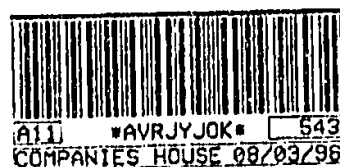


Company Number: 2061008

MILBOURNE INSURANCE SERVICES LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 1995



CLARKSON HYDE
Chartered Accountants
and Registered Auditors

MILBOURNE INSURANCE SERVICES LIMITED
Reports and financial statements

year ended 30 June 1995

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Directors

R B W Milne
D Packham
D M Levine

Secretary and registered office

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

Auditors

Clarkson Hyde
137-143 High Street
Sutton
Surrey
SM1 1JH

Bankers

Bank of Scotland plc
2 Robertson Avenue
Edinburgh
EH11 1PZ

M39695

The directors present their report and audited financial statements for the year ended 30 June 1995.

REVIEW OF THE BUSINESS AND PRINCIPAL ACTIVITY

The principal activity of the company during the year continued to be that of insurance broking and the provision of independent financial advice.

RESULTS AND DIVIDENDS

The profit for the financial year amounted to £10,064 (1994: £18,944) It is recommended that this amount is transferred to reserves. The directors do not recommend the payment of a dividend.

FUTURE DEVELOPMENTS

The directors intend to continue promoting and developing the company's insurance broking and IFA business.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the period under review were:-

R B W Milne
B Packham
D M Levine
N S Risner (resigned 23 November 1994)

None of the directors had any interest in the share capital of the company at any time during the year.

D M Levine has an interest in Burdale Holdings Limited which at 30 June 1995 held 1,000 £1 redeemable convertible preference shares.

R B W Milne and D M Levine are directors of the parent company, Milbourne Holdings Limited and details of their interests are shown in the report of the directors of that company for the year ended 30 June 1995.

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

DIRECTORS' RESPONSIBILITIES

Company law requires that we 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.

We are responsible for:

- (a) preparing these financial statements, and in our opinion, we have:
 - (i) selected suitable accounting policies and applied them consistently;
 - (ii) made judgements and estimates which we consider to be reasonable and prudent;
 - (iii) followed applicable accounting standards, subject to any material departures disclosed and explained in the financial statements;
 - (iv) used the going concern basis.

DIRECTORS' RESPONSIBILITIES (continued)

- (b) keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to ensure that the financial statements comply with the Companies Act 1985.
- (c) safeguarding the assets of the company and for taking reasonable steps for the prevention of fraud and other irregularities.

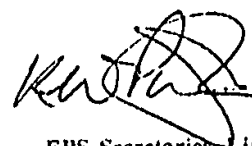
FIXED ASSETS

Changes to fixed assets can be found in note 6.

AUDITORS

On 4 August 1995 Clarkson Hyde were appointed as auditors and a resolution to re-appoint them will be presented to the members at the Annual General Meeting in accordance with Section 384(1) of the Companies Act 1985.

BY ORDER OF THE BOARD



EPS Secretaries Limited
Secretary
14 February 1996

MILBOURNE INSURANCE SERVICES LIMITED
Auditors' report

Page 3
year ended 30 June 1995

To the members of Milbourne Insurance Services Limited:

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and 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

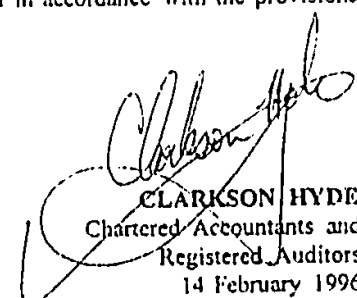
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 mis-statement, 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 30 June 1995 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 as amended.

137-143 High Street
Sutton
Surrey
SM1 1JH


CLARKSON HYDE
Chartered Accountants and
Registered Auditors
14 February 1996

MILBOURNE INSURANCE SERVICES LIMITED
Profit and loss account

Page 4
for the year ended 30 June 1995

	Note	1995	1994
TURNOVER		554,033	482,366
Commission payable		<u>(93,420)</u>	<u>(68,026)</u>
GROSS PROFIT		460,613	414,340
Net operating expenses	2	<u>(450,053)</u>	<u>(396,142)</u>
OPERATING PROFIT	3	10,560	18,198
Interest receivable		2,164	1,483
Interest payable and similar charges	4	<u>(2,660)</u>	<u>(737)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		10,064	18,944
Taxation on ordinary activities		<u>—</u>	<u>—</u>
PROFIT FOR THE FINANCIAL YEAR		10,064	18,944
ACCUMULATED LOSS BROUGHT FORWARD		(48,146)	(67,090)
ACCUMULATED LOSS CARRIED FORWARD		£(38,082)	£(48,146)

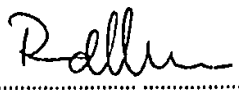
There were no recognised gains or losses other than those included in the profit and loss account.

