

**COUNTRYWIDE ASSURED FINANCIAL SERVICES LTD**

**COMPANY REGISTRATION NUMBER 1084123**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31<sup>ST</sup> DECEMBER 2002**



**COUNTRYWIDE ASSURED FINANCIAL SERVICES LTD**  
**COMPANY REGISTRATION NUMBER 1084123**

**DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements of the company for the year ended 31<sup>st</sup> December 2002.

**REVIEW OF THE BUSINESS AND FUTURE PROSPECTS**

The company's principal activity continues to be the selling of mortgage related Life Assurance and the brokerage of Mortgages and General Insurance products. In August 2002, the company entered into a long term Distribution Agreement with a non-Group life product provider that should result in an up-lift in the company's profitability.

Supported by improved productivity and more stable income from life products, the performance should continue to improve in 2003.

**RESULTS AND DIVIDENDS**

There was a profit after taxation of £439,747 (2001 - loss of £3,333,229 as restated). The directors do not recommend the payment of a dividend (2001 - nil).

**FIXED ASSETS**

The movement in fixed assets is set out in note 9 to the financial statements.

**PAYMENT TERMS TO SUPPLIERS**

Payment terms to suppliers are agreed individually with each supplier dependent on the nature of the transactions with that supplier. It is the company's intention to adhere to these terms wherever possible in the coming year.

**DIRECTORS AND THEIR INTERESTS**

The directors in office at the year-end are as follows:

G F McGregor  
M C Nower  
V Pegna  
A Webb  
J Williams  
G White (appointed 23/09/02)

## COUNTRYWIDE ASSURED FINANCIAL SERVICES LTD

### DIRECTORS' REPORT (continued)

#### DIRECTORS AND THEIR INTERESTS (continued)

None of the directors had a beneficial interest in the share capital of the company. The directors who held office at the end of the year had the following interests in the ordinary shares of Countrywide Assured Group plc, according to the register of director's interests:

	Interest at end of year	Interest at start of year
G F McGregor	25,149	12,810
G White	1,689	-

According to the Register of Directors' Interests, no rights to subscribe for shares in or debentures of the company or Countrywide Assured Group plc were granted to any of the directors or their immediate families, or exercised by them, during the financial year, except as indicated below:

#### Number of 5p ordinary shares Countrywide Assured Group plc

#### Number of Options During the Year

	1.1.02	Granted	Exercised/ Lapsed	31.12.02
G F McGregor	44,490	6,441	(20,639)	30,292
J Williams	252,434	204,294	-	456,728
A Webb	34,927	-	-	34,927
Vic Pegna	31,544	26,977	(8,500)	50,021
G White	71,987	4,294	(2,293)	73,988

M C Nower is also a Director of Countrywide Assured plc and his interests in the share capital of the group companies are shown in the financial statements of that company. There were no changes in the directors' share interests between 31 December 2002 and 5th March 2003.

# **COUNTRYWIDE ASSURED FINANCIAL SERVICES LTD**

## **DIRECTORS' REPORT (continued)**

### **PERSONNEL**

The company has a policy of keeping employees informed of its affairs through news circulars and meetings involving directors and staff. The Report and Accounts are made available to employees who are all encouraged to involve themselves in the performance of the company. The company is a member of the group's Savings Related Share Option Scheme and Executive Share Option Scheme in which employees of the company are eligible for participation.

The company also participates in the group's Employee Benefit Trust for the benefit of employees and directors.

It is the policy of the company to provide employment for disabled persons wherever the requirements of the organisation will allow and if applications for employment are received from suitable individuals. If existing employees become disabled, every reasonable effort will be made to ensure that their employment with the company can continue on a worthwhile basis, with career opportunities available to them.

### **HEALTH, SAFETY AND WELFARE AT WORK**

It is the company's policy to give the greatest importance to the health, safety and welfare of its employees. To this end, the company will make every reasonable effort to provide safe and healthy working conditions in all its offices.

Similarly, it is the duty of all employees to exercise responsibility and to do everything to prevent injury to themselves and to others.

