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**REPORT OF THE DIRECTORS AND**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2004**  
**FOR**  
**ELLIS BATES & COMPANY LIMITED**



**ELLIS BATES & COMPANY LIMITED**

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FOR THE YEAR ENDED 31 JULY 2004**

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**ELLIS BATES & COMPANY LIMITED**

**COMPANY INFORMATION  
FOR THE YEAR ENDED 31 JULY 2004**

**DIRECTORS:**

P Bates  
P G Ellis  
R J Blackburn  
D Hughes  
M A Shaw

**SECRETARY:**

D Hughes

**REGISTERED OFFICE:**

20/24 Bower Road  
Harrogate  
North Yorkshire  
HG1 5BW

**REGISTERED NUMBER:**

3316860 (England and Wales)

**AUDITORS:**

Robson Laidler LLP  
Registered Auditors  
Fernwood House  
Fernwood Road  
Jesmond  
Newcastle Upon Tyne  
NE2 1TJ

**BANKERS:**

Royal Bank of Scotland  
7 Cambridge Crescent  
Harrogate  
HG1 1PH

## **ELLIS BATES & COMPANY LIMITED**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 JULY 2004**

The directors present their report with the financial statements of the company for the year ended 31 July 2004.

#### **PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of acting as a general insurance intermediary through the activities of its employees and of satellite operatives.

#### **REVIEW OF BUSINESS**

The results for the year and financial position of the company are as shown in the annexed financial statements.

#### **DIVIDENDS**

No interim dividend was paid during the year. The directors recommend a final dividend of £17,500 per share.

The total distribution of dividends for the year ended 31 July 2004 will be £70,000.

#### **DIRECTORS**

The directors during the year under review were:

P Bates  
P G Ellis  
R J Blackburn  
D Hughes  
M A Shaw

The directors holding office at 31 July 2004 did not hold any beneficial interest in the issued share capital of the company at 1 August 2003 or 31 July 2004.

#### **BENEFICIAL INTERESTS IN PARENT COMPANY**

In the parent company, P Bates held 40% of the Ordinary A shares and 1.49% of the Ordinary B shares throughout the year. The other directors have no beneficial holdings.

None of the directors have any shareholdings in other group companies.

#### **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 period. 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

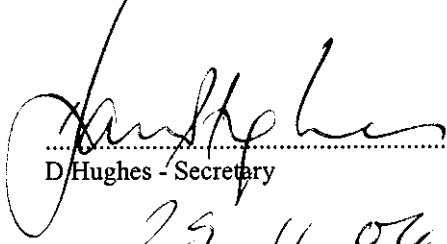
**ELLIS BATES & COMPANY LIMITED**

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 JULY 2004**

**AUDITORS**

The auditors, Robson Laidler LLP, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

**ON BEHALF OF THE BOARD:**

  
.....  
D Hughes - Secretary  
Date: 29 11 04

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF  
ELLIS BATES & COMPANY LIMITED**

We have audited the financial statements of Ellis Bates & Company Limited for the year ended 31 July 2004 on pages five to thirteen. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As described on page two the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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 31 July 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Robson Laidler LLP  
Registered Auditors  
Fernwood House  
Fernwood Road  
Jesmond  
Newcastle Upon Tyne  
NE2 1TJ

Date: 29 November 2004

**ELLIS BATES & COMPANY LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 JULY 2004**

	Notes	2004 £	2003 £
<b>TURNOVER</b>	2	836,985	721,916
Administrative expenses		<u>753,159</u>	<u>650,591</u>
<b>OPERATING PROFIT</b>	4	83,826	71,325
Interest receivable and similar income		<u>6</u>	<u>-</u>
		83,832	71,325
Interest payable and similar charges	5	<u>1,624</u>	<u>-</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		82,208	71,325
Tax on profit on ordinary activities	6	<u>15,976</u>	<u>15,114</u>
<b>PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION</b>		66,232	56,211
Dividends	7	<u>70,000</u>	<u>45,000</u>
<b>(DEFICIT)/RETAINED PROFIT FOR THE YEAR</b>		<u>(3,768)</u>	<u>11,211</u>

**CONTINUING OPERATIONS**

None of the company's activities were acquired or discontinued during the current and previous years.

**TOTAL RECOGNISED GAINS AND LOSSES**

The company has no recognised gains or losses other than the profits for the current and previous years.

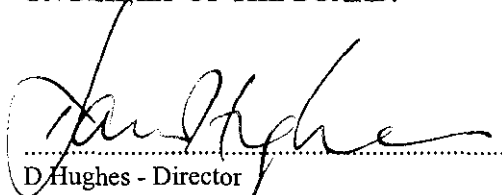
**ELLIS BATES & COMPANY LIMITED**

**BALANCE SHEET**

**31 JULY 2004**

	Notes	2004 £	2003 £
<b>FIXED ASSETS</b>			
Tangible assets	8	38,844	10,471
<b>CURRENT ASSETS</b>			
Debtors	9	768,861	679,478
Cash at bank and in hand		<u>35,384</u>	<u>29,417</u>
		804,245	708,895
<b>CREDITORS</b>			
Amounts falling due within one year	10	<u>803,079</u>	<u>693,469</u>
<b>NET CURRENT ASSETS</b>		<u>1,166</u>	<u>15,426</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		40,010	25,897
<b>CREDITORS</b>			
Amounts falling due after more than one year		(14,342)	-
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	14	<u>(3,539)</u>	<u>-</u>
		<u>22,129</u>	<u>25,897</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	4	4
Profit and loss account	16	<u>22,125</u>	<u>25,893</u>
<b>SHAREHOLDERS' FUNDS</b>	20	<u>22,129</u>	<u>25,897</u>

