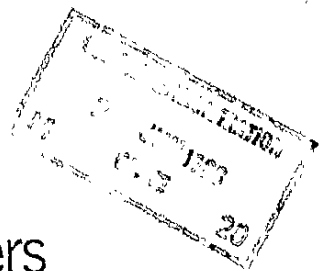


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COLONNADE INSURANCE BROKERS LIMITED

ACCOUNTS
for the year ended
31 DECEMBER 1987



Coopers
& Lybrand

COLONNADE INSURANCE BROKERS LIMITEDREPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 1987

1 The directors present herewith the audited accounts for the year ended 31 December 1987.

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 The company continues to operate certain insurance broking businesses under the arrangements described in note 19 to the accounts. Additional businesses which the company started to operate under these arrangements in 1987 were the insurance broking businesses of Concorde Insurance Brokers in Cardiff, W Threlfall Rimmer & Co in Wallasey, Roy Bradley in Bristol, G&S Hanley in Sheffield, Clegg Schofield in Oldham, Bath & West Insurance Brokers in Keynsham, Mercantile (UK) Commercial Insurance Brokers in Warrington and Ainsbury Insurances in Stockport.

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.

Results

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

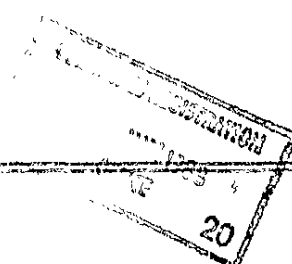
Dividend

6 The directors have declared and paid a dividend on the ordinary shares of £410,000 in respect of the year ended 31 December 1987.

Directors

7 The directors of the company at 31 December 1987, all of whom have been directors for the whole of the year ended on that date (except where stated), were:

Mr. B.P. Hogg	(Chairman)
Mr. C.W. Jackson	(Managing Director)
Mr. E.H. Butcher	
Mr. M. Hutton	(Appointed 11 May 1987)
Mrs. G. M. Holt	(Appointed 11 May 1987)



COLONNADE INSURANCE BROKERS LIMITEDREPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 1987 (CONTINUED)Tangible fixed assets

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

Market value of interests in land

9 Following the revaluation of certain of the company's properties at 31 December 1984, freehold land and buildings are included in the balance sheet at the current open market value on an existing use basis.

Directors' interests

10 According to the register required to be kept under Section 325 of the Companies Act 1985, the interests of the directors of the company at 31 December 1987 and at the beginning of the year or at the date of appointment in the shares of the company's holding company were as follows:-

	<u>Share Options</u>	
	Number of ordinary shares of 25p each	
	<u>1987</u>	<u>1986</u>
Mr. C.W. Jackson	31,238	31,238
Mr. E.H. Butcher	10,127	9,465
Mr M. Hutton	1,366	814*
Mrs G.M. Holt	3,774	3,774*

* At date of appointment

The above options are exercisable at various dates before 1994 at prices ranging between 105p and 335p per ordinary share. None of these options had been exercised at 31 December 1987.

11 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 1970

12 In the opinion of the directors the close company provisions of the Income and Corporation Taxes Act 1970 (and of any amendments thereto) do not apply to the company.

Auditors

13 A resolution to re-appoint the auditors, Coopers & Lybrand, will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD
P.A. VEVERS
P.A. VEVERS

Colonnade
BRADFORD: 1 March 1988

Secretary

AUDITORS' REPORT TO THE MEMBERS OF
COLONNADE INSURANCE BROKERS LIMITED

We have audited the accounts on pages 4 to 15 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1987 and of its result and source and application of funds for the year then ended and comply with the Companies Act 1985.

Coopers & Lybrand.

LEEDS: 1 March 1988

Chartered Accountants

COLONNADE INSURANCE BROKERS LIMITEDPROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1987

	<u>Notes</u>	<u>1987</u> £'000	<u>1986</u> £'000
TURNOVER	2(d)	3,069	2,870
ADMINISTRATIVE EXPENSES		(3,003)	(2,643)
		<u>66</u>	<u>227</u>
INTEREST RECEIVABLE	3	617	532
		<u>683</u>	<u>759</u>
INTEREST PAYABLE AND SIMILAR CHARGES	4	(107)	(89)
PROFIT ON ORDINARY ACTIVITY BEFORE TAXATION AND EXTRAORDINARY ITEM	5	576	670
TAX ON PROFIT ON ORDINARY ACTIVITY	8	(217)	(238)
PROFIT ON ORDINARY ACTIVITY AFTER TAXATION, AND BEFORE EXTRAORDINARY ITEM		<u>359</u>	<u>432</u>
EXTRAORDINARY ITEM	9	-	54
PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE SHAREHOLDERS OF COLONNADE INSURANCE BROKERS LIMITED		<u>359</u>	<u>486</u>
DIVIDEND PAID		(410)	-
RETAINED (LOSS)/PROFIT FOR THE YEAR		<u>(51)</u>	<u>486</u>

