

HASTINGS INSURANCE SERVICES LIMITED

REPORT AND ACCOUNTS 1996

COMPANY REGISTRATION NUMBER 3116518



HASTINGS INSURANCE SERVICES LIMITED

CONTENTS

	Page
Contents	2
Directors and Management	3
Report of the Directors	4-5
Statement of Directors' Responsibilities	6
Report of the Auditors	7
Profit and Loss Account	8
Balance Sheet	9
Notes on the Accounts	10-17

HASTINGS INSURANCE SERVICES LIMITED

DIRECTORS

G L Felton (Chairman)
J P Kendall - Managing Director
D Gundlach - Deputy Managing Director
T Sugisawa
Y Yamazaki - T Morota (Alternate)
D J Titterington
R G McKibbin

SECRETARY

R G McKibbin ACII

AUDITORS

Ernst & Young

REGISTERED OFFICE

Norwich Winterthur House, Rose Lane, Norwich NR1 1JY

CALL CENTRE

Conquest House, Collington Avenue, Bexhill-on-Sea, East Sussex TN34 3NQ

HASTINGS INSURANCE SERVICES LIMITED

REPORT OF THE DIRECTORS

The Directors submit their Report and Accounts of the Company for the period from the date of incorporation on 20 October 1995 to 31 December 1996.

ACTIVITY

The Company's principal activity is that of providing insurance services.

The name of the Company was changed from Precis (1405) Limited to Hastings Insurance Services Limited on 12 March 1996.

During the period to 31 December 1996 the Company was engaged in pre-trading activity. The Company commenced its trade of providing insurance services with effect from 20 January 1997.

INCREASE IN SHARE CAPITAL

The authorised share capital of the Company was increased from £100 to £5,000 on 8 March 1996.

DIRECTORS

The names of the Directors at the date of this Report appear on page 3.

On 8 March 1996 Mr L Neal and Mr J Dillon, along with Office Organization and Services Limited resigned from the Board.

Mr J P Kendall and Mr G D Gundlach were appointed to the Board on 2 December 1996. Mr Y Yamazaki and his Alternate Mr T Morota were appointed to the Board on 29 January 1997. All the other Directors listed on page 3 were appointed on 8 March 1996.

According to the register kept for the purposes of the Companies Act 1985, no Director has any beneficial interest in the shares of the Company.

RESULTS AND DIVIDENDS

After allowing for taxation there was a loss for the period of £822,129. The Directors do not recommend the payment of a dividend.

FIXED ASSETS

Movements in tangible fixed assets are shown in Note 11 on page 14.

HASTINGS INSURANCE SERVICES LIMITED

PAYMENT POLICY

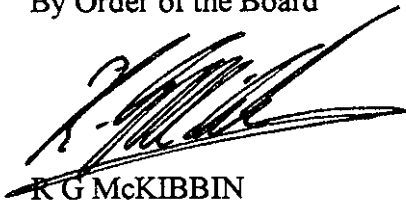
It is the Company's policy in respect of its suppliers:

- (a) to settle terms of payment with those suppliers when agreeing the terms of each transaction;
- (b) to ensure that those suppliers are made aware of the terms of payment;
- (c) to abide by the terms of payment.

AUDITORS

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution will be submitted at the Annual General Meeting proposing their re-appointment and authorising the Directors to fix their remuneration.

By Order of the Board



R G McKIBBIN
Secretary
15 April 1997

HASTINGS INSURANCE SERVICES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the Directors to prepare accounts 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 accounts the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare accounts 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 accounts 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.

HASTINGS INSURANCE SERVICES LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF HASTINGS INSURANCE SERVICES LIMITED

We have audited the accounts on pages 8 to 17, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 10.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 6 the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

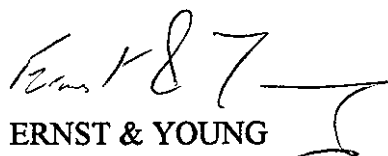
BASIS OF OPINION

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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, 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 information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 31 December 1996 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



ERNST & YOUNG
Registered Auditor
Chartered Accountants
Norwich

15 April 1997

HASTINGS INSURANCE SERVICES LIMITED

PROFIT AND LOSS ACCOUNT for the period ended 31 December 1996

	Notes	1996	£
Administrative expenses		<u>(1,219,048)</u>	
OPERATING LOSS		<u>(1,219,048)</u>	
Interest payable and similar charges	7	<u>(37,609)</u>	
(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(1,256,657)</u>	
Taxation	9	<u>434,528</u>	
(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		<u><u>(822,129)</u></u>	
STATEMENT OF RETAINED LOSSES			
Balance brought forward			-
Balance for the year	10	<u>(822,129)</u>	
RETAINED LOSSES CARRIED FORWARD		<u><u>(822,129)</u></u>	

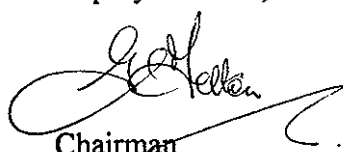
There are no gains or losses other than the loss for the year.