This policy is communicated to employees through Contracts of Employment, Staff Hand Books, Operating Manuals, Bulletins and Notice Boards as appropriate.

# **COUNTRYWIDE ASSURED FINANCIAL SERVICES LTD**

## **DIRECTORS' REPORT (continued)**

### **LIABILITY INSURANCE**

During the year, the company maintained liability insurance for its officers.

### **AUDITORS**

In accordance with s385 of the Companies Act 1985, a resolution for the reappointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by and signed on behalf of the Board.

A handwritten signature in black ink, appearing to read 'G.F. McGregor', with a large, stylized loop at the end.

G F McGregor  
Company Secretary

### **Registered Office**

Sovereign House  
Leighton Buzzard  
Bedfordshire  
LU7 1GT

# **COUNTRYWIDE ASSURED FINANCIAL SERVICES LTD**

## **STATEMENT OF 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 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF COUNTRYWIDE ASSURED FINANCIAL SERVICES LTD

We have audited the financial statements on pages 7 to 21.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### *Respective Responsibilities of Directors and Auditors*

The directors are responsible for preparing the directors' report and as described on page 5, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

### *Basis of audit 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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc  
MILTON KEYNES  
CHARTERED ACCOUNTANTS  
REGISTERED AUDITOR

1 March, 2003.  
Altius House  
One North Fourth Street  
Central Milton Keynes  
MK9 1NE

# COUNTRYWIDE ASSURED FINANCIAL SERVICES LTD

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2002

	<u>Notes</u>	<u>2002</u> £	<u>Restated</u> <u>2001</u> £
TURNOVER	1	42,247,472	35,208,909
Administration Expenses		<u>(43,281,324)</u>	<u>(40,435,404)</u>
OPERATING LOSS		(1,033,852)	(5,226,495)
Other interest receivable and similar income	3	1,820,831	662,653
Interest payable and similar charges	4	<u>(106,502)</u>	<u>(173,370)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	5	680,477	(4,737,212)
Tax on profit/(loss) on ordinary activities	8	<u>(240,730)</u>	<u>1,403,983</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		<u>439,747</u>	<u>(3,333,229)</u>
RETAINED PROFIT/(LOSS) FOR THE YEAR		<u><u>439,747</u></u>	<u><u>(3,333,229)</u></u>

A statement of movement in reserves is given in note 17 to the financial statements.

During the current and prior years the company made no acquisitions, and had no discontinued operations.

There is no difference between the reported results above and those on an unmodified historical cost basis.



# COUNTRYWIDE ASSURED FINANCIAL SERVICES LTD

## BALANCE SHEET AS AT 31<sup>ST</sup> DECEMBER 2002

	<u>Notes</u>	<u>2002</u> £	<u>2002</u> £	<u>Restated</u> <u>2001</u> £	<u>Restated</u> <u>2001</u> £
<b>FIXED ASSETS</b>					
Tangible Assets	9		581,982		524,579
<b>CURRENT ASSETS</b>					
Debtors	10	27,987,608		4,035,028	
Cash		1,153,122		2,710	
		<u>29,140,730</u>		<u>4,037,738</u>	
<b>CREDITORS</b> (amounts falling due within one year)	11	<u>(7,445,729)</u>		<u>(5,126,846)</u>	
<b>NET CURRENT ASSETS/(LIABILITIES)</b>			<u>21,695,001</u>		<u>(1,089,108)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			22,276,983		(564,529)
<b>CREDITORS ( amounts falling due after more than one year)</b>	12		(22,131,989)		-
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	13		<u>(2,262,191)</u>		<u>(1,992,415)</u>
<b>NET LIABILITIES</b>			<u><u>(2,117,197)</u></u>		<u><u>(2,556,944)</u></u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	14		10,000		10,000
Share premium account	17		5,635		5,635
Profit and loss account	17		<u>(2,132,832)</u>		<u>(2,572,579)</u>
Deficit attributable to Equity Shareholders'	18		<u><u>(2,117,197)</u></u>		<u><u>(2,556,944)</u></u>

Approved by the Board of Directors on 5th March 2003 and signed on their behalf by:

G F MCGREGOR ..... DIRECTOR

J WILLIAMS ..... DIRECTOR

## COUNTRYWIDE ASSURED FINANCIAL SERVICES LTD

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2002.