STATEMENT OF RETAINED PROFITS

	<u>1987</u> £'000	<u>1986</u> £'000
RETAINED PROFITS AT 1 JANUARY 1987	1,491	1,005
(LOSS)/PROFIT FOR THE YEAR	(51)	486
RETAINED PROFITS AT 31 DECEMBER 1987	<u>1,440</u>	<u>1,491</u>

The notes on pages 7 to 15 form part of these accounts

Auditors' report - page 3

COLONNADE INSURANCE BROKERS LIMITEDBALANCE SHEET - 31 DECEMBER 1987

	Notes	<u>1987</u>		<u>1986</u>	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	10		928		431
Investment in related company	11		1		1
Investment in subsidiary company	12		-		-
Investment - other	13		1		-
			<u>930</u>		<u>432</u>
CURRENT ASSETS					
Debtors	14	2,220		2,355	
Cash at bank and in hand		<u>2,671</u>		<u>1,698</u>	
		4,891		4,053	
CREDITORS - amounts falling due within one year	15	<u>(3,695)</u>		<u>(2,364)</u>	
NET CURRENT ASSETS			<u>1,196</u>		<u>1,689</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			2,126		2,121
CREDITORS - amounts falling due after more than one year	16	555		500	
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	17	<u>31</u>		<u>30</u>	
			(586)		(530)
			<u>1,540</u>		<u>1,591</u>
CAPITAL AND RESERVES					
Called up share capital	18		100		100
Profit and loss account			<u>1,440</u>		<u>1,491</u>
			<u>1,540</u>		<u>1,591</u>

These accounts were approved by the board on 1 March 1988

B.P. HOGG

C.W. JACKSON

Directors

The notes on pages 7 to 15 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 1987

	1987		1986	
	£'000	£'000	£'000	£'000
SOURCE OF FUNDS				
Profit on ordinary activity before taxation and extraordinary item		576		670
Extraordinary item		-		54
		<u>576</u>		<u>724</u>
Adjustment for items not involving the movement of funds:				
Release of provisions against investments in subsidiary and related company	-		(59)	
Depreciation	128		82	
	<u>128</u>		<u>82</u>	
		128		23
TOTAL GENERATED FROM OPERATIONS		<u>704</u>		<u>747</u>
FUNDS FROM OTHER SOURCES				
Sale of fixed assets (net book value)	17		37	
Corporation tax refund received	-		83	
Mortgage	57		-	
	<u>57</u>		<u>120</u>	
		74		120
TOTAL SOURCES OF FUNDS		<u>778</u>		<u>867</u>
APPLICATION OF FUNDS				
Dividend paid	410		-	
Purchase of fixed assets	642		229	
Taxation paid	46			
Amounts payable for taxation losses and advance corporation tax surrendered by group companies:				
- current year	168		190	
- prior years	1		(22)	
Taxation liabilities transferred from group companies	(7)			
Purchase of investment	1		-	
	<u>1</u>		<u>190</u>	
TOTAL APPLICATION OF FUNDS		<u>(1,261)</u>		<u>(397)</u>
		(483)		470
(DECREASE)/INCREASE IN WORKING CAPITAL		<u>37</u>		<u>310</u>
Increase in debtors and prepayments		(425)		(653)
(Increase) in creditors		(790)		744
(Decrease)/increase in amounts due from group companies				
Movement in net liquid funds:		695		69
Increase in cash and bank balances		<u>(483)</u>		<u>470</u>

COLONNADE INSURANCE BROKERS LIMITEDNOTES ON THE ACCOUNTS - 31 DECEMBER 1987Basis 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 policies2(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 companies.

(c) 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	24
Long leasehold buildings	4
Motor vehicles	25
Fixtures and fittings	
Furniture	10
Office equipment	20
Computer equipment	33-1/3

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

(d) Turnover

Turnover represents commission earned and fees received.

(e) 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.

