

**HALL & CLARKE INSURANCE
BROKERS PLC
FINANCIAL STATEMENTS
31 DECEMBER 1999**

Company Registration Number 892968

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Chartered Accountants & Registered Auditors



HALL & CLARKE INSURANCE BROKERS PLC

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1999

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HALL & CLARKE INSURANCE BROKERS PLC

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 1999

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 1999.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year has continued to be those associated with insurance brokers.

The directors are satisfied with the results of the year's trading.

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have recommended the following dividends:

| | 1999 £ | 1998 £ |
|---------------------------------------|---------------|---------------|
| Proposed dividends on ordinary shares | 40,000 | - |
| Dividends paid on ordinary shares | 30,000 | 60,500 |
| | <u>70,000</u> | <u>60,500</u> |

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

| | Ordinary Shares of £1 each | |
|------------|----------------------------|-------------------|
| | At 31 December 1999 | At 1 January 1999 |
| D J Clarke | 49,995 | 49,995 |
| D G Earl | - | - |
| S J Clarke | - | - |
| R P Bogart | - | - |
| | <u>-</u> | <u>-</u> |

During the year the company purchased and maintained liability insurance for its directors and officers as permitted by Section 310 (3) of the Companies Act 1985.

POLICY ON THE PAYMENT OF CREDITORS

It is the policy of the company to agree suitable terms and conditions for its business transactions with suppliers. These terms and conditions range from standard written terms to individually drafted contracts. Once such terms are agreed it is the company's policy to fully adhere to them, including payment schedules, provided the supplier has also agreed with terms and conditions.

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 at the end of the year and of the profit or loss for the year then ended.

HALL & CLARKE INSURANCE BROKERS PLC

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 1999

DIRECTORS' RESPONSIBILITIES *(continued)*

In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on page 9, and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

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. The directors 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.

DONATIONS

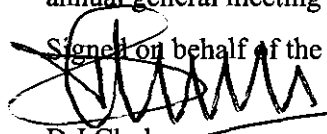
During the year the company made the following contributions:

| | 1999 | 1998 |
|------------|------------|------------|
| | £ | £ |
| Charitable | <u>310</u> | <u>450</u> |

AUDITORS

A resolution to re-appoint S W Frankson & Co as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed on behalf of the directors



D J Clarke
Chairman

Approved by the directors on 9th Jun 2000

HALL & CLARKE INSURANCE BROKERS PLC

AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31 DECEMBER 1999

We have audited the financial statements on pages 4 to 16 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described on pages 1 to 2, 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 the company's affairs as at 31 December 1999 and of the profit of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



S W FRANKSON & CO

Chartered Accountants

& Registered Auditors

Bridge House

Station Road

Hayes

Middlesex

UB3 4BT

.....15.6.2000

HALL & CLARKE INSURANCE BROKERS PLC

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 1999

| | Note | 1999 £ | 1998 £ |
|--|----------|-------------|-------------|
| TURNOVER | 2 | 3,003,516 | 2,714,573 |
| Cost of sales | | (1,241,074) | (1,046,722) |
| GROSS PROFIT | | 1,762,442 | 1,667,851 |
| Administrative expenses | | (1,702,690) | (1,627,793) |
| Other operating income | 3 | 17,250 | 17,250 |
| OPERATING PROFIT | 4 | 77,002 | 57,308 |
| Interest receivable | | 64,751 | 79,109 |
| Interest payable | 7 | (31,699) | (36,799) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 110,054 | 99,618 |
| Tax on profit on ordinary activities | 8 | (30,590) | (30,256) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | 79,464 | 69,362 |
| Dividends | 9 | (70,000) | (60,500) |
| RETAINED PROFIT FOR THE FINANCIAL YEAR | | 9,464 | 8,862 |
| Balance brought forward | | 142,172 | 133,310 |
| Balance carried forward | | 151,636 | 142,172 |

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the results for the year as set out above.

CONTINUING ACTIVITIES

All of the activities of the company are classed as continuing.

The notes on pages 9 to 16 form part of these financial statements.

