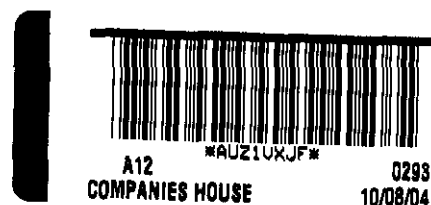


# Reports & Financial Statements

For the year ended 31 December 2003

**London & European Title  
Insurance Services Limited**

**Company Registration No:4459633**



# **LONDON & EUROPEAN TITLE INSURANCE SERVICES LIMITED**

**DIRECTORS:**

F M Kerr  
L Bellein  
E Soyer  
B Rousset

**SECRETARY:**

L Bellein

**COMPANY NUMBER:**

4459633

**REGISTERED OFFICE:**

5<sup>th</sup> Floor Minerva House  
Valpy Street  
READING  
Berkshire RG1 1AQ

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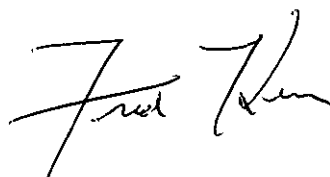
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**CHAIRMAN'S STATEMENT**

The London & European Group maintained its position as Europe's leading provider of title insurance products throughout the year. The gross value of UK transactions effected by the company and its UK parent L&E Title Group Limited in 2003 exceeded £18.2 million (2002: £17.5 million). Combined gross earnings in the UK were £4.5 million; a 226% increase when compared to 2001 and a 23% increase when compared to 2002. Net profits before taxation and exceptional items reflected a 15% increase over 2002. London & European Group's financial performance continues to meet expectations.

London & European Group's premium income has grown by 1276% since 1998. We issued 115,019 title insurance policies in 2003 – reflecting a 1954% growth in volume since 1998. Title insurance is no longer a uniquely American product. London & European Group has demonstrated that the European market requires adapted title cover to meet its needs in all EU jurisdictions and beyond.

Once again, as Chairman and Founder of the London & European Group, I would like to thank every member of our staff for their continued commitment to the expansion of the scope of title insurance in the European Union. Title insurance, in coordination with good conveyancing practices, provides a better way to create security of ownership and to assist mortgage lenders. It is the unshakable faith in our products and services at London & European that has resulted in the success we have met with since our formation in 1994. That faith continues to drive London & European to ever higher levels of achievement.



Fredrick M. Kerr  
Executive Chairman

**DIRECTORS' REPORT**

The directors present their report and financial statements for the period ended 31 December 2003.

**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 United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 maintaining 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.

**REVIEW OF THE BUSINESS**

On 3 March 2003 the financial and insurance consultancy business carried on by the company formerly known as London & European Title Insurance Services Limited in the United Kingdom was sold to L&E Newco Limited as a going concern for a consideration of 603,953 new ordinary shares of £1 each.

On 4 March 2003 the company name was changed from L&E Newco Limited to London & European Title Insurance Services Limited. London & European Title Insurance Services Limited simultaneously changed its name to L&E Title Group Limited.

The principal activities of the company during the period were those of financial and insurance consultancy.

**DIVIDENDS**

The directors do not recommend the payment of a dividend (2002: £nil).

**DIRECTORS**

The directors set out in the table below have held office during the whole of the period from 1 January 2003 to the date of this report unless otherwise stated.

P J Beresford (resigned 31 March 2004)  
F M Kerr  
L Bellein  
E Soyer  
B Rousset

**DIRECTORS' REPORT (continued)****DIRECTORS' SHARE INTERESTS**

The interests of the directors holding office on 31 December 2003 in the shares of the Company, according to the Register of Directors' interests, were as shown below:

	Number of shares of £1 each	
	31 December 2003	1 January 2003
P J Beresford	-	-
F M Kerr	-	-
L Bellein	-	-
E Soyer	-	-
B Rousset	-	-

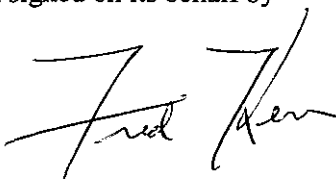
None of the directors had any interests in the shares of the immediate parent undertaking.

**AUDITORS**

Mazars have signified their willingness to continue in office and a resolution will be proposed at the forthcoming annual general meeting.

