

FAIRFIELD INSURANCE SERVICES LIMITED
FINANCIAL STATEMENTS
FOR
31ST JANUARY 2001

Company Registration Number 3861384



ROBSON TAYLOR
Chartered Accountants & Registered Auditors
1 Abacus House
Newlands Road
Corsham
Wiltshire

FAIRFIELD INSURANCE SERVICES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

R A Askin
M R Aldous
P P Nash

Company secretary

M R Aldous

Registered office

14 St James Parade
Bath
BA1 1UL

Auditors

Robson Taylor
Chartered Accountants
& Registered Auditors
1 Abacus House
Newlands Road
Corsham
Wiltshire

Bankers

National Westminster Bank Plc
39 Milsom Street
Bath

FAIRFIELD INSURANCE SERVICES LIMITED

THE DIRECTORS' REPORT

PERIOD FROM 19TH OCTOBER 1999 TO 31ST JANUARY 2001

The directors have pleasure in presenting their report and the financial statements of the company for the period from 19th October 1999 to 31st January 2001.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company was incorporated on the 19th October 1999 and on 17th December 1999 the company purchased, as a going concern, the assets and liabilities of Fairfield Insurance, a partnership. The consideration for this acquisition was £800,000.

The principal activity of the company during the period was that of insurance consultancy.

Both the level of business and the period end financial position were satisfactory, and the directors expect that the level of activity will be sustained for the foreseeable future.

RESULTS AND DIVIDENDS

The trading results for the period, and the company's financial position at the end of the period are shown in the attached financial statements.

The directors have recommended the following dividends:

	£
Dividends paid on ordinary shares	<u>9,000</u>

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the period together with their beneficial interests in the shares of the company were as follows:

		At 31 January 2001	At 19 October 1999 or later date of appointment
R A Askin	Ordinary shares	1,000	-
	Preference shares	87,112	-
M R Aldous	Ordinary shares	1,000	-
	Preference shares	-	-
P P Nash	Ordinary shares	1,000	-
	Preference shares	<u>-</u>	<u>-</u>

R A Askin was appointed as a director on 19th October 1999.

M R Aldous was appointed as a director on 19th October 1999.

P P Nash was appointed as a director on 19th October 1999.

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 at the end of the period and of the profit or loss for the period then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on pages 9 to 10, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

FAIRFIELD INSURANCE SERVICES LIMITED

THE DIRECTORS' REPORT *(continued)*

PERIOD FROM 19TH OCTOBER 1999 TO 31ST JANUARY 2001

DIRECTORS' RESPONSIBILITIES *(continued)*

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. The directors 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.

DONATIONS

During the period the company made the following contributions:

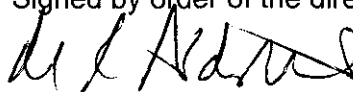
	£
Charitable	500
Other	<u>500</u>

AUDITORS

A resolution to re-appoint Robson Taylor as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
14 St James Parade
Bath
BA1 1UL

Signed by order of the directors



M R ALDOUS
Company Secretary

Approved by the directors on 11/05/01

FAIRFIELD INSURANCE SERVICES LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

PERIOD FROM 19TH OCTOBER 1999 TO 31ST JANUARY 2001

We have audited the financial statements on pages 5 to 15 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 to 10.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described on pages 2 to 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 the company's affairs as at 31st January 2001 and of the profit of the company for the period then ended, and have been properly prepared in accordance with the Companies Act 1985.

1 Abacus House
Newlands Road
Corsham
Wiltshire

15th May 2001

Robson Taylor
Chartered Accountants
& Registered Auditors

FAIRFIELD INSURANCE SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

PERIOD FROM 19TH OCTOBER 1999 TO 31ST JANUARY 2001

		Period from 19 Oct 99 to 31 Jan 01 £
TURNOVER	2	1,061,081
Other operating income		<u>1,125</u>
		1,062,206
OPERATING COSTS:		
Staff costs	3	(327,414)
Depreciation written off fixed assets		(58,279)
Exceptional items		(53,008)
Other operating charges		<u>(343,854)</u>
OPERATING PROFIT	4	279,651
Interest receivable		23,279
Interest payable	6	<u>(104,492)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		198,438
Tax on profit on ordinary activities	7	<u>(54,302)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		144,136
Dividends	8	<u>(9,000)</u>
RETAINED PROFIT FOR THE FINANCIAL PERIOD		<u>135,136</u>

The company has no recognised gains or losses other than the results for the period as set out above.

