

**COUNTRY MUTUAL INSURANCE BROKERS LIMITED**

**ANNUAL REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2001**

**Registered Number : 3643783**



COUNTRY MUTUAL INSURANCE BROKERS LIMITEDANNUAL REPORTFOR THE YEAR ENDED 31 DECEMBER 2001

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# COUNTRY MUTUAL INSURANCE BROKERS LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2001

The directors present their report and audited financial statements for the company for the year ended 31 December 2001.

## PRINCIPAL ACTIVITY

The principal activity of the company is that of insurance broking.

## REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The profit and loss account for the year is set out on page 5. The year ended 31 December 2001 was a year of strategic development. Country Mutual Insurance Brokers acquired the share capital of six broker companies, details of which can be found in note 10 of the accounts.

The directors are confident that their plans for operational reviews in 2002 will produce improved results in next year's accounts.

## DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend the payment of a dividend.

The loss for the financial period of £659,418 (2000: £1,430,461 loss) will be transferred to reserves.

## DIRECTORS

The directors during the year were as follows:

I. S. Geden, FCII  
 R.P. Wilson, BA Hons (Retired 5 March 2001)  
 N. Carter, FCA (Retired 5 March 2001)  
 S.P. Gibson, FCII  
 A.J. White  
 N. McKenzie, FCII (Appointed 5 March 2001)  
 K. Arif, FIA (Appointed 5 March 2001)

None of the directors had any beneficial interests in shares of either the company or any other company in the group.

## AUDITORS

In accordance with Section 386 of the Companies Act, the company has elected to dispense with the requirement to re-elect the auditors annually.

COUNTRY MUTUAL INSURANCE BROKERS LIMITEDSTATEMENT 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 confirm that

- ♦ suitable accounting policies have been applied consistently;
- ♦ reasonable and prudent judgements have been made;
- ♦ applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- ♦ the financial statements have been prepared on the going concern basis.

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.

By order of the Board

Director

 2002  
25<sup>th</sup> October

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
COUNTRY MUTUAL INSURANCE BROKERS LIMITED

We have audited the financial statements on pages 5 to 14.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 3.

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

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 directors' report 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 is not disclosed.

Basis of audit 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 at 31 December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers*

PricewaterhouseCoopers  
 Chartered Accountants and Registered Auditors  
 Bristol

25 October 2002

COUNTRY MUTUAL INSURANCE BROKERS LIMITEDPROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31 DECEMBER 2001

		<u>Acquisitions</u>	<u>Continuing</u>	<u>2001</u>	<u>2000</u>
		£	operations	Total	Total
	<u>Notes</u>		£	£	£
TURNOVER	1(a)	702,717	3,842,456	4,545,173	3,334,865
Administrative expenses		(503,854)	(5,628,940)	(6,132,794)	(5,209,217)
OPERATING (LOSS)	4	<u>198,863</u>	<u>(1,786,484)</u>	(1,587,621)	(1,874,352)
Interest receivable and similar income	5			739,514	389,021
				(848,107)	(1,485,331)
(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION					
Tax on loss on ordinary activities	6			92,199	54,870
RETAINED (LOSS) FOR THE FINANCIAL YEAR	14			<u>(755,908)</u>	<u>(1,430,461)</u>

The company has no recognised gains or losses other than those included in the profits above and, therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and retained loss for the period stated above, and their historical cost equivalent.

COUNTRY MUTUAL INSURANCE BROKERS LIMITEDBALANCE SHEETAS AT 31 DECEMBER 2001

	<u>Notes</u>	<u>2001</u> £	<u>2000</u> £
<u>FIXED ASSETS</u>			
Intangible Assets	8	3,336,950	3,768,904
Tangible Assets	9	170,975	265,064
Investments	10	7,589,283	615,481
		<hr/>	<hr/>
		11,097,208	4,649,449
		<hr/>	<hr/>
<u>CURRENT ASSETS</u>			
Debtors	11	4,723,941	4,088,867
Cash at bank		17,130,363	20,048,736
		<hr/>	<hr/>
		21,854,304	24,137,603
<u>CREDITORS</u>			
Amounts falling due within one year	12	(15,479,097)	(10,558,729)
		<hr/>	<hr/>
NET CURRENT ASSETS		6,375,207	13,578,874
		<hr/>	<hr/>
NET ASSETS		<u>17,472,415</u>	<u>18,228,323</u>
<u>CAPITAL AND RESERVES</u>			
Called up share capital	13	20,000,000	20,000,000
Profit and loss account	14	(2,527,585)	(1,771,677)
		<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS	15	<u>17,472,415</u>	<u>18,228,323</u>

