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**KESTREL FINANCIAL MANAGEMENT LIMITED**

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## **Directors' Report and Financial Statements**

**For the Year Ended 31 August 1995**



**Company No.: 2844161 (England and Wales)**

**KESTREL FINANCIAL MANAGEMENT LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 AUGUST 1995**

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**KESTREL FINANCIAL MANAGEMENT LIMITED**

**COMPANY INFORMATION**

**Directors:**

J Mash  
K McDonagh  
W Lovell (appointed 01/09/95)  
D Sowerbutts (appointed  
18/04/95) (resigned 21/07/95)

**Secretary:**

J Mash

**Registered Office:**

Kestrel House  
16/18 Worthing Road  
Horsham  
West Sussex, RH12 1SL

**Auditors:**

Loban Field & Co.  
Certified Accountants  
Registered Auditors  
7 Cheam Court  
Station Way  
Cheam  
Surrey, SM3 8SP

**Company No.:**

2844161

## **KESTREL FINANCIAL MANAGEMENT LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 1995**

The Directors present their report and the financial statements for the year ended 31 August 1995.

#### **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 year. 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;
- 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 ACTIVITIES AND REVIEW OF BUSINESS**

The principal activity of the Company throughout the year was that of providing financial services.

There were no significant changes in the principal activity during the year.

#### **ACCOUNTS AND DIVIDENDS**

The loss for the year was £1,550 and is dealt with as shown in the Profit and Loss Account on page 6.

#### **FIXED ASSETS**

The movements in fixed assets are set out in note 9. to the financial statements.

#### **INCOME AND CORPORATION TAXES ACT 1988**

The Directors consider that the Company is a close company within the provisions of the above Act, as amended.

# KESTREL FINANCIAL MANAGEMENT LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 1995/contd...

### DIRECTORS

The Directors who served during the year and their beneficial interests in the Company's issued ordinary share capital were:-

	Ordinary shares of £1 each	
	<u>1995</u>	<u>1994</u>
- J Mash	5,000	3,333
- K McDonagh	5,000	3,334
- D Sowerbutts (resigned 21/07/95)	-	-

### AUDITORS

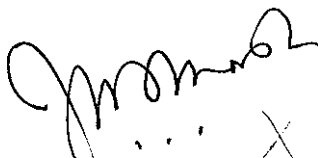
Messrs Loban Field & Co. will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

This report was approved by the Board on 9<sup>th</sup> Jan

1996



Signed on behalf of the Board of Directors

  
J MASH  
Secretary

**AUDITORS' REPORT TO**  
**THE SHAREHOLDERS OF KESTREL FINANCIAL MANAGEMENT LIMITED**

We have audited the financial statements on pages 6 to 14 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 9.

**Respective responsibilities of Directors and Auditors**

As described on page 3, 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 the Company's affairs as at the 31 August 1995 and of its results for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



**LOBAN FIELD & CO.**  
Certified Accountants  
Registered Auditors  
Cheam, Surrey

9<sup>th</sup> January 1996

**KESTREL FINANCIAL MANAGEMENT LIMITED**

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 AUGUST 1995**

	Note	<u>1995</u>	<u>1994</u>
		<u>£</u>	<u>£</u>
<b>TURNOVER</b>	2.	973,970	478,031
Cost of Sales		(726,980)	(336,365)
<b>GROSS PROFIT</b>		246,990	141,666
Administrative Expenses		(247,213)	(116,668)
<b>OPERATING (LOSS)/PROFIT</b>	3.	(223)	24,998
Interest Receivable		129	-
Interest payable and similar charges	6.	(2,540)	(374)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(2,634)	24,624
Tax on profit on ordinary activities	7.	1,084	(7,172)
<b><u>(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</u></b>		(1,550)	17,452
Dividends	8.	-	(2,000)
<b>RETAINED (LOSS)/PROFIT FOR THE YEAR</b>		(1,550)	15,452
Retained Profit brought forward		15,452	-
Retained Profit carried forward		£13,902	£15,452

There were no recognised gains and losses for 1994 or 1995 other than those included in the Profit and Loss Account.