COLONNADE INSURANCE BROKERS LIMITEDNOTES ON THE ACCOUNTS - 31 DECEMBER 1987 (CONTINUED)Interest receivable

3

	<u>1987</u> £'000	<u>1986</u> £'000
Interest received from holding company	391	324
Other interest receivable	226	208
	<u>617</u>	<u>532</u>

Interest payable and similar charges

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

Profit on ordinary activity before taxation

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

	<u>1987</u> £'000	<u>1986</u> £'000
Auditors' remuneration	14	13
Depreciation (note 10)	128	82
Directors' emoluments (note 6)	118	74
Allocation of group head office costs including computer services	164	141
(Profit)/loss on sale of tangible fixed assets	(6)	3
Charges from fellow subsidiary company (note 19)	312	168

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>1987</u> £'000	<u>1986</u> £'000
Emoluments of the Chairman	NIL	NIL
Emoluments of the highest paid director	<u>41</u>	<u>37</u>

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

	<u>1987</u>	<u>1986</u>
Nil to £ 5,000	-	1
£10,001 to £15,000	2	1
£15,001 to £20,000	-	1
£30,001 to £35,000	1	-

COLONNADE INSURANCE BROKERS LIMITEDNOTES ON THE ACCOUNTS - 31 DECEMBER 1987 (CONTINUED)Employee information

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

	<u>1987</u>	<u>1986</u>
Administration	188	165
	<u> </u>	<u> </u>

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

	<u>1987</u> £'000	<u>1986</u> £'000
Aggregate gross wages and salaries paid to the company's employees	1,210	1,040
Employers' national insurance contributions	81	75
Employers' pension contributions under the group's pension schemes	30	34
	<u> </u>	<u> </u>
Total direct costs of employment	<u>1,321</u>	<u>1,149</u>

Tax on profit on ordinary activity

8	<u>1987</u> £'000	<u>1986</u> £'000
Current year		
United Kingdom corporation tax based on the profit for the year at 35% (1986: 36.25%)	52	49
Amounts payable for advance corporation tax and losses surrendered by group companies	168	190
Transferred (from)/to deferred taxation	(1)	20
	<u>219</u>	<u>259</u>
(Over)/under provision for taxation in previous years:		
Corporation tax	(2)	(22)
Deferred tax	-	1
	<u>(2)</u>	<u>(21)</u>
	<u>217</u>	<u>238</u>

Extraordinary item

9	<u>1987</u> £'000	<u>1986</u> £'000
Provision against investment in subsidiary company no longer required	-	54
	<u> </u>	<u> </u>

COLONNADE INSURANCE BROKERS LIMITED

NOTES ON THE ACCOUNTS - 31 DECEMBER 1987 (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 1987	174	45	43	134	184	580
Additions	9	25	6	210	83	333
Group transfers in	223	52	-	71	-	346
Group transfers out	-	-	-	-	(6)	(6)
Disposals	-	-	-	-	(38)	(38)
At 31 December 1987	<u>406</u>	<u>122</u>	<u>49</u>	<u>415</u>	<u>223</u>	<u>1,215</u>
<u>Depreciation</u>						
At 1 January 1987	8	4	10	53	74	149
Group transfers in	8	-	-	29	-	37
Group transfers out	-	-	-	-	(1)	(1)
Disposals	-	-	-	-	(26)	(26)
Charge for year	<u>8</u>	<u>4</u>	<u>6</u>	<u>54</u>	<u>56</u>	<u>128</u>
At 31 December 1987	<u>24</u>	<u>8</u>	<u>16</u>	<u>136</u>	<u>103</u>	<u>287</u>
Net book value at 31 December 1987	<u>382</u>	<u>114</u>	<u>33</u>	<u>279</u>	<u>120</u>	<u>928</u>
Net book value at 31 December 1986	<u>166</u>	<u>41</u>	<u>33</u>	<u>81</u>	<u>110</u>	<u>431</u>

Certain freehold property and leasehold property was revalued as at 31 December 1984 at £128,000 (freehold) and, £45,000 (leasehold) by Knight Frank and Rutley, Chartered Surveyors, on an 'open market value for existing use' basis. The historical cost of the property at 31 December 1987 is as follows:-

	<u>Freehold</u> £'000	<u>Leasehold</u> £'000
Historical cost	434	87
Accumulated depreciation	<u>26</u>	<u>5</u>
Historical cost net book value at 31 December 1987	<u>408</u>	<u>82</u>
Historical cost net book value at 31 December 1986	<u>187</u>	<u>8</u>

COLONNADE INSURANCE BROKERS LIMITEDNOTES ON THE ACCOUNTS - 31 DECEMBER 1987 (CONTINUED)Investment in related company

11

	<u>1987</u> <u>£'000</u>	<u>1986</u> <u>£'000</u>
Investment in shares at cost	<u>1</u>	<u>1</u>

