

DUNCAN POCOCK (INSURANCE BROKERS) LTD

FINANCIAL STATEMENTS

- for the year ended -

28TH FEBRUARY 1999

COLE MARIE & CO.
Chartered Accountants
48 Station Road
Redhill, Surrey
RH1 1PH



DUNCAN POCKOCK (INSURANCE BROKERS) LTD

DIRECTORS

J.W. Marshgreen
P.J. Dessent
J.A. Ibbs
J. Loftus
M.J. Stephens
N.A. Palmer-Minnis

SECRETARY

S.K. Homewood

REGISTERED OFFICE

Sheldon House
Station Road East
Oxted
Surrey RH8 0QB

AUDITORS

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

PRINCIPAL BANKERS

Lloyds Bank PLC
25 Camberwell Green
London
SE5 7AB

DUNCAN POCOCK (INSURANCE BROKERS) LTD

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DUNCAN POCOCK (INSURANCE BROKERS) LTD

REPORT OF THE DIRECTORS

The directors present their report and audited financial statements for the year ended 28 February 1999.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company's principal activity during the year continued to be insurance broking.

Turnover for the year increased from £2,811,334 to £3,139,000. The directors consider this level of activity to be reasonable and that it can be sustained for the foreseeable future.

YEAR 2000 ISSUE

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

The directors have considered the impact of the Year 2000 upon the company's own operations. The Year 2000 will have a minimal impact now that all necessary modifications to the company's computer systems have been completed. Consequently, further material costs are not anticipated.

DIVIDENDS

The directors have paid interim dividends amounting to £75,171, and they do not recommend payment of a final dividend.

DIRECTORS AND THEIR INTERESTS

The directors at the balance sheet date were as follows:

J.W. Marshgreen
P.J. Dessent
J.A. Ibbs
J. Loftus
M.J. Stephens
N.A. Palmer-Minnis

The directors' interests in Duncan Pocock (Holdings) Limited, the ultimate parent company, are disclosed in the financial statements of that company.

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.

DUNCAN POCOCK (INSURANCE BROKERS) LTD

REPORT OF THE DIRECTORS (Continued)

AUDITORS

The auditors, Cole Marie & Co., are willing to be reappointed in accordance with section 385 of the Companies Act 1985.

Date:

18/93

By Order of the Board

S.K. Homewood
Secretary



DUNCAN POCOCK (INSURANCE BROKERS) LTD

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
DUNCAN POCOCK (INSURANCE BROKERS) LTD**

We have audited the financial statements on pages 4 to 19 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out in note 1 to the financial statements.

Respective responsibilities of the directors and auditors

As described in the Directors' Report the company's directors are responsible for the preparation of 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.

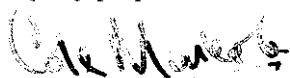
Basis of opinion

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 as at 28 February 1999 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 Auditors**

**48 Station Road
Redhill
Surrey
RH1 1PH**

Date: 5th August 1999

DUNCAN POCOCK (INSURANCE BROKERS) LTD

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 28TH FEBRUARY 1999

| | Notes | 1999 £ | 1998 £ |
|----------------------------------------------------------|-----------|-------------|-------------|
| TURNOVER | | 3,139,000 | 2,811,334 |
| Administrative expenses | | (2,750,044) | (2,440,975) |
| | | 388,956 | 370,359 |
| Other operating income | | 8,698 | 12,976 |
| OPERATING PROFIT | 2 | 397,654 | 383,335 |
| Interest receivable | 3 | 101,482 | 71,849 |
| Interest payable | 4 | (103,543) | (103,574) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 395,593 | 351,610 |
| Tax on profit on ordinary activities | 7 | (167,933) | (153,146) |
| PROFIT FOR THE FINANCIAL YEAR | | 227,660 | 198,464 |
| Dividends | 8 | (75,171) | (108,898) |
| RETAINED PROFIT FOR THE YEAR | 20 | 152,489 | 89,566 |

None of the company's activities were acquired or discontinued during the above two financial years.

The company has no recognised gains or losses other than those dealt with in the profit and loss account.

The notes on pages 7 to 19 form part of these financial statements.