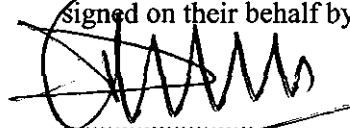
HALL & CLARKE INSURANCE BROKERS PLC

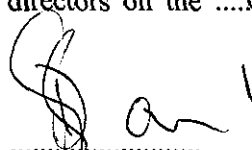
BALANCE SHEET

31 DECEMBER 1999

| | Note | 1999 | 1998 |
|--|------|--------------------|--------------------|
| | | £ | £ |
| FIXED ASSETS | | | |
| Intangible assets | 10 | - | 3,146 |
| Tangible assets | 11 | 510,657 | 504,250 |
| Investments | 12 | 3,630 | 3,630 |
| | | <u>514,287</u> | <u>511,026</u> |
| CURRENT ASSETS | | | |
| Debtors | 13 | 1,385,170 | 1,198,434 |
| Investments | 14 | 28,332 | 32,380 |
| Cash at bank and in hand | | 982,101 | 786,731 |
| | | <u>2,395,603</u> | <u>2,017,545</u> |
| CREDITORS: Amounts falling due within one year | 15 | <u>(2,306,318)</u> | <u>(1,937,689)</u> |
| NET CURRENT ASSETS | | 89,285 | 79,856 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 603,572 | 590,882 |
| CREDITORS: Amounts falling due after more than one year | 16 | <u>(401,936)</u> | <u>(398,710)</u> |
| | | <u>201,636</u> | <u>192,172</u> |
| CAPITAL AND RESERVES | | | |
| Called-up equity share capital | 19 | 50,000 | 50,000 |
| Profit and loss account | | 151,636 | 142,172 |
| SHAREHOLDERS' FUNDS | 20 | <u>201,636</u> | <u>192,172</u> |

These financial statements were approved by the directors on the 9th June 2000, and are signed on their behalf by:


D J CLARKE


D G EARL

The notes on pages 9 to 16 form part of these financial statements.

HALL & CLARKE INSURANCE BROKERS PLC

CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 1999

| | 1999 | | 1998 | |
|---|----------|----------|----------|----------|
| | £ | £ | £ | £ |
| NET CASH INFLOW FROM OPERATING ACTIVITIES | | 270,455 | | 152,848 |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | | |
| Interest received | 64,751 | | 79,109 | |
| Interest paid | (29,751) | | (36,549) | |
| Interest element of hire purchase agreements | (1,948) | | (250) | |
| | <hr/> | | <hr/> | |
| NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | 33,052 | | 42,310 |
| TAXATION | | (15,211) | | (33,326) |
| CAPITAL EXPENDITURE | | | | |
| Payments to acquire tangible fixed assets | (43,208) | | (24,414) | |
| Receipts from sale of fixed assets | 8,500 | | - | |
| Acquisition of other current asset investments | 4,048 | | 4,047 | |
| | <hr/> | | <hr/> | |
| NET CASH OUTFLOW FROM CAPITAL EXPENDITURE | | (30,660) | | (20,367) |
| EQUITY DIVIDENDS PAID | | (30,000) | | (60,500) |
| | | <hr/> | | <hr/> |
| CASH INFLOW BEFORE FINANCING | | 227,636 | | 80,965 |
| FINANCING | | | | |
| Repayment of bank loans | (5,462) | | (3,558) | |
| Capital element of hire purchase agreements | (14,591) | | (1,981) | |
| | <hr/> | | <hr/> | |
| NET CASH OUTFLOW FROM FINANCING | | (20,053) | | (5,539) |
| | | <hr/> | | <hr/> |
| INCREASE IN CASH | | 207,583 | | 75,426 |

The notes on pages 9 to 16 form part of these financial statements.

HALL & CLARKE INSURANCE BROKERS PLC

CASH FLOW STATEMENT *(continued)*

YEAR ENDED 31 DECEMBER 1999

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | 1999 | 1998 |
|--|-----------------------|-----------------------|
| | £ | £ |
| Operating profit | 77,002 | 57,308 |
| Amortisation | 3,146 | 3,146 |
| Depreciation | 62,341 | 56,361 |
| (Profit)/Loss on disposal of fixed assets | (4,040) | 4,252 |
| Increase in debtors | (186,736) | (131,646) |
| Increase in creditors | 318,742 | 163,427 |
| Net cash inflow from operating activities | <u>270,455</u> | <u>152,848</u> |

