report and Financial Statements
for the Year ended 28 February 2002



Cole Marie & Co.
48 Station Road
Redhill
Surrey, RH1 1PH

DUNCAN POCOCK (INSURANCE BROKERS) LIMITED

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DUNCAN POCOCK (INSURANCE BROKERS) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 28 FEBRUARY 2002

The directors present their report and financial statements for the year ended 28 February 2002.

Principal activities and review of the business

The principal activity of the company continued to be that of insurance broking.

Turnover for the year increased from £3,497,917 to £4,052,166. The directors consider this level of activity to be reasonable and that it can be sustained for the foreseeable future.

Results and dividends

The results for the year are set out on page 4.

An interim ordinary dividend was paid amounting to £692,757. The directors do not recommend payment of a final dividend.

Directors

The following directors have held office since 1 March 2001:

J.W. Marshgreen

P.J. Dessent

N.A. Palmer-Minnis

J.A. Ibbs

J. Loftus

J.C. Palmer

A.S. White

(Appointed 1 March 2001)

B.D. Clarke

(Appointed 1 March 2001)

Directors' interests

The directors had no interests in the company throughout the year. The interests of the directors in Duncan Pocock (Holdings) Limited, the ultimate parent company, are disclosed in the financial statements of that company.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Cole Marie & Co be reappointed as auditors of the company will be put to the Annual General Meeting.

DUNCAN POCOCK (INSURANCE BROKERS) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2002

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that 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;
- 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 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.

By order of the board



K.I. Martin

Secretary

24 MAY 2002

DUNCAN POCOCK (INSURANCE BROKERS) LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF DUNCAN POCOCK (INSURANCE BROKERS) LIMITED

We have audited the financial statements of Duncan Pocock (Insurance Brokers) Limited on pages 4 to 17 for the year ended 28 February 2002. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are 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 directors' 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 directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements 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 directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 28 February 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Cole Marie & Co

Chartered Accountants
Registered Auditor



48 Station Road
Redhill
Surrey
RH1 1PH

DUNCAN POCOCK (INSURANCE BROKERS) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 28 FEBRUARY 2002

	Notes	2002 £	2001 £
Turnover	2	4,052,166	3,497,917
Administrative expenses		(3,719,209)	(3,303,257)
Other operating income		6,054	72,424
Operating profit	3	339,011	267,084
Other interest receivable and similar income		56,002	80,843
Interest payable and similar charges	4	(88,661)	(131,127)
Profit on ordinary activities before taxation		306,352	216,800
Tax on profit on ordinary activities	5	(114,628)	(60,951)
Profit on ordinary activities after taxation		191,724	155,849
Dividends	6	(692,757)	(87,283)
Retained (loss)/profit for the year	15	(501,033)	68,566

The profit and loss account has been prepared on the basis that all operations are continuing operations.

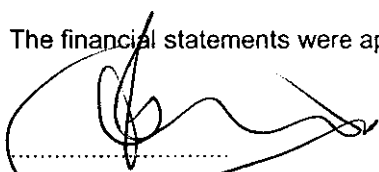
There are no recognised gains and losses other than those passing through the profit and loss account.

DUNCAN POCOCK (INSURANCE BROKERS) LIMITED

BALANCE SHEET AS AT 28 FEBRUARY 2002

	Notes	2002		2001	
		£	£	£	£
Fixed assets					
Intangible assets	7	640,038		709,731	
Tangible assets	8	735,513		1,025,956	
Investments	9	3,890		3,890	
		1,379,441		1,739,577	
Current assets					
Debtors	10	3,180,726		3,373,360	
Cash at bank and in hand		745,910		901,633	
		3,926,636		4,274,993	
Creditors: amounts falling due within one year	11	(4,448,305)		(3,981,013)	
Net current (liabilities)/assets		(521,669)		293,980	
Total assets less current liabilities		857,772		2,033,557	
Creditors: amounts falling due after more than one year	12	(608,977)		(1,283,729)	
		248,795		749,828	
Capital and reserves					
Called up share capital	14	42,857		42,857	
Share premium account	15	133,565		133,565	
Revaluation reserve	15	-		96,304	
Other reserves	15	-		4,243	
Profit and loss account	15	72,373		472,859	
Shareholders' funds - equity interests	16	248,795		749,828	

The financial statements were approved by the Board on 24th May 2002


J.W. Marshgreen
Director

DUNCAN POCOCK (INSURANCE BROKERS) LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2002

