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BEAZLEY FURLONGE & HISCOX LIMITED

REPORT AND FINANCIAL STATEMENTS HOUSE

30TH JUNE 1990 - 3 DEC 1990

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KPMG PEAT MARWICK McLINTOCK
1 Puddle Dock, Blackfriars, London EC4V 3PD

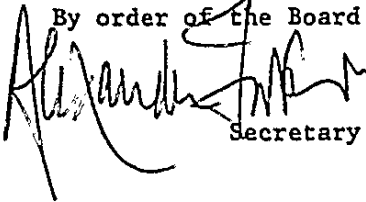
BEAZLEY FURLONGE & HISCOX LIMITED

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Beazley, Furlonge & Hiscox Limited will be held at Commercial Union Building, St. Helen's, 1 Undershaft, London EC3A 8LD on 24th October, at 9.00am for the following purposes:

ORDINARY BUSINESS

1. To receive, approve and adopt the Financial Statements of the Company for the year ended 30th June, 1990 together with the directors' and auditors report thereon.
2. To reappoint KPMG Peat Marwick McLintock as auditors and to authorise the directors to fix their remuneration.
3. To transact any other ordinary business.

By order of the Board

Secretary

Notes:

1. A member entitled to attend and vote may appoint one or more proxies to attend and vote instead of him. The instrument of proxy must be in writing and specify whether the proxy is to vote for or against the specified resolutions except where such resolution is a motion for adjournment or for the appointment of a chairman.

A proxy need not also be a member.
2. Holders of 'B' shares may attend the Annual General Meeting but have no right to vote except in respect of resolutions relating to the winding-up of the company, the rights of 'B' shareholders, and the appointment of Directors.

BEAZLEY FURLONGE & HISCOX LIMITEDDIRECTORS' REPORT30TH JUNE, 1990

The directors present their report and the audited financial statements for the year ended 30th June, 1990.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The principal activity of the company is that of Lloyd's underwriting agents.

The capacity of the managed syndicate continued to increase for 1990. Profit commission has been received in respect of the 1987 Underwriting Account. It is hoped that the syndicate will continue to be profitable in future years.

PROFIT AND APPROPRIATIONS

The results for the period are shown in the profit and loss account on page 4. A first and final dividend of 100p per "B" share was paid on 29th June, 1990 (1989: 87p per 'B' share).

DIRECTORS

The directors of the company during the period and their interests in the shares of the company were as follows:

	30th June 1990		1st July, 1989	
	"A" shares	"B" shares	"A" shares	"B" shares
R.R.S. Hiscox - Chairman	50	-	50	-
A.F. Beazley	50	12,450	50	12,450
N.H. Furlonge	50	12,450	50	12,450
I.N. Thomson	25	-	25	-
A.N. Foster	25	-	25	-
G.M. Carrick	-	-	-	-

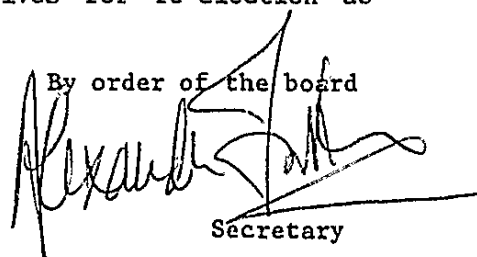
FIXED ASSETS

Details of fixed assets are set out in note 7 to the financial statements.

AUDITORS

On 1st January, 1990, our auditors changed the name under which they practise to KPMG Peat Marwick McLintock and accordingly have signed the audit report in their new name. They also offer themselves for re-election as auditors to the company.

By order of the board



Secretary

2nd October, 1990

29/30 Leadenhall Market,
London EC3V 1LR

REPORT OF THE AUDITORS TO THE MEMBERS OF
BEAZLEY FURLONGE & HISCOX LIMITED

We have audited the financial statements on pages 4 to 10 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30th June, 1990 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Klaus Beat Maier Mulford

2nd October, 1990

London

Chartered Accountants

BEAZLEY FURLONGE & HISCOX LIMITEDPROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH JUNE, 1990

	<u>Note</u>	<u>1990</u> <u>£</u>	<u>1989</u> <u>£</u>
TURNOVER	2	434,164	332,255
Administrative expenses		(385,571)	(297,706)
Other operating income		<u>53,556</u>	<u>54,795</u>
Operating profit	3	102,149	89,344
Interest receivable		<u>24,573</u>	<u>11,030</u>
Profit on ordinary activities before taxation		126,722	100,374
Taxation	5	<u>(50,384)</u>	<u>(28,975)</u>
Profit on ordinary activities after taxation		76,338	71,399
Dividend	6	<u>(49,800)</u>	<u>(43,326)</u>
Retained profit for the year	11	<u>26,538</u> =====	<u>28,073</u> =====

