

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1997**

**NEVILLE RUSSELL
Chartered Accountants
24 Bevis Marks
LONDON EC3A 7NR**



T L CLOWES (WARWICK) LIMITED

DIRECTORS:

T L Clowes
P Dudley
Mrs K L Watson
P Harris
M Wilson

SECRETARY:

J W Allen

REGISTERED OFFICE:

52 Lime Street
LONDON EC3M 7BS

AUDITORS:

Neville Russell
24 Bevis Marks
LONDON EC3A 7NR

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REPORT OF THE DIRECTORS

The directors present their report and the financial statements of the company for the year ended 31 March 1997.

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 of the company 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; 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 maintaining 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 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.

REVIEW OF THE BUSINESS

The principal activity of the company continues to be that of an insurance broker, registered with the Insurance Brokers Registration Council.

The company has had another successful year, consolidating on its growth in 1996. Turnover has increased by 15% to £1,276,829, primarily due to an expansion of its client base.

The directors are confident that there will be further improvements in the next twelve months.

FUTURE DEVELOPMENTS

The directors believe that the company is well placed to take advantage of the opportunities in the market.

RESULTS AND DIVIDENDS

The results of the company for the year ended 31 March 1997 are set out in the attached financial statements.

REPORT OF THE DIRECTORS (Continued)

DIRECTORS

The directors set out in the table below have held office during the whole of the period from 1 April 1996 to the date of this report unless otherwise stated.

Mrs K L Watson and P Dudley are also directors of the holding company, T L Clowes (Insurance Services) Limited, and their interests are disclosed in the financial statements of that company.

T L Clowes	
P Dudley	
R Hodson	(resigned 23 September 1996)
Mrs K L Watson	
C E G Cozens	(resigned 12 July 1996)
P Harris	
M Wilson	(appointed 12 June 1996)

None of the other directors had any beneficial interest in the share capital of the company.

AUDITORS

The auditors, Neville Russell, have signified their willingness to continue in office and a resolution proposing their re-appointment and to authorise the directors to fix their remuneration will be put to the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD



Director

52 Lime Street
LONDON EC3M 7BS

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF

T L CLOWES (WARWICK) LIMITED

We report on the financial statements on pages 4 to 12 which have been prepared following the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of 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 judgments 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 March 1997 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



CHARTERED ACCOUNTANTS
and Registered Auditors

24 Bevis Marks
LONDON EC3A 7NR

30 July 1997

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 1997

	Notes	1997 £	1996 £
TURNOVER	2	1,276,829	1,111,319
Administrative expenses		(1,223,803)	(1,068,006)
		<hr/>	<hr/>
OPERATING PROFIT		53,026	43,313
Other interest receivable and similar income		50,504	48,795
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	103,530	92,108
Taxation on profit on ordinary activities	6	(37,525)	(28,975)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		66,005	63,133
Dividends	7	(60,000)	-
		<hr/>	<hr/>
RETAINED PROFIT FOR THE YEAR	14	£6,005	£63,133
		<hr/>	<hr/>

The company's turnover and expenses all relate to continuing operations.

The company has no recognised gains or losses other than the profit for the year which has been calculated on the historical cost basis.

BALANCE SHEET as at 31 March 1997

	Notes	£	1997 £	£	1996 £
FIXED ASSETS					
Tangible assets	8	61,707		89,615	
Investments	9	153,650		2,900	
			215,357		92,515
CURRENT ASSETS					
Debtors	10	1,497,769		1,686,580	
Cash at bank and in hand	11	968,335		707,614	
		2,466,104		2,394,204	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	(2,390,794)		(2,202,047)	
NET CURRENT ASSETS			70,310		192,147
TOTAL ASSETS LESS CURRENT LIABILITIES			£290,667		£284,662
CAPITAL AND RESERVES					
Called up share capital	13		50,000		50,000
Profit and loss account	14		240,667		234,662
SHAREHOLDERS' FUNDS	14		£290,667		£284,662

Approved by the board of directors on 20 July 1997
and signed on its behalf by



Director

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 1997

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards.

a. Basis of accounting

The financial statements have been prepared under the historical cost convention. No group accounts have been prepared, as consolidated accounts are produced by the ultimate holding company, T L Clowes (Insurance Services) Limited.

b. Turnover

Turnover represents brokerage which is taken to credit on the inception date of the policy.

