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COLONNADE INSURANCE BROKERS LIMITED

ACCOUNTS 909558

for the year ended

31 DECEMBER 1989



COLONNADE INSURANCE BROKERS LIMITEDREPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 1989

1 The directors present herewith the audited accounts for the year ended 31 December 1989.

Review of activity

2 The company continues to provide a wide range of insurance broking services, both to the customers of its parent company, and to the general public through its high street branches.

3 During 1989 eighteen insurance broking businesses were transferred in from FIB Holdings Limited. In addition six new branches were opened during the year.

4 Both the level of business and the year end financial position were satisfactory, and the directors expect the present level of activity will be sustained for the foreseeable future.

5 On 30 June 1989 the authorised share capital of the company was increased by £900,000 to £1,000,000 and the issued share capital was increased by £650,000 to £750,000.

Results

6 The profit and loss account for the year is set out on page 4.

Dividend

7 The directors have declared and paid a dividend on the ordinary shares of £650,000 in respect of the year ended 31 December 1989.

Directors

8 The directors of the company at 31 December 1989, all of whom have been directors for the whole of the year ended on that date (except where stated were:-

Mr C W Jackson (Managing Director)
Mr E H Butcher
Mrs G M Holt
Mr M Hutton
Mr P R Fryer (Appointed 30 October 1989)

Mr B P Hogg, who was a director at 1 January 1989, resigned on 26 September 1989.

Tangible fixed assets

9 The changes in tangible fixed assets during the year are set out in note 10 to these accounts.

COLONNADE INSURANCE BROKERS LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 1989 (CONTINUED)

Market value of interests in land

10 Following the revaluation of certain of the company's properties at 31 December 1989, freehold land and buildings are included in the balance sheet at the current open market value on an existing basis.

Directors' interests

11 According to the register required to be kept under Section 15 of the Companies Act 1985, the interests of the directors of the company at 31 December 1989 and at the beginning of the year in the shares of the company's holding company were as follows:-

	<u>Beneficial Holdings</u>		<u>Share Options</u>	
	Number of ordinary shares of 25p each		Number of ordinary shares of 25p each	
	<u>1989</u>	<u>1988</u>	<u>1989</u>	<u>1988</u>
Mr C W Jackson	8,313	11,313	14,780	8,362
Mr E H Butcher	-	-	3,772	1,127
Mrs G M Holt	1,518	-	5,386	3,774
Mr M Hutton	-	-	14,113	10,794
Mr P R Fryer	-	-*	14,780	14,780*

* At date of appointment

The above options are exercisable at various dates before 1995 at prices ranging between 105p and 343p per ordinary share. During the year options were exercised for 1,489 ordinary shares. Options over a further 5,212 shares lapsed. No further options have been exercised or lapsed since 31 December 1989.

12 As permitted by Statutory Instrument, the register does not include the interests of directors who are also directors of the holding company.

Income and Corporation Taxes Act 1988

13 In the opinion of the directors the close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the company.

Auditors

14 Our auditors Coopers & Lybrand have notified us that they are in the process of merging their practice with Deloitte Haskins & Sells and that with effect from 15 January 1990 they will adopt Coopers & Lybrand Deloitte as their business name. A resolution to reappoint Coopers & Lybrand Deloitte as the company's auditors will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD

P. A. VEVERS
P. A. VEVERS

Colonnade
BRADFORD: 28 February 1990

Secretary

AUDITORS' REPORT TO THE MEMBERS OF
COLONNADE INSURANCE BROKERS LIMITED

We have audited the accounts on pages 4 to 16 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1989 and of its result and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand Deloitte
COOPERS & LYBRAND DELOITTE

LEEDS: 28 February 1990

Chartered Accountants

COLONNADE INSURANCE BROKERS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1989

