

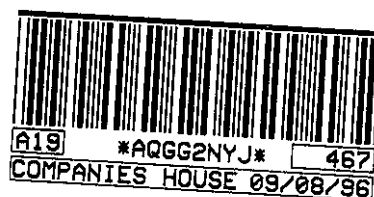
STAFFORD KNIGHT HOLDINGS LIMITED AND SUBSIDIARIES

REPORTS AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1995

2040/93

NEVILLE RUSSELL
Chartered Accountants
24 Bevis Marks
LONDON EC3A 7NR



STAFFORD KNIGHT HOLDINGS LIMITED AND SUBSIDIARIES

DIRECTORS:

R V C Robins
J Dunford
D N Howe
M D Johnson
P J Michau
C I Calder

SECRETARY:

M T Cass

REGISTERED OFFICE:

4/5 London Wall Buildings
LONDON EC2M 5NR

REGISTERED NUMBER:

2040193

AUDITORS:

Neville Russell
24 Bevis Marks
LONDON EC3A 7NR

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DIRECTORS' REPORT

The directors present their report together with the audited financial statements for the year ended 31 December 1995, which show the state of affairs of the company and the group.

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; 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 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 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.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The company acts as a management holding company and the principal activities of the subsidiaries are the provision of insurance broking services.

The group has shown a moderate increase in business throughout the year and the directors look forward to continuing growth and profitability in the future.

RESULTS

The group made a loss after tax of £56,243 for the year (1994: loss £208,578).

DIVIDEND

The directors do not recommend the payment of a dividend and the loss for the year has been accumulated with the profit and loss account.

DIRECTORS' REPORT (continued)

DIRECTORS

The directors who served during the year and their interests in the shares of the company were as follows:-

| | Number of £1 ordinary shares 31 December 1995 | Number of £1 ordinary shares 31 December 1994 |
|--|---|---|
| R V C Robins | 185 | 185 |
| J Dunford | 250 | 250 |
| D N Howe | 62 | 62 |
| M D Johnson | - | - |
| P J Michau | - | - |
| C I Calder | - | - |
| A J O'Neill (resigned 29 September 1995) | 102 | 102 |

FIXED ASSETS

The additions to tangible fixed assets are shown in note 10 to the financial statements.

DONATIONS

During the year, the group made donations for charitable purposes amounting to £550.

AUDITORS

A resolution to re-appoint Neville Russell as auditors will be proposed at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD



M T Cass
Secretary

24 JULY 1996

AUDITORS' REPORT TO THE SHAREHOLDERS OF

STAFFORD KNIGHT HOLDINGS LIMITED

We have audited the financial statements on pages 4 to 20 which have been prepared following the accounting policies set out on pages 9 to 10.

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 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.

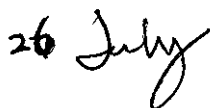
Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 1995 and of the loss 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



1996

STAFFORD KNIGHT HOLDINGS LIMITED AND SUBSIDIARIES

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CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 December 1995

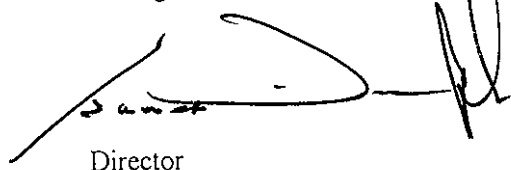
| | Notes | 1995 £ | 1994 £ |
|--|-------|------------------|-------------------|
| TURNOVER - continuing operations | 3 | 3,825,785 | 3,557,207 |
| Administrative expenses | | (3,838,358) | (3,698,508) |
| | | <hr/> | <hr/> |
| OPERATING LOSS - continuing operations | | (12,573) | (141,301) |
| Other interest receivable and similar income | | 7,177 | 8,957 |
| Interest payable and similar charges | 4 | (50,847) | (74,566) |
| | | <hr/> | <hr/> |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | 5 | (56,243) | (206,910) |
| Tax on loss on ordinary activities | 8 | - | (1,668) |
| | | <hr/> | <hr/> |
| LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED LOSS FOR THE YEAR | 18 | <u>£(56,243)</u> | <u>£(208,578)</u> |

There are no recognised gains or losses other than those shown in the profit and loss account.