These financial statements on pages 5 to 14 were approved by the board of directors on 25<sup>th</sup> October 2002 and were signed on its behalf by:

DIRECTOR 

# COUNTRY MUTUAL INSURANCE BROKERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2001

#### 1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, the accounting policies set out below and in accordance with applicable Accounting Standards. During the year the company has adopted Financial Reporting Standard 18 "Accounting Policies" and Financial Reporting Standard 17 "Retirement Benefits". Financial Reporting Standard 18 had no effect on the financial statements and the disclosure of the cost of the defined contribution scheme under Financial Reporting Standard 17 can be seen in note 3.

##### a) Turnover

Turnover is attributable to the principal activity of the company, and primarily comprises commission income which is recognised on commencement of insurance cover. Commission refunds as a result of a policy being cancelled are not material and therefore no provision has been made.

##### b) Goodwill

Goodwill is capitalised in the balance sheet at cost and amortised through the profit and loss account over its useful economic life on a straight-line basis. The useful economic life of the goodwill has been assessed as 5 years, which is the time over which the directors consider that the company will derive economic benefit from the acquisitions.

##### c) Investments

Investments in subsidiary undertakings are included in the company balance sheet at cost unless their value has been impaired, in which case they are valued at their realisable value.

##### d) Tangible Fixed Assets

The cost of tangible fixed assets is their purchases cost, together with any incidental expenses of acquisition.

Depreciation is provided to write off the cost of capitalised assets, less the estimated residual value, over their useful economic lives, as follows:-

Motor vehicles	3-4 years
Fixtures, fittings and equipment	4-10 years

##### e) Pensions

The company operates a defined contribution pension scheme. The pension cost charged to the profit and loss represents contributions payable by the company to the scheme.

#### 2. CASH FLOW STATEMENT AND RELATED PARTY DISCLOSURES

The company is a wholly owned subsidiary of The National Farmers Union Mutual Insurance Society Limited and is included in the consolidated financial statements of The National Farmers Union Mutual Insurance Society Limited which are publicly available. Consequently, the company is exempt under the terms of Financial Reporting Standard (FRS) 1 (Revised 1996) from publishing a cash flow statement.

The company is also exempt under the terms of Financial Reporting Standard (FRS) 8 from disclosing related party transactions with entities that are part of The National Farmers Union Mutual Insurance Society group.

COUNTRY MUTUAL INSURANCE BROKERS LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31 DECEMBER 20013. DIRECTORS' EMOLUMENTS AND EMPLOYEE INFORMATION20012000

£

£

The directors received no emoluments for the period ended 31 December 2001.

The average number of employees for the period ended 31 December 2001 was

151143

Representing:

Sales

141

134

Admin

109

Staff costs were:

Wages and salaries

2,549,849

2,150,885

Social security costs

234,217

187,371

Pension costs - defined contribution scheme

127,036

37,430

2,911,1022,375,6864. OPERATING LOSS20012000

£

£

The operating loss is stated after charging:

Auditors remuneration

10,800

22,000

Depreciation

115,909

65,131

Amortisation of goodwill

1,101,749

894,427

Professional fees

116,836460,6835. INTEREST RECEIVABLE AND SIMILAR INCOME20012000

£

£

Bank interest

739,514389,021

COUNTRY MUTUAL INSURANCE BROKERS LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31 DECEMBER 20016. TAX ON (LOSS) ON ORDINARY ACTIVITIES

	<u>2001</u>	<u>2000</u>
	£	£
Taxation on (loss) for the year:		
United Kingdom corporation tax at 30% (2000: 30%)	97,490	-
Group relief in respect of prior years	(189,689)	(54,870)
	<hr/>	<hr/>
	<u>(92,199)</u>	<u>(54,870)</u>

7. PENSIONS

Following acquisition of a business, the company continues to contribute to the legacy employee money purchase schemes as well as operating its own money purchase pension scheme which all employees have the option to join. The defined contributions are detailed in Note 3.