**ON BEHALF OF THE BOARD:**

  
D Hughes - Director

Approved by the Board on 29.11.04



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2004**

**1. ACCOUNTING POLICIES**

**Accounting convention**

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

**Turnover**

Turnover represents net invoiced sales of services, excluding value added tax.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Fixtures and fittings	- 25% on reducing balance
Motor vehicles	- 25% on reducing balance
Computer equipment	- 33% on reducing balance

**Hire purchase and leasing commitments**

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

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

**Pensions**

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

**Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. *No discounting has been applied to the deferred tax liabilities.*

**Cash flow statement**

The company has taken advantage of the exemption under Financial Reporting Standard Number 1 from producing a cash flow statement on the grounds that it is a wholly-owned subsidiary of a company whose consolidated financial statements are publicly available.

**2. TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the company.

**3. STAFF COSTS**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Wages and salaries	<b>423,531</b>	381,750
Social security costs	<b>38,086</b>	30,202
Other pension costs	<b>10,444</b>	4,589
	<b><u>472,061</u></b>	<b><u>416,541</u></b>

**ELLIS BATES & COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 JULY 2004**

**3. STAFF COSTS - continued**

The average monthly number of employees during the year was as follows:

	2004	2003
Administrative staff	23	26
Directors	<u>5</u>	<u>5</u>
	<u>28</u>	<u>31</u>

**4. OPERATING PROFIT**

The operating profit is stated after charging:

	2004	2003
	£	£
Other operating leases	7,884	7,103
Depreciation - owned assets	3,797	5,859
Depreciation - assets on hire purchase contracts	8,187	-
Loss on disposal of fixed assets	92	-
Auditor's remuneration	4,700	4,700
Rent of land and buildings	21,600	21,600
Insurance excesses on claims	<u>-</u>	<u>3,000</u>
Directors' emoluments	96,180	107,940
Directors' pension contributions to money purchase schemes	<u>3,700</u>	<u>2,042</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>2</u>	<u>2</u>
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**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	2004	2003
	£	£
Hire purchase interest	<u>1,624</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 JULY 2004**

**6. TAXATION**

**Analysis of the tax charge**

The tax charge on the profit on ordinary activities for the year was as follows:

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Current tax:		
UK corporation tax	-	7,841
Adjustments in respect of previous years	1	-
Charge for group loss relief claimed	<u>12,436</u>	<u>7,387</u>
Total current tax	<b>12,437</b>	<b>15,228</b>
Deferred tax	<u>3,539</u>	<u>(114)</u>
Tax on profit on ordinary activities	<u><b>15,976</b></u>	<u><b>15,114</b></u>

**Factors affecting the tax charge**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Profit on ordinary activities before tax	<u><b>82,208</b></u>	<u><b>71,325</b></u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2003 - 19%)	<b>15,620</b>	<b>13,552</b>
Effects of:		
Excess of depreciation over capital allowances	-	199
Excess of capital allowances over depreciation	(3,625)	-
Expenses not allowable for tax	441	1,066
Utilisation of losses surrendered by other group companies	(12,436)	(6,976)
Payment for group loss relief utilised	12,436	7,387
Adjustments in respect of previous years	<u>1</u>	<u>-</u>
Current tax charge	<u><b>12,437</b></u>	<u><b>15,228</b></u>

**7. DIVIDENDS**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Equity shares:		
Final	<u><b>70,000</b></u>	<u><b>45,000</b></u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 JULY 2004**

**8. TANGIBLE FIXED ASSETS**

	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
<b>COST</b>				
At 1 August 2003	34,381	-	7,893	42,274
Additions	1,785	12,730	25,934	40,449
Disposals	(776)	-	-	(776)
At 31 July 2004	<u>35,390</u>	<u>12,730</u>	<u>33,827</u>	<u>81,947</u>
<b>DEPRECIATION</b>				
At 1 August 2003	29,162	-	2,641	31,803
Charge for year	1,478	2,168	8,338	11,984
Eliminated on disposal	(684)	-	-	(684)
At 31 July 2004	<u>29,956</u>	<u>2,168</u>	<u>10,979</u>	<u>43,103</u>
<b>NET BOOK VALUE</b>				
At 31 July 2004	<u>5,434</u>	<u>10,562</u>	<u>22,848</u>	<u>38,844</u>
At 31 July 2003	<u>5,219</u>	<u>-</u>	<u>5,252</u>	<u>10,471</u>