CONSOLIDATED BALANCE SHEET
As at 31 December 1995

| | Notes | 1995 | | 1994 | |
|---|-------|-------------|-------------|-------------|-------------|
| | | £ | £ | £ | £ |
| FIXED ASSETS | | | | | |
| Intangible assets | 9 | | 640,743 | | 659,692 |
| Tangible assets | 10 | | 691,504 | | 569,923 |
| | | | <hr/> | | <hr/> |
| | | | 1,332,247 | | 1,229,615 |
| CURRENT ASSETS | | | | | |
| Debtors | 12 | 4,161,667 | | 4,272,523 | |
| Cash at bank and in hand | | 1,599,980 | | 1,673,904 | |
| | | <hr/> | | <hr/> | |
| | | 5,761,647 | | 5,946,427 | |
| CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR | 13 | (7,110,301) | | (7,128,896) | |
| | | <hr/> | | <hr/> | |
| NET CURRENT LIABILITIES | | | (1,348,654) | | (1,182,469) |
| | | | <hr/> | | <hr/> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | (16,407) | | 47,146 |
| CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 14 | | (65,798) | | (73,108) |
| | | | <hr/> | | <hr/> |
| | | | £(82,205) | | £(25,962) |
| | | | <hr/> | | <hr/> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 16 | | 2,786 | | 2,786 |
| Share premium account | 17 | | 459,631 | | 459,631 |
| Profit and loss account | 18 | | (544,622) | | (488,379) |
| | | | <hr/> | | <hr/> |
| | | | £(82,205) | | £(25,962) |
| | | | <hr/> | | <hr/> |

Approved by the board on 24 JULY 1996
and signed on its behalf by



Director

STAFFORD KNIGHT HOLDINGS LIMITED AND SUBSIDIARIES

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COMPANY BALANCE SHEET
As at 31 December 1995

| | Notes | 1995 £ | 1994 £ |
|---|-------|--------------------|--------------------|
| FIXED ASSETS | | | |
| Tangible assets | 10 | 113,976 | 129,582 |
| Investments | 11 | 1,109,564 | 1,109,564 |
| | | <u>1,223,540</u> | <u>1,239,146</u> |
| CURRENT ASSETS | | | |
| Debtors | 12 | 104,199 | 103,485 |
| CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR | 13 | <u>(1,771,301)</u> | <u>(1,699,213)</u> |
| NET CURRENT LIABILITIES | | <u>(1,667,102)</u> | <u>(1,595,728)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>(443,562)</u> | <u>(356,582)</u> |
| CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 14 | <u>(36,147)</u> | <u>(41,415)</u> |
| | | <u>£(479,709)</u> | <u>£(397,997)</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 16 | 2,786 | 2,786 |
| Share premium account | 17 | 459,631 | 459,631 |
| Profit and loss account | 18 | (942,126) | (860,414) |
| | | <u>£(479,709)</u> | <u>£(397,997)</u> |

Approved by the board on 24 July 1996
and signed on its behalf by

Director

STAFFORD KNIGHT HOLDINGS LIMITED AND SUBSIDIARIES

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CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 1995

| | 1995 | | 1994 | |
|---|-----------|------------|-----------|-----------|
| | £ | £ | £ | £ |
| NET CASH INFLOW FROM OPERATING ACTIVITIES | | 171,061 | | 225,510 |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | | |
| Interest received | 7,177 | | 8,957 | |
| Interest paid | (37,705) | | (54,677) | |
| Interest element of finance lease rental payments | (13,142) | | (19,889) | |
| NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | (43,670) | | (65,609) |
| TAXATION | | | | |
| UK Corporation Tax received | | - | | 11,515 |
| INVESTING ACTIVITIES | | | | |
| Purchase of tangible fixed assets | (276,715) | | (273,213) | |
| Sale of plant and machinery | 31,319 | | 64,927 | |
| NET CASH OUTFLOW FROM INVESTING ACTIVITIES | | (245,396) | | (208,286) |
| NET CASH OUTFLOW BEFORE FINANCING | | (118,005) | | (36,870) |
| FINANCING ACTIVITIES | | | | |
| Capital element of new finance leases | (10,401) | | (3,187) | |
| NET CASH OUTFLOW FROM FINANCING | | (10,401) | | (3,187) |
| DECREASE IN CASH AND CASH EQUIVALENTS | | £(128,406) | | £(40,057) |

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 1995 (continued)

NOTES

1. Reconciliation of operating loss to net cash flow from operating activities

| | 1995 £ | 1994 £ |
|--|-----------------|-----------------|
| Operating loss | (12,573) | (141,301) |
| Depreciation and amortisation | 163,015 | 156,964 |
| (Profit) on sale of tangible fixed assets | (20,251) | (4,093) |
| Decrease in debtors | 110,856 | 404,852 |
| (Decrease) in creditors | (69,986) | (190,912) |
| NET CASH INFLOW FROM OPERATING ACTIVITIES | £171,061 | £225,510 |