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

| | 1999 | 1998 |
|---|-----------------------|-----------------------|
| | £ | £ |
| Increase in cash in the period | 207,583 | 75,426 |
| Net cash outflow from bank loans | 5,462 | 3,558 |
| Net cash outflow in respect of hire purchase agreements | <u>14,591</u> | <u>1,981</u> |
| Change in net funds resulting from cash flows | 227,636 | 80,965 |
| Other differences | <u>(30,000)</u> | <u>(23,772)</u> |
| Movement in net funds in the period | <u>197,636</u> | <u>57,193</u> |
| Net funds at 1 January 1999 | <u>358,833</u> | <u>301,640</u> |
| Net funds at 31 December 1999 | <u>556,469</u> | <u>358,833</u> |

The notes on pages 9 to 16 form part of these financial statements.

HALL & CLARKE INSURANCE BROKERS PLC

CASH FLOW STATEMENT *(continued)*

YEAR ENDED 31 DECEMBER 1999

ANALYSIS OF CHANGES IN NET FUNDS

| | At 1 Jan 1999 £ | Cash flows £ | Other changes £ | At 31 Dec 1999 £ |
|--------------------------|-----------------------|-----------------|-----------------------|------------------------|
| Net cash: | | | | |
| Cash in hand and at bank | 786,731 | 195,370 | | 982,101 |
| Overdrafts | (12,213) | 12,213 | | - |
| | <u>774,518</u> | <u>207,583</u> | | <u>982,101</u> |
| Debt: | | | | |
| Debt due within 1 year | (9,051) | 5,462 | (2,183) | (5,772) |
| Debt due after 1 year | (384,843) | - | 2,183 | (382,660) |
| Hire purchase agreements | (21,791) | 14,591 | (30,000) | (37,200) |
| | <u>(415,685)</u> | <u>20,053</u> | | <u>(425,632)</u> |
| Net funds | <u>358,833</u> | <u>227,636</u> | <u>(30,000)</u> | <u>556,469</u> |

MAJOR NON-CASH TRANSACTIONS

During the year the company entered into hire purchase arrangements in respect of assets with a capital value at the inception of the leases of £30,000.

The notes on pages 9 to 16 form part of these financial statements.

HALL & CLARKE INSURANCE BROKERS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1999

1. ACCOUNTING POLICIES

Basis of accounting

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

Turnover

Brokerage commission is taken when the insurance policies are initiated/renewed. Life and pension commissions are recognised on a receipt basis. A provision is made in respect of expected clawback on commissions received on indemnity terms, the provision being based on clawback ratios in the previous years.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Goodwill - over 10 years

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

| | |
|--------------------------------|---|
| Freehold premises | 2% on cost (excluding land of £136,667) |
| Motor vehicles | 25% straight line |
| Office furniture and equipment | 25% reducing balance |

Computers are depreciated on a 25% straight line basis.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Pension costs

The company operates a defined contribution pension scheme on behalf of its directors and certain employees. The assets of the scheme are held separately to those of the company in an independently administered fund. Contributions are charged to the profit and loss account in the year in which they are paid.

Deferred taxation

Provision is made, under the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may arise.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

HALL & CLARKE INSURANCE BROKERS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1999

2. TURNOVER

The whole of the turnover and profit before taxation is attributable to insurance broking business.

3. OTHER OPERATING INCOME

| | 1999 £ | 1998 £ |
|-----------------|---------------|---------------|
| Rent receivable | <u>17,250</u> | <u>17,250</u> |

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

| | 1999 £ | 1998 £ |
|---|--------------|--------------|
| Amortisation | 3,146 | 3,146 |
| Depreciation | 62,341 | 56,361 |
| (Profit)/loss on disposal of fixed assets | (4,040) | 4,252 |
| Auditors' remuneration | | |
| - as auditors | 16,685 | 15,980 |
| - payroll | <u>1,575</u> | <u>1,410</u> |

5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

| | 1999 No. | 1998 No. |
|-------------------------|-------------|-------------|
| Average number of staff | <u>53</u> | <u>46</u> |

The aggregate payroll costs of the above were:

| | 1999 £ | 1998 £ |
|-----------------------------|------------------|------------------|
| Wages and salaries | 1,082,915 | 1,053,827 |
| Social security costs | 113,632 | 105,808 |
| Staff pension contributions | 43,116 | 38,811 |
| Other pension costs | 27,301 | 28,555 |
| | <u>1,266,964</u> | <u>1,227,001</u> |

