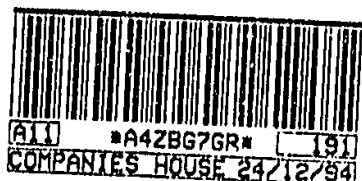


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MILBOURNE INSURANCE SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS

30th JUNE 1994



**Milbourne Insurance Services Limited****Directors**

R.B.W. Milne  
B. Packham

**Secretary and Registered Office**

EPS Secretaries Limited  
66-70 Coombe Road, New Malden, Surrey, KT3 4QW

**Auditors**

Moore Stephens  
Chartered Accountants  
St. Paul's House, Warwick Lane, London, EC4P 4BN

**Report of the Directors**

The directors present their report and audited financial statements for the year ended 30th June 1994.

**Review of Activities**

The principal activity of the company during the year continued to be that of insurance broking. The directors foresee no significant changes in the future activities of the company.

**Results and Dividends**

The profit for the financial year amounted to £18,944. It is recommended that this amount is transferred to the deficit brought forward.

The directors do not recommend the payment of a dividend for the year.

**Directors' Interests**

On 23rd November 1994 N.S. Risner resigned from the board of directors. The directors had no beneficial interests in the share capital of the company at any time during the year as defined by the Companies Act 1985.

Mr. R.B.W. Milne is a director of the holding company, Milbourne Holdings Limited, and details of his interest therein is shown in the report of the directors of that company for the year ended 30th June 1994.

Mr. B. Packham had no interest in the share capital of the holding company at any time during the year.

**Fixed Assets**

Changes to fixed assets can be found in notes 6 and 7 on page 10.

**Auditors**

The auditors, Moore Stephens, are willing to continue in office. A resolution for their reappointment and authorising the directors to fix their remuneration will be submitted to the forthcoming Annual General Meeting.

By Order of the Board

for EPS SECRETARIES LIMITED

Secretary

20<sup>th</sup> December 1994

**Milbourn Insurance Services Limited****Statement of Directors' Responsibilities  
For the year ended 30th June 1994**

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 year. In preparing those financial statements, the directors are required to:

- (i) select suitable accounting policies and then apply them consistently;
- (ii) make judgements and estimates that are reasonable and prudent;
- (iii) 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 records which disclose with reasonable accuracy at any time the financial position of the company and 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.

**Report of the Auditors to the Members of  
Milbourn Insurance Services Limited**

We have audited the financial statements on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

**Respective Responsibilities of Directors and Auditors**

As described on page 2 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 misstatements, 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.

We draw your attention to note 13 which states that the holding company will continue to provide financial support to the company. Our opinion is not qualified in this respect.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30th June 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

St. Paul's House,  
London, EC4P 4BN

22<sup>nd</sup> December 1994

*Moore Stephens*

MOORE STEPHENS

Registered Auditor  
Chartered Accountants

**Milbourn Insurance Services Limited****Profit and Loss Account  
For the year ended 30th June 1994**

	<u>Note</u>	<u>1994</u>	<u>1993</u>
<b>Turnover</b>		482,366	459,301
<b>Cost of sales</b>		(68,026)	(74,263)
		<hr/>	<hr/>
<b>Gross Profit</b>		414,340	385,038
<b>Net operating expenses</b>	2	(396,142)	(373,515)
		<hr/>	<hr/>
<b>Operating Profit</b>	3	18,198	11,523
<b>Interest receivable</b>		1,483	2,863
<b>Interest payable and similar charges</b>	4	(737)	(1,942)
		<hr/>	<hr/>
<b>Profit on Ordinary Activities before Taxation</b>		18,944	12,444
<b>Taxation on ordinary activities</b>		-	-
		<hr/>	<hr/>
<b>Profit for the Financial Year</b>		18,944	12,444
<b>Accumulated Loss brought forward</b>		(67,090)	(79,534)
		<hr/>	<hr/>
<b>Accumulated Loss carried forward</b>		£ (48,146)	£ (67,090)
		<hr/>	<hr/>

