

**Eastgate Treasury Services Limited**

**Financial Statements - 31 December 1998**

**The Company's registration number is 2738363**



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	<b>Page(s)</b>
<b>Report of the directors</b>	<b>2-3</b>
<b>Report of the auditors</b>	<b>4</b>
<b>Profit and loss account</b>	<b>5</b>
<b>Balance sheet</b>	<b>6</b>
<b>Notes to the financial statements</b>	<b>7-10</b>

**Directors**

K. E. Randall  
A. K. Quilter

**Secretary**

Eastgate Insurance Services Limited

**Registered Office**

Eastgate House  
40 Dukes Place  
London  
EC3A 7NH

**Bankers**

National Westminster Bank plc

**Auditors**

Smith & Williamson  
No.1 Riding House Street  
London  
W1A 3AS

**Registered Number**

2738363

## **Report of the directors**

### **For the year ended 31 December 1998**

The directors present their report together with the audited financial statements for the year ended 31 December 1998.

### **Principal Activities**

The Company's principal activities are the provision of treasury and cash management services.

The profit and loss account is set out on page 5.

### **Future Developments**

The directors expect the business to develop profitably during 1999.

### **Dividends**

The directors do not recommend the payment of a dividend for the year ended 31 December 1998 (1997: £Nil).

### **Year 2000 & Euro**

The directors have established a year 2000 project team whose key responsibility is to ensure that all systems are fully tested and ready for the year 2000 changeover. The target date set by the directors to achieve provable compliance on all main systems was 31 December 1998. This target has been achieved.

The directors remain confident that because of the investment made, the work already performed on year 2000 issues and the contingency plans that will be in place, the Company has done everything it can to eliminate the problems that may arise with the advent of the new millennium.

The EMU project team was set a target by the directors of ensuring that all main systems were capable of processing Euro transactions by 31 December 1998. This target has been achieved.

### **Directors**

The present directors are shown on page 1. S. R. D. Bailey resigned on 30 September 1998.

**Report of the directors  
For the year ended 31 December 1998 (Continued)**

**Directors' Interests**

The directors who held office on 31 December 1998 had no interest in the shares of the Company. The interests of the directors in the share capital of the other group companies are shown in the financial statements of those companies.

**Statement of Directors' Responsibilities**

Company law requires directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for that period.

The directors confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates have been used in the preparation of the financial statements. The directors also confirm that applicable accounting standards have been followed subject to any material departures disclosed and explained in the notes to the financial statements.

The directors have prepared the financial statements on the going concern basis and have kept proper accounting 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. The directors are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



Signed by P. J. Goddard as representative of  
Eastgate Insurance Services Limited  
Secretary

24 March 1999

## **Report of the auditors to the shareholders of Eastgate Treasury Services Limited**

We have audited the financial statements on pages 5 to 10 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 3, the Company's directors are responsible for the preparation of the 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 at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Smith & Williamson**  
Chartered Accountants  
Registered Auditors  
London

**25** March 1999

**Profit and loss account**  
**For the year ended 31 December 1998**

	Notes	1998 £	1997 £
Turnover		52,872	41,452
Net operating expenses	2	<u>(31,646)</u>	<u>(94,836)</u>
Operating profit/(loss)	3	21,226	(53,384)
Income from participating interests in associated undertakings		<u>22,585</u>	<u>8,484</u>
Profit/(loss) on ordinary activities		43,811	(44,900)
Interest receivable and similar income		<u>(8)</u>	<u>994</u>
Profit/(loss) on ordinary activities before taxation		43,803	(43,906)
Taxation on profit/(loss) on ordinary activities	5	<u>(10,755)</u>	<u>9,580</u>
Retained profit/(loss) for the financial year	10	<u><u>33,048</u></u>	<u><u>(34,326)</u></u>

The Company has no recognised gains and losses other than the profit above and therefore no separate statement of the total recognised gains and losses has been presented.

All trading resulted from continuing operations.

**Balance sheet**  
**As at 31 December 1998**

	Notes	1998 £	1997 £
<b>Fixed assets</b>			
Investments	6	4,000	4,000
		<u>4,000</u>	<u>4,000</u>
<b>Current assets</b>			
Debtors	7	41,632	7,780
Cash at bank and in hand		412	932
		<u>42,044</u>	<u>8,712</u>
<b>Creditors: amounts falling due within one year</b>	8	<u>(44,570)</u>	<u>(44,286)</u>
<b>Net current liabilities</b>		<u>(2,526)</u>	<u>(35,574)</u>
<b>Total net assets/(liabilities)</b>		<u>1,474</u>	<u>(31,574)</u>
<b>Capital and reserves</b>			
Called up share capital	9	100	100
Profit and loss account	10	<u>1,374</u>	<u>(31,674)</u>
<b>Shareholders' funds</b>	11	<u>1,474</u>	<u>(31,574)</u>

The financial statements on pages 5 to 10 were approved by the Board of Directors on 24 March 1999 and were signed on its behalf by:



A. K. Quilter  
 Director



**Notes to the financial statements**  
**For the year ended 31 December 1998**

**1. Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies which have been applied consistently is set out below.

**Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention and on the going concern basis.

**Taxation**

Corporation tax charged in the profit and loss account is based on the profits of the year determined in accordance with the relevant tax legislation together with adjustments for prior years. Provision is made for deferred taxation on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

**Investments**

Investments held as fixed assets are stated at cost less provisions for any diminution in value.