2. Analysis of changes in cash and cash equivalents during the year

| | 1995 £ | 1994 £ | Change in year | |
|--------------------------|-------------------|----------------|-------------------|------------------|
| | | | 1995 £ | 1994 £ |
| Cash at bank and in hand | 1,599,980 | 1,673,904 | (73,924) | (30,498) |
| Bank overdrafts | (1,702,183) | (1,647,701) | (54,482) | (9,559) |
| | <u>£(102,203)</u> | <u>£26,203</u> | <u>£(128,406)</u> | <u>£(40,057)</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1995

1. ACCOUNTING POLICIES

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

(a) Accounting convention

The financial statements are prepared under the historical cost convention.

(b) Basis of consolidation

(i) The group financial statements consolidate the accounts of Stafford Knight Holdings Limited and its subsidiaries for the year ended 31 December 1995. The results of subsidiaries acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

(ii) Goodwill arising on consolidation representing the excess of the purchase price over the fair value of net assets acquired is amortised over a period of its estimated useful life.

(c) Turnover

Turnover represents income received exclusive of Value Added Tax. Brokerage and fees are recognised when the business is placed by the client having regard to the date of inception of policies. Alterations in brokerage arising from additional and return premiums and adjustments are taken into account as and when these occur.

(d) Expenses

Expenses are written off as incurred.

(e) Depreciation

Fixed assets are depreciated by equal annual instalments over their estimated useful lives.

(f) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Revenues and costs expressed in foreign currencies are translated into Sterling at rates of exchange ruling on the date on which the transaction occurs. Differences arising on the translation of trading items are dealt with in the profit and loss account for the year.

(g) Deferred taxation

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

(h) Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value. Investments held as current assets are stated at the lower of cost and net realisable value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1995 (continued)

1. ACCOUNTING POLICIES (continued)

(i) Insurance debtors and creditors

In the normal course of insurance broking business, settlement is required to be made with certain markets, market settlement bureaux or insurance intermediaries on the basis of the net balance due to or from that market, bureau or intermediary, rather than the amounts due to or from individual entities for whom they act. Insurance debtors and creditors reflect this basis of settlement and, together with related cash balances, have been included within the assets and liabilities of the company.

FRS5, "Reporting the Substance of Transactions", precludes assets and liabilities being offset unless net settlement is legally enforceable. The application of this requirement to insurance brokers in connection with the offset of balances between insurers and insureds has been deferred to accounting periods ending on or after 22 September 1996. It is not practicable to quantify the gross value of assets and liabilities if this requirement were to be strictly applied.

(j) Leases

(i) Finance leases

Assets held under finance leases and the related lease obligations are included at the fair value of the leased assets at the inception of the lease. Depreciation on leased assets is calculated to write off this amount on a straight line basis over the shorter of the lease term and the useful life of the asset.

Rentals payable are apportioned between the finance charge and a reduction of the outstanding obligation for future amounts payable so that the charge for each accounting period is a constant percentage of the remaining balance of the capital sum outstanding.

(ii) Operating leases

Rentals payable are charged on a straight line basis over the term of the lease.

(k) Pension costs

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

(l) Goodwill

Goodwill represents the excess of costs of acquisition over the fair value of the separable net assets of businesses acquired. Goodwill is amortised through the profit and loss account in equal instalments over its estimated useful life.

2. COMPANY PROFIT AND LOSS ACCOUNT

The company's own profit and loss account is not shown by virtue of the exemption provisions contained in Section 230 of the Companies Act. The parent company's loss for the financial year was £81,712 (1994: £99,363).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1995 (continued)

3. TURNOVER

The group engages in only one class of activity, insurance broking, which is carried out in the United Kingdom.