MILBOURNE INSURANCE SERVICES LIMITED
Balance sheet

Page 5
as at 30 June 1995

	Note	1995	1994
FIXED ASSETS			
Tangible assets	6	50,696	41,613
CURRENT ASSETS			
Debtors	7	111,518	80,389
Cash at bank and in hand		<u>50,235</u>	<u>81,582</u>
		161,753	161,978
CREDITORS: Amounts falling due within one year	8	<u>(166,159)</u>	<u>(214,031)</u>
Net current liabilities		<u>(4,406)</u>	<u>(52,053)</u>
Total assets less current liabilities		46,290	(10,440)
CREDITORS: Amounts falling due after more than one year			
	9	13,340	11,526
Provision for liabilities and charges	10	<u>20,032</u>	<u>25,180</u>
		<u>(33,372)</u>	<u>(36,706)</u>
		<u>£12,918</u>	<u>£(47,146)</u>
CAPITAL AND RESERVES			
Called up share capital	11	2,000	1,000
Profit and loss account		(38,082)	(48,146)
Share premium	11	<u>49,000</u>	<u>—</u>
Shareholders' funds		<u>£12,918</u>	<u>£(47,146)</u>
Attributable to equity shareholders		(37,082)	(47,146)
Attributable to non-equity shareholders		<u>50,000</u>	<u>—</u>
		<u>£12,918</u>	<u>£(47,146)</u>

Approved by the Board on 14 February 1996


.....

R B W Milne

1. ACCOUNTING POLICIES

a) Basis of preparation

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

b) Turnover

Turnover consists of insurance brokerage and commissions. Insurance broking commissions are recognised at the time the client is debited with the premium.

c) Clawback of commission income

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

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 is charged in accordance with the rule of 78 over the contract term, and the capital element of future contracted payments is included in creditors.

e) Depreciation

Depreciation has been provided on all tangible fixed assets at rates calculated to write off the cost or valuation less estimated residual value of each asset over its estimated useful life employing the following rates and methods:

Category	Rate	Method
Furniture and equipment	20%	Straight line
Motor vehicles	20%	Straight line

f) Operating leases

Rentals payable under operating leases are charged to the profit and loss account as incurred.

g) Deferred taxation

Provision is calculated under the liability method for all material timing differences arising between profits as computed for taxation purposes and profits as stated in the financial statements. No provision is made when it is considered that no liability is likely to arise in the foreseeable future.

1. ACCOUNTING POLICIES (continued)

h) Cash flow statement

The company has taken advantage of the exemption under Financial Reporting Standard 1 not to produce a cash flow statement because it is a subsidiary of Millbourne Holdings Limited. The cash flow statement of the group can be found in the financial statements of the parent company.

i) Insurance broking assets and liabilities

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.

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.

	1995	1994
2. NET OPERATING EXPENSES		
Administrative expenses	450,053	396,157
Other operating income	—	(15)
	<u>£450,053</u>	<u>£396,142</u>
3. OPERATING PROFIT		
Operating profit is stated after charging/(crediting):		
Directors' emoluments (note 5)	114,438	95,003
Auditors' remuneration	5,000	5,000
Depreciation on owned tangible fixed assets	2,702	9,906
Depreciation on leased tangible fixed assets	10,907	3,692
Profit on disposal of fixed assets	(6,657)	-
Operating lease rentals - plant and machinery	<u>15,182</u>	<u>3,651</u>
4. INTEREST PAYABLE AND SIMILAR CHARGES		
Bank overdraft, repayable within five years not by instalments	76	73
Finance lease charges, repayable within five years by instalments	2,584	657
Interest on overdue tax	—	7
	<u>£2,660</u>	<u>£737</u>

	1995	1994
5. DIRECTORS AND EMPLOYEES		
Directors' emoluments		
Staff costs include the following emoluments in respect of directors of the company:		
Other emoluments including pension contributions	<u>£114,438</u>	<u>£95,001</u>
The highest paid director received, excluding pension contributions	<u>£ 60,435</u>	<u>£58,513</u>
The number of other directors whose emoluments were within the ranges was:		
£0 - £ 5,000	-	1
£10,001 - £15,000	1	-
£35,001 - £40,000	-	1
£40,001 - £45,000	1	2
Staff costs during the year were as follows:		
Wages and salaries	236,569	200,110
Social security costs	24,620	21,383
Other pension costs	-	588
Other benefits	<u>20,052</u>	<u>14,549</u>
	<u>£281,241</u>	<u>£236,630</u>
The average weekly number of persons employed by the company during the year was:		
Category		
Management	3	2
Administration	<u>9</u>	<u>7</u>
	12	9