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Motor vehicles £	Computer equipment £	Totals £
<b>COST</b>			
Additions	<u>12,730</u>	<u>21,886</u>	<u>34,616</u>
At 31 July 2004	<u>12,730</u>	<u>21,886</u>	<u>34,616</u>
<b>DEPRECIATION</b>			
Charge for year	<u>2,168</u>	<u>6,019</u>	<u>8,187</u>
At 31 July 2004	<u>2,168</u>	<u>6,019</u>	<u>8,187</u>
<b>NET BOOK VALUE</b>			
At 31 July 2004	<u>10,562</u>	<u>15,867</u>	<u>26,429</u>

**9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2004 £	2003 £
Trade debtors	683,527	635,202
Amounts owed by parent undertaking	58,956	23,090
Prepayments and accrued income	<u>26,378</u>	<u>21,186</u>
	<u>768,861</u>	<u>679,478</u>

**ELLIS BATES & COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 JULY 2004**

**10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2004	2003
	£	£
Hire purchase contracts (see note 12)	9,431	-
Trade creditors	623,274	599,789
Corporation tax	-	7,841
Social security and other taxes	10,551	9,705
Amounts owed to group undertakings	85,475	47,408
Accrued expenses	74,348	28,726
	<u>803,079</u>	<u>693,469</u>

**11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2004	2003
	£	£
Hire purchase contracts (see note 12)	<u>14,342</u>	<u>-</u>

**12. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES**

	Hire purchase contracts	
	2004	2003
	£	£
Gross obligations repayable:		
Within one year	11,466	-
Between one and five years	<u>16,939</u>	<u>-</u>
	<u>28,405</u>	<u>-</u>
Finance charges repayable:		
Within one year	2,035	-
Between one and five years	<u>2,597</u>	<u>-</u>
	<u>4,632</u>	<u>-</u>
Net obligations repayable:		
Within one year	9,431	-
Between one and five years	<u>14,342</u>	<u>-</u>
	<u>23,773</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 JULY 2004**

**12. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES - continued**

The following payments are committed to be paid within one year:

	Operating leases			
	Land and buildings		Other	
	2004	2003	2004	2003
	£	£	£	£
Expiring:				
Within one year	21,600	21,600	2,361	-
Between one and five years	-	-	3,162	4,722
In more than five years	-	-	-	2,966
	<u>21,600</u>	<u>21,600</u>	<u>5,523</u>	<u>7,688</u>

**13. SECURED DEBTS**

The following secured debts are included within creditors:

	2004	2003
	£	£
Hire purchase contracts	<u>23,773</u>	<u>-</u>

**14. PROVISION FOR LIABILITIES AND CHARGES**

	2004	2003
	£	£
Deferred tax		
Accelerated capital allowances	<u>3,539</u>	<u>-</u>

	Deferred tax
	£
Charge for year	<u>3,539</u>
Balance at 31 July 2004	<u>3,539</u>

**15. CALLED UP SHARE CAPITAL**

Authorised:				
Number:	Class:	Nominal value:	2004	2003
			£	£
2,000	Ordinary	£1	<u>2,000</u>	<u>2,000</u>
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2004	2003
			£	£
4	Ordinary	£1	<u>4</u>	<u>4</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 JULY 2004**

**16. RESERVES**

	Profit and loss account £
At 1 August 2003	25,893
Deficit for the year	<u>(3,768)</u>
At 31 July 2004	<u>22,125</u>

**17. ULTIMATE PARENT COMPANY**

The company is a 100% subsidiary of Ellis Bates Holdings Limited, a company incorporated in England and Wales. The company's registered office is Westmorland House, 60 East Parade, Harrogate, North Yorkshire HG1 5LT. Copies of the group accounts can be obtained from this address.

**18. TRANSACTIONS WITH DIRECTORS**

During the year the company paid rent of £21,600 in respect of the lease of a property which is owned by P Bates and P G Ellis who are directors of the company.

**19. RELATED PARTY DISCLOSURES**

The company has taken advantage of the exemption under Financial Reporting Standard Number 8 from disclosing intra-group transactions as it is a wholly-owned subsidiary of a company whose consolidated financial statements are publicly available.

Broker Network Limited

The Broker Network Limited has shareholders in common with this company. The amount due to The Broker Network Limited at the year end amounted to £46 (2003 : £410) and is included within trade creditors.

An amount of £601,163 (2003 : £579,664) was owed to Broker Network Limited at the year end on behalf of customers of the company. A corresponding amount is owed to Ellis Bates & Company Limited by such customers.

**20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2004 £	2003 £
Profit for the financial year	66,232	56,211
Dividends	<u>(70,000)</u>	<u>(45,000)</u>
Net (reduction)/addition to shareholders' funds	(3,768)	11,211
Opening shareholders' funds	<u>25,897</u>	<u>14,686</u>
Closing shareholders' funds	<u>22,129</u>	<u>25,897</u>
Equity interests	<u>22,129</u>	<u>25,897</u>

**21. GUARANTEES**

With regard to the company's banking facilities with The Royal Bank of Scotland plc, there is a composite guarantee with the bank including the company, Ellis Bates Holdings Limited and Ellis Bates & Company (Financial Services) Limited.