The notes on pages 9 to 14 form an integral part of these financial statements.

**KESTREL FINANCIAL MANAGEMENT LIMITED**

**BALANCE SHEET**  
**FOR THE YEAR ENDED 31 AUGUST 1995**

		<u>1995</u>		<u>1994</u>	
	<u>Note</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
<b>FIXED ASSETS</b>					
Tangible Assets	9.		37,087		14,778
<b>CURRENT ASSETS</b>					
Debtors	10.	57,796		53,642	
Cash at Bank and in hand		56,594		24,862	
		114,390		78,504	
<b>CREDITORS:</b> Amounts falling due within one year	11.	51,290		49,519	
<b>NET CURRENT ASSETS/(LIABILITIES)</b>			63,100		28,985
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			100,187		43,763
<b>CREDITORS:</b> Amounts falling due after more than one year	12.		49,145		-
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	13.		27,140		18,311
<b>NET ASSETS</b>			£23,902		£25,452
<b>CAPITAL AND RESERVES</b>					
Called up Share Capital	14.		10,000		10,000
Profit and Loss Account			13,902		15,452
<b>SHAREHOLDERS' FUNDS</b>	15.		£23,902		£25,452

These financial statements were approved by the Board of Directors on *19th January 1996* and signed on its behalf.

  
**K McDONAGH**  
**Director**

The notes on pages 9 to 14 form an integral part of these financial statements.



**KESTREL FINANCIAL MANAGEMENT LIMITED**

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 AUGUST 1995**

	Note	<u>1995</u> <u>£000</u>	<u>1994</u> <u>£000</u>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	16.	71,270	28,673
<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>			
Interest received		129	-
Interest paid		(2,540)	(374)
Dividends paid		-	(2,000)
<b>TAXATION</b>			
Corporation Tax paid (including Advance Corporation Tax)		(6,590)	(581)
<b>INVESTING ACTIVITIES</b>			
Payments to acquire fixed assets		(36,780)	(10,856)
<b>NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING</b>		25,489	14,862
<b>FINANCING</b>			
Issue of ordinary share capital		-	10,000
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	17.	<u>£25,489</u>	<u>£24,862</u>

# **KESTREL FINANCIAL MANAGEMENT LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 AUGUST 1995**

#### **1. ACCOUNTING POLICIES**

##### **(a) Basis of preparation of financial statements**

The financial statements are prepared under the historical cost convention and include the results of the Company's operations which are described in the Directors' Report and all of which are continuing.

##### **(b) Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:-

- Office Equipment	-	25% straight line basis
- Software	-	25% straight line basis
- Motor Vehicles	-	25% straight line basis

##### **(c) Leasing and hire purchase**

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Company. Obligations under such agreements are included in creditors net of the finance charge allocated to future years. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each year.

##### **(d) Operating Leases**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to profit and loss account as incurred.

##### **(e) Deferred Taxation**

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation and accounts purposes, using the liability method only to the extent that, in the opinion of the Directors, there is a reasonable probability that a liability or asset will crystallise in the near future.

**KESTREL FINANCIAL MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 1995/contd...**

(f) **Recognition of income**

Commission income in respect of life policies and pension contracts is recognised when received, subject to a provision made in respect of commission repaid on indemnity terms.

2. **TURNOVER**

Turnover comprises the invoice value of services supplied by the Company. Turnover is attributable to one continuing activity, the provision of financial services.