HALL & CLARKE INSURANCE BROKERS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1999

6. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

| | 1999 | 1998 |
|--|----------------|----------------|
| | £ | £ |
| Emoluments receivable | 362,595 | 397,313 |
| Value of company pension contributions to money purchase schemes | 27,301 | 28,555 |
| | <u>389,896</u> | <u>425,868</u> |

Emoluments of highest paid director:

| | 1999 | 1998 |
|--|----------------|----------------|
| | £ | £ |
| Total emoluments (excluding pension contributions): | 118,211 | 129,639 |
| Value of company pension contributions to money purchase schemes | 11,835 | 15,204 |
| | <u>130,046</u> | <u>144,843</u> |

The number of directors who are accruing benefits under company pension schemes were as follows:

| | 1999 | 1998 |
|------------------------|----------|----------|
| | No. | No. |
| Money purchase schemes | <u>4</u> | <u>4</u> |

7. INTEREST PAYABLE

| | 1999 | 1998 |
|------------------------------------|---------------|---------------|
| | £ | £ |
| Interest payable on bank borrowing | 22,063 | 28,099 |
| Finance charges | 1,948 | 250 |
| Other similar charges payable | 7,688 | 8,450 |
| | <u>31,699</u> | <u>36,799</u> |

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 1999 | 1998 |
|--|---------------|---------------|
| | £ | £ |
| In respect of the year: | | |
| Corporation tax based on the results for the year at 21/20% (1998 - 21%) | 30,590 | 30,265 |
| Adjustment in respect of previous years: | | |
| Corporation tax | - | (9) |
| | <u>30,590</u> | <u>30,256</u> |

HALL & CLARKE INSURANCE BROKERS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1999

9. DIVIDENDS

The following dividends have been paid or proposed in respect of the year:

| | 1999 | 1998 |
|-------------------------------------|---------------|---------------|
| | £ | £ |
| Proposed dividends on equity shares | 40,000 | - |
| Dividends paid on equity shares | 30,000 | 60,500 |
| | <u>70,000</u> | <u>60,500</u> |

10. INTANGIBLE FIXED ASSETS

| | Goodwill £ |
|--|---------------|
| COST | |
| At 1 January 1999 and 31 December 1999 | <u>31,467</u> |
| AMORTISATION | |
| At 1 January 1999 | 28,321 |
| Charge for the year | <u>3,146</u> |
| At 31 December 1999 | <u>31,467</u> |
| NET BOOK VALUE | |
| At 31 December 1999 | - |
| At 31 December 1998 | <u>3,146</u> |

HALL & CLARKE INSURANCE BROKERS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1999

11. TANGIBLE FIXED ASSETS

| | Freehold premises £ | Motor vehicles £ | Office furniture and equipment £ | Total £ |
|----------------------------|---------------------------|---------------------|---|----------------|
| COST | | | | |
| At 1 January 1999 | 419,970 | 140,835 | 230,714 | 791,519 |
| Additions | - | 50,605 | 22,603 | 73,208 |
| Disposals | - | (17,840) | - | (17,840) |
| At 31 December 1999 | <u>419,970</u> | <u>173,600</u> | <u>253,317</u> | <u>846,887</u> |
| DEPRECIATION | | | | |
| At 1 January 1999 | 11,332 | 68,461 | 207,476 | 287,269 |
| Charge for the year | 5,666 | 43,399 | 13,276 | 62,341 |
| On disposals | - | (13,380) | - | (13,380) |
| At 31 December 1999 | <u>16,998</u> | <u>98,480</u> | <u>220,752</u> | <u>336,230</u> |
| NET BOOK VALUE | | | | |
| At 31 December 1999 | <u>402,972</u> | <u>75,120</u> | <u>32,565</u> | <u>510,657</u> |
| At 31 December 1998 | <u>408,638</u> | <u>72,374</u> | <u>23,238</u> | <u>504,250</u> |

Hire purchase agreements

Included within the net book value of £510,657 is £44,387 (1998 - £19,690) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £16,983 (1998 - £6,563).