All of the activities of the company are classed as continuing.

The notes on pages 9 to 15 form part of these financial statements.

FAIRFIELD INSURANCE SERVICES LIMITED

BALANCE SHEET

31ST JANUARY 2001

	Note	£
FIXED ASSETS		
Intangible assets	9	755,001
Tangible assets	10	<u>29,377</u>
		784,378
CURRENT ASSETS		
Debtors	11	410,666
Cash at bank and in hand	12	<u>512,085</u>
		922,751
CREDITORS: Amounts falling due within one year	13	<u>(847,870)</u>
NET CURRENT ASSETS		<u>74,881</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		859,259
CREDITORS: Amounts falling due after more than one year	14	<u>(634,011)</u>
		<u>225,248</u>
CAPITAL AND RESERVES		
Called-up share capital	18	90,112
Profit and Loss Account		<u>135,136</u>
SHAREHOLDERS' FUNDS (including non-equity interests)	19	<u>225,248</u>

These financial statements were approved by the directors on the 11 May 2001, and are signed on their behalf by:


R A ASKIN


M R ALDOUS


P P NASH

The notes on pages 9 to 15 form part of these financial statements.

FAIRFIELD INSURANCE SERVICES LIMITED

CASH FLOW STATEMENT

PERIOD FROM 19TH OCTOBER 1999 TO 31ST JANUARY 2001

	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	627,361
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	
Interest received	23,279
Interest paid	(101,269)
Interest element of hire purchase	(3,223)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(81,213)
CAPITAL EXPENDITURE	
Payments to acquire intangible fixed assets	(800,000)
Payments to acquire tangible fixed assets	(72,068)
Receipts from sale of fixed assets	30,536
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE	(841,532)
EQUITY DIVIDENDS PAID	(9,000)
CASH OUTFLOW BEFORE FINANCING	(304,384)
FINANCING	
Issue of equity share capital	3,000
Issue of non-equity share capital	87,112
Repayment of bank loans	166,326
Capital element of hire purchase	10,031
Net inflow from other long-term creditors	550,000
NET CASH INFLOW FROM FINANCING	816,469
INCREASE IN CASH	512,085
RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES	
	Period from 19 Oct 99 to 31 Jan 01
	£
Operating profit	279,651
Amortisation	44,999
Depreciation	13,280
Profit on disposal of fixed assets	(1,125)
Increase in debtors	(410,666)
Increase in creditors	701,222
Net cash inflow from operating activities	627,361

The notes on pages 9 to 15 form part of these financial statements.

FAIRFIELD INSURANCE SERVICES LIMITED

CASH FLOW STATEMENT *(continued)*

PERIOD FROM 19TH OCTOBER 1999 TO 31ST JANUARY 2001

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	£	£
Increase in cash in the period	512,085	
Net cash inflow from bank loans	(166,326)	
Net cash inflow in respect of hire purchase	(10,031)	
Net cash inflow from other long-term creditors	<u>(550,000)</u>	
		(214,272)
Change in net debt		<u>(214,272)</u>
Net debt at 31st January 2001		<u><u>(214,272)</u></u>

ANALYSIS OF CHANGES IN NET DEBT

	At 19 Oct 1999 £	Cash flows £	At 31 Jan 2001 £
Net cash:			
Cash in hand and at bank	<u>-</u>	<u>512,085</u>	<u>512,085</u>
Debt:			
Debt due within 1 year	-	(86,779)	(86,779)
Debt due after 1 year	-	(629,547)	(629,547)
Hire purchase agreements	-	<u>(10,031)</u>	<u>(10,031)</u>
	<u>-</u>	<u>(726,357)</u>	<u>(726,357)</u>
Net debt	<u>-</u>	<u><u>(214,272)</u></u>	<u><u>(214,272)</u></u>

The repayment of bank loans of £166,326 is made up of an advance of £250,000 and repayments of £83,674.