3. **OPERATING (LOSS)/PROFIT**

The operating (loss)/profit is stated after charging:-

	<u>1995</u>	<u>1994</u>
	<u>£</u>	<u>£</u>
Depreciation of tangible fixed assets		
- owned by the Company	9,711	1,189
- held under finance lease	-	-
Operating lease rentals	2,171	4,117
Auditors' remuneration	3,300	1,600

4. **DIRECTORS' REMUNERATION**

	<u>1995</u>	<u>1994</u>
	<u>£</u>	<u>£</u>
- Emoluments for services as directors	69,950	30,500
- Other emoluments	-	-
	<u>£69,950</u>	<u>£30,500</u>

Included in the above are emoluments, excluding pension contributions, paid to:

- The Chairman	27,300	15,250
- Highest paid director	30,000	15,250

	<u>Number of directors</u>	
	<u>1995</u>	<u>1994</u>
Scale of directors' remuneration (excluding pension contributions)		
£0 - £5,000	-	-
£15,001 - £20,000	-	2
£25,001 - £30,000	2	-

# **KESTREL FINANCIAL MANAGEMENT LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 AUGUST 1995/contd..**

### **9. TANGIBLE FIXED ASSETS**

	<u>Software</u>	<u>Office</u>	<u>Motor</u>	<u>Total</u>
	<u>£</u>	<u>Equipment</u>	<u>Vehicles</u>	<u>£</u>
<u>Cost</u>		<u>£</u>	<u>£</u>	
At 1 September 1994	5,111	10,856	-	15,967
Additions	-	13,526	18,495	32,021
Disposals	-	-	-	-
At 31 August 1995	<u>£5,111</u>	<u>£24,382</u>	<u>£18,495</u>	<u>£47,988</u>
<u>Depreciation</u>				
At 1 September 1994	-	1,189	-	1,189
Disposals	-	-	-	-
Charge for Year	1,276	4,583	3,853	9,712
At 31 August 1995	<u>£1,276</u>	<u>£5,772</u>	<u>£3,853</u>	<u>£10,901</u>
<u>Net Book Values</u>				
At 31 August 1995	<u>£3,835</u>	<u>£18,610</u>	<u>£14,642</u>	<u>£37,087</u>
At 31 August 1994	<u>£5,111</u>	<u>£9,667</u>	<u>£ -</u>	<u>£14,778</u>

Included above are assets financed by bank loan as follows:

Motor vehicles - £12,995

### **10. DEBTORS**

	<u>1995</u>	<u>1994</u>
	<u>£</u>	<u>£</u>
Due within one year:		
- Prepayments and accrued income	35,926	43,642
- Other Debtors	21,870	10,000
	<u>£57,796</u>	<u>£53,642</u>

### **11. CREDITORS: amounts falling due within one year:**

	<u>1995</u>	<u>1994</u>
	<u>£</u>	<u>£</u>
- Bank loan	3,144	-
- Corporation Tax	-	7,172
- Other Creditors	16,378	7,152
- Accruals and deferred income	28,196	33,508
- Social Security and other taxes	3,572	1,687
	<u>£51,290</u>	<u>£49,519</u>

**KESTREL FINANCIAL MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 1995/contd...**

12. <b><u>CREDITORS:</u></b> amounts falling due after more than one year	<u>1995</u> <u>£</u>	<u>1994</u> <u>£</u>
- Bank loan	3,099	-
- Other creditors	46,046	-
	<hr/>	<hr/>
	£49,145	£ -
	<hr/>	<hr/>

13. **PROVISIONS FOR LIABILITIES AND CHARGES**

	<u>1995</u> <u>£</u>	<u>1994</u> <u>£</u>
- Indemnity Commission Provisions	£27,140	£18,311
	<hr/>	<hr/>

No deferred taxation provision has been made in respect of timing differences which relate to accelerated capital allowances. The profit and loss effect for the year is £260.