12. INVESTMENTS

| | £ |
|--|--------------|
| COST | |
| At 1 January 1999 and 31 December 1999 | <u>3,630</u> |
| NET BOOK VALUE | |
| At 31 December 1999 | <u>3,630</u> |
| At 31 December 1998 | <u>3,630</u> |

The investment is in respect of shares subscribed for in Brokers Direct plc and is stated at allotment price.

HALL & CLARKE INSURANCE BROKERS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1999

13. DEBTORS

| | 1999 £ | 1998 £ |
|--------------------------------|------------------|------------------|
| Trade debtors | 1,363,781 | 1,175,175 |
| Prepayments and accrued income | 21,389 | 23,259 |
| | <u>1,385,170</u> | <u>1,198,434</u> |

14. INVESTMENTS

| | 1999 £ | 1998 £ |
|-------------------|---------------|---------------|
| Other investments | <u>28,332</u> | <u>32,380</u> |

Other investments relate to an interest bearing loan to Clark Colour Limited (see the related party note for details). Of the £28,332 (1998 - £32,380) outstanding at the year end £24,285 (1998 - £28,333) is repayable after twelve months.

15. CREDITORS: Amounts falling due within one year

| | 1999 £ | 1998 £ |
|--|------------------|------------------|
| Bank loans and overdrafts | 5,772 | 21,264 |
| Trade creditors | 2,138,697 | 1,847,869 |
| Other creditors including taxation and social security: | | |
| Corporation tax | 30,309 | 14,930 |
| PAYE and social security | 121 | - |
| Hire purchase agreements | 17,924 | 7,924 |
| Dividends payable | 40,000 | - |
| Directors current accounts | <u>19,230</u> | <u>2,347</u> |
| | 107,584 | 25,201 |
| Accruals and deferred income | <u>54,265</u> | <u>43,355</u> |
| | <u>2,306,318</u> | <u>1,937,689</u> |

HALL & CLARKE INSURANCE BROKERS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1999

16. CREDITORS: Amounts falling due after more than one year

| | 1999 | 1998 |
|---------------------------|----------------|----------------|
| | £ | £ |
| Bank loans and overdrafts | 282,660 | 284,843 |
| Other creditors: | | |
| Hire purchase agreements | 19,276 | 13,867 |
| Loan | 100,000 | 100,000 |
| | <u>401,936</u> | <u>398,710</u> |

The bank loan is secured by a mortgage on the company's freehold property and a fixed and floating charge on the other assets of the company. The loan is subject to interest at 2.25% over Midland Bank plc's base rate and is repayable by instalments over 20 years as follows:

| | 1999 | 1998 |
|--|----------------|----------------|
| | £ | £ |
| Amounts due between one and two years | 6,249 | 9,753 |
| Amounts due between two and five years | 22,012 | 34,033 |
| Amounts due after more than five years | 254,399 | 241,057 |
| | <u>282,660</u> | <u>284,843</u> |

The loan relates to an interest bearing loan from Mr D J Clarke, the chairman, to the company. The loan is repayable on 31 July 2007 and interest on the loan is payable monthly at the normal House Mortgage Lending rate of Midland Bank PLC.

17. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

| | 1999 | 1998 |
|--------------------------------------|---------------|---------------|
| | £ | £ |
| Amounts payable within 1 year | 17,924 | 7,924 |
| Amounts payable between 2 to 5 years | 19,276 | 13,867 |
| | <u>37,200</u> | <u>21,791</u> |

HALL & CLARKE INSURANCE BROKERS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1999

18. RELATED PARTY TRANSACTIONS

The company was under the control of Mr D J Clarke throughout the current and previous year. Mr D J Clarke is the chairman and majority shareholder.

Included in creditors: amounts falling due after one year is a loan from Mr D J Clarke of £100,000 (1998 - £100,000) (see creditors note for details).

Mr D J Clarke and Mr S J Clarke are respectively father and brother to Mrs C M Clark who, together with her husband, own and manage Clark Colour Limited. The company has made a loan to Clark Colour Limited repayable by monthly instalments over 10 years. Interest is charged annually in arrears at 2% over Midland Bank plc's base rate. At the year end the balance outstanding was £28,332 (1998 - £32,380).

In addition the company has purchased printing services from Clark Colour Limited amounting to £44,308 (1998 - £35,585) during the year. These transactions were conducted on a normal commercial basis.