	2002 £	2001 £
Net cash inflow/(outflow) from operating activities	1,029,420	(40,819)
Returns on investments and servicing of finance		
Interest received	56,002	80,843
Interest paid	(88,661)	(131,127)
Net cash outflow for returns on investments and servicing of finance	(32,659)	(50,284)
Taxation	(10,221)	(66,850)
Capital expenditure		
Payments to acquire tangible assets	(35,803)	18,300
Receipts from sales of tangible assets	396,230	38,500
Net cash inflow for capital expenditure	360,427	56,800
Equity dividends paid	(692,757)	(87,283)
Net cash inflow/(outflow) before management of liquid resources and financing	654,210	(188,436)
Financing		
New long term bank loan	288,000	-
Other new long term loans	100,004	54,163
Other new short term loans	121,996	150,000
Repayment of long term bank loan	(71,787)	-
Repayment of other long term loans	(1,011,911)	-
Repayment of other short term loans	(7,800)	(99,996)
Capital element of hire purchase contracts	(219,211)	(278,287)
Net cash outflow from financing	(800,709)	(174,120)
Decrease in cash in the year	(146,499)	(362,556)
Difference between opening & closing bank balances	(146,499)	(362,556)

DUNCAN POCOCK (INSURANCE BROKERS) LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2002

1	Reconciliation of operating profit to net cash inflow/(outflow) from operating activities		2002	2001
			£	£
	Operating profit		339,011	267,084
	Depreciation of tangible assets		248,326	215,081
	Amortisation of intangible assets		69,693	69,694
	Profit on disposal of tangible assets		(50,028)	(22,908)
	Decrease/(increase) in debtors		192,634	(606,263)
	Increase in creditors within one year		229,784	82,162
	Group relief		-	(45,669)
	Net cash inflow/(outflow) from operating activities		1,029,420	(40,819)

2	Analysis of net debt	1 March 2001	Cash flow	Other non-cash changes	28 February 2002
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	901,633	(155,723)	-	745,910
	Bank overdrafts	(51,404)	9,224	-	(42,180)
		850,229	(146,499)	-	703,730
	Debt:				
	Finance leases	(417,380)	219,211	(268,282)	(466,451)
	Debts falling due within one year	(57,804)	(114,196)	-	(172,000)
	Debts falling due after one year	(1,042,528)	695,694	-	(346,834)
		(1,517,712)	800,709	(268,282)	(985,285)
	Net debt	(667,483)	654,210	(268,282)	(281,555)

3	Reconciliation of net cash flow to movement in net debt	2002	2001
		£	£
	Decrease in cash in the year	(146,499)	(362,556)
	Cash outflow from decrease in debt and lease financing	800,709	206,048
	Change in net debt resulting from cash flows	654,210	(156,508)
	New finance lease	(268,282)	(487,882)
	Movement in net debt in the year	385,928	(644,390)
	Opening net debt	(667,483)	(23,093)
	Closing net debt	(281,555)	(667,483)

DUNCAN POCOCK (INSURANCE BROKERS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2002

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Turnover

Turnover represents brokerage and commissions earned during the year and arises entirely in the U.K.

1.3 Goodwill

The net assets of businesses acquired as new branches are incorporated in the accounts of the company. Where the amount paid exceeds the value of the net assets acquired, the balance, representing purchased goodwill, is capitalised. The amount capitalised is amortised, on a straight line basis, over an estimated economic life of twenty years.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Freehold	N/A
Land and buildings Leasehold	Straight line over the life of the lease
Equipment	25% Straight line
Fixtures and fittings	10% - 25% Straight line
Motor vehicles	25% or 33 1/3% Straight line

Freehold property is not depreciated because the valuation is reassessed annually, and if any material change has occurred the property is revalued.

1.5 Leasing and hire purchase commitments

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

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

1.6 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.7 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with SSAP 24.