Approved by the Board on  
and signed on its behalf by

2004

  
Director

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF LONDON & EUROPEAN TITLE INSURANCE SERVICES LIMITED**

We have audited the financial statements of London & European Title Insurance Services Limited for the year ended 31 December 2003 which comprise the Profit and Loss Account, Balance Sheet and related notes. 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 member, in accordance with section 235 of Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to it 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 member for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities 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. 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises the chairman's statement and the directors' report. We consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

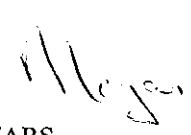
### **Basis of audit opinion**

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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**MAZARS**  
**CHARTERED ACCOUNTANTS**  
 and Registered Auditors  
 24 Bevis Marks  
 London EC3A 7NR

17 June 2004

**PROFIT AND LOSS ACCOUNT****For the year ended 31 December 2003**

	Notes	2003 £	2002 £
TURNOVER	1	3,856,262	-
Administrative expenses		<u>(1,279,731)</u>	<u>-</u>
OPERATING PROFIT	2	2,576,531	-
Other income		208,584	-
Other interest receivable and similar income		<u>44,919</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,830,034	-
Tax on profit on ordinary activities	3	<u>(849,011)</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	11	<u><u>£1,981,023</u></u>	<u><u>-</u></u>

The company's turnover and expenses all relate to continuing operations.

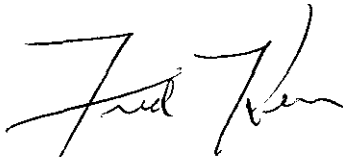
There are no recognised gains and losses other than those passing through the profit and loss account.

## BALANCE SHEET as at 31 December 2003

	Notes	£	2003 £	£	2002 £	£
FIXED ASSETS						
Tangible assets	6		88,601			-
CURRENT ASSETS						
Debtors and prepayments	7	2,703,593		2		
Cash at bank and in hand		2,602,200		-		
		<u>5,305,793</u>		<u>2</u>		
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	(2,809,416)		-		
NET CURRENT ASSETS			<u>2,496,377</u>			<u>2</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>£2,584,978</u>			<u>£2</u>
CAPITAL AND RESERVES						
Called up share capital	9		603,955			2
Profit and loss account	11		<u>1,981,023</u>			<u>-</u>
EQUITY SHAREHOLDERS' FUNDS	10		<u>£2,584,978</u>			<u>£2</u>

Approved by the Board on  
and signed on its behalf by:

2004

  
Director



**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2003****1. ACCOUNTING POLICIES****(a) Basis of accounting**

- **Accounting Convention**

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

- **Exemptions Applied**

London and European Title Insurance Services Limited is a wholly owned subsidiary of L&E Title Group Limited. It is not therefore required to prepare a cash flow statement or to disclose details of transactions with entities belonging to the group.

**(b) Turnover**

Turnover includes commission due on premiums written on behalf of accepting insurers and on fees receivable from clients in respect of legal services. The gross value of premiums written and legal fees in the year was £15,292,000.

**(c) 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:

Fixtures, fittings and office equipment - 33% straight line per annum

**(d) Operating leases**

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

**(f) Group accounts**

The accounts present information about the company as an individual undertaking, and not about its group, as the company has taken advantage of the exemption provided by Section 228 of the Companies Act 1985 not to prepare accounts. The company is included in the consolidated accounts of APRIL GROUP, a company incorporated in France.

**(g) Taxation and deferred tax**

Taxation is based on the taxable result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax at the rates of tax expected to apply when the timing differences reverse.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2003 (continued)**

**2. OPERATING PROFIT**

Operating profit is stated after charging:

	2003 £	2002 £
Depreciation on owned assets	20,800	-
Hire of other assets – operating leases	12,218	-
Auditors' fees		
- for audit services	25,000	-
- for non-audit services	13,570	-
	<u>          </u>	<u>          </u>

During the year to 31 December 2003, the business of L&E Title Group Limited was transferred to the company.

