

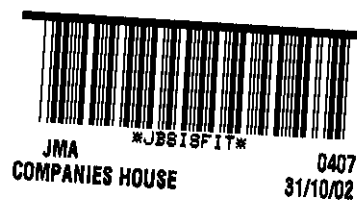
Company Registration No. 4028670 (England and Wales)

CQ COMMERCIAL LIMITED



FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001



CQ COMMERCIAL LIMITED

COMPANY INFORMATION

Directors
P R Catterall
M J Wills
L Davidson (Appointed 8 March 2002)

Secretary M J Wills

Company number 04028670

Registered office
Wira Business Park
West Park Ring Road
Leeds
LS16 6EB

Auditors
Pierce
3-6 Richmond Terrace
Blackburn
Lancashire
BB1 7AU

Business address
Wira Business Park
West Park Ring Road
Leeds
LS16 6EB

Bankers
National Westminster Bank plc
1-3 New Market Street
Blackburn
Lancashire
BB1 7EN



CQ COMMERCIAL LIMITED

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CQ COMMERCIAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2001

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

Principal activities and review of the business

The principal activity of the company continues to be the provision of insurance services.

The directors strategy has been to acquire a series of brokerage businesses. On 8 June 2001, the company purchased an insurance broking business from Insol plc, further details are provided in note 16 to the accounts.

In general, the purchase considerations have been dependent on post acquisition renewal commissions generated. Due to the uncertainties involved, the fair value of a contingent purchase consideration cannot be determined precisely at the date of acquisition. Therefore, acquired goodwill (note 7) includes the directors reasonable estimate of the purchase consideration payable. The initial estimate will be revised as further and more certain information becomes available.

Acquired goodwill has been written off in equal annual instalments over its useful economic life, which we initially estimate is 20 years. Once the acquired businesses have become fully established and the purchase consideration determined with certainty, then the directors will perform a goodwill impairment review and make a further assessment of the useful economic life.

The results for the year and the financial position at the year end were considered satisfactory by the directors.

Results and dividends

The results for the year are set out on page 4.

The directors do not recommend the payment of a final dividend.

Directors

The following directors have held office since 1 January 2001:

P R Catterall

M J Wills

L Davidson

(Appointed 8 March 2002)

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 December 2001	1 January 2001
P R Catterall	-	-
M J Wills	-	-

The company is a wholly owned subsidiary of CQ Group plc. The directors' interest in the share capital of the holding company are shown in the directors' report of that company.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Pierce be reappointed as auditors of the company will be put to the Annual General Meeting.

CQ COMMERCIAL LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

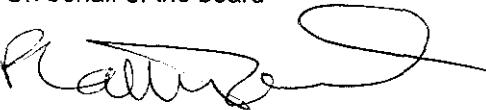
Directors' responsibilities

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;
- 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.

On behalf of the board



P R Catterall

Director

8 March 2002

CQ COMMERCIAL LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CQ COMMERCIAL LIMITED

We have audited the financial statements of CQ Commercial Limited on pages 4 to 11 for the year ended 31 December 2001. These financial statements have been prepared under the historical cost convention and the accounting policies set out herein.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the 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 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 with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatement 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 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Pierce

14 March 2002

Chartered Accountants
Registered Auditor

3-6 Richmond Terrace
Blackburn
Lancashire
BB1 7AU

CQ COMMERCIAL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2001

		Year ended 31 December 2001 £	Period 31 December 2000 £
	Notes		
Turnover	2		
Continuing operations		681,275	273,138
Acquisitions		326,789	-
		<u>1,008,064</u>	<u>273,138</u>
Administrative expenses		<u>(890,027)</u>	<u>(208,602)</u>
Operating profit	4		
Continuing operations		93,354	64,536
Acquisitions		24,683	-
		<u>118,037</u>	<u>64,536</u>
Other interest receivable and similar income		<u>12,740</u>	<u>-</u>
Profit on ordinary activities before taxation		<u>130,777</u>	<u>64,536</u>
Tax on profit on ordinary activities	5	<u>(35,195)</u>	<u>(4,973)</u>
Profit on ordinary activities after taxation		<u>95,582</u>	<u>59,563</u>
Dividends	6	<u>(152,396)</u>	<u>-</u>
Retained (loss)/profit for the year	14	<u><u>(56,814)</u></u>	<u><u>59,563</u></u>

There are no recognised gains and losses other than those passing through the profit and loss account.