8. INTANGIBLE ASSETS

£

## COST:

As at 1 January 2001	4,838,951
Additions on acquisition (see note 16)	542,704
Adjustments to contingent consideration	127,091
	<hr/>
As at 31 December 2001	<u>5,508,746</u>

## AMORTISATION:

As at 1 January 2001	1,070,047
Charge for the period	1,101,749
	<hr/>
As at 31 December 2001	<u>2,171,796</u>

NET BOOK VALUE:

As at 31 December 2001	<u>3,336,950</u>
As at 31 December 2000	<u>3,768,904</u>

COUNTRY MUTUAL INSURANCE BROKERS LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31 DECEMBER 20019. TANGIBLE FIXED ASSETS

	<u>Motor Vehicles</u>	<u>Fixtures &amp; Fittings</u>	<u>Total</u>
	£	£	£
<b>COST:</b>			
As at 1 January 2001	66,771	287,328	354,099
Additions	1,445	28,862	30,307
Disposals	(11,689)	-	(11,689)
	<hr/>	<hr/>	<hr/>
As at 31 December 2001	<u>56,527</u>	<u>316,190</u>	<u>372,717</u>
<b>DEPRECIATION:</b>			
As at 1 January 2001	17,321	71,714	89,035
Charge for the period	15,412	100,497	115,909
Disposals	(3,202)	-	(3,202)
	<hr/>	<hr/>	<hr/>
As at 31 December 2001	<u>29,531</u>	<u>172,211</u>	<u>201,742</u>
<b>NET BOOK VALUE:</b>			
As at 31 December 2001	<u>26,996</u>	<u>143,979</u>	<u>170,975</u>
As at 31 December 2000	<u>49,450</u>	<u>215,614</u>	<u>265,064</u>

COUNTRY MUTUAL INSURANCE BROKERS LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31 DECEMBER 200110. INVESTMENTS

	<u>2001</u>	<u>2000</u>
	£	£
Interests in group undertakings:		
At 1 January 2001	608,481	409,347
Additions	7,578,783	199,134
Adjustments to estimates of contingent consideration	(11,237)	-
Transferred assets (note 16)	(597,244)	-
	<hr/>	<hr/>
At 31 December	<u><u>7,578,783</u></u>	<u><u>608,481</u></u>
Other investments:		
At 1 January 2001	7,000	-
Additions transferred assets (see note 16)	3,500	7,000
	<hr/>	<hr/>
At 31 December	<u><u>10,500</u></u>	<u><u>7,000</u></u>

Other investments represent shares in unlisted companies which are valued at cost. During the year the trade and assets of Bird Warwick Brown Limited and North Norfolk Insurance Agency Limited was hived up into Country Mutual Insurance Brokers Limited.

The company owns the whole of the issued share capital of the undertakings listed below:

<u>Name of undertaking</u>	<u>Principal activity</u>	<u>Purchased during the year</u>
Lloyd Edwards Limited	Insurance broking	16 March 2001
Barnett Rawlinson Bentley Limited	Insurance broking	20 March 2001
Grays Court Underwriting Agencies Limited	Holding company	11 April 2001
Findlay Littler Limited*	Insurance broking	11 April 2001
Spencer Meakin & Newbroad Limited*	Insurance broking	11 April 2001
Spectrum Commercial Lines*	Insurance broking	11 April 2001
Dixon Chalmers Limited	Insurance broking	13 July 2001
Dixon Chalmers (Midlands) Limited	Holding company	13 July 2001
Tredray Insurance Brokers Limited	Insurance broking	12 December 2001

\* These companies are 100% subsidiaries of Grays Court Underwriting Agencies Ltd.

The company owns the whole of the issued share capital of the following dormant companies:

Bird Warwick Brown Limited  
North Norfolk Insurance Agencies Limited

The company is exempt under Section 229 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, The National Farmers Union Mutual Insurance Society Limited, a company incorporated in England and Wales.