	2002 £	Restated 2001 £
Profit for the financial year	439,747	(3,333,229)
Prior year adjustment (as explained in note 2)	28,594	-
Total gains and losses recognised since last annual report	<u>468,341</u>	<u>(3,333,229)</u>

# COUNTRYWIDE ASSURED FINANCIAL SERVICES LTD

## NOTES TO THE FINANCIAL STATEMENTS – 31<sup>ST</sup> DECEMBER 2002

### 1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with s226 and s227 of, and schedule 4 to, the Companies Act 1985 and in accordance with applicable accounting standards.

(a) Basis of preparation

These financial statements represent the company's financial information. The results of the company are consolidated in the accounts of Countrywide Assured Group plc.

The company has fully adopted FRS 19: Deferred Taxation, which requires full rather than partial provision for deferred tax liabilities in the financial statements. Additional disclosure is provided in note 2.

(b) Cash flow statement

The company is exempt from the requirement to produce a cash flow statement under FRS1, as it is a wholly owned subsidiary.

(c) Going Concern

The company's immediate holding company, Countrywide Assured Group plc, has indicated its willingness to support the company in order to meet its obligations as and when they fall due.

(d) Turnover

Turnover representing commissions and fees earned on sales of insurance policies and related products is accounted for when insurance policies go on risk and when mortgages are exchanged.

(e) Interest

Interest receivable is credited to the profit and loss account when earned. Interest payable is charged to the profit and loss account when incurred.

(f) Depreciation

Depreciation is provided to write off the cost of fixed assets by equal annual instalments over their expected useful lives.

Motor vehicles	-	20% per annum
Office Equipment, Fixtures & Fittings	-	20% per annum
Computer Equipment	-	20% - 33% per annum

# COUNTRYWIDE ASSURED FINANCIAL SERVICES LTD

## NOTES TO THE FINANCIAL STATEMENTS – 31<sup>ST</sup> DECEMBER 2002

### ACCOUNTING POLICIES (continued)

#### (g) Taxation

The charge for tax is based on the profit and loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain capital and expense items for taxation and accounting purposes.

Deferred tax assets and liabilities are recognised in accordance with FRS 19: Deferred Taxation. The Company has chosen not to discount the deferred tax asset or liability, to reflect the time value of money, as permitted by FRS 19. Except where permitted by FRS 19, deferred tax is recognised in respect of all timings differences that have originated but not reversed by the balance sheet date. Deferred tax assets are only recognised to the extent that they will be relieved in the foreseeable future.

#### (h) Pensions

The company participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

#### (i) Operating Leases

Lease payments in respect of operating leases are charged against profit as incurred.

#### (j) Clawback

The company receives some life assurance commission on terms that part of the commission is repayable if the policy lapses within a certain period from inception. Although a clawback provision is made (note 13) for the anticipated value of such repayments, there is a contingent liability to further repayments.

## 2. PRIOR YEAR ADJUSTMENT

### Deferred Taxation

The company has adopted FRS 19: Deferred taxation from the beginning of this financial year. This standard requires full provision to be made for deferred tax on most types of timing difference. The previous accounting standard required provision only to the extent that it was probable that the liability would crystallise in the future. Adoption of FRS 19 has been accounted for by way of a prior year adjustment which has increased opening reserves at 1 January 2002 by £28,594. As a result the tax charge for the year ended 31 December 2001 has reduced by £3,000.