CQ COMMERCIAL LIMITED


BALANCE SHEET AS AT 31 DECEMBER 2001

	Notes	2001 £	£	2000 £	£
Fixed assets					
Intangible assets	7	274,367		66,331	
Tangible assets	8	64,418		42,095	
		<u>338,785</u>		<u>108,426</u>	
Current assets					
Debtors	9	1,097,238		257,349	
Cash at bank and in hand		484,415		117,186	
		<u>1,581,653</u>		<u>374,535</u>	
Creditors: amounts falling due within one year	10	<u>(1,917,688)</u>		<u>(423,397)</u>	
Net current liabilities		<u>(336,035)</u>		<u>(48,862)</u>	
Total assets less current liabilities		<u>2,750</u>		<u>59,564</u>	
Capital and reserves					
Called up share capital	13	1		1	
Profit and loss account	14	2,749		59,563	
Shareholders' funds - equity interests	15	<u>2,750</u>		<u>59,564</u>	

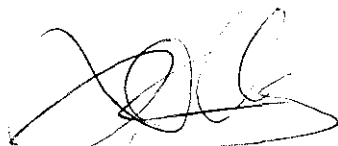
The financial statements were approved by the Board on 8 March 2002



P R Catterall
Director



L Davidson
Director



M J Wills
Director

CQ COMMERCIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Turnover

Turnover represents commissions and fees receivable in respect of insurance policies invoiced to third parties.

1.3 Goodwill

The company has acquired a series of brokerage businesses where the purchase consideration is dependent on the post acquisition renewal commissions generated. Due to the uncertainties involved, the fair value of such contingent consideration cannot be determined precisely at the date of acquisition. Therefore, acquired goodwill includes the directors reasonable estimate of the purchase consideration payable. The initial estimate is revised as further and more certain information becomes available.

Acquired goodwill is written off in equal annual instalments over its useful economic life not exceeding 20 years.

Once an acquired business has become fully established and the purchase consideration determined with certainty, then the directors perform a goodwill impairment review and make a further assessment of its useful economic life.

1.4 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 less estimated residual value of each asset over its expected useful life, as follows:

Computer Equipment	25% straight line
Fixtures & Fittings	15% straight line

1.5 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with SSAP 24.

1.7 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences 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 foreseeable future.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Administrative expenses

The total figures for continuing operations in 2001 include £302,106 relating to acquisitions in the year.

CQ COMMERCIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

4	Operating profit	2001	2000
		£	£
	Operating profit is stated after charging:		
	Amortisation of intangible assets	9,028	2,571
	Depreciation of tangible assets	11,084	3,234
	Operating lease rentals	46,788	6,333
	Auditors' remuneration	5,000	1,175
		<u> </u>	<u> </u>
5	Taxation	2001	2000
		£	£
	Domestic current year taxation		
	U.K. corporation tax	35,800	4,973
	Adjustment for prior years	(605)	-
		<u> </u>	<u> </u>
		35,195	4,973
		<u> </u>	<u> </u>
6	Dividends	2001	2000
		£	£
	Ordinary interim paid	152,396	-
		<u> </u>	<u> </u>
7	Intangible fixed assets		
			Goodwill
			£
	Cost		
	At 1 January 2001		68,902
	Additions		217,064
			<u> </u>
	At 31 December 2001		285,966
			<u> </u>
	Amortisation		
	At 1 January 2001		2,571
	Charge for year		9,028
			<u> </u>
	At 31 December 2001		11,599
			<u> </u>
	Net book value		
	At 31 December 2001		274,367
			<u> </u>
	At 31 December 2000		66,331
			<u> </u>