	<u>Notes</u>	<u>1989</u> <u>£'000</u>	<u>1988</u> <u>£'000</u>
TURNOVER	2(e)	4,201	3,725
ADMINISTRATIVE EXPENSES		(3,947)	(3,143)
		<hr/>	<hr/>
		254	582
INTEREST RECEIVABLE	3	1,160	724
		<hr/>	<hr/>
		1,414	1,306
INTEREST PAYABLE AND SIMILAR CHARGES	4	(750)	(356)
		<hr/>	<hr/>
PROFIT BEFORE TAXATION	5	664	950
TAX ON PROFIT ON ORDINARY ACTIVITIES	8	(245)	(324)
		<hr/>	<hr/>
PROFIT FOR THE YEAR		419	626
DIVIDEND PAID		(650)	-
		<hr/>	<hr/>
RETAINED (LOSS)/PROFIT FOR THE YEAR		(231)	626
		<hr/>	<hr/>

STATEMENT OF RETAINED PROFITS

	<u>1989</u> <u>£'000</u>	<u>1988</u> <u>£'000</u>
RETAINED PROFITS AT 1 JANUARY 1989	2,066	1,440
(LOSS) PROFIT FOR YEAR	(231)	626
	<hr/>	<hr/>
RETAINED PROFITS AT 31 DECEMBER 1989	1,835	2,066
	<hr/>	<hr/>

The notes on pages 7 to 16 form part of these accounts

Auditors' report - page 3

COLONNADE INSURANCE BROKERS LIMITED

BALANCE SHEET - 31 DECEMBER 1989

	Notes	1989		1988	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets	9		40		-
Tangible assets	10		2,585		1,293
Investment in related company	11		1		1
Investment in subsidiary company	12		-		-
Investment - other	13		3		3
			<u>2,629</u>		<u>1,297</u>
CURRENT ASSETS					
Debtors	14	2,033		2,705	
Cash at bank and in hand		2,177		2,414	
		<u>4,210</u>		<u>5,119</u>	
CREDITORS - amounts falling due within one year	15	(3,298)		(3,647)	
NET CURRENT ASSETS			912		1,472
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>4,541</u>		<u>2,769</u>
CREDITORS - amounts falling due after more than one year	16	551		553	
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	17	11		50	
		<u>11</u>	(663)	<u>50</u>	(603)
			<u>2,878</u>		<u>2,166</u>
CAPITAL AND RESERVES					
Called up share capital	18		750		100
Revaluation reserve	19		293		-
Profit and loss account			1,835		2,066
			<u>2,878</u>		<u>2,166</u>

These accounts were approved by the board on 28 February 1990.

C W JACKSON

M HUTTON

) Directors

The notes on pages 7 to 16 form part of these accounts

Auditors' report - page 3

COLONNADE INSURANCE BROKERS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1989

	1989		1988	
	£'000	£'000	£'000	£'000
SOURCE OF FUNDS				
Profit on ordinary activities before taxation		664		950
Adjustment for items not involving the movement of funds:				
Depreciation		248		194
Profit on sale of business		-		(55)
		<hr/>		<hr/>
TOTAL GENERATED FROM OPERATIONS		912		1,089
FUNDS FROM OTHER SOURCES				
Sale of fixed assets (net book value)	11		23	
Sale of business	-		55	
Corporation tax refund	-		152	
Issue of ordinary shares	610		-	
		<hr/>		<hr/>
		661		230
		<hr/>		<hr/>
TOTAL SOURCES OF FUNDS		1,573		1,319
APPLICATION OF FUNDS				
Dividend paid	650		-	
Purchase of fixed assets	1,258		582	
Taxation paid	505		52	
Amounts payable for taxation losses and advance corporation tax surrendered by group companies:				
- prior years	-		152	
Purchase of investment	-		2	
Mortgage repayment	2		2	
Development expenditure	40		-	
		<hr/>		<hr/>
TOTAL APPLICATION OF FUNDS		(2,555)		(790)
		<hr/>		<hr/>
		682		529
		<hr/>		<hr/>
(DECREASE) / INCREASE IN WORKING CAPITAL				
Increase in debtors and prepayments		76		222
(Increase) / decrease in creditors		(71)		215
(Decrease) / increase in amounts due from group companies		721		353
Movement in net liquid funds:				
Increase / (decrease) in cash and bank balances		34		(261)
		<hr/>		<hr/>
		682		529
		<hr/>		<hr/>

COLONNADE INSURANCE BROKERS LIMITED

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989

Basis of preparation of the accounts

1 In view of the fact that the company is a wholly owned subsidiary, consolidated accounts are not presented in accordance with Section 229 of the Companies Act 1985.