DUNCAN POCOCK (INSURANCE BROKERS) LTD

BALANCE SHEET AT 28TH FEBRUARY 1999

| | Notes | £ | 1999 £ | £ | 1998 £ |
|----------------------------------------------------------------|-------|------------------|------------------|------------------|------------------|
| FIXED ASSETS | | | | | |
| Intangible assets | 9 | | 849,118 | | 957,978 |
| Tangible assets | 10 | | 521,866 | | 601,846 |
| Investments | 11 | | 3,890 | | 3,890 |
| | | | <u>1,374,874</u> | | <u>1,563,714</u> |
| CURRENT ASSETS | | | | | |
| Debtors | 12 | 1,990,610 | | 1,666,566 | |
| Cash at bank and in hand | | 1,187,908 | | 1,262,520 | |
| Debtors due after more than one year | 13 | 201,055 | | 67,834 | |
| | | <u>3,379,573</u> | | <u>2,996,920</u> | |
| CREDITORS: Amounts falling due within one year | 14 | (2,765,507) | | (2,665,554) | |
| NET CURRENT ASSETS | | | <u>614,066</u> | | <u>331,366</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 1,988,940 | | 1,895,080 |
| CREDITORS: Amounts falling due after more than one year | 15 | | (1,026,890) | | (1,085,519) |
| | | | <u>962,050</u> | | <u>809,561</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 18 | | 42,857 | | 42,857 |
| Share premium account | 19 | | 133,565 | | 133,565 |
| Revaluation reserve | | | 96,304 | | 96,304 |
| Other reserves | | | 4,243 | | 4,243 |
| Profit and loss account | 20 | | 685,081 | | 532,592 |
| SHAREHOLDERS FUNDS | 21 | | <u>962,050</u> | | <u>809,561</u> |

The financial statements were approved
by the board on 5/8/99
and signed on its behalf by

P.J. Dessent

Director

The notes on pages 7 to 19 form part of these financial statements.

DUNCAN POCOCK (INSURANCE BROKERS) LTD**CASH FLOW STATEMENT FOR THE YEAR ENDED 28TH FEBRUARY 1999**

| | Notes | £ | 1999 £ | £ | 1998 £ |
|----------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|
| CASH FLOW FROM OPERATING ACTIVITIES | 22 | | 267,217 | | 778,090 |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | 23 | | (2,061) | | (31,725) |
| TAXATION | | | (139,891) | | (206,379) |
| CAPITAL EXPENDITURE AND CAPITAL EXPENDITURE | 23 | | 3,891 | | (30,359) |
| EQUITY DIVIDENDS PAID | | | (75,171) | | (108,898) |
| Cash inflow before use of liquid resources and financing | | | 53,985 | | 400,729 |
| FINANCING | 23 | | | | |
| Decrease in debt | | (156,060) | | (125,866) | |
| | | | (156,060) | | (125,866) |
| INCREASE IN CASH IN THE YEAR | | | (102,075) | | 274,863 |

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS 24

| | | |
|-----------------------------------------------|-----------|-----------|
| INCREASE IN CASH IN THE YEAR | (102,075) | 274,863 |
| Cash outflow from decrease in lease financing | 156,060 | 125,866 |
| Change in net funds resulting from cash flows | 53,985 | 400,729 |
| New finance leases | (102,843) | (269,952) |
| Movement in net funds in the year | (48,858) | 130,777 |
| Net funds at 1 March 1998 | 29,748 | (101,029) |
| Net debt at 28 February 1999 | (19,110) | 29,748 |

The notes on pages 7 to 19 form part of these financial statements.

DUNCAN POCOCK (INSURANCE BROKERS) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28TH FEBRUARY 1999

1. ACCOUNTING POLICIES

1.1 BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention modified to include the revaluation of freehold land and buildings.

1.2 TURNOVER

Turnover represents brokerage and commissions earned during the year and arises entirely within 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, unless otherwise disclosed in note 9.

1.4 LEASEHOLD PROPERTY

Amortisation is provided to write off the cost of leasehold property in equal instalments over the life of the lease.