# COUNTRYWIDE ASSURED FINANCIAL SERVICES LTD

## NOTES TO THE FINANCIAL STATEMENTS – 31<sup>ST</sup> DECEMBER 2002

### 3. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2002 £	2001 £
Bank interest receivable	2,798	2,868
Other income	1,818,033	659,785
	<u>1,820,831</u>	<u>662,653</u>

### 4. INTEREST PAYABLE

	2002 £	2001 £
Interest payable on group bank loans and overdrafts wholly repayable within five years	106,502	166,874
On non group bank loans and overdrafts	-	6,496
	<u>106,502</u>	<u>173,370</u>

### 5. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit/(Loss) on ordinary activities before taxation is stated after charging/(crediting):

	2002 £	2001 £
Staff costs:		
Salaries	26,301,041	24,521,824
Social security costs	2,816,415	2,769,994
Pension costs	558,564	582,045
	<u>29,676,020</u>	<u>27,873,863</u>
Auditors' remuneration – Audit Fees	14,453	12,889
Hire of equipment	2,944,383	2,901,109
Rent payable on land and buildings	184,825	167,238
Depreciation – tangible assets	232,271	156,727
Loss on disposal of fixed assets	-	8,231
	<u></u>	<u></u>

# COUNTRYWIDE ASSURED FINANCIAL SERVICES LTD

## NOTES TO THE FINANCIAL STATEMENTS – 31<sup>ST</sup> DECEMBER 2002

### 6. DIRECTORS AND EMPLOYEES

The average number of persons employed during the year was:

	2002 Number	2001 Number
Sales	848	823
Administration	71	62
Management	43	40
	<u>962</u>	<u>925</u>

	2002 £	2001 £
Directors' emoluments:		
Remuneration for management services	418,486	467,138
Company contributions to money Purchase pension schemes	15,344	17,700
Company contributions to defined benefit pension schemes	20,444	23,447

The aggregate emoluments of the highest paid director were £134,156 (2001: £171,499). During the year, the highest paid director exercised share options. He is a member of a defined contribution scheme and during the year contributions of £5,923 (2001: £8,508) were paid on his behalf.

	Number of Directors	
	2002	2001
Retirement benefits are accruing to the following number of directors under:		
Money Purchase Schemes	2	2
Defined Benefit Schemes	<u>1</u>	<u>1</u>

The number of directors who exercised  
share options was:

3	3
<u>3</u>	<u>3</u>

# **COUNTRYWIDE ASSURED FINANCIAL SERVICES LTD**

## **NOTES TO THE FINANCIAL STATEMENTS – 31<sup>ST</sup> DECEMBER 2002**

### **7. PENSION SCHEMES**

The company offers membership to the Countrywide Assured Group Pensions Scheme to eligible employees. The Scheme has two sections of membership, defined benefit and defined contribution.

The defined benefit scheme is an externally funded pension scheme providing benefits based on final pensionable pay. Contributions are charged to the profit and loss account so as to spread the cost of the pensions over the employees' working lives with the company. The contributions are determined by an independent qualified actuary using the projected unit method.

Particulars of the actuarial valuation of the group pension scheme are disclosed within the accounts of Countrywide Assured Group plc. The financial statements of this group company can be obtained from the address given in note 19.

Since the company is a member of a pension scheme providing benefits based on final pensionable pay and is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits', the scheme has been accounted for, in these financial statements as if the scheme was a defined contribution scheme.

The latest full actuarial valuation was carried out at 1 April 2000 and was updated for FRS 17 purposes to 31 December 2002 by a qualified independent actuary. The valuation indicates a deficit of £12,255,000 at 31 December 2001. In order to redress the deficit, it has been agreed that a contribution rate of 33% of pensionable pay will apply in future years, two thirds of which will be paid by the employer. The contribution for the year was £ 39,877 (2001: £43,175).

The pension cost charged for the company's defined contributions pension arrangements represents contributions payable by the company and amounted to £518,687 (2001: £538,870).