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

## Milbourn Insurance Services Limited

## Balance Sheet - 30th June 1994

	Note	1994	1993
<b>Fixed Assets</b>			
Tangible assets	6	41,613	19,131
Investments	7	-	-
		<u>41,613</u>	<u>19,131</u>
<b>Current Assets</b>			
Debtors	8	80,389	92,156
Cash at bank and in hand		81,589	89,962
		<u>161,978</u>	<u>182,118</u>
<b>Creditors, amounts falling due within one year</b>	9	(214,031)	(206,925)
		<u></u>	<u></u>
<b>Net Current Liabilities</b>		(52,053)	(24,807)
<b>Assets less Current Liabilities</b>		<u>(10,440)</u>	<u>(5,676)</u>
<b>Creditors, amounts falling due after more than one year</b>	10	(11,526)	(414)
<b>Provisions for liabilities and charges</b>	11	(25,180)	(60,000)
		<u></u>	<u></u>
<b>Net Liabilities</b>		£ (47,146)	£ (66,090)
		<u></u>	<u></u>
<b>Capital and Reserves</b>			
Called up share capital	12	1,000	1,000
Profit and loss account		(48,146)	(67,090)
		<u></u>	<u></u>
		£ (47,146)	£ (66,090)
		<u></u>	<u></u>

These financial statements were approved by the Board on

20/12/94

R.B.W. MILNE

B. PACKHAM


  
Directors



**Milbourne Insurance Services Limited****Cash flow statement for the year ended 30th June 1994**

	<u>Note</u>	<u>1994</u>	<u>1993</u>
Net cash inflow from operating activities	15	16,126	95,082
<b>Returns on Investment and Servicing of Finance</b>			
Interest received		1,483	2,863
Interest paid		(80)	-
Finance lease interest paid		(657)	(1,942)
Net cash outflow from returns on investment and servicing of finance		746	921
<b>Taxation</b>			
Repayment of corporation tax		-	15,965
Net tax received		-	15,965
<b>Investing Activities</b>			
Payments to acquire fixed assets		(36,080)	(5,470)
Payments to acquire shares		(2,000)	(1,000)
Net cash outflow from investing activities		(38,080)	(6,470)
Net cash (outflow)/inflow before financing		(21,208)	105,498
<b>Financing</b>			
Payments in respect of finance leases	18	12,835	(12,555)
Net cash inflow/(outflow) from financing		12,835	(12,555)
<b>(Decrease)/Increase in Cash and Cash Equivalents</b>	17	£ (8,373)	£ 92,943

**Milbourn Insurance Services Limited****Notes to the Financial Statements - 30th June 1994****1. Principal Accounting Policies****a) Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

**b) Turnover**

Turnover consists of insurance brokerage and commissions.

Insurance broking commissions are generally recognised at the time the client is debited with the premium.

**c) Insurance broking assets and liabilities**

i) The company acts as an agent in broking the insurable risks of its clients. Generally, it is not liable as a principal for either premiums due to underwriters or for claims or return premiums payable to clients.

ii) Since, in practice, premiums and claims monies are usually accounted for by insurance intermediaries the company has, notwithstanding its legal relationship with clients and underwriters, followed generally accepted accounting practice by showing cash, debtors and creditors relating to insurance broking business as assets and liabilities of the company itself.

**d) Hire purchase contracts**

The cost of assets held under hire purchase contracts is included in tangible fixed assets, and depreciation is provided so as to write off the cost over their expected useful lives at the rates detailed below. The interest cost is charged in accordance with the rule of 78 over the contract term, and the capital element of future contract payments is included in creditors.

**e) Depreciation of tangible assets**

Provision is made for depreciation on all tangible assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life, as follows:

Furniture and equipment	20% per annum on cost
Motor vehicles	20% per annum on cost

**f) Clawback of commission income**

A provision is made on all new business written for the potential clawback of commission income on life policies terminated early.

**g) Operating leases**

Rentals in respect of operating leases are charged to the profit and loss account as they fall due.

**h) Deferred taxation**

Provision is made by the liability method for all timing differences which are expected to be reversed in the foreseeable future.