1.5 DEPRECIATION

Depreciation is provided using the following rates and bases to reduce by annual instalments the cost, less estimated residual value, of the tangible assets over their estimated useful lives:-

| | |
|-----------------------|------------------------------------------|
| Leasehold properties | Straight line over the life of the lease |
| Office Equipment | 99% Straight line/Reducing balance |
| Fixtures and fittings | 10 - 25% Straight line |
| Motor vehicles | 25% Straight line |

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

1.6 DEFERRED TAXATION

Provision is made, by the liability method, for taxation deferred in respect of all timing differences except where it is likely that such deferrals will continue for the foreseeable future.

1.7 LEASING AND HIRE PURCHASE

Rentals payable under operating leases are taken to the profit and loss account on a straight line basis over the lease term.

Assets acquired under hire purchase contracts are included in fixed assets and depreciated over their useful lives. Assets acquired under finance leases are capitalised and depreciated over the life of the lease. Finance charges relating thereto are charged to the profit and loss account in the period in which they are incurred.

1.8 PENSIONS

Pension costs are accounted for in the period in which the defined contribution falls due.

DUNCAN POCOCK (INSURANCE BROKERS) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28TH FEBRUARY 1999

1.9 BROKERAGE RECOGNITION

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

2. OPERATING PROFIT

| | 1999 | 1998 |
|------------------------------------------------|-------------|-------------|
| | £ | £ |
| The operating profit is stated after charging: | | |
| Depreciation | 187,118 | 152,244 |
| Amortisation of goodwill | 108,860 | 162,633 |
| Auditors' remuneration | 19,000 | 18,000 |
| Operating lease rentals: | | |
| Land and buildings | 173,099 | 140,216 |
| Plant and machinery | 8,921 | 3,783 |

3. INTEREST RECEIVABLE

| | 1999 | 1998 |
|------------------------------------|----------------|---------------|
| | £ | £ |
| Bank and other interest receivable | 101,482 | 71,849 |
| | <u>101,482</u> | <u>71,849</u> |

4. INTEREST PAYABLE AND SIMILAR CHARGES

| | 1999 | 1998 |
|--------------------------------------------------|----------------|----------------|
| | £ | £ |
| On bank loans and overdrafts | 73,594 | 76,631 |
| Other | 485 | 1,325 |
| Lease finance charges and hire purchase interest | 29,464 | 25,618 |
| | <u>103,543</u> | <u>103,574</u> |

DUNCAN POCOCK (INSURANCE BROKERS) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28TH FEBRUARY 1999

5. DIRECTORS AND EMPLOYEES

| | 1999 £ | 1998 £ |
|-----------------------|------------------|------------------|
| Staff costs: | | |
| Wages and salaries | 1,293,664 | 1,157,524 |
| Social security costs | 133,973 | 119,610 |
| Other pension costs | 67,936 | 56,544 |
| | <u>1,495,573</u> | <u>1,333,678</u> |

The average number of employees during the year was made up as follows:

| | Number | Number |
|-----------|-----------|-----------|
| Employees | <u>71</u> | <u>65</u> |

Directors' emoluments:

| | £ | £ |
|--------------------------------------|----------------|----------------|
| Remuneration for management services | 366,746 | 379,399 |
| Pension contributions | 33,580 | 27,570 |
| | <u>400,326</u> | <u>406,969</u> |

The number of directors for whom payments have been made into the following pension schemes:

| | | |
|----------------|----------|----------|
| Money purchase | <u>7</u> | <u>7</u> |
| | <u>7</u> | <u>7</u> |

| | £ | £ |
|-------------------------------------|---------------|---------------|
| Highest paid director | 85,569 | 80,815 |
| Highest paid director pension costs | 12,000 | 9,400 |
| | <u>97,569</u> | <u>90,215</u> |

6. PENSION COSTS

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. Contributions payable by the company amounted to £67,936 (1998: 56,544). All contributions were paid in the year.