# COUNTRYWIDE ASSURED FINANCIAL SERVICES LTD

## NOTES TO THE FINANCIAL STATEMENTS – 31<sup>ST</sup> DECEMBER 2002

### 8. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

		Restated
	2002 £000	2001 £000
<b>a) Taxation on profit/(loss) on ordinary activities</b>		
Corporation tax at 30% (2001:30%)		
Current tax for the year	243	(1,375)
Adjustment in respect of prior years	(4)	(26)
Deferred tax	2	(3)
	<u>241</u>	<u>(1,404)</u>
<b>b) Reconciliation of actual tax charge to UK corporate tax rate.</b>		
Profit/(loss) on ordinary activities before tax	680	(4,737)
Tax at UK rate of 30% (2001:30%) on profit/(loss) on ordinary activities.	205	(1,421)
Effects of:		
Permanent differences	36	43
Movement of provision not deductible for tax	(7)	(1)
Capital Allowances for period in excess of depreciation	9	4
Reported tax charge	<u>243</u>	<u>(1,375)</u>
<b>c) Deferred taxation</b>		
The components of the net deferred liability are as follows: the balances have not been discounted.		
	2002 £000	Restated 2001 £000
Liability provided/(Asset recognised)		
Capital allowances	(12)	(6)
Short term timing differences	(14)	(22)
	<u>(26)</u>	<u>(28)</u>

A potential deferred tax asset of £7,493 relating to realised losses has not been recognised in line with FRS 19, where the recognition of deferred tax assets is only permissible to the extent that they will be relieved in the foreseeable future.



# COUNTRYWIDE ASSURED FINANCIAL SERVICES LTD

## NOTES TO THE FINANCIAL STATEMENTS – 31<sup>ST</sup> DECEMBER 2002

### d) Reconciliation of movement in deferred tax.

	2002	Restated 2001
	£000	£000
Restated deferred tax asset at 1 January	(28)	(25)
Deferred tax credited/(debited) in profit and loss account for the year	2	(3)
Deferred tax (asset) at 31 December	<u>(26)</u>	<u>(28)</u>

### e) Factors that may affect future tax charges

The Company anticipates that the effective tax rate will not alter materially in future years.

# COUNTRYWIDE ASSURED FINANCIAL SERVICES LTD

## NOTES TO THE FINANCIAL STATEMENTS – 31<sup>ST</sup> DECEMBER 2002

### 9. TANGIBLE FIXED ASSETS

	<u>Office Equipment</u> £	<u>Motor Vehicles</u> £	<u>Computer Equipment</u> £	<u>Total</u> £
<u>Cost</u>				
1 <sup>st</sup> January 2002	545,306	221,203	409,605	1,176,114
Additions	4,176	-	308,751	312,927
Disposals	-	-	(26,363)	(26,363)
	<hr/>	<hr/>	<hr/>	<hr/>
31 <sup>st</sup> December 2002	<u>549,482</u>	<u>221,203</u>	<u>691,993</u>	<u>1,462,678</u>
 <u>Depreciation</u>				
1 <sup>st</sup> January 2002	340,176	63,739	247,620	651,535
Charge for year	65,042	44,244	122,985	232,271
Disposals	-	-	(3,110)	(3,110)
	<hr/>	<hr/>	<hr/>	<hr/>
31 <sup>st</sup> December 2002	<u>405,218</u>	<u>107,983</u>	<u>367,495</u>	<u>880,696</u>
 <u>Net Book Value</u>				
31 <sup>st</sup> December 2002	<u>144,264</u>	<u>113,220</u>	<u>324,498</u>	<u>581,982</u>
 31 <sup>st</sup> December 2001	<u>205,130</u>	<u>157,464</u>	<u>161,985</u>	<u>524,579</u>

### 10. DEBTORS

	<u>2002</u> £	Restated <u>2001</u> £
Trade debtors	1,682	46,576
Amounts owed by parent and fellow subsidiary undertakings	26,231,986	2,816,942
Group relief receivable	-	780,735
Net deferred tax asset (see note 8)	26,224	28,594
Prepayments and accrued income	1,727,716	362,181
	<hr/>	<hr/>
	<u>27,987,608</u>	<u>4,035,028</u>

# COUNTRYWIDE ASSURED FINANCIAL SERVICES LTD

## NOTES TO THE FINANCIAL STATEMENTS – 31<sup>ST</sup> DECEMBER 2002

### 11. CREDITORS (amounts falling due within one year)

	<u>2002</u>	<u>2001</u>
	£	£
Bank overdraft	2,797	185,208
Trade creditors	40,257	120,838
Amounts owed to parent and fellow subsidiary undertakings	1,346,115	1,160,362
Taxation and social security	1,386,662	821,624
Accruals and deferred income	4,669,898	2,838,814
	<u>7,445,729</u>	<u>5,126,846</u>