The notes on pages 10 to 17 form an integral part of these accounts.

HASTINGS INSURANCE SERVICES LIMITED

BALANCE SHEET **as at 31 December 1996**

	Notes	1996	
		£	£
FIXED ASSETS			
Tangible assets	11		1,211,981
CURRENT ASSETS			
Deferred tax	9	434,528	
Prepayments and accrued income		<u>7,201</u>	441,729
CREDITORS: Amounts falling due within one year			
Creditors		402,556	
Taxation and social security		29,794	
Accruals and deferred income		250,364	
Bank overdraft		7,388	
Amount owed to holding company		<u>1,780,737</u>	<u>2,470,839</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(817,129)</u>
NET LIABILITIES			<u><u>(817,129)</u></u>
CAPITAL AND RESERVES			
Share capital	12		5,000
Profit and loss account			<u>(822,129)</u>
SHAREHOLDERS' FUNDS (including non-equity interests)			<u><u>(817,129)</u></u>



Chairman

15 April 1997



Director

The notes on pages 10 to 17 form an integral part of these accounts.

HASTINGS INSURANCE SERVICES LIMITED

NOTES ON THE ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES

(a) ACCOUNTING CONVENTION

The accounts have been prepared under the historical cost convention, and have been prepared in accordance with applicable accounting standards.

(b) GOING CONCERN

The accounts have been prepared on a going concern basis as the Company's intermediate holding company has confirmed that financial support will be made available to enable the Company to meet its day to day trading obligations as they fall due.

(c) FIXED ASSETS

Fixed assets are depreciated on a straight line basis over an appropriate period and are stated in the balance sheet at cost, less amounts written off.

All fixed assets are depreciated over 4 years.

(d) DEFERRED TAX

Deferred taxation is provided for using the liability method to the extent that it is likely to crystallise in the foreseeable future.

(e) LEASING COMMITMENTS

Assets held under finance leases are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term except where the Directors consider another basis more appropriate.

HASTINGS INSURANCE SERVICES LIMITED

(f) PENSIONS

Some employees participate in a defined contribution scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

2. COMPARATIVES

There are no comparative figures as this is the first period for which accounts have been prepared.

3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The loss on ordinary activities before taxation is stated after charging:

	1996
	£
Audit fee	1,100
Fees for non-audit services	2,200
Depreciation	22,944
Operating lease rentals - land and buildings	31,250

4. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1996
	£
Balance for the year	(817,129)
Opening shareholders' funds	Nil
Closing shareholders' funds	<u>(817,129)</u>
Shareholders' funds	
Equity interest	(818,379)
Non-equity interest	<u>1,250</u>
	<u>(817,129)</u>

HASTINGS INSURANCE SERVICES LIMITED

5. DIRECTORS' EMOLUMENTS

(a) The emoluments of the Directors for the year were as follows:

	1996
	£
Emoluments	23,463
Pension contributions	Nil
(b) The emoluments of the Chairman excluding pension contributions were:	6,667
(c) The emoluments of the highest paid director excluding pension contributions were:	11,379
(d) The emoluments of all Directors were as follows:	
Nil to £5,000	6
£5,001 to £10,000	2
£10,001 to £15,000	1

6. STAFF COSTS

	1996
	£
Salaries	238,999
Social security costs	23,541
Pension costs	2,934
	<u>265,474</u>

The average number of employees, including Directors, was 16.

This comprises:

Sales	4
Claims	1
Administration	11
	<u>16</u>

HASTINGS INSURANCE SERVICES LIMITED

7. INTEREST PAYABLE

Interest payable comprises:

	1996 £
Interest on loan from holding company repayable on demand	31,633
Finance charges payable under finance leases	<u>5,976</u>
	37,609

8. TAXATION

There is no potential liability for corporation tax.

9. DEFERRED TAXATION

Deferred tax comprises:

	1996 £
Short term timing differences	(1,518)
Deferred taxation asset	<u>436,046</u>
	434,528

The deferred taxation asset relates to expenses incurred which are anticipated to be utilised within the Group as future trading losses after commencement of trade on 20 January 1997.