DUNCAN POCOCK (INSURANCE BROKERS) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28TH FEBRUARY 1999

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 1999 £ | 1998 £ |
|------------------------------------------------|----------------|----------------|
| The taxation charge comprises: | | |
| U.K. corporation tax at 26.86% (1998 - 28.99%) | 106,917 | 83,173 |
| Receipt in respect of group relief | 69,377 | 69,973 |
| | 176,294 | 153,146 |
| Adjustment in respect of prior years | (8,361) | - |
| | <u>167,933</u> | <u>153,146</u> |

8. DIVIDENDS

| | 1999 £ | 1998 £ |
|--------------------------------------|---------------|----------------|
| Ordinary shares | 57,882 | 83,820 |
| Cumulative Convertible Participating | | |
| Preferred Ordinary shares | 17,289 | 25,078 |
| | <u>75,171</u> | <u>108,898</u> |

9. INTANGIBLE ASSETS

| | Goodwill £ |
|-----------------------------------------------|----------------|
| <u>Cost</u> | |
| At 1 March 1998 and At 28 February 1999 | 1,637,694 |
| <u>Amortisation</u> | |
| At 1 March 1998 | 679,716 |
| Charge for year | 108,860 |
| At 28 February 1999 | 788,576 |
| <u>Net book value at 28 February 1999</u> | <u>849,118</u> |
| <u>Net book value at 28 February 1998</u> | <u>957,978</u> |

DUNCAN POCOCK (INSURANCE BROKERS) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28TH FEBRUARY 1999

10. TANGIBLE ASSETS

| | Land & buildings £ | Plant & machinery £ | Fixtures & fittings £ | Motor vehicles £ | Total £ |
|-----------------------------------------------|---------------------------------------|----------------------------------------|------------------------------------------|---------------------------------|--------------------|
| <u>Cost or valuation</u> | | | | | |
| At 1 March 1998 | 157,706 | 566,237 | 38,341 | 387,203 | 1,149,487 |
| Additions | - | 108,649 | - | - | 108,649 |
| Disposals | - | (2,148) | - | (39,826) | (41,974) |
| At 28 February 1999 | 157,706 | 672,738 | 38,341 | 347,377 | 1,216,162 |
| <u>Depreciation</u> | | | | | |
| At 1 March 1998 | 2,088 | 384,947 | 22,115 | 138,491 | 547,641 |
| Charge for year | 1,041 | 99,922 | 2,700 | 83,455 | 187,118 |
| On disposals | - | (1,137) | - | (39,326) | (40,463) |
| At 28 February 1999 | 3,129 | 483,732 | 24,815 | 182,620 | 694,296 |
| <u>Net book value at 28 February 1999</u> | 154,577 | 189,006 | 13,526 | 164,757 | 521,866 |
| <u>Net book value at 28 February 1998</u> | 155,618 | 181,290 | 16,226 | 248,712 | 601,846 |

| | 1999 £ | 1998 £ |
|---------------------------------------------------|-------------------|-------------------|
| Analysis of net book value of land and buildings: | | |
| Freehold | 140,000 | 140,000 |
| Short leasehold | 14,577 | 15,618 |
| | 154,577 | 155,618 |

The freehold property is included at the directors' estimate of market value on 28 February 1988. The original cost was £43,696. If the property was sold for this value, a tax liability amounting to £7,216 would arise.

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

| | 1999 £ | 1998 £ |
|-----------------------------------|-------------------|-------------------|
| Net book values: | | |
| Office Equipment | 144,469 | 115,686 |
| Motor vehicles | 164,757 | 248,712 |
| | 309,226 | 364,398 |
| Depreciation charge for the year: | | |
| Office Equipment | 43,302 | 23,413 |
| Motor vehicles | 80,975 | 64,182 |
| | 124,277 | 87,595 |

Net obligations under finance leases and hire purchase contracts are secured on the assets acquired.