BEAZLEY FURLONGE & HISCOX LIMITEDBALANCE SHEET
AT 30TH JUNE, 1990

	Note	£	<u>1990</u>	£	£	<u>1989</u>	£
FIXED ASSETS							
Tangible assets	7		84,472			85,028	
CURRENT ASSETS							
Debtors	8	50,693			40,775		
Cash at bank		<u>371,810</u>			<u>252,059</u>		
		422,503			292,834		
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	<u>357,696</u>			<u>255,121</u>		
NET CURRENT ASSETS			<u>64,807</u>			<u>37,713</u>	
			<u>149,279</u>			<u>122,741</u>	
CAPITAL AND RESERVES							
Called up share capital	10		25,000			25,000	
Profit and loss account	11		<u>124,279</u>			<u>97,741</u>	
			<u>149,279</u>			<u>122,741</u>	

The financial statements on pages 4 to 10
were approved by the board of directors
on 2nd October, 1990.

R.M. Hines }
A.J. B... } Directors

BEAZLEY FURLONGE & HISCOX LIMITEDSTATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 30TH JUNE, 1990

	<u>1990</u> <u>£</u>	<u>1989</u> <u>£</u>
SOURCE OF FUNDS		
From operations		
Profit on ordinary activities before taxation	126,722	100,374
Items not involving the movement of funds		
Depreciation	15,025	14,588
(Profit)/loss on disposal of fixed assets	<u>(2,934)</u>	<u>1,249</u>
OTHER SOURCES	138,813	116,211
Proceeds on disposal of fixed assets	<u>6,000</u>	<u>5,000</u>
	<u>144,813</u>	<u>121,211</u>
APPLICATION OF FUNDS		
Addition to fixed assets	(17,535)	(14,287)
Dividend paid	(49,800)	(43,326)
Taxation paid	<u>(15,206)</u>	<u>(28,080)</u>
	62,272	35,518
MOVEMENT IN WORKING CAPITAL		
Debtors	(9,918)	(15,291)
Creditors	<u>67,397</u>	<u>182,046</u>
INCREASE IN NET LIQUID FUNDS		
Cash at bank	<u>119,751</u> <u>=====</u>	<u>202,273</u> <u>=====</u>

BEAZIEY FURLONGE & HISCOX LIMITEDNOTES TO THE ACCOUNTS1 ACCOUNTING POLICIESBasis of accounting

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents salaries and profit commission derived from Underwriting Names at Lloyd's.

Agency salaries represent net retained salaries in respect of one half of the 1989 Underwriting Account and one half of the 1990 Underwriting Account.

Profit commission has been included in respect of the 1987 underwriting account. Any profit commission relating to the 1988, 1989 and 1990 Underwriting Account will be credited in the company's financial statements for 1991, 1992 and 1993 respectively.

Depreciation

Depreciation of tangible fixed assets is calculated by reference to cost at rates estimated to write off the relevant assets over their expected useful lives, taking into account normal commercial and technical obsolescence.

The annual rates used are:

Furniture and equipment	20% on cost
Motor vehicles	25% on cost
Leasehold buildings	Over period of lease

Deferred taxation

Deferred taxation is accounted for on all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

2 TURNOVER AND PROFIT

	<u>1990</u>	<u>1989</u>
	<u>£</u>	<u>£</u>
Underwriting agency salaries	153,258	135,850
Underwriting profit commission	280,906	196,405
	<u>434,164</u>	<u>332,255</u>
	=====	=====

Turnover and profit before taxation arises in the United Kingdom, mainly from business underwritten at Lloyd's on behalf of names resident in the United Kingdom and overseas.

BEAZLEY FURLONGE & HISCOX LIMITEDNOTES TO THE ACCOUNTS (continued)3 OPERATING PROFIT AND EXPENSES

	<u>1990</u> £	<u>1989</u> £
Operating profit is stated after crediting:		
Rent receivable	52,556	53,035
Winding up fees	1,000	1,760
and after charging:		
Depreciation	15,025	14,588
Auditors' remuneration	2,500	2,200
Rental payments under operating leases for motor vehicles	8,287	5,009

During the year expenses totalling £720,377 were incurred by the company and recharged to the managed syndicate (1989 - £493,696).