**3. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2003 £	2002 £
Based on the profit for the year:		
Corporation tax @ 30%	£849,011	-
	<u>          </u>	<u>          </u>
Profit on ordinary activities before tax	2,830,034	-
	<u>          </u>	<u>          </u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	£849,011	-
	<u>          </u>	<u>          </u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2003 (continued)

**4. STAFF COSTS**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Wages and salaries	738,801	-
Social security costs	78,184	-
	<u>£816,985</u>	<u>-</u>

The average number of persons, including executive Directors,  
employed by the Company during the year was:

	<b>2003</b>	<b>2002</b>
	<b>Number</b>	<b>Number</b>
Management	8	-
Administration	17	-
	<u>25</u>	<u>-</u>

**5. DIRECTORS**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Total remuneration	<u>£177,916</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2003 (continued)**

**6. TANGIBLE FIXED ASSETS**

	Fixtures, fittings and office equipment £
<b>COST</b>	
At 1 January 2003	-
Additions	54,686
Transfers	91,031
Disposals	(470)
	<hr/>
At 31 December 2003	145,247
	<hr/>
<b>DEPRECIATION</b>	
At 1 January 2003	-
Transfers	36,066
Charge for the period	20,800
Eliminated on disposal	(220)
	<hr/>
At 31 December 2003	56,646
	<hr/>
<b>NET BOOK VALUES</b>	
At 31 December 2003	£88,601
	<hr/> <hr/>
At 31 December 2002	-
	<hr/> <hr/>

During the year to 31 December 2003 the fixed assets of L&E Title Group Limited were transferred to the company at their net book value.

**7. DEBTORS: DUE WITHIN ONE YEAR**

	2003 £	2002 £
Trade debtors	1,800,706	-
Amounts owed by group undertakings	620,745	-
Other debtors	247,023	2
Prepayments	35,119	-
	<hr/>	<hr/>
	£2,703,593	£2
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2003 (continued)**

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

	2003 £	2002 £
Trade creditors	2,117,089	-
Corporation tax	391,217	-
Other taxation and social security costs	83,111	-
Other creditors	27,087	-
Accruals and deferred income	40,735	-
Amounts owed to group undertakings	177	-
Bank loans and overdrafts	150,000	-
	<u>£2,809,416</u>	<u>-</u>

**9. SHARE CAPITAL**

	Authorised		Allotted, issued and fully paid	
	2003 £	2002 £	2003 £	2002 £
Ordinary shares of £1 each	<u>£603,955</u>	<u>£10,000</u>	<u>£603,955</u>	<u>£2</u>

On 3 March 2003 the company issued 603,953 ordinary shares of £1 each fully paid as consideration for the purchase of the business of L&E Title Group Limited.

**10. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	2003 £	2002 £
Profit for the financial year	1,981,023	-
New share capital subscribed	<u>603,953</u>	<u>2</u>
Net addition to shareholders funds	2,584,976	2
Opening shareholders' funds	<u>2</u>	<u>-</u>
Closing shareholders' funds	<u>£2,584,978</u>	<u>£2</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2003 (continued)**

**11. RESERVES**

	Profit and loss account £	Total £
At 1 January 2003	-	-
Retained profit for the year	1,981,023	1,981,023
	<u>1,981,023</u>	<u>1,981,023</u>
At 31 December 2003	<u>£1,981,023</u>	<u>£1,981,023</u>

**12. FINANCIAL COMMITMENTS**

At 31 December 2003 the company was committed to making the following payments under non-cancellable operating leases other than in respect of land and buildings in the year to 31 December 2004.

	2003 £	2002 £
Operating leases which expire:		
Within 2 to 5 years	<u>£8,496</u>	<u>-</u>

**13. RELATED PARTY TRANSACTIONS**

During the year, the company recharged expenses of £372,240 (2002: £nil) to Beresford Kerr, a solicitors' partnership. It also earned commission of £22,470 (2002: £ £nil) from clients in respect of legal services performed by that partnership. At 31 December 2003, the company was owed £247,023 (2002: £nil) by Beresford Kerr. FM Kerr, a director of the company, and P J Beresford, who was a director of the company until 31 March 2004 are partners of Beresford Kerr.

**14. PARENT UNDERTAKING AND CONTROLLING PARTY**

The directors regard APRIL GROUP, a company incorporated in France as the Company's ultimate holding company and controlling party.

The immediate parent company is L&E Title Group Limited.