CQ COMMERCIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

8 Tangible fixed assets

	Computer Equipment £	Fixtures & Fittings £	Total £
Cost			
At 1 January 2001	12,700	32,629	45,329
Additions	29,472	3,935	33,407
At 31 December 2001	42,172	36,564	78,736
Depreciation			
At 1 January 2001	1,058	2,176	3,234
Charge for the year	5,844	5,240	11,084
At 31 December 2001	6,902	7,416	14,318
Net book value			
At 31 December 2001	35,270	29,148	64,418
At 31 December 2000	11,642	30,453	42,095

9 Debtors

	2001 £	2000 £
Trade debtors	1,074,140	249,180
Amounts owed by parent and fellow subsidiary undertakings	-	6,823
Other debtors	-	1,346
Prepayments and accrued income	23,098	-
	1,097,238	257,349

CQ COMMERCIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

10 Creditors: amounts falling due within one year	2001 £	2000 £
Bank loans and overdrafts	84,291	55,107
Trade creditors	1,272,416	271,318
Amounts owed to parent and fellow subsidiary undertakings	312,724	15,381
Corporation tax	35,168	4,973
Other taxes and social security costs	18,210	8,394
Other creditors	166,985	59,492
Accruals and deferred income	27,894	8,732
	<u>1,917,688</u>	<u>423,397</u>

The bank overdraft is secured via a fixed and floating charge over the current and future assets of the company.

11 Provisions for liabilities and charges

Deferred taxation provided in the financial statements and the amounts not provided are as follows:

	2001 £	Not provided 2000 £	2001 £	Provided 2000 £
Accelerated capital allowances	<u>7,192</u>	<u>2,980</u>	<u>-</u>	<u>-</u>

12 Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £21,306 (2000 - £9,033). There were no contributions payable to the fund at the year end.

13 Share capital	2001 £	2000 £
Authorised		
1,000 Ordinary shares of £ 1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
1 Ordinary share of £ 1	<u>1</u>	<u>1</u>

CQ COMMERCIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

14 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2001	59,563
Retained loss for the period	(56,814)
Balance at 31 December 2001	<u>2,749</u>

15 Reconciliation of movements in shareholders' funds

	2001 £	2000 £
Profit for the financial year	95,582	59,563
Dividends	(152,396)	-
	<u>(56,814)</u>	<u>59,563</u>
Proceeds from issue of shares	-	1
Net (depletion in)/addition to shareholders' funds	<u>(56,814)</u>	<u>59,564</u>
Opening shareholders' funds	59,564	-
Closing shareholders' funds	<u>2,750</u>	<u>59,564</u>

16 Contingent liabilities

On 8 June 2001, the company acquired an insurance broking business from Insol plc for a purchase consideration which is dependent on the renewal commissions generated in the year ended 7 June 2002. By its nature, the fair value of such contingent purchase consideration cannot be determined precisely at the date of acquisition. Goodwill additions of £217,064 (note 7) and other creditors of £166,985 (note 10) includes £120,000 as the directors reasonable estimate of the purchase consideration payable on renewal commissions expected in the period from 1 January 2002 to 7 June 2002. This initial estimate will be revised as further and more certain information becomes available.

CQ COMMERCIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

17 Financial commitments

At 31 December 2001 the company had annual commitments under non-cancellable operating leases as follows:

	2001 £	2000 £
Expiry date:		
Within one year	-	7,796
Between two and five years	8,928	-
	<u>8,928</u>	<u>7,796</u>

The company occupies premises under an informal arrangement with CQ Group plc, the parent company responsible for the lease.

18 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2001 Number	2000 Number
Management and Administration	<u>29</u>	<u>13</u>

Employment costs

	£	£
Wages and salaries	555,403	117,407
Other pension costs	21,306	9,033
	<u>576,709</u>	<u>126,440</u>

19 Control

The ultimate parent company is CQ Group plc, a company registered in England and Wales.

The company is under the control of PR Catterall, director, who together with close family members owns 100% of the issued share capital of CQ Group plc.

20 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions and balances with group companies on the grounds that publicly available consolidated financial statements are prepared by the ultimate parent company.

In the opinion of the directors there are no other material transactions with related parties which require disclosure under FRS 8.