The notes on pages 9 to 15 form part of these financial statements.

FAIRFIELD INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 19TH OCTOBER 1999 TO 31ST JANUARY 2001

1. ACCOUNTING POLICIES

(a) Basis of accounting

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

(b) Revenue and expense recognition

(i) Turnover

Turnover represents brokerage and fees which are (mainly) taken to credit when debit or fee notes are issued irrespective of the inception date or period of insurance.

Alterations in brokerage arising from return and additional premiums and adjustments are taken into account as and when these occur.

(ii) Expenses

Costs are written off as incurred, except for costs of servicing claims on long-term business where provision is made for future expenses when brokerage is brought to account.

(c) Goodwill

Goodwill represents the excess of cost of acquisition over the fair value of the separable net assets acquired. Goodwill is amortised through the profit and loss account in equal instalments over its estimated useful life.

(d) Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Goodwill - 5% straight line

(e) Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Office Equipment - 15% reducing balance
Motor Vehicles - 25% reducing balance
Computer Equipment - 33.3% straight line

(f) Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the Profit and Loss Account on a straight line basis.

(g) Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

FAIRFIELD INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 19TH OCTOBER 1999 TO 31ST JANUARY 2001

1. ACCOUNTING POLICIES *(continued)*

(h) Deferred taxation

Provision is made, under the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may arise.

(i) Insurance debtors and creditors

In the normal course of business, settlement is required to be made with insurance intermediaries on the basis of the net settlement due to or from the intermediary in question, rather than the amounts due to or from the individual parties which it represents. Insurance debtors and creditors reflect this basis of settlement.

2. TURNOVER

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

An analysis of turnover is given below:

	Period from 19 Oct 99 to 31 Jan 01 £
United Kingdom	<u>1,061,081</u>

3. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial period amounted to:

	Period from 19 Oct 99 to 31 Jan 01 No.
Number of administrative staff	16
Number of management staff	3
	<u>19</u>

The aggregate payroll costs of the above were:

	Period from 19 Oct 99 to 31 Jan 01 £
Wages and salaries	302,158
Social security costs	24,830
Other pension costs	426
	<u>327,414</u>

FAIRFIELD INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 19TH OCTOBER 1999 TO 31ST JANUARY 2001

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	Period from 19 Oct 99 to 31 Jan 01 £
Amortisation	44,999
Depreciation	13,280
Profit on disposal of fixed assets	(1,125)
Auditors' remuneration	
- as auditors	5,158
- accountancy	4,815
Operating lease costs:	
Plant and equipment	2,595
Exceptional item - Legal fees	<u>53,008</u>

The exceptional item in the accounts relates to legal fees incurred by the company in relation to the Management Buy-out of Fairfield Insurance Services.

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	Period from 19 Oct 99 to 31 Jan 01 £
Emoluments receivable	<u>116,235</u>

6. INTEREST PAYABLE

	Period from 19 Oct 99 to 31 Jan 01 £
Interest payable on bank borrowing	19,936
Finance charges	3,223
Other similar charges payable	<u>81,333</u>
	<u>104,492</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Period from 19 Oct 99 to 31 Jan 01 £
Corporation Tax based on the results for the period at 20%	<u>54,302</u>

FAIRFIELD INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 19TH OCTOBER 1999 TO 31ST JANUARY 2001

8. DIVIDENDS

The following dividends have been paid in respect of the period:

	Period from 19 Oct 99 to 31 Jan 01 £
Dividend paid on ordinary shares	<u>9,000</u>

9. INTANGIBLE FIXED ASSETS

	Goodwill £
COST	
Additions	<u>800,000</u>
At 31st January 2001	<u>800,000</u>
AMORTISATION	
Charge for the period	<u>44,999</u>
At 31st January 2001	<u>44,999</u>
NET BOOK VALUE	
At 31st January 2001	<u>755,001</u>

10. TANGIBLE FIXED ASSETS

	Office Equipment £	Motor Vehicles £	Computer Equipment £	Total £
COST				
Additions	5,743	45,186	21,139	72,068
Disposals	-	(28,835)	(576)	(29,411)
At 31st January 2001	<u>5,743</u>	<u>16,351</u>	<u>20,563</u>	<u>42,657</u>
DEPRECIATION				
Charge for the period	971	4,598	7,711	13,280
At 31st January 2001	<u>971</u>	<u>4,598</u>	<u>7,711</u>	<u>13,280</u>
NET BOOK VALUE				
At 31st January 2001	<u>4,772</u>	<u>11,753</u>	<u>12,852</u>	<u>29,377</u>

Hire purchase agreements

Included within the net book value of £29,377 is £11,753 relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the period in respect of such assets amounted to £4,598.