6. TANGIBLE FIXED ASSETS

	Furniture and equipment	Motor vehicles (leased assets)	Total
COST			
At 1 July 1994	40,504	54,952	95,456
Additions	-	25,330	25,330
Disposals	-	(26,350)	(26,350)
At 30 June 1995	<u>40,504</u>	<u>53,932</u>	<u>94,436</u>
DEPRECIATION			
At 1 July 1994	29,511	24,332	53,843
Charge for the year	2,702	10,907	13,609
Eliminated on disposals	-	(23,712)	(23,712)
At 30 June 1995	<u>32,213</u>	<u>11,527</u>	<u>43,740</u>
NET BOOK VALUE			
At 30 June 1995	<u>£ 8,291</u>	<u>£42,405</u>	<u>£50,696</u>
At 30 June 1994	<u>£10,993</u>	<u>£30,620</u>	<u>£41,613</u>

7. DEBTORS

	1995	1994
Insurance broking debtors	15	64,699
Commission receivable	37,868	9,155
Other debtors	-	402
Prepayments	8,205	4,779
Due from parent company	<u>1,000</u>	<u>1,354</u>
	<u>£111,518</u>	<u>£80,389</u>

8.	CREDITORS: amounts falling due within one year	1995	1994
	Obligations under finance leases	13,684	7,933
	Insurance broking creditors	93,254	142,268
	Social security	9,302	6,911
	Accruals	10,459	10,194
	Commission payable	22,500	-
	Other creditors	16,960	11,799
	Due to fellow subsidiary	-	34,926
		<u>£166,159</u>	<u>£214,031</u>
9.	CREDITORS: amounts falling due after more than one year		
	Obligation under finance leases due within two to five years	<u>£13,340</u>	<u>11,526</u>
10.	PROVISION FOR LIABILITIES AND CHARGES		1995
a)	Provision for clawback of commission income:		
	At 1 July 1994		25,180
	Utilised during the year		(21,351)
	Charged to profit and loss account		<u>16,203</u>
	At 30 June 1995		<u>£20,032</u>
b)	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 (1994 : £Nil).		
11.	CALLED UP SHARE CAPITAL	1995	1994
	Authorised:		
	Ordinary shares of £1 each	100,000	100,000
	Preference shares of £1 each	<u>1,000</u>	-
		<u>£101,000</u>	<u>£100,000</u>
	Allotted, called up and fully paid:		
	Ordinary shares of £1 each	1,000	1,000
	Preference shares of £1 each	<u>1,000</u>	-
		<u>£2,000</u>	<u>£1,000</u>

11. CALLED UP SHARE CAPITAL (continued)

On 22 November 1994 the company issued 1,000 £1 redeemable convertible preference shares at a premium of £49 per share for the purpose of raising additional working capital the voting rights of which rank pari passu with those of the ordinary shares.

The holder of the preference shares is entitled to a fixed cumulative preferential dividend which is calculated by reference to the actual percentage base rate of Barclays Bank plc over the period for which it is payable. The first dividend is payable on 30 November 1996.

The preference shares are convertible into 'B' ordinary shares of £1 each at the option of the holder at any time up to 30 November 1997, and thereafter are redeemable at par plus a premium of £49 per share and any accrued dividends by written notice from the holder or the company or on a winding up.

Prior to any conversion to ordinary shares, the holder of the preference shares is not entitled to any further participation in the profits or assets of the company.

Upon conversion the ordinary shares will automatically be re-designated as 'A' ordinary shares.

Any redemption of the preference shares will be in four instalments each six months apart and commencing six months after notice is served.

12. ULTIMATE PARENT COMPANY

The ultimate parent company is Milbourne Holdings Limited, a company registered in England whose financial statements can be obtained from 66-70 Coombe Road, New Malden, Surrey KT3 4QW.

13. OPERATING LEASES OTHER THAN LAND AND BUILDINGS

The annual cost of future commitments on operating leases expiring within:

Two to five years	£16,272	£ 9,193
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14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Profit for the financial year	10,064	18,944
Preference share issue proceeds	50,000	-
Shareholders' funds at 30 June 1994	(47,146)	(66,090)
Shareholders' funds at 30 June 1995	£12,918	£(47,146)