| 4. INTEREST PAYABLE AND SIMILAR CHARGES | 1995 | 1994 |
|--|---------|---------|
| | £ | £ |
| Interest payable on bank loans and overdrafts wholly repayable within five years | 37,705 | 54,677 |
| Finance lease interest | 13,142 | 19,889 |
| | <hr/> | <hr/> |
| | £50,847 | £74,566 |
| | <hr/> | <hr/> |

| 5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | 1995 | 1994 |
|--|----------|----------|
| | £ | £ |
| The loss on ordinary activities before taxation is stated after charging/(crediting):- | | |
| Amounts written off investments | (1,666) | (2,250) |
| Amortisation of intangible fixed assets | 18,949 | 18,949 |
| Depreciation of tangible fixed assets | | |
| - owned assets | 77,221 | 61,760 |
| - leased assets | 66,845 | 76,255 |
| Auditors' remuneration | 46,840 | 42,445 |
| Operating lease rentals | 17,430 | 14,919 |
| - hire of equipment | 96,180 | 101,180 |
| - land and buildings | | |
| Exchange (profit)/loss | (5,585) | 8,181 |
| Net insurance balance write offs | 63,416 | (24,140) |
| Profit on sale of tangible fixed assets | (20,636) | (4,094) |
| Bank interest receivable | (7,177) | (8,957) |
| | <hr/> | <hr/> |

| 6. STAFF COSTS | 1995 | 1994 |
|--|------------|------------|
| | £ | £ |
| All employees including executive directors: | | |
| Wages and salaries | 2,007,561 | 1,967,063 |
| Social security costs | 166,871 | 165,192 |
| Other pension costs | 129,471 | 123,493 |
| | <hr/> | <hr/> |
| | £2,303,903 | £2,255,748 |
| | <hr/> | <hr/> |

The average number of persons employed by the group was:-

| | | |
|-------------------|--------|--------|
| | Number | Number |
| Insurance broking | 109 | 112 |
| | <hr/> | <hr/> |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1995 (continued)

7. DIRECTORS' EMOLUMENTS

| | 1995 £ | 1994 £ |
|--|-----------------|-----------------|
| Emoluments of directors of Stafford Knight Holdings (including pension contributions) | | |
| As executives | <u>£269,978</u> | <u>£290,572</u> |
| The emoluments of directors disclosed above (excluding pension contributions) include amounts paid to: | | |
| Emoluments of the chairman | <u>£32,898</u> | <u>£32,355</u> |
| Emoluments of the highest paid director | <u>£79,250</u> | <u>£81,431</u> |
| Number of other directors whose emoluments (excluding pension contributions) within the following ranges: | Number | Number |
| £Nil to £5,000 | 2 | 2 |
| £25,001 to £30,000 | 1 | 1 |
| £55,001 to £60,000 | 2 | 1 |
| £75,001 to £80,000 | - | 1 |
| | <u>-</u> | <u>-</u> |

8. (a) TAXATION

| | 1995 £ | 1994 £ |
|---------------------------------------|------------|---------------|
| Based on loss for the year | - | - |
| Under/(over) provision in prior years | - | 1,668 |
| | <u>£ -</u> | <u>£1,668</u> |

The group has tax losses after group relief available to carry forward against future trading profits of £472,000 (company: £238,300).

(b) DEFERRED TAXATION

There is no liability for deferred taxation. The potential net deferred tax asset arising on the tax losses of the group amounting to an estimated maximum of £3,150 (of which £31,700 relates to the company) has not been reflected in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 1995 (continued)

9. INTANGIBLE FIXED ASSETS

| | |
|--|----------|
| GOODWILL | £ |
| COST | |
| At 1 January 1995 and 31 December 1995 | £812,372 |
| AMOUNTS WRITTEN OFF | |
| At 1 January 1995 | 152,680 |
| Charge for the year | 18,949 |
| At 31 December 1995 | £171,629 |
| NET BOOK VALUE | |
| At 31 December 1995 | £640,743 |
| At 31 December 1994 | £659,692 |

Goodwill is being amortised over 40 years.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 1995 (continued)

10. TANGIBLE FIXED ASSETS

GROUP

| | Short leasehold improvements £ | Furniture, fixtures, fittings & office equipment £ | Motor vehicles £ | Computer equipment £ | Total £ |
|-------------------------|---|---|------------------------|----------------------------|-------------------|
| COST | | | | | |
| At 1 January 1995 | 9,420 | 170,575 | 396,212 | 424,493 | 1,000,700 |
| Additions | - | 25,972 | 81,845 | 168,898 | 276,715 |
| Disposals | - | (562) | (83,570) | (1,175) | (85,307) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| At 31 December 1995 | 9,420 | 195,985 | 394,487 | 592,216 | 1,192,108 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| DEPRECIATION | | | | | |
| At 1 January 1995 | 5,443 | 82,717 | 174,847 | 167,770 | 430,777 |
| Charge for the year | 660 | 13,645 | 83,987 | 45,774 | 144,066 |
| Eliminated on disposals | - | (84) | (73,271) | (884) | (74,239) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| At 31 December 1995 | 6,103 | 96,278 | 185,563 | 212,660 | 500,604 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| NET BOOK VALUE | | | | | |
| At 31 December 1995 | £3,317 | £99,707 | £208,924 | £379,556 | £691,504 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| At 31 December 1994 | £3,977 | £87,858 | £221,365 | £256,723 | £569,923 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Depreciation rates | 15 years | 10% | 25% | 25% | |