**Milbourn Insurance Services Limited**

**Notes to the Financial Statements - 30th June 1994**

**(Continued)**

**2. Net Operating Expenses**

	<u>1994</u>	<u>1993</u>
Administrative expenses	396,157	374,027
Less: Other operating income	(15)	(512)
	<hr/>	<hr/>
	£ 396,142	£ 373,515
	<hr/>	<hr/>

**3. Operating Profit**

	<u>1994</u>	<u>1993</u>
Operating profit is stated after charging:	£	£
Directors' emoluments	95,003	86,651
Auditors' remuneration	5,000	5,000
Depreciation - owned assets	9,906	5,779
Depreciation - leased assets	3,602	5,270
Operating lease rentals	3,651	8,702
	<hr/>	<hr/>

**4. Interest Payable and Similar Charges**

	<u>1994</u>	<u>1993</u>
Bank interest	73	-
Finance lease	657	1,942
Interest on overdue tax	7	-
	<hr/>	<hr/>
	£ 737	£ 1,942
	<hr/>	<hr/>

**Milbourne Insurance Services Limited**

**Notes to the Financial Statements - 30th June 1994**

**(Continued)**

**5. Directors and Employees**

Directors' emoluments

	<u>1994</u>	<u>1993</u>
Staff costs include the following emoluments in respect of directors of the company:		

Other emoluments including pension contributions	£ 95,003	£ 86,651
--	----------	----------

The highest paid director excluding pension contributions	£ 58,513	£ 54,564
--	----------	----------

The number of other directors whose emoluments  
were within the ranges was:-

	<u>Number</u>	<u>Number</u>
£0 - £5,000	1	1
£30,001 - £35,000	-	1
£35,001 - £40,000	1	-

Staff costs during the year were as follows:

Wages and salaries	200,110	184,227
Social security costs	21,383	20,013
Other pension costs	588	659
Other benefits	14,549	11,619
	<u>£ 236,630</u>	<u>£ 216,518</u>

The average weekly number of persons employed  
by the company during the year was:

Category	<u>Number</u>	<u>Number</u>
Management	2	2
Administration	7	6
	<u>9</u>	<u>8</u>

## Milbourn Insurance Services Limited

## Notes to the Financial Statements - 30th June 1994

(Continued)

## 6. Tangible Fixed Assets

	<u>Furniture and Equipment</u>	<u>Motor Vehicles</u>	<u>Total</u>
Cost			
At 1st July 1993	33,027	26,349	59,376
Additions	7,477	28,603	36,080
	<hr/>	<hr/>	<hr/>
At 30th June 1994	£ 40,504	£ 54,952	£ 95,456
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1st July 1993	24,874	15,371	40,245
Charge for the year	4,637	8,961	13,598
	<hr/>	<hr/>	<hr/>
At 30th June 1994	£ 29,511	£ 24,332	£ 53,843
	<hr/>	<hr/>	<hr/>
Net Book Value			
At 30th June 1994	£ 10,993	£ 30,620	£ 41,613
	<hr/>	<hr/>	<hr/>
At 30th June 1993	£ 8,153	£ 10,978	£ 19,131
	<hr/>	<hr/>	<hr/>

The net book value of motor vehicles and equipment of the company includes £24,910 (1993 - £10,978) in respect of leased assets.

## 7. Fixed Asset Investment

	<u>Shares</u>
At 1st July 1993	-
Additions	2,000
Write offs	(2,000)
	<hr/>
At 30th June 1994	£ -
	<hr/>

The investment relates to the purchase of 100% of the ordinary share capital of Milbourn Credit Insurance Brokers Limited, a company registered in England, which did not trade during the year. The company is exempt from preparing group accounts since consolidated financial statements will be prepared by the ultimate holding company (see note 13).

**Milbourne Insurance Services Limited**

**Notes to the Financial Statements - 30th June 1994**

**(Continued)**

**8. Debtors**

	<u>1994</u>	<u>1993</u>
Insurance broking debtors	64,699	58,235
Commission receivable	9,155	28,420
Other debtors	402	54
Prepayments	4,779	4,447
Due from group companies	1,354	1,000
	<hr/>	<hr/>
	£ 80,389	£ 92,156
	<hr/>	<hr/>

**9. Creditors, amounts falling due within one year**

	<u>1994</u>	<u>1993</u>
Obligations under finance leases	7,933	6,210
Insurance broking creditors	142,268	129,395
Social security	6,911	6,764
Accruals	10,194	19,799
Other creditors	11,799	9,894
Due to group companies	34,926	34,863
	<hr/>	<hr/>
	£ 214,031	£ 206,925
	<hr/>	<hr/>