1.8 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

DUNCAN POCOCK (INSURANCE BROKERS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2002

1 Accounting policies (continued)

1.9 BROKERAGE RECOGNITION

Brokerage is recognised on receipt of client instructions to place them on cover and the earliest of either premium received or invoice raised.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating profit	2002 £	2001 £
Operating profit is stated after charging:		
Amortisation of intangible assets	69,693	69,694
Depreciation of tangible assets	248,326	215,081
Operating lease rentals	195,113	127,908
Auditors' remuneration	26,552	18,033
and after crediting:		
Profit on disposal of tangible assets	(50,028)	(22,908)

4 Interest payable	2002 £	2001 £
On other loans wholly repayable within 5 years	42,198	93,109
Hire purchase interest	46,463	38,018
	88,661	131,127

DUNCAN POCOCK (INSURANCE BROKERS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2002

5	Taxation	2002	2001
		£	£
	Domestic current year tax		
	U.K. corporation tax	120,226	14,672
	Adjustment for prior years	(5,598)	610
	Payment in respect of group relief	-	45,669
		<u> </u>	<u> </u>
	Current tax charge	<u>114,628</u>	<u>60,951</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	<u>306,352</u>	<u>216,800</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.12% (2001 : 19.64%)	<u>86,146</u>	<u>42,580</u>
	Effects of:		
	Non deductible expenses	13,886	25,457
	Depreciation	75,359	51,149
	Capital allowances	(73,320)	(75,080)
	Tax losses utilised	-	16,459
	Adjustments to previous periods	(5,598)	610
	Chargeable disposals	18,584	-
	Other tax adjustments	(429)	(224)
		<u> </u>	<u> </u>
		28,482	18,371
		<u> </u>	<u> </u>
	Current tax charge	<u>114,628</u>	<u>60,951</u>
6	Dividends	2002	2001
		£	£
	Ordinary interim paid	<u>692,757</u>	<u>87,283</u>

DUNCAN POCOCK (INSURANCE BROKERS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2002

7 Intangible fixed assets

	Goodwill £
Cost	
At 1 March 2001 & at 28 February 2002	1,384,694
Amortisation	
At 1 March 2001	674,963
Charge for the year	69,693
At 28 February 2002	744,656
Net book value	
At 28 February 2002	640,038
At 28 February 2001	709,731

DUNCAN POCOCK (INSURANCE BROKERS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2002

8 Tangible fixed assets

	Land and buildings Freehold £	Land and buildings Leasehold £	Equipment £	Fixtures and fittings £	Motor vehicles £	Total £
Cost						
At 1 March 2001	140,000	212,733	1,016,363	66,199	301,485	1,736,780
Additions	-	-	123,027	24,507	156,551	304,085
Disposals	(140,000)	(152,705)	(212,832)	(17,249)	(102,068)	(624,854)
At 28 February 2002	-	60,028	926,558	73,457	355,968	1,416,011
Depreciation						
At 1 March 2001	-	7,533	573,060	16,177	114,054	710,824
On disposals	-	(5,732)	(162,087)	(9,207)	(101,626)	(278,652)
Charge for the year	-	4,875	177,512	6,881	59,058	248,326
At 28 February 2002	-	6,676	588,485	13,851	71,486	680,498
Net book value						
At 28 February 2002	-	53,352	338,073	59,606	284,482	735,513
At 28 February 2001	140,000	205,200	443,303	50,022	187,431	1,025,956

The freehold property is included at the directors' estimate of market value on 28 February 1998. The original cost was £43,696.

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

	Equipment £	Fixtures and fittings £	Motor vehicles £	Total £
Net book values				
At 28 February 2002	212,542	23,718	284,482	520,742
At 28 February 2001	230,250	-	175,977	406,227
Depreciation charge for the year				
28 February 2002	66,676	608	48,047	115,331
28 February 2001	53,087	-	19,927	73,014

Net obligations under finance lease and hire purchase contracts are secured by fixed charges on the assets concerned.

DUNCAN POCOCK (INSURANCE BROKERS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2002

9 Fixed asset investments

	Unlisted investments £
Cost	
At 1 March 2001 & at 28 February 2002	3,890

10 Debtors	2002 £	2001 £
Trade debtors	2,991,532	3,254,370
Amounts owed by parent and fellow subsidiary undertakings	10,100	-
Other debtors	27,408	41,931
Prepayments and accrued income	151,686	77,059
	<u>3,180,726</u>	<u>3,373,360</u>

Included in prepayments is a deposit of £12,044 under charge to the Landlord as security for the company's performance under the lease.