**2. Net operating expenses**

Expenditure incurred by the Company is paid for by Eastgate Group Limited and recharged by way of a management fee.

3. Operating profit/(loss)	1998	1997
	£	£
This is stated after charging:		
Auditors' remuneration	2,000	3,000

**4. Staff costs**

Eastgate Group Limited operates a discretionary bonus arrangement for all employees. Additionally, there is an executive incentive scheme in which 1 director participates.

**Notes to the financial statements**  
**For the year ended 31 December 1998 (Continued)**

<b>5. Taxation on profit/(loss) on ordinary activities</b>	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Corporation tax at 31% (1997: 31.5%)	10,755	-
Adjustments in respect of prior years	-	(9,580)
	<u>10,755</u>	<u>(9,580)</u>

**6. Investments**

The Company has an interest of greater than 20% in the partnership stated below:

<b>Name</b>	<b>Nature of Business</b>	<b>Country of Registration</b>	<b>Interest Held %</b>	<b>Cost of Investment</b>
City Capital Counselling UK	Investment management partnership registered with IMRO	England	40% of partnership	£4,000

<b>7. Debtors</b>	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Prepayments and accrued income	<u>41,632</u>	<u>7,780</u>
<b>8. Creditors: amounts falling due within one year</b>	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Amounts owed to group undertakings (see below)	30,045	42,954
Other creditors	3,300	1,332
Corporation tax	11,225	-
	<u>44,570</u>	<u>44,286</u>

The Eastgate Group operates a cash 'pooling' arrangement in the name of Eastgate Group Limited. Those companies with cash balances deposit monies with the pool and those companies with temporary cash shortages borrow from the pool. The pool balance is invested daily on the London money market and interest earned is credited to companies monthly in arrears. Movements between companies and the pool are reflected in inter-company balances.

**Notes to the financial statements**  
**For the year ended 31 December 1998 (Continued)**

<b>9. Called up share capital</b>	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Authorised		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted and fully paid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>10. Profit and loss account</b>	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
At 1 January 1998	(31,674)	2,652
Retained profit/(loss) for the financial year	<u>33,048</u>	<u>(34,326)</u>
At 31 December 1998	<u>1,374</u>	<u>(31,674)</u>
<b>11. Reconciliation of movement in shareholders' Funds</b>	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Opening shareholders' funds	(31,574)	2,752
Profit/(loss) for the financial year	<u>33,048</u>	<u>(34,326)</u>
Closing shareholders' funds	<u>1,474</u>	<u>(31,574)</u>
<b>12. Contingent liabilities</b>		

The Company is registered for VAT purposes in a group of undertakings which share a common registration number. As a result, it has jointly guaranteed the VAT liability of the group and failure by other members of the group could give rise to additional liabilities for the Company. The directors are of the opinion that no liability is likely to come from this arrangement.

Lombard North Central plc has a fixed and floating charge over the assets of the Company in the form of mortgage debentures as a security for lease finance given to Eastgate Group Limited. The Company has entered into a composite cross guarantee with other group companies which guarantees the obligations of Eastgate Group Limited and other group companies to Lombard North Central plc. Other group companies comprise Eastgate Reinsurance Management Services Limited, Eastgate Consultancy Limited, Independent Claims Services Limited, Randall Holdings Limited, Eastgate Syndicate Management Limited, Eastgate Insurance Services Limited, Eastgate Associates Limited, Randall (North America) Limited, Randall Financial Services Limited.

**Notes to the financial statements**  
**For the year ended 31 December 1998 (Continued)**

**13. Related party transactions**

Exemption has been taken of related party disclosures in respect of group transactions on the grounds that details of the subsidiaries are included in the consolidated financial statements of Eastgate Group Limited.

Income receivable included £57,685 (1997: £26,265) from City Capital Counselling UK in respect of investment management services and distributions. Expenses included £18,937 (1997: £30,000) from City Capital Counselling UK in respect of management fees. The Company has a 40% interest in the partnership of City Capital Counselling UK. The amount due from City Capital Counselling UK at 31 December 1998 was £29,071 (1997: £4,640). The amount owing to City Capital Counselling UK at 31 December 1998 was £827 (1997: £30,000).

**14. Ultimate holding company**

The parent undertaking is Eastgate Group Limited whose ultimate holding company is Randall & Quilter Investment Holdings Limited, a company registered in England and Wales.

The directors of Eastgate Group Limited have confirmed that whilst the Company is a member of the group, support will be given to the Company to enable it to continue as a going concern.