HASTINGS INSURANCE SERVICES LIMITED

10. MOVEMENTS ON RESERVES

	Share Capital	Profit and Loss Account	Total Shareholders' Funds
	£	£	£
Loss for year		(822,129)	(822,129)
Proceeds from issue of shares	<u>5,000</u>		<u>5,000</u>
At 31 December 1996	5,000	(822,129)	(817,129)

11. FIXED ASSETS

	Fixtures and Fittings	Computer Equipment	Motor Vehicles	Leasehold Improvements	Total
	£	£	£	£	£
Cost:					
Additions	<u>136,905</u>	<u>684,261</u>	<u>4,800</u>	<u>408,959</u>	<u>1,234,925</u>
Depreciation:					
Charges for the year	<u>5,704</u>	<u>-</u>	<u>200</u>	<u>17,040</u>	<u>22,944</u>
Net book value					
At 31 December 1996	<u>131,201</u>	<u>684,261</u>	<u>4,600</u>	<u>391,919</u>	<u>1,211,981</u>

The company did not derive economic benefits from the use of the computer equipment in the period and so there is no charge for depreciation.

The net book value of computer equipment above includes an amount of £474,115 in respect of assets held under finance leases.

HASTINGS INSURANCE SERVICES LIMITED

12. SHARE CAPITAL

	£
Authorised	<u>5,000</u>
Allotted, called up and fully paid	
A Ordinary shares of £1 each	3,750
B Ordinary shares of £1 each	625
C Ordinary shares of £1 each	<u>625</u>
	5,000

The holders of A Ordinary shares are entitled to participate in the distributable profits of the Company and are thus entitled to any dividends declared. The holders of B and C Ordinary shares have no entitlement to participate in any distributable profits. A, B, and C shares carry equal voting rights and equal entitlement on a winding up.

All the shares were allotted during the period. Consideration was at par.

HASTINGS INSURANCE SERVICES LIMITED

13. FINANCIAL COMMITMENTS

The Company has entered into an operating lease with the holding company in respect of property.

The annual commitments under this lease which expires in five years or more, follow a pattern which reflects the benefit derived by the Company in respect of the use of the property. The total payable during the following year is £65,000.

The maturity of finance leases entered into by the Company as at 31 December 1996 is as follows:

	1996
Amounts payable within one year	120,366
In two to five years	328,274
	<hr/> 448,640
Less finance charges allocated to future periods	46,084
	<hr/> 402,556

Finance leases are analysed as follows:

Current obligations	120,366
Non-current obligations	282,190
	<hr/> 402,556

Analysis of changes in finance leases during the period:

Inception of finance lease contracts	426,340
Capital element of finance lease payments	(23,784)
	<hr/> 402,556

Finance leases entered into after the balance sheet date in respect of computer equipment amount to £647,539.

HASTINGS INSURANCE SERVICES LIMITED

14. RELATED PARTY TRANSACTIONS

For the purpose of these accounts the holding company, the Chiyoda Fire and Marine Insurance Company (Europe) Limited and the minority shareholder, Logan Consultants Limited have been treated as related parties.

Consultancy fees amounting to £186,888 were paid to Logan Consultants Limited during the period.

During the period the Company entered into a lease with its holding company in respect of property. The amount charged in the profit and loss account in respect of this operating lease for the period was £31,250. Annual commitments under this lease are disclosed in note 13.

Amount repayable on demand to intermediate holding company at 31 December 1996 £1,780,737.

15. FIXED AND FLOATING CHARGE

A fixed and floating charge over all assets of the Company for securing all monies due or to become due to the intermediate holding company was granted by the Company in the period.

16. SUBSIDIARY UNDERTAKINGS

1st Advantage Services Limited and Hastings Direct Limited are both wholly owned subsidiary undertakings of Hastings Insurance Services Limited incorporated in the United Kingdom. Both these companies are dormant companies.

17. HOLDING COMPANY

The intermediate holding company is The Chiyoda Fire and Marine Insurance Company (Europe) Limited, which is incorporated in England and Wales. It has included the Company in its group accounts, copies of which are available from its registered office Norwich Winterthur House, Rose Lane, Norwich NR1 1JY. The ultimate holding company is The Chiyoda Fire & Marine Insurance Company Limited, which is incorporated in Japan.

18. CASH FLOW STATEMENT

The Company has taken advantage of exemption from FRS1 which requires the preparation of a cash flow statement as it is a wholly owned subsidiary undertaking and the consolidated accounts of the Group are publicly available.