### 12. CREDITORS (amounts falling due after more than one year)

	<u>2002</u>	<u>2001</u>
	£	£
Accruals and deferred income	<u>22,131,989</u>	<u>-</u>

#### Analysis of deferred income

	<u>2002</u>	<u>2001</u>
	£	£
Deferred income can be analysed as falling due:		
Between one and two years	1,622,604	-
Between two and five years	4,867,812	-
In five years or more	15,641,573	-
	<u>22,131,989</u>	<u>-</u>

### 13. PROVISION FOR LIABILITIES AND CHARGES

	<u>Clawback Provision</u>
	£
At 1 <sup>st</sup> January 2002	1,992,415
Charge for the year	<u>269,776</u>
At 31 <sup>st</sup> December 2002	<u>2,262,191</u>

Clawback provision is explained in the accounting policies note.

# COUNTRYWIDE ASSURED FINANCIAL SERVICES LTD

## NOTES TO THE FINANCIAL STATEMENTS – 31<sup>ST</sup> DECEMBER 2002

### 14. CALLED UP SHARE CAPITAL

	<u>2002</u> £	<u>2001</u> £
Authorised, issued and fully paid:		
10,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

### 15. LEASING COMMITMENTS

	<u>2002</u>		<u>2001</u>	
	<u>Other</u> £	<u>Land and</u> <u>Buildings</u> £	<u>Other</u> £	<u>Land and</u> <u>Buildings</u> £
Operating lease commitments				
Due in the coming year for				
leases expiring:				
Within one year	391,753	-	701,349	-
In two to five years	1,818,305	-	1,497,173	-
After five years	<u>-</u>	<u>129,641</u>	<u>-</u>	<u>129,641</u>

### 16. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption available under Financial Reporting Standard 8, whereby disclosure is not required in the financial statements of subsidiary undertakings 90% or more whose voting rights are controlled within the group qualifying as related parties. The immediate parent undertaking for which group accounts are prepared is Countrywide Assured Group plc.

# COUNTRYWIDE ASSURED FINANCIAL SERVICES LTD

## NOTES TO THE FINANCIAL STATEMENTS – 31<sup>ST</sup> DECEMBER 2002

### 17. SHARE PREMIUM AND RESERVES

	<u>Share Premium Account</u> £	<u>Profit and Loss Account</u> £	<u>Total</u> £
At beginning of year	5,635	(2,601,173)	(2,595,538)
Prior Year Adjustment (see note 2)	-	28,594	28,594
	<hr/>	<hr/>	<hr/>
At beginning of year (as restated)	-	(2,572,579)	(2,566,944)
Profit for the year	-	439,747	439,747
	<hr/>	<hr/>	<hr/>
	<u>5,635</u>	<u>(2,132,832)</u>	<u>(2,127,197)</u>

### 18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	<u>Restated</u> 2001 £
Shareholder's funds at beginning of year	(2,556,944)	750,691
Prior year adjustment (see note 2)	-	25,594
	<hr/>	<hr/>
Shareholder's funds at beginning of year as restated	(2,566,944)	776,285
Profit/(loss) for year	439,747	(3,333,229)
	<hr/>	<hr/>
Shareholder's funds at end of year	<u>(2,117,197)</u>	<u>(2,556,944)</u>

# **COUNTRYWIDE ASSURED FINANCIAL SERVICES LTD**

## **NOTES TO THE FINANCIAL STATEMENTS – 31<sup>ST</sup> DECEMBER 2002**

### **19. ULTIMATE HOLDING COMPANY AND PARENT UNDERTAKING OF LARGER GROUP OF WHICH THE COMPANY IS A MEMBER**

The company's ultimate holding and controlling company is Countrywide Assured Group Plc, which heads the largest group in which the company is consolidated. Countrywide Assured Group plc is incorporated in Great Britain and registered in England and Wales. The consolidated accounts of the group are available to the public and may be obtained from Countrywide Assured Group plc, Countrywide House, 3 Perry Way, Witham, Essex CM8 3SX.