DUNCAN POCKOCK (INSURANCE BROKERS) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28TH FEBRUARY 1999

11. INVESTMENTS

| | Beginning of year £ | Additions £ | End of year £ |
|-----------------------|------------------------------------|------------------------|------------------------------|
| Unlisted investments | 3,890 | - | 3,890 |
| | <u>3,890</u> | <u>-</u> | <u>3,890</u> |
| <u>Net book value</u> | <u>3,890</u> | | <u>3,890</u> |

12. DEBTORS

| | 1999 £ | 1998 £ |
|--------------------------------|-------------------|-------------------|
| Trade debtors | 1,898,049 | 1,584,731 |
| Other debtors | 13,356 | 3,905 |
| Advance corporation tax | 21,016 | 27,225 |
| Prepayments and accrued income | 58,189 | 50,705 |
| | <u>1,990,610</u> | <u>1,666,566</u> |

13. DEBTORS DUE AFTER MORE THAN ONE YEAR

| | 1999 £ | 1998 £ |
|------------------------------------|-------------------|-------------------|
| Amounts owed by group undertakings | <u>201,055</u> | <u>67,834</u> |

Included in debtors is an amount of £ 201,055 due from a fellow subsidiary, Duncan Pocock(Commercial Direct) Limited, which commenced trading in 1997. The subsidiary made a loss in the year amounting to £135,253 and has net liabilities at the balance sheet date of £259,810. The loss is in line with budgets which indicate that the company will make further losses in the next two years and profits thereafter. The directors are confident that the company will continue to meet its budgetted results and that the repayment of the inter-company balance will be achieved. Accordingly, they do not believe that any provision against the balance due is required.

DUNCAN POCOCK (INSURANCE BROKERS) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28TH FEBRUARY 1999

**14. CREDITORS: AMOUNTS FALLING DUE
WITHIN ONE YEAR**

| | 1999 | 1998 |
|--------------------------------------------------------------------|------------------|------------------|
| | £ | £ |
| Bank loans and overdrafts | 46,740 | 19,277 |
| Trade creditors | 2,305,551 | 2,227,068 |
| Corporation tax | 105,010 | 83,177 |
| Other taxes and social security costs | 39,815 | 35,025 |
| Net obligations under finance lease and hire purchase contracts | 133,388 | 127,976 |
| Directors' current accounts | - | 14,528 |
| Other creditors | 11,403 | 19,125 |
| Accruals and deferred income | 123,600 | 139,378 |
| | <u>2,765,507</u> | <u>2,665,554</u> |

**15. CREDITORS: AMOUNTS FALLING DUE
AFTER MORE THAN ONE YEAR**

| | 1999 | 1998 |
|---------------------------------------------------------------------|------------------|------------------|
| | £ | £ |
| Loans | 928,578 | 928,578 |
| Net obligations under finance leases and hire purchase contracts | 98,312 | 156,941 |
| | <u>1,026,890</u> | <u>1,085,519</u> |

All obligations under hire purchase contracts fall due within five years. The amounts falling due within three years totalled £ 275,128.

Included in bank loans and similar borrowings are loans, not repayable by instalments and due after more than five years, as follows:-

| Date Due | Interest | Loan |
|-----------------|-----------------|----------------|
| 31 March 2004 | 9.50% | 108,578 |
| 31 March 2004 | 8.50% | 60,000 |
| 31 March 2004 | 9.50% | 360,000 |
| 31 March 2004 | 9.50% | 150,000 |
| 31 March 2004 | 9.50% | 150,000 |
| 31 March 2004 | 9.50% | 100,000 |
| | | <u>928,578</u> |

DUNCAN POCOCK (INSURANCE BROKERS) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28TH FEBRUARY 1999

16. BORROWINGS

| | 1999 £ | 1998 £ |
|-----------------------------------------------------------|----------------|----------------|
| <u>The company's borrowings are repayable as follows:</u> | | |
| In one year, or less or on demand | 46,740 | 19,277 |
| In five years or more | 928,578 | 928,578 |
| | <u>975,318</u> | <u>947,855</u> |

Details of security:

The bank loans are secured by a fixed charge over the freehold and leasehold property of the company together with the book and other debts. In addition there is a floating charge on all other assets of the company, present and future, specifically excluding insurance debtors and approved short term assets as well as bank accounts designated Insurance Broking Accounts.