**10. Creditors, amounts falling due after more than one year**

	<u>1994</u>	<u>1993</u>
Obligations under finance leases due within two to five years	£ 11,526	£ 414
	<hr/>	<hr/>

**11. Provisions for Liabilities and Charges**

	<u>Provision for Clawback</u>
At 1st July 1993	60,000
Utilised during the year	(47,239)
Charged to profit and loss account	12,419
	<hr/>
At 30th June 1994	£ 25,180
	<hr/>

# Milbourne Insurance Services Limited

## Notes to the Financial Statements - 30th June 1994

(Continued)

### 11. Provision for Liabilities and Charges (continued)

#### Deferred taxation

As available losses for tax purposes exceed the tax effect of timing differences arising from the excess of the net book value of fixed assets over their tax written down values, no provision for deferred tax is considered necessary.

### 12. Called Up Share Capital

	Authorised		Allotted, called up and fully paid	
	<u>1994</u>	<u>1993</u>	<u>1994</u>	<u>1993</u>
Ordinary shares of £1 each	£ 100,000	£ 100,000	£ 1,000	£ 1,000

### 13. Ultimate Holding Company

In the opinion of the directors, the ultimate holding company is Milbourne Holdings Limited, a company incorporated in Great Britain, and registered in England whose financial statements can be obtained from 66-70 Coombe Road, New Malden, Surrey. Milbourne Holdings Limited will continue to provide financial support to Milbourne Insurance Services Limited to enable it to continue as a going concern.

### 14. Operating Leases

The annual cost of future commitments on operating leases expiring:

Other than land and buildings:	<u>1994</u>	<u>1993</u>
Within one year	£ -	£ 3,049
Two to five years	£ 9,193	£ 9,193

**Milbourn Insurance Services Limited**

**Notes to the Financial Statements - 30th June 1994**

**(Continued)**

**15. Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities**

	<u>1994</u>	<u>1993</u>
Operating profit	18,198	11,523
Depreciation	13,598	9,463
Clawback provision	(34,820)	(21,000)
Decrease in debtors	11,767	2,089
Increase in creditors	5,383	92,007
Write off of shares	2,000	1,000
Net cash inflow from operating activities	£ 16,126	£ 95,082

**16. Analysis of Changes in Cash and Cash Equivalents during the Year**

	<u>1994</u>	<u>1993</u>
Balance at 1st July 1993	89,962	(2,981)
Net cash (outflow)/inflow	(8,373)	92,943
Balance at 30th June 1994	£ 81,589	£ 89,962

**17. Analysis of Balances of Cash and Cash Equivalents**

	<u>1994</u>	<u>1993</u>	<u>Changes</u>
Cash at bank and in hand	81,589	89,962	(8,373)
	£ 81,589	£ 89,962	£ (8,373)

# Milbourne Insurance Services Limited

## Notes to the Financial Statements - 30th June 1994

(Continued)

### 18. Analysis of Changes in Financing during the Year

	Loans and Finance lease obligations	
	<u>1994</u>	<u>1993</u>
Balance at 1st July 1993	6,624	19,173
Cash inflow/(outflow) from financing	12,835	(12,555)
	<hr/>	<hr/>
Balance at 30th June 1994	£ 19,459	£ 6,624
	<hr/>	<hr/>

### 19. Movements in Shareholder's Funds

	<u>1994</u>	<u>1993</u>
Profit for the financial year	18,944	12,444
Shareholder's funds at 30th June 1993	(66,090)	(78,534)
	<hr/>	<hr/>
Shareholder's funds at 30th June 1994	£ (47,146)	£ (66,090)
	<hr/>	<hr/>

### 20. Post Balance Sheet Events

After the year end, Burdale Holdings Limited, a company associated with Mr. Dennis Levine subscribed for 1000 new cumulative convertible redeemable Preference Shares of £1 for £50 each. The first dividend is due on 30th November 1996. The preference shares can be converted into 50% of the issued share capital of MIS or redeemed for £50,000, at Burdale's option until 30th November 1997 and thereafter at the company's option.