Alteration to broking income arising from premium adjustments are taken into account as and when such adjustments are made.

c. Depreciation

Depreciation is calculated to write off the cost less estimated residual value of fixed assets on a straight line basis over their estimated useful lives.

Office furniture and equipment	- 25% on cost
Motor vehicles	- 25% on cost
Leasehold improvement	- 25% on cost

d. Fixed asset investments

Fixed asset investments are valued at the lower of cost less provision for permanent diminution of value.

e. Deferred taxation

Deferred tax is provided in respect of the tax effect of all timing differences, to the extent that it is probable that a liability will crystallise in the foreseeable future, at the rate of tax expected to apply when the timing differences reverse.

f. Operating lease

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

g. Pension costs

Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 1997 (Continued)

1. ACCOUNTING POLICIES (continued)

h. Insurance debtors and creditors

The company acts as agents in broking insurable risks of clients and, generally speaking, is not liable as a principal for premiums due to underwriters or for claims payable to clients. Notwithstanding the legal relationship with clients and underwriters, the company has followed generally accepted accounting practice for insurance intermediaries by showing debtors, creditors and cash balances relating to insurance business as assets and liabilities of the company itself.

In the ordinary course of insurance broking business, settlement is required to be made with certain market settlement bureaux, insurance intermediaries or insurance companies on the basis of the net balance due to or from them, rather than the amount due to or from the individual third parties which it represents.

In previous years, the basis of settlement was reflected in the amounts included in insurance debtors and creditors. However, under Financial Reporting Standard 5 (FRS5¹), assets and liabilities may not be offset unless net settlement is legally enforceable. Following the expiry of the transitional provision to FRS5, which exempted insurance broking transactions from this treatment, insurance broking debtors and creditors are shown gross within these financial statements. The effect of the new presentation has been to increase insurance broking debtors and creditors by £415,843 (1996: £450,668).

2. TURNOVER

	1997 £	1996 £
The turnover is attributable to:		
Insurance brokerage	£1,276,829	£1,111,319
The whole of the turnover is attributable to the UK market.		

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1997 £	1996 £
The profit on ordinary activities before taxation is stated after charging:		
Depreciation:		
- owned tangible fixed assets	32,272	31,004
Auditors' remuneration:		
- audit fee	5,400	5,275
- fees for non-audit services	600	600
Hire of assets	27,400	36,056
Rental - operating leases	34,500	32,336
Loss on disposal of fixed assets	2,000	6,947

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 1997 (Continued)

4. STAFF COSTS

	1997 £	1996 £
Staff costs, including directors' emoluments:		
Wages and salaries	739,535	629,898
Social security costs	45,173	61,023
Other pension costs	33,848	29,479
	<u>£818,556</u>	<u>£720,400</u>

The average number of persons (including directors) employed by the company during the year was 28 (1996 - 27).

	1997 Number	1996 Number
Administration	8	8
Brokers	20	19
	<u>28</u>	<u>27</u>

5. DIRECTORS
Remuneration

	1997 £	1996 £
Emoluments	311,058	305,173
Contributions to money purchase pension schemes	16,193	14,583
	<u>£327,251</u>	<u>£319,756</u>
Compensation to directors for loss of office:		
For services as a director	£28,125	-

The emoluments of directors disclosed above include the following amounts paid to the highest paid director:

	1997 £	Highest paid director 1996 £
Emoluments	93,882	44,053
Contributions to money purchase pension schemes	4,865	5,947
	<u>Number</u>	<u>Number</u>
During the period the following number of directors accrued benefits under money purchase pension schemes	4	3

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 1997 (Continued)

6. TAXATION

	1997 £	1996 £
Based on the profit for the year:		
Corporation tax at 25% (1996 - 33%)	37,525	30,000
Overprovision in respect of previous years	-	(1,025)
	<u>£37,525</u>	<u>£28,975</u>