17. NET OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

| | 1999 £ | 1998 £ |
|-----------------------------------------------------------------------------------------------------------------|------------------|------------------|
| <u>The company's net obligations under finance leases and hire purchase contracts are repayable as follows:</u> | | |
| In one year, or less or on demand | 133,388 | 127,976 |
| Between two and five years | 98,312 | 156,941 |
| | <u>231,700</u> | <u>284,917</u> |
| Finance charges and interest allocated to future accounting periods | 43,427 | 59,836 |
| | <u>275,127</u> | <u>344,753</u> |
| Included in current liabilities | <u>(133,388)</u> | <u>(127,976)</u> |
| | <u>141,739</u> | <u>216,777</u> |

DUNCAN POCK (INSURANCE BROKERS) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28TH FEBRUARY 1999

18. SHARE CAPITAL

| | 1999 £ | 1998 £ |
|----------------------------------------------------------------------------------|-------------------|-------------------|
| <u>Authorised</u> | | |
| Equity interests: | | |
| 9,857 Cumulative Convertible Participating Preferred Ordinary shares (C.C.P.P.O) | 9,857 | 9,857 |
| 33,000 Ordinary shares of £1 each | 33,000 | 33,000 |
| | <u>42,857</u> | <u>42,857</u> |
| <u>Allotted, called up and fully paid</u> | | |
| Equity interests: | | |
| 9,857 Cumulative Convertible Participating Preferred Ordinary shares (C.C.P.P.O) | 9,857 | 9,857 |
| 33,000 Ordinary shares of £1 each | 33,000 | 33,000 |
| | <u>42,857</u> | <u>42,857</u> |

The C.C.P.P.O. shares are entitled to a participating preference dividend amounting to 5.75% of the adjusted net profit for the financial year. Thereafter the ordinary shareholders are entitled to a dividend not exceeding the aggregate sum paid to the C.C.P.P.O. shareholders. Both classes of share rank equally in respect of further dividends from the remaining profits.

The C.C.P.P.O. shareholders are entitled, on a winding up, to their subscription price and any arrears, deficiency or accruals of the participating dividend. Thereafter the ordinary shareholders are entitled to an amount per share not exceeding the subscription price paid to the C.C.P.P.O. shareholders. Subject to the above, both classes rank equally for the purposes of distribution of any remaining balance. All shares carry equal voting rights.

19. SHARE PREMIUM ACCOUNT

| | 1999 £ | 1998 £ |
|---------------------------------------------|-------------------|-------------------|
| Equity interests: | | |
| Balance brought forward at 1 March 1998 | 133,565 | 133,565 |
| Balance carried forward at 28 February 1999 | <u>133,565</u> | <u>133,565</u> |

20. PROFIT AND LOSS ACCOUNT

| | 1999 £ | 1998 £ |
|--------------------------------------|-------------------|-------------------|
| Retained profits at 1 March 1998 | 532,592 | 443,026 |
| Retained profit for the year | 152,489 | 89,566 |
| Retained profits at 28 February 1999 | <u>685,081</u> | <u>532,592</u> |

DUNCAN POCOCK (INSURANCE BROKERS) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28TH FEBRUARY 1999

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 1999 £ | 1998 £ |
|-----------------------------------------|-------------------|-------------------|
| Profit for the financial year | 227,660 | 198,464 |
| Dividends | (75,171) | (108,898) |
| | <hr/> | <hr/> |
| Shareholders' funds at 1 March 1998 | 152,489 | 89,566 |
| | 809,561 | 719,995 |
| | <hr/> | <hr/> |
| Shareholders' funds at 28 February 1999 | 962,050 | 809,561 |
| | <hr/> | <hr/> |
| Represented by:- | | |
| Equity interests | 962,050 | 809,561 |
| | <hr/> | <hr/> |
| | 962,050 | 809,561 |
| | <hr/> | <hr/> |

22. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

| | 1999 £ | 1998 £ |
|--------------------------------------------|-------------------|-------------------|
| Operating profit | 397,654 | 383,335 |
| Depreciation | 295,978 | 314,877 |
| Profit on disposal of fixed assets | (8,186) | (74,985) |
| Increase in debtors | (463,474) | (429,215) |
| Increase in creditors due within one year | 45,245 | 584,078 |
| | <hr/> | <hr/> |
| Cash flow from operating activities | 267,217 | 778,090 |
| | <hr/> | <hr/> |