4 DIRECTORS AND EMPLOYEES

	<u>1990</u> £	<u>1989</u> £
Staff costs including Directors' emoluments		
Salaries	260,377	210,324
Social security	26,520	21,380
	<u>286,897</u> =====	<u>231,704</u> =====
	Number	Number
	<u>5</u>	<u>5</u>
Average number employed including executive Directors		
	<u>1990</u> £	<u>1989</u> £
Total Directors emoluments	254,687	204,602
Emoluments, excluding pension contributions, of directors were as follows:		
Chairman	50,000	40,000
Highest paid directors (2) (1989: 2 also)	62,500	50,000
Other directors	<u>No.</u>	<u>No.</u>
Other directors	-	-
£ 1 - £ 5,000	1	1
£25,001 - £30,000	-	2
£35,001 - £40,000	2	-

BEAZLEY FURLONGE & HISCOX LIMITEDNOTES TO THE ACCOUNTS (continued)5 TAXATION

	<u>1990</u> £	<u>1989</u> £
UK Corporation tax on:		
Profit commission arising from 1987 underwriting account at 35%	30,950	16,005
Profit on ordinary activities at 35% (1989 25%)	16,500	12,769
Adjustment in respect of prior year	<u>2,934</u>	<u>201</u>
	<u>50,384</u>	<u>28,975</u>

No provision for deferred taxation is required.

6 DIVIDEND

	<u>1990</u>	<u>1989</u>
"B" shares of 50p each		
Final Dividend paid of 100p per share (1989 - 87p)	<u>49,800</u>	<u>43,326</u>

7 TANGIBLE FIXED ASSETS

	<u>Short Leasehold</u> £	<u>Furniture motor vehicles & equipment</u> £	<u>Total</u> £
Cost			
30th June 1989	93,226	23,238	116,464
Additions	-	17,535	17,535
Disposals	-	(12,263)	(12,263)
30th June 1990	<u>93,226</u>	<u>28,510</u>	<u>121,736</u>
Depreciation			
30th June 1989	17,848	13,588	31,436
Charge for the year	9,323	5,702	15,025
Disposals	-	(9,197)	(9,197)
30th June 1990	<u>27,171</u>	<u>10,093</u>	<u>37,264</u>
Net book amount			
30th June 1990	<u>66,055</u>	<u>18,417</u>	<u>84,472</u>

8 DEBTORS

	<u>1990</u>	<u>1989</u>
Trade debtors	29,322	22,735
Other debtors	8,875	5,812
Prepayments and accrued income	<u>12,496</u>	<u>12,228</u>
	<u>50,693</u>	<u>40,775</u>

BEAZLEY FURLONGE & HISCOX LIMITEDNOTES TO THE ACCOUNTS (continued)9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1990</u>	<u>1989</u>
Amounts owed to related company	6,524	24
Corporation tax	63,953	28,775
Other creditors and social security	276,820	221,780
Accruals and deferred income	<u>10,399</u>	<u>4,542</u>
	<u>357,696</u>	<u>255,121</u>
	=====	=====

10 CALLED UP SHARE CAPITAL

	<u>1990</u>		<u>1989</u>	
	<u>Number of</u>	<u>£</u>	<u>Number of</u>	<u>£</u>
	<u>shares</u>		<u>shares</u>	
Authorised				
"A" Non-participating shares of 50p each	200	100	200	100
"B" Participating shares of 50p each	<u>49,800</u>	<u>24,900</u>	<u>49,800</u>	<u>24,900</u>
		25,000		25,000
		=====		=====
Allotted, called up and fully paid				
"A" Non-participating shares of 50p each	200	100	200	100
"B" Participating shares of 50p each	<u>49,800</u>	<u>24,900</u>	<u>49,800</u>	<u>24,900</u>
		25,000		25,000
		=====		=====

11 PROFIT AND LOSS ACCOUNT

	<u>1990</u>	<u>1989</u>
	<u>£</u>	<u>£</u>
At 1st July 1989	97,741	69,668
Retained profit for the year	<u>26,538</u>	<u>28,073</u>
At 30th June 1990	<u>124,279</u>	<u>97,741</u>
	=====	=====

12 PENSION COMMITMENTS

The company operates a non-contributory defined contribution scheme for its employees. The scheme's funds are administered by the trustees and are independent of the company's finances. Payments made to the scheme are calculated with actuarial advice and represent a proper charge to cover payment of liabilities arising under the scheme. The adequacy of the pension fund is assessed by triennial valuations carried out by independent actuaries.

The pension cost charge representing contributions payable by the company was recharged in full to the managed syndicate and amounted to £30,376 (1989 - £28,845). There were no outstanding contributions at 30th June, 1990.