COUNTRY MUTUAL INSURANCE BROKERS LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31 DECEMBER 2001

11. <u>DEBTORS : AMOUNTS FALLING DUE WITHIN ONE YEAR</u>	<u>2001</u>	<u>2000</u>
	£	£
Trade debtors	2,542,618	1,830,225
Amounts owed by group undertakings	2,174,571	2,011,438
Corporation tax recoverable	-	54,870
Other debtors	6,752	192,334
	<u>4,723,941</u>	<u>4,088,867</u>
12. <u>CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR</u>	<u>2001</u>	<u>2000</u>
	£	£
Trade creditors	3,637,392	2,951,917
Amounts owed to group undertakings	7,998,360	6,482,206
Other creditors	3,735,055	1,044,850
Accruals and deferred income	10,800	79,756
Corporation tax payable	97,490	-
	<u>15,479,097</u>	<u>10,558,729</u>
13. <u>SHARE CAPITAL</u>	<u>2001</u>	<u>2000</u>
	£	£
<u>Authorised:</u>		
Ordinary shares of £1 each	<u>50,000,000</u>	<u>50,000,000</u>
<u>Allotted, called up and fully paid:</u>		
Ordinary shares of £1 each	<u>20,000,000</u>	<u>20,000,000</u>
14. <u>RESERVES</u>	<u>Profit &amp; Loss</u>	<u>Profit &amp; Loss</u>
	<u>Account</u>	<u>Account</u>
	<u>2001</u>	<u>2000</u>
	£	£
At 1 January 2001	(1,771,677)	(341,216)
Loss for the financial period	(755,908)	(1,430,461)
	<u>(2,527,585)</u>	<u>(1,771,677)</u>
At 31 December		

COUNTRY MUTUAL INSURANCE BROKERS LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31 DECEMBER 2001

	<u>2001</u> £	<u>2000</u> £
15. <u>RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS</u>		
Loss for the financial period	(755,908)	(1,430,461)
New share capital issued	-	10,000,000
	<hr/>	<hr/>
Net (decrease)/increase in shareholders' funds	(755,908)	8,569,539
Equity shareholders' funds at 1 January 2001	18,228,323	9,658,784
	<hr/>	<hr/>
Equity shareholders' funds at 31 December	<u>17,472,415</u>	<u>18,228,323</u>

16. TRANSFER OF NET ASSETS

On 1 January 2002 the trade and assets of Bird Warwick Brown Limited and North Norfolk Insurance Agency Limited were transferred into Country Mutual Insurance Brokers Limited. Goodwill has been recognised on the transfer of the net assets of the following investments as detailed below.

	<u>Book Value</u>	
	<u>BWB</u>	<u>NNIA</u>
	<u>01/01/01</u>	<u>01/01/01</u>
Tangible fixed assets	30,307	-
Investments	3,500	-
Debtors	124,851	-
Cash	461,076	80,353
Creditors	(612,014)	(33,533)
	<hr/>	<hr/>
	7,720	46,820
Consideration	401,131	196,113
	<hr/>	<hr/>
Goodwill (see note 10)	<u>393,411</u>	<u>149,293</u>

COUNTRY MUTUAL INSURANCE BROKERS LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31 DECEMBER 200117. CONTINGENT CONSIDERATION

The cost of the investments acquired during the year listed in note 10 includes estimated consideration of £3,482,706. However, this Contingent Consideration is based upon the turnover of the acquired companies during the earnout period defined in each purchase agreement, which may be between 1 and 3 years. Consequently, the amount finally paid could be higher or lower than the estimate dependant on the performance of the acquired companies in the future.

18. ULTIMATE PARENT UNDERTAKING

The company is a wholly owned subsidiary of The NFU Mutual Management Company Limited, which is incorporated in England and Wales.

The company's ultimate parent undertaking and controlling party is The National Farmers Union Mutual Insurance Society Limited, which is incorporated in England and Wales. Copies of the consolidated financial statements of the ultimate controlling party can be obtained from the Secretary at the following address:

Tiddington Road,  
Stratford-upon-Avon.  
CV37 7BJ