11 Creditors: amounts falling due within one year	2002 £	2001 £
Bank loans and overdrafts	114,180	59,204
Net obligations under hire purchase contracts	204,308	176,179
Trade creditors	3,570,668	3,225,089
Amounts owed to parent and fellow subsidiary undertakings	12,706	21,262
Corporation tax	120,226	15,819
Other taxes and social security costs	54,656	61,684
Other creditots	136,303	82,892
Accruals and deferred income	235,258	338,884
	<u>4,448,305</u>	<u>3,981,013</u>
Debt due in one year or less	<u>214,180</u>	<u>59,204</u>

DUNCAN POCOCK (INSURANCE BROKERS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2002

12 Creditors: amounts falling due after more than one year	2002 £	2001 £
Bank loans	276,000	59,787
Other loans	70,834	982,741
Net obligations under hire purchase contracts	262,143	241,201
	<u>608,977</u>	<u>1,283,729</u>
Analysis of loans		
Wholly repayable within five years	518,834	1,100,332
	<u>518,834</u>	<u>1,100,332</u>
Included in current liabilities	(172,000)	(57,804)
	<u>346,834</u>	<u>1,042,528</u>
Loan maturity analysis		
In more than one year but not more than two years	142,834	57,804
In more than two years but not more than five years	204,000	956,137
In more than five years	-	28,587
	<u></u>	<u></u>
Bank loans of £348,000 are secured by personal guarantees of J.W. Marshgreen and P.J. Dessent.		
Net obligations under hire purchase contracts		
Repayable within one year	246,616	206,659
Repayable between one and five years	299,943	286,313
	<u>546,559</u>	<u>492,972</u>
Finance charges and interest allocated to future accounting periods	(80,108)	(75,592)
	<u>466,451</u>	<u>417,380</u>
Included in liabilities falling due within one year	(204,308)	(176,179)
	<u>262,143</u>	<u>241,201</u>

DUNCAN POCOCK (INSURANCE BROKERS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2002

13 Pension costs

Defined contribution

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

	2002 £	2001 £
Contributions payable by the company for the year	120,416	97,237

14 Share capital

Authorised

	2002 £	2001 £
33,000 Ordinary shares of £ 1 each	33,000	33,000
9,857 Cumulative convertible participating preferred ordinary shares of £ 1 each	9,857	9,857
	42,857	42,857

Allotted, called up and fully paid

	2002 £	2001 £
33,000 Ordinary shares of £1 each	33,000	33,000
9,857 Cumulative convertible participating preferred ordinary shares of £1 each	9,857	9,857
	42,857	42,857

15 Statement of movements on reserves

	Share premium account £	Revaluation reserve £	Other reserves £	Profit and loss account £
Balance at 1 March 2001	133,565	96,304	4,243	472,859
Retained loss for the year	-	-	-	(501,033)
Transfer from revaluation reserve to profit and loss account	-	(96,304)	-	96,304
Movement during the year	-	-	(4,243)	4,243
Balance at 28 February 2002	133,565	-	-	72,373

DUNCAN POCOCK (INSURANCE BROKERS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2002

16 Reconciliation of movements in shareholders' funds	2002 £	2001 £
Profit for the financial year	191,724	155,849
Dividends	(692,757)	(87,283)
	<u>(501,033)</u>	<u>68,566</u>
Opening shareholders' funds	749,828	681,262
Closing shareholders' funds	<u>248,795</u>	<u>749,828</u>

17 Financial commitments

At 28 February 2002 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2002	2001	2002	2001
	£	£	£	£
Expiry date:				
Within one year	2,000	11,667	-	16,060
Between two and five years	48,176	39,000	21,721	15,181
In over five years	85,500	105,500	-	-
	<u>135,676</u>	<u>156,167</u>	<u>21,721</u>	<u>31,241</u>

18 Directors' emoluments	2002 £	2001 £
Emoluments for qualifying services	507,705	316,732
Company pension contributions to money purchase schemes	71,084	41,910
	<u>578,789</u>	<u>358,642</u>

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 6 (2001 - 4).

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	92,546	93,918
Company pension contributions to money purchase schemes	27,100	17,200

DUNCAN POCOCK (INSURANCE BROKERS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2002

19 Transactions with directors

During the year the company paid rent for certain properties in which two directors, J.W. Marshgreen and P.J. Dessent, have an interest. The amount paid was £20,667 (2001: £20,000).

20 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2002 Number	2001 Number
	89	79
	<u>89</u>	<u>79</u>
Employment costs		
	£	£
Wages and salaries	1,890,896	1,550,727
Social security costs	183,076	157,209
Other pension costs	120,416	97,237
	<u>2,194,388</u>	<u>1,805,173</u>

21 Control

The company was under the control of J.W. Marshgreen and P.J. Dessent, who each hold 50% of the ordinary share capital of Duncan Pocock (Holdings) Limited, the ultimate parent company.

22 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.