19. SHARE CAPITAL

Authorised share capital:

| | 1999 £ | 1998 £ |
|-----------------------------------|---------------|---------------|
| 50,000 Ordinary shares of £1 each | <u>50,000</u> | <u>50,000</u> |

Allotted, called up and fully paid:

| | 1999 £ | 1998 £ |
|------------------------|---------------|---------------|
| Ordinary share capital | <u>50,000</u> | <u>50,000</u> |

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 1999 £ | 1998 £ |
|------------------------------------|-----------------|-----------------|
| Profit for the financial year | 79,464 | 69,362 |
| Dividends | <u>(70,000)</u> | <u>(60,500)</u> |
| | 9,464 | 8,862 |
| Opening shareholders' equity funds | <u>192,172</u> | <u>183,310</u> |
| Closing shareholders' equity funds | <u>201,636</u> | <u>192,172</u> |

HALL & CLARKE INSURANCE BROKERS PLC

DETAILED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 1999

| | 1999 | 1998 |
|--|------------------|------------------|
| | £ | £ |
| TURNOVER | 3,003,516 | 2,714,573 |
| COST OF SALES | | |
| Comissions paid | 1,241,074 | 1,046,722 |
| GROSS PROFIT | 1,762,442 | 1,667,851 |
| OVERHEADS | | |
| Directors' emoluments | 325,420 | 365,450 |
| Directors' national insurance | 40,320 | 39,382 |
| Directors' pension | 27,301 | 28,555 |
| Salaries | 757,495 | 688,377 |
| Staff national insurance | 73,312 | 66,426 |
| Staff pension contributions | 43,116 | 38,811 |
| Rates | 9,364 | 9,359 |
| Light and heat | 7,603 | 7,702 |
| Insurance | 21,032 | 14,466 |
| Repairs and renewals | 37,134 | 23,893 |
| Motor, travel and entertaining | 59,597 | 55,641 |
| Telephone | 23,812 | 21,935 |
| Computer maintenance | 16,611 | 16,128 |
| Printing, postage, stationery and advertising | 145,274 | 121,790 |
| Canteen and cleaning | 6,462 | 7,984 |
| Charitable donations | 310 | 450 |
| General expenses | 4,189 | 3,216 |
| Subscriptions | 4,486 | 6,789 |
| Private medical insurance | 8,935 | 8,110 |
| Legal and professional fees | 1,986 | 3,458 |
| Audit and accountancy | 16,685 | 15,980 |
| Amortisation of goodwill | 3,146 | 3,146 |
| Depreciation of freehold premises | 5,666 | 5,666 |
| Depreciation of motor vehicles | 43,399 | 35,208 |
| Depreciation of office furniture and equipment | 13,276 | 15,487 |
| Balance on disposal of fixed assets | (4,040) | 4,252 |
| Bad debts | - | 11,208 |
| Bank charges | 10,799 | 8,924 |
| | <u>1,702,690</u> | <u>1,627,793</u> |
| | 59,752 | 40,058 |
| OTHER OPERATING INCOME | | |
| Rent receivable | 17,250 | 17,250 |
| OPERATING PROFIT | 77,002 | 57,308 |
| | <u>77,002</u> | <u>57,308</u> |
| Carried forward | 77,002 | 57,308 |

HALL & CLARKE INSURANCE BROKERS PLC

DETAILED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 1999

| | 1999 £ | 1998 £ |
|--------------------------------------|----------------|---------------|
| Brought forward | 77,002 | 57,308 |
| Interest receivable | <u>64,751</u> | <u>79,109</u> |
| | 141,753 | 136,417 |
| Interest payable | <u>31,699</u> | <u>36,799</u> |
| PROFIT ON ORDINARY ACTIVITIES | <u>110,054</u> | <u>99,618</u> |
| INTEREST RECEIVABLE | | |
| Bank deposit interest | 62,537 | 75,948 |
| Loan interest | <u>2,214</u> | <u>3,161</u> |
| | <u>64,751</u> | <u>79,109</u> |
| INTEREST PAYABLE | | |
| Bank interest | 22,063 | 28,099 |
| Hire purchase interest | 1,948 | 250 |
| Loan interest | <u>7,688</u> | <u>8,450</u> |
| | <u>31,699</u> | <u>36,799</u> |