14. **CALLED UP SHARE CAPITAL**

	<u>1995</u> <u>£</u>	<u>1994</u> <u>£</u>
Authorised:		
- Ordinary shares of £1 each	£500,000	£500,000
	<hr/>	<hr/>
Allotted, Called up and Fully Paid:		
- Ordinary shares of £1 each	£10,000	£10,000
	<hr/>	<hr/>

15. **MOVEMENT ON SHAREHOLDERS' FUNDS**

	<u>1995</u> <u>£</u>	<u>1994</u> <u>£</u>
- (Loss)/Profit for the year	(1,550)	17,452
- Less: Dividends	-	(2,000)
- Ordinary share capital issued	-	10,000
	<hr/>	<hr/>
- Opening shareholders' funds	(1,550) 25,452	25,452 -
	<hr/>	<hr/>
- Closing shareholders' funds	£23,902	£25,452
	<hr/>	<hr/>

**KESTREL FINANCIAL MANAGEMENT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 1995/contd...**

**5. STAFF NUMBERS AND COSTS**

	<u>1995</u>	<u>1994</u>
(a) The average number of persons employed by the Company including Directors during the year was as follows:-		
- Office and Administration	5	4

**(b) STAFF COSTS**

	<u>1995</u>	<u>1994</u>
	<u>£</u>	<u>£</u>
Staff costs, including directors' remuneration, were as follows:		
- Wages and Salaries	85,262	42,166
- Social Security Costs	9,009	4,043
- Other Pension Costs	12,650	-
	<u>£106,921</u>	<u>£46,209</u>

**6. INTEREST PAYABLE**

	<u>1995</u>	<u>1994</u>
	<u>£</u>	<u>£</u>
Interest on borrowings repayable within 5 years	2,540	374
	<u>£2,540</u>	<u>£374</u>

**7. TAXATION**

	<u>1995</u>	<u>1994</u>
	<u>£</u>	<u>£</u>
UK current year taxation		
- UK Corporation Tax @ 25%	(1,084)	7,172
- Transfer to (from) deferred taxation	-	-
Prior years	(1,084)	7,172
- UK Corporation Tax @ 25%	-	-
	<u>£(1,084)</u>	<u>£7,172</u>

**8. DIVIDENDS**

	<u>1995</u>	<u>1994</u>
	<u>£</u>	<u>£</u>
No dividend was paid during the year (1994 - interim dividend of 200p per share)	-	2,000

**KESTREL FINANCIAL MANAGEMENT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 1995/contd...**

**16. RECONCILIATION OF OPERATING PROFIT TO CASH INFLOW FROM OPERATING ACTIVITIES**

	<u>1995</u> <u>£000</u>	<u>1994</u> <u>£000</u>
- Operating profit/(loss)	(223)	24,998
- Depreciation charges	9,711	1,189
- Increase in Debtors	(3,651)	(53,061)
- Increase in Creditors	56,604	37,236
- Provisions for liabilities and charges	8,829	18,311
Net cash inflow from continuing operating activities	<u>£71,270</u>	<u>£28,673</u>

**17. CASH AND CASH EQUIVALENTS**

	<u>1995</u> <u>£000</u>	<u>1994</u> <u>£000</u>
- Balance at 1 September	24,862	-
- Net cash inflow/(outflow) for year	25,489	24,862
Balance at 31 August	<u>£50,351</u>	<u>£24,862</u>

**18. CAPITAL COMMITMENTS**

	<u>1995</u> <u>£</u>	<u>1994</u> <u>£</u>
At 31 August 1995 the Company had:		
- Contracted but not provided in these accounts	-	-
- Authorised by the directors but not contracted for	29,700	5,500

**19. LEASING COMMITMENTS**

At 31 August 1995 the Company had annual commitments under non-cancellable operating leases as follows:-

	<u>Land and Buildings</u>		<u>Equipment</u>	
Expiry date:	<u>1995</u> <u>£</u>	<u>1994</u> <u>£</u>	<u>1995</u> <u>£</u>	<u>1994</u> <u>£</u>
Within one year	-	-	-	1,790
In more than 5 years	17,036	17,036	-	-

**20. INDEMNITY COMMISSION INCOME**

The financial statements include £89,198 of commission income repaid to suppliers during the year in respect of lapsed policies written on indemnity terms.

In addition, a provision of £58,186 has been made in respect of future potential liabilities.