Principal accounting policies

2 The accounts have been prepared in accordance with the historical cost convention as modified by the revaluation of land and buildings. A summary of the principal accounting policies is set out below:-

(a) Subsidiary companies

Investments in subsidiary companies are stated in the balance sheet at cost less amounts written off for diminution in their value.

(b) Commissions

Commissions are taken to the profit and loss account on receipt of premiums from the customers, or parts thereof, except for life commissions which are taken to the profit and loss account on receipt of the commission from the insurance company.

(c) Intangible assets

The costs incurred, net of revenue earned, in all new branches in the first eighteen months after their opening are treated as deferred development expenditure. These amounts are written off over the three years commencing two years after the opening of the branch.

This is a change in accounting policy from prior years but the effect on prior years is immaterial and as such no adjustment to prior years' figures has been made.

(d) Fixed assets

Depreciation is calculated so as to write off the cost of fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose which are consistent with those of last year, are:

	%
Freehold buildings	2.5
Long leasehold buildings	4
Motor vehicles	25
Fixtures and fittings	
Furniture	10
Office equipment	20
Computer equipment	20

leasehold improvements are written off over the term of the lease, or the expected useful economic life of the asset, whichever is the shorter.

COLONNADE INSURANCE BROKERS LIMITED

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989 (CONTINUED)

(e) Turnover

Turnover represents commission earned and fees received.

(f) Taxation

The charge for taxation is based on the profit for the year as adjusted for disallowable items. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the accounts. Provision is made at the rate which is expected to be applied when the liability or asset is expected to crystallise.

(g) Pension costs

Pension costs are charged to the profit and loss account at the rate, expressed as a percentage of payroll, which is applied to pension costs across the Group as a whole (note 4).

Interest receivable

	1989 £'000	1988 £'000
Interest received from holding company	840	465
Other interest receivable	320	259
	<hr/> 1,160	<hr/> 724

Interest payable and similar charges

4 Interest payable represents interest charged on the utilisation of group funds.

Profit before taxation

5 The profit before taxation is stated after charging/crediting:

	1989 £'000	1988 £'000
Auditors' remuneration	17	15
Depreciation	248	194
Directors' emoluments for management (note 6)	195	161
Allocation of group head office costs including computer services	156	156
(Profit)/loss on sale of tangible fixed assets	(20)	4
Profit on sale of business	-	155

COLONNADE INSURANCE BROKERS LIMITED

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989 (CONTINUED)

Directors' emoluments

6 Particulars of the emoluments of the directors (excluding pension contributions) disclosed in accordance with Part V of Schedule 5 of the Companies Act 1985, are as follows:

	<u>1989</u> <u>£'000</u>	<u>1988</u> <u>£'000</u>
Emoluments of the Chairman	NIL	NIL
Emoluments of the highest paid director	50	45

Number of other directors whose emoluments were within the ranges:-

	<u>1989</u> <u>£'000</u>	<u>1988</u> <u>£'000</u>
Nil to £5,000	1	-
£20,001 to £25,000	-	1
£25,001 to £30,000	1	1
£30,001 to £35,000	1	-
£35,001 to £40,000	1	1

Employee information

7(a) The average number of persons employed by the company in the year including executive directors is analysed as follows:

	<u>1989</u>	<u>1988</u>
Administration	247	206

(b) Employment costs - all employees including executive directors:

	<u>1989</u> <u>£'000</u>	<u>1988</u> <u>£'000</u>
Aggregate gross wages and salaries paid to the company's employees	1,799	1,412
Employers' national insurance contributions	126	99
Employers' pension contributions under the group's pension schemes (note 23)	103	79
Total direct costs of employment	2,028	1,590

COLONNADE INSURANCE BROKERS LIMITED

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989 (CONTINUED)

Tax on profit on ordinary activities

8	1989 £'000	1988 £'000
Current year		
United Kingdom corporation tax based on the profit for the year at 35% (1988: 35%)	188	310
Transferred to deferred taxation	62	21
	<hr/> 250	<hr/> 331
Over provision for taxation in previous years:		
Corporation tax	(5)	(5)
Deferred tax	-	(2)
	<hr/> 245	<hr/> 324

Intangible assets

9 This comprises deferred development expenditure as follows:

	Cost	Accumulated amortisation	Net
	£'000	£'000	£'000
Expenditure in the year (note 2(c))	40	-	40
At 31 December 1989	40	-	40

COLONNADE INSURANCE BROKERS LIMITED

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989 (CONTINUED)

Tangible fixed assets

10

	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Leasehold improvements £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
<u>Cost or valuation</u>						
At 1 January 1989	488	203	70	718	272	1,751
Additions	151	88	185	438	167	1,029
Group transfers in	116	99	-	1	13	229
Disposals	-	-	-	(1)	(52)	(53)
Revaluation	232	(16)	-	-	-	216
At 31 December 1989	987	374	255	1,156	400	3,172
<u>Depreciation</u>						
At 1 January 1989	36	15	22	235	150	458
Disposals	-	-	-	(1)	(41)	(42)
Charge for year	16	10	8	142	72	248
Revaluation	(52)	(25)	-	-	-	(77)
At 31 December 1989	-	-	30	376	181	587
<u>Net book value</u>						
At 31 December 1989	987	374	225	780	219	2,585
<u>Net book value</u>						
At 31 December 1988	452	188	48	483	122	1,293

Certain freehold and leasehold properties were revalued as at 31 December 1989 at £840,500 (freehold) and, £277,500 (leasehold) by Knight Frank and Rutley, Chartered Surveyors, on an 'open market value for existing use' basis. The historical cost of the properties at 31 December 1989 is as follows:-

	Freehold £'000	Leasehold £'000
Historical cost	753	394
Accumulated depreciation	52	26
Historical cost net book value at 31 December 1989	701	368
Historical cost net book value at 31 December 1988	479	156

COLONNADE INSURANCE BROKERS LIMITED

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989 (CONTINUED)

Investment in related company

11	1989 £'000	1988 £'000
Investment in shares at cost	1	1

Details of investments are as follows:-

Name:	Motorists Legal Protection limited
Country of registration:	England
Nature of business:	Motorists' uninsured loss recovery services
Proportion of ordinary shares held:	29%
Details from latest financial statements available:	
Aggregate capital and reserves	£ 6,756
Loss after taxation for period to 31 December 1988	£24,323
Tangible fixed assets	£49,631

Investment in subsidiary company

12 The investment in subsidiary company comprises:-

	Shares £'000	Long-term payables £'000	Total £'000
Cost			
At 1 January 1989 and 31 December 1989	42	(24)	18
Amounts written off			
At 1 January 1989 and 31 December 1989	(18)	-	(18)
Net book value at 31 December 1989 and 31 December 1988	24	(24)	-

As the company's subsidiary has ceased to trade on its own account (since its business has now been transferred to this company) the directors have:-

- (a) reclassified amounts payable to the dormant subsidiary as long-term loans to be regarded as part of the investment in subsidiary company; and
- (b) revalued the investment at its underlying net asset value.

COLONNADE INSURANCE BROKERS LIMITEDNOTES ON THE ACCOUNTS - 31 DECEMBER 1989 (CONTINUED)

The subsidiary is called Whitehead & Lees (Insurances) Limited and is incorporated in England. The company owns the whole of the issued share capital which consists of 2,000 ordinary shares of £1 each and 2,000 deferred shares of £1 each. In the opinion of the directors the interest in subsidiary company has an aggregate value not less than that shown above.