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 audited financial statements available:	
Aggregate capital and reserves	£21,089
Profit after taxation for period to 31 December 1986	£6,267
Tangible fixed assets	£63,668

Investment in subsidiary company

12 The investment in subsidiary company comprises:-

	<u>Shares</u> <u>£'000</u>	<u>Long-term</u> <u>payables</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
Cost			
At 1 January 1987 and 31 December 1987	<u>42</u>	<u>(24)</u>	<u>18</u>
Amounts written off			
At 1 January 1987 and 31 December 1987	<u>(18)</u>	<u>-</u>	<u>(18)</u>
Net book value at 31 December 1987 and 31 December 1986	<u>24</u>	<u>(24)</u>	<u>-</u>

NOTES ON THE ACCOUNTS - 31 DECEMBER 1987 (CONTINUED)

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.

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

Debtors

14

Amounts falling due within one year:	<u>1987</u> £'000	<u>1986</u> £'000
Debtors in respect of insurance transactions	478	336
Other debtors and prepayments	160	275
Amounts due by group companies:		
Holding company	1,430	1,728
Fellow subsidiaries	-	26
Advance corporation tax recoverable	152	-
	<u>2,220</u>	<u>2,355</u>

Creditors - amounts falling due within one year

15

	<u>1987</u> £'000	<u>1986</u> £'000
Bank loans and overdrafts	322	44
Creditors in respect of insurance transactions	1,809	1,470
Amounts due to ultimate holding company	-	190
Amounts due to fellow subsidiary companies	1,132	476
Accruals	221	135
Corporation tax	57	49
Advance corporation tax	152	-
Mortgage loan	2	-
	<u>3,695</u>	<u>2,364</u>

NOTES ON THE ACCOUNTS - 31 DECEMBER 1987 (CONTINUED)

Creditors - amounts falling due after more than one year

16

	<u>1987</u> £'000	<u>1986</u> £'000
Amounts due to holding company (see (a) below)	500	500
Mortgage (see (b) below)	55	-
	<u>555</u>	<u>500</u>

(a) This represents a loan which is repayable on or after 31 December 1991.

(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:

	<u>1987</u>		<u>1986</u>	
	<u>Provision</u>	<u>Full potential liability</u>	<u>Provision</u>	<u>Full potential liability</u>
	£'000	£'000	£'000	£'000
Accelerated capital allowances	14	14	7	7
Other timing differences	17	17	23	23
Deferred gains	-	13	-	12
	<u>31</u>	<u>44</u>	<u>30</u>	<u>42</u>

The movement during the year of the provision for deferred taxation is made up as follows:-

	£'000
Provision at 1 January 1987	30
Adjustments upon transfer of undertaking from group company	2
Transfer to profit and loss account	(1)
	<u>31</u>

COLONNADE INSURANCE BROKERS LIMITED

14

NOTES ON THE ACCOUNTS - 31 DECEMBER 1987 (CONTINUED)

Called up share capital

18

	<u>Authorised, issued and fully paid</u>	
	<u>1987</u>	<u>1986</u>
	£'000	£'000
Ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>

Arrangements with fellow subsidiary

19 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 and has agreed to pay C.I.B. Holdings Limited fees for a ten year period according to a formula based on the goodwill of the businesses and interest rates ruling from time to time. The company has the right to terminate these arrangements at any time.

Contingent liability

20 As a result of group registration for VAT purposes, the company is contingently liable for VAT liabilities arising in other companies in the group. The total potential liability at 31 December 1987 amounted to £553,821 (1986: £740,217). No loss is expected to arise in this respect.

Outstanding commitments

21

	<u>1987</u>	<u>1986</u>
	£'000	£'000
Capital expenditure approved comprises:		
Expenditure contracted for	47	-
	<u> </u>	<u> </u>
	47	-
	<u> </u>	<u> </u>

Pension commitments

22 The Group operates funded contributory final salary schemes for the benefit of the majority of its employees. The schemes are administered by trustees. Independent actuaries undertake regular valuations and the latest of these was prepared as at 1st June 1987. As at that date on a discontinuance basis there was an excess of assets over liabilities in each of the schemes. As part of the valuation the actuaries recommended future contribution rates which, after taking account of the existing assets and the members contributions, would in their opinion be sufficient to enable the trustees to pay the benefits in accordance with the rules of the schemes. The Group has implemented the actuaries' recommendations. There are no separate arrangements in respect of pensions for former directors.

COLONNADE INSURANCE BROKERS LIMITED

15

NOTES ON THE ACCOUNTS - 31 DECEMBER 1987 (CONTINUED)

Ultimate holding company

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