7. DIVIDENDS

	1997 £	1996 £
Dividends proposed of £1.20 (1996: £Nil) per share	£60,000	£Nil

8. TANGIBLE FIXED ASSETS

	Leasehold Improvements £	Office Furniture and equipment £	Motor vehicles £	Total £
COST				
At 1 April 1996	16,840	41,295	60,373	118,508
Additions	-	13,489	6,000	19,489
Disposals	-	(4,954)	(22,000)	(26,954)
	<u>16,840</u>	<u>49,830</u>	<u>44,373</u>	<u>111,043</u>
At 31 March 1997	16,840	49,830	44,373	111,043
DEPRECIATION				
At 1 April 1996	3,779	10,027	15,087	28,893
Charge for the year	4,210	11,760	16,302	32,272
Disposals	-	(4,954)	(6,875)	(11,829)
	<u>7,989</u>	<u>16,833</u>	<u>24,514</u>	<u>49,336</u>
At 31 March 1997	7,989	16,833	24,514	49,336
NET BOOK VALUE				
At 31 March 1997	£8,851	£32,997	£19,859	£61,707
At 31 March 1996	£13,061	£31,268	£45,286	£89,615

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 1997 (Continued)

9. FIXED ASSET INVESTMENT - GROUP UNDERTAKINGS

	1997 £	1996 £
Cost as at 1 April 1996	2,900	2,900
Shares acquired during the year	150,750	-
	<hr/>	<hr/>
	£153,650	£2,900
	<hr/>	<hr/>

In July 1996 the company purchased 2,000 shares of T L Clowes Financial Services Limited, from a director, C E G Cozens, for a consideration of £150,000 plus costs and 50 from T L Clowes for a consideration of £50.

Investments in subsidiaries were as follows:

A 99% holding of £1 ordinary shares in T L Clowes (Financial Services) Limited, an insurance intermediary.

10. DEBTORS

	1997 £	1996 £
DUE WITHIN ONE YEAR		
Amounts due from clients and insurers	1,487,969	1,612,580
Other debtors	9,800	74,000
	<hr/>	<hr/>
	£1,497,769	£1,686,580
	<hr/>	<hr/>

11. CASH AT BANK AND IN HAND

	1997 £	1996 £
Insurance broking accounts	803,648	707,464
Other cash at bank and in hand	164,687	150
	<hr/>	<hr/>
	£968,335	£707,614
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 1997 (Continued)

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997 £	1996 £
Bank loans and overdraft	-	23,259
Amounts owed to client and insurers	1,719,962	1,991,224
Amounts due to group undertakings	248,442	84,498
Corporation tax	41,052	30,000
Other taxes and social security	3,229	3,229
Other creditors	71,718	25,736
Accruals	246,391	44,101
Proposed dividends	60,000	-
	<u>£2,390,794</u>	<u>£2,202,047</u>

13. SHARE CAPITAL

	Authorised		Allotted, issued and fully paid	
	1997 £	1996 £	1997 £	1996 £
Ordinary shares of £1 each	<u>£100,000</u>	<u>£100,000</u>	<u>£50,000</u>	<u>£50,000</u>

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £	Profit and loss account £	Total shareholders' funds £
Balance at 1 April 1995	50,000	171,529	221,529
Profit for the year	-	63,133	63,133
	<u>50,000</u>	<u>234,662</u>	<u>284,662</u>
Balance at 31 March 1996	50,000	234,662	284,662
Profit for the year	-	66,005	66,005
Proposed dividend	-	(60,000)	(60,000)
	<u>£50,000</u>	<u>£240,667</u>	<u>£290,667</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 1997 (Continued)

15. OTHER FINANCIAL COMMITMENTS

At 31 March 1997 the company was committed to making the following payments under operating leases in the year to 31 March 1998.

	1997		1996	
	Land and Buildings £	Other £	Land and Buildings £	Other £
Operating leases which expire:				
Within 1 year	-	-	-	1,649
Between 2 and 5 years	34,500	28,137	32,356	22,219
	<hr/>	<hr/>	<hr/>	<hr/>
	£34,500	£28,137	£32,356	£23,868
	<hr/>	<hr/>	<hr/>	<hr/>

16. ULTIMATE PARENT COMPANY

The ultimate parent company is T L Clowes (Insurance Services) Limited.

17. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £33,848 (1996 - £29,479).

18. CONTINGENT LIABILITY

The company is a party to an agreement whereby, inter-alia, it guarantees the liabilities of its ultimate holding company, T L Clowes (Insurance Services) Limited, to Lloyds Bank plc. At 31 March 1997, the indebtedness amounted to £752,900.