Investment - other

13 This comprises 2,500 ordinary shares of £1 each in Misys Insurance Marketing Limited, a company incorporated in England.

Debtors

14	Amounts falling due within one year:	1989 £'000	1988 £'000
	Debtors in respect of insurance transactions	564	546
	Other debtors and prepayments	372	314
	Amounts due by holding company	1,097	1,845
		<hr/>	<hr/>
		2,033	2,705
		<hr/>	<hr/>

Creditors - amounts falling due within one year:

15		1989 £'000	1988 £'000
	Bank loans and overdrafts	55	326
	Creditors in respect of insurance transactions	1,529	1,546
	Amounts due to fellow subsidiary companies	1,167	1,194
	Accruals	357	269
	Corporation tax	188	310
	Mortgage loan	2	2
		<hr/>	<hr/>
		3,298	3,647
		<hr/>	<hr/>

COLONNADE INSURANCE BROKERS LIMITED

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989 (CONTINUED)

Creditors - amounts falling due after more than one year

16	1989 £'000	1988 £'000
Amounts due to holding company (see (a) below)	500	500
Mortgage (see (b) below)	51	53
	<hr/> 551	<hr/> 553

(a) This represents a loan which is repayable on or after 31 December 1993.

(b) This represents a mortgage secured on the freehold property at Keynsham and is repayable by monthly instalments falling due within the period to January 2001.

Deferred taxation

17 The provision, together with the full potential liability, comprises:

	1989		1988	
	Provision	Full potential liability	Provision	Full potential liability
	£'000	£'000	£'000	£'000
Accelerated capital allowances	75	75	17	17
Other timing differences	37	37	33	33
Deferred gains	-	24	-	31
	<hr/> 112	<hr/> 136	<hr/> 50	<hr/> 81

Called up share capital

18

	1989 £'000	1988 £'000
<u>Ordinary shares of £1 each</u>		
Authorised	1,000	100
	<hr/>	<hr/>
Issued and fully paid	750	100
	<hr/>	<hr/>

COLONNADE INSURANCE BROKERS LIMITED

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989 (CONTINUED)

Revaluation reserve

19 The revaluation reserve arises as a consequence of carrying interests in land and buildings in the balance sheet at valuation. The movement on the reserve is analysed below:

	£'000
Revaluation surplus in the year (See note 10)	293
	<hr/>
At 31 December 1989	293
	<hr/>

Arrangements with fellow subsidiary

20 Under the terms of an agreement with a fellow subsidiary, C I B Holdings Limited, the company operates certain insurance broking businesses acquired by that fellow subsidiary. The company has all the tangible assets and liabilities of these businesses.

Contingent liability

21 As a result of group registration for VAT purposes, the company is contingently liable for VAT liabilities arising from other companies in the group. The total potential liability at 31 December 1989 amounted to £594,028 (1988: £124,344). No loss is expected to arise in this respect.

Outstanding commitments

	1989 £'000	1988 £'000
Capital expenditure approved comprises: Expenditure contracted for	52	90
	<hr/>	<hr/>

Pension scheme

23 The company's holding company is Provident Financial Group PLC which operates funded defined benefit schemes for the majority of its employees including those of the company. Independent professionally-qualified actuaries undertake regular valuations of the Group's schemes and the latest of those were prepared as at 1 June 1989. Details of the valuations can be found in the accounts of Provident Financial Group PLC for the year to 31 December 1989. The pension costs of the company for the period, recharged from the Group, were £103,000 (1988: £79,000).

A prepayment of £3,200 is included in debtors, this being the company's share of the excess of the amount funded over the accumulated pension costs.

COLONNADE INSURANCE BROKERS LIMITEDNOTES ON THE ACCOUNTS - 31 DECEMBER 1989 (CONTINUED)Holding company

24 The company's holding company is Provident Financial Group PLC, a company incorporated in England.

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