DUNCAN POCOCK (INSURANCE BROKERS) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28TH FEBRUARY 1999

23. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

| | 1999 £ | 1998 £ |
|------------------------------------------------------------------------------|-------------------|-------------------|
| Returns on investments and servicing of finance | | |
| Interest received | 101,482 | 71,849 |
| Interest paid | (74,079) | (77,956) |
| Interest element on hire purchase contracts | (17,301) | (13,132) |
| Interest element on finance lease rental payments | (12,163) | (12,486) |
| Net cash outflow from returns on investments and servicing of finance | <u>(2,061)</u> | <u>(31,725)</u> |
| Capital expenditure and financial investment | | |
| Purchase of intangible fixed assets | - | (40,000) |
| Purchase of tangible fixed assets | (5,806) | (69,709) |
| Purchase of other investments | - | (750) |
| Receipts from sale of tangible assets | 9,697 | 80,100 |
| Net cash inflow from capital expenditure | <u>3,891</u> | <u>(30,359)</u> |
| Financing | | |
| Repayment of capital on hire purchase contracts and finance leases rentals | (156,060) | (125,866) |
| Net cash outflow from financing | <u>(156,060)</u> | <u>(125,866)</u> |

DUNCAN POCOCK (INSURANCE BROKERS) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28TH FEBRUARY 1999

24. ANALYSIS OF NET FUNDS

| | Beginning of year £ | Cash flow £ | 1999 Other movements £ | End of year £ |
|--------------------------|---------------------------|----------------|---------------------------------|---------------------|
| Cash at bank and in hand | 1,262,520 | (74,612) | - | 1,187,908 |
| Bank overdrafts | (19,277) | (27,463) | - | (46,740) |
| Debt due after one year | (928,578) | - | - | (928,578) |
| Finance leases | (284,917) | 156,060 | (102,843) | (231,700) |
| | <u>29,748</u> | <u>53,985</u> | <u>(102,843)</u> | <u>(19,110)</u> |

The movement in net funds includes £133,388 of leases reclassified from liabilities falling due after more than one year to liabilities falling due within one year.

| | Other non-cash changes £ | Exchange movements £ | Net movements £ |
|-------------------------------|-----------------------------------|----------------------------|-----------------------|
| <u>Other movements</u> | | | |
| Finance leases | (102,843) | - | (102,843) |
| | <u>(102,843)</u> | <u>-</u> | <u>(102,843)</u> |

25. REVENUE COMMITMENTS

The amounts payable in the next year in respect of operating leases are shown below, analysed according to the expiry date of the leases.

| | Land and buildings 1999 £ | 1998 £ | 1999 £ | Other 1998 £ |
|-------------------------------|---------------------------------|----------------|---------------|--------------------|
| Expiry date: | | | | |
| Within one year | - | 7,600 | 579 | - |
| Between one and five years | 60,850 | 28,350 | 39,295 | 1,876 |
| After five years | 59,000 | 98,480 | - | - |
| | <u>119,850</u> | <u>134,430</u> | <u>39,874</u> | <u>1,876</u> |

26. CONTINGENT LIABILITIES

The company has guaranteed annual lease rentals amounting to £18,500 in respect of premises occupied by a fellow subsidiary, Duncan Pocock (Commercial Direct) Limited. The lease expires on 28th February 2009, but can be terminated on earlier dates with six months notice being given.

DUNCAN POCOCK (INSURANCE BROKERS) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28TH FEBRUARY 1999

27. POST BALANCE SHEET EVENTS

On the 25th March 1999, the company purchased a 99 year leasehold interest at a premium of £137,870.

28. 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 £21,981 (1998 £27,480) .

29. CONTROL

The company was under the control of J.W. Marshgreen and P.J. Dessent, who each hold 38.5% of the ordinary share capital of Duncan Pocock (Holdings) Limited, the ultimate parent company.

30. RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption from disclosures required by FRS8 relating to group transactions as consolidated accounts are prepared by the parent company.

31. ULTIMATE PARENT COMPANY

The ultimate parent company is Duncan Pocock (Holdings) Limited a company incorporated in Great Britain.