The net book value of motor vehicles includes an amount of £196,760 (1994: £244,180) in respect of assets held under finance leases and hire purchase contracts.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 1995 (continued)

10. TANGIBLE FIXED ASSETS (continued)

| COMPANY | Motor vehicles £ |
|------------------------|------------------------|
| COST | |
| At 1 January 1995 | 277,460 |
| Additions | 46,660 |
| Disposals | (48,700) |
| | <hr/> |
| At 31 December 1995 | £275,420 |
| | <hr/> |
| DEPRECIATION | |
| At 1 January 1995 | 147,878 |
| Charge for the year | 62,266 |
| Eliminated on disposal | (48,700) |
| | <hr/> |
| At 31 December 1995 | £161,444 |
| | <hr/> |
| NET BOOK VALUE | |
| At 31 December 1995 | £113,976 |
| | <hr/> |
| At 31 December 1994 | £129,582 |
| | <hr/> |

Included in the above are motor vehicles held under finance leases with a net book value of £101,812 (1994: £129,582).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 1995 (continued)

11. FIXED ASSET INVESTMENTS

| COMPANY | Shares in subsidiaries £ | Loans to subsidiaries £ | Total £ |
|--|---|--|--------------------|
| COST | | | |
| At 1 January 1995 and 31 December 1995 | 1,173,511 | 93,500 | 1,267,011 |
| | <hr/> | <hr/> | <hr/> |
| PROVISIONS | | | |
| At 1 January 1995 and 31 December 1995 | 63,947 | 93,500 | 157,447 |
| | <hr/> | <hr/> | <hr/> |
| NET BOOK VALUE | | | |
| At 31 December 1995 and 31 December 1994 | £1,109,564 | - | £1,109,564 |
| | <hr/> | <hr/> | <hr/> |

The company had a 100% interest in the ordinary share capital of the following subsidiaries at 31 December 1995 which are all incorporated in England.

| Subsidiary Undertakings | Principal Activity |
|--|---------------------------|
| Stafford Knight & Co Ltd | Insurance broking |
| Stafford Knight Life Assurance Brokers Ltd | Life and pensions |
| Stafford Knight (UK) Ltd | Insurance broking |
| Stafford Knight Insurance Services Ltd | Insurance broking |
| Northwood O'Neill Ltd | Insurance broking |
| Northwood O'Neill Barrett Ltd** | Life and pensions |

**Shareholding held by subsidiary undertaking.

All subsidiary undertakings are included in the consolidated group accounts.

The group holds 16 2/3% of the ordinary share capital of Stafford Knight Ikano Limited, a company incorporated in England.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 1995 (continued)

| 12. DEBTORS | Group | | Company | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 1995 £ | 1994 £ | 1995 £ | 1994 £ |
| DUE WITHIN ONE YEAR | | | | |
| Insurance debtors | 3,997,211 | 4,122,582 | - | - |
| Amounts owed by subsidiary undertakings | - | - | 104,199 | 103,485 |
| Other debtors | 61,195 | 52,200 | - | - |
| Prepayments and accrued income | 86,587 | 88,429 | - | - |
| Corporation tax | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 4,144,993 | 4,263,211 | 104,199 | 103,485 |
| DUE AFTER MORE THAN ONE YEAR | | | | |
| Other debtors | 16,674 | 9,312 | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | <u>£4,161,667</u> | <u>£4,272,523</u> | <u>£104,199</u> | <u>£103,485</u> |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| 13. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR | | | | |
| | Group | | Company | |
| | 1995 £ | 1994 £ | 1995 £ | 1994 £ |
| Bank loans and overdrafts | 1,702,183 | 1,647,701 | 1,702,183 | 1,623,901 |
| Obligations under finance leases | 64,286 | 67,377 | 36,245 | 44,879 |
| Insurance creditors | 5,147,027 | 5,212,416 | - | - |
| Amount owed to subsidiary undertaking | - | - | 1,965 | - |
| Taxation and social security | 56,543 | 59,848 | 1,255 | 1,255 |
| Other creditors | - | 60,071 | - | - |
| Accruals and deferred income | 140,262 | 81,483 | 29,653 | 29,178 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | <u>£7,110,301</u> | <u>£7,128,896</u> | <u>£1,771,301</u> | <u>£1,699,213</u> |
| | <hr/> | <hr/> | <hr/> | <hr/> |