FAIRFIELD INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 19TH OCTOBER 1999 TO 31ST JANUARY 2001

11. DEBTORS

	31 Jan 01
	£
Trade debtors	365,151
Other debtors	6,066
Prepayments and accrued income	39,449
	<u>410,666</u>

The debtors above include the following amounts falling due after more than one year:

	31 Jan 01
	£
Other debtors	<u>6,066</u>

12. CASH AT BANK AND IN HAND

	31 Jan 01
	£
Business reserve account	65,462
Client business reserve account	227,483
Office current account	170,238
Clients business account	48,774
Petty cash	128
	<u>512,085</u>

13. CREDITORS: Amounts falling due within one year

	£
Client account	529,029
Bank loans and overdrafts	86,779
Trade creditors	2,474
Hire purchase agreements	5,567
Directors' loan accounts	3,607
Other creditors including taxation	
Corporation Tax	54,302
PAYE and social security	5,580
Other creditors	<u>127,482</u>
	187,364
Accruals and deferred income	<u>33,050</u>
	<u>847,870</u>

FAIRFIELD INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 19TH OCTOBER 1999 TO 31ST JANUARY 2001

14. CREDITORS: Amounts falling due after more than one year

	£
Bank loans and overdrafts	79,547
Hire purchase agreements	4,464
Other creditors	550,000
	<u>634,011</u>

The bank loan is secured by a debenture over the company assets and undertakings and by a fixed and floating charge over all current and future assets of the company.

R A Askin, M R Aldous and P P Nash have given personal guarantees to the sum of £250,000.

The following aggregate liabilities disclosed under creditors falling due after more than one year are due for repayment after more than five years from the balance sheet date:

	£
Other creditors including taxation and social security	<u>220,000</u>

15. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	31 Jan 01
	£
Amounts payable within 1 year	5,567
Amounts payable between 1 and 2 years	3,739
Amounts payable between 3 and 5 years	725
	<u>10,031</u>

16. COMMITMENTS UNDER OPERATING LEASES

At 31st January 2001 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings
	£
Operating leases which expire:	
After more than 5 years	<u>25,000</u>

17. RELATED PARTY TRANSACTIONS

On 17th December 1999 the company purchased as a going concern, the assets and liabilities of Fairfield Insurance a partnership. Mr Askin is a Director and Shareholder of this company. The consideration for this acquisition was £800,000.

FAIRFIELD INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 19TH OCTOBER 1999 TO 31ST JANUARY 2001

18. SHARE CAPITAL

Authorised share capital:

	31 Jan 01
	£
3,000 Ordinary shares of £1.00 each	3,000
87,112 Preference shares of £1.00 each	87,112
	<u>90,112</u>

Allotted, called up and fully paid:

	No.	£
Ordinary shares	3,000	3,000
Preference shares	87,112	87,112
	<u>90,112</u>	<u>90,112</u>

During the period 3,000 £1 ordinary shares and 87,112 £1 preference shares were issued at par for cash consideration.

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

EQUITY SHAREHOLDERS' FUNDS

	31 Jan 01
	£
Profit for the financial period	144,136
Dividends	(9,000)
	<u>135,136</u>
New equity share capital subscribed	3,000
	<u>138,136</u>
Net addition to funds	138,136
Closing shareholders' equity funds	<u>138,136</u>

NON-EQUITY SHAREHOLDERS' FUNDS

New non-equity share capital subscribed	87,112
Closing shareholders' non-equity funds	<u>87,112</u>

TOTAL SHAREHOLDERS' FUNDS	<u>225,248</u>
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