The above bank loans and overdrafts have been secured by a mortgage debenture over all the company's assets.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 1995 (continued)

14. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | Group | | Company | |
|----------------------------------|-----------|-----------|-----------|-----------|
| | 1995 £ | 1994 £ | 1995 £ | 1994 £ |
| Obligations under finance leases | £65,798 | £73,108 | £36,147 | £41,415 |

15. LEASING COMMITMENTS

(a) Finance leases

Future minimum lease payments under finance leases are:-

| | 1995 | | 1994 | |
|-----------------------------|------------|--------------|------------|--------------|
| | Group £ | Company £ | Group £ | Company £ |
| AMOUNT FALLING DUE | | | | |
| Within one year | 75,151 | 41,533 | 78,132 | 51,828 |
| Between two and five years | 72,893 | 38,496 | 80,276 | 43,779 |
| | 148,044 | 80,029 | 158,408 | 95,607 |
| Less future finance charges | 17,960 | 7,637 | 17,923 | 9,313 |
| | £130,084 | £72,392 | £140,485 | £86,294 |

The commitments net of finance charges are included in the balance sheets as follows:

| | | | | |
|------------------------------|----------|---------|----------|---------|
| Due within one year | 64,286 | 36,245 | 67,377 | 44,879 |
| Due after more than one year | 65,798 | 36,147 | 73,108 | 41,415 |
| | £130,084 | £72,392 | £140,485 | £86,294 |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 1995 (continued)

15. LEASING COMMITMENTS (continued)

(b) Operating leases

At 31 December 1995 the group had the following annual commitments under non-cancellable operating leases:

| | 1995 Group | | 1994 Group | |
|----------------------------|--------------------------|---------------|--------------------------|----------------|
| | Land & buildings £ | Other £ | Land & buildings £ | Other £ |
| Leases which expire: | | | | |
| Within one year | 5,000 | 3,262 | - | 2,353 |
| Between two and five years | 24,180 | 3,600 | 19,180 | 10,454 |
| Over five years | 103,600 | - | 132,500 | - |
| | <u>£132,780</u> | <u>£6,862</u> | <u>£151,680</u> | <u>£12,807</u> |

16. SHARE CAPITAL

| | Allotted, Issued and fully paid | | Authorised | |
|----------------------------|------------------------------------|---------------|----------------|----------------|
| | 1995 £ | 1994 £ | 1995 £ | 1994 £ |
| Ordinary shares of £1 each | <u>£2,786</u> | <u>£2,786</u> | <u>£10,000</u> | <u>£10,000</u> |

17. SHARE PREMIUM ACCOUNT

| | Group £ | Company £ |
|--|-----------------|-----------------|
| At 1 January 1995 and 31 December 1995 | <u>£459,631</u> | <u>£459,631</u> |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 1995 (continued)

18. PROFIT AND LOSS ACCOUNT

| | Group £ | Company £ |
|---------------------|------------|--------------|
| At 1 January 1995 | (488,379) | (860,414) |
| (Loss) for the year | (56,243) | (81,712) |
| | <hr/> | <hr/> |
| At 31 December 1995 | £(544,622) | £(942,126) |
| | <hr/> | <hr/> |

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 1995 £ | 1994 £ |
|---|-----------|-----------|
| Loss for the financial year and net additions to shareholders' funds | (56,243) | (208,578) |
| Opening shareholders' funds | (25,962) | 182,616 |
| | <hr/> | <hr/> |
| Closing shareholders' funds | £(82,205) | £(25,962) |
| | <hr/> | <hr/> |

20. PENSION CONTRIBUTIONS

The group operates a defined contribution pension scheme. The scheme funds are administered independently of the company.

During the year ended 31 December 1995 contributions payable by the group to the scheme were £129,471 (1994: £123,493). At the balance sheet date there was no outstanding liability.

21. GUARANTEES AND OTHER FINANCIAL OBLIGATIONS

The company has given a guarantee to secure certain bank loans and overdrafts of its subsidiaries. At the balance sheet date these amounted to £NIL.

22. ULTIMATE PARENT COMPANY

The directors regard Summer Shore Investments Limited, a company incorporated in the Cayman Islands, as the ultimate parent company.