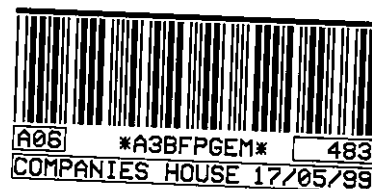


WALTER AINSBURY & SON LIMITED

**REPORT AND
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
30 NOVEMBER 1998**

REGISTERED NUMBER: 424757



WALTER AINSBURY & SON LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 1998

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WALTER AINSBURY & SON LIMITED

COMPANY INFORMATION
AS AT 30 NOVEMBER 1998

DIRECTORS

D Bingham
D J Palmer
N G Minay

SECRETARY

N G Minay

REGISTERED OFFICE

75-79 Station Road
Swinton
Manchester
M27 6GR

REGISTERED NUMBER

424757

BUSINESS ADDRESS

75-79 Station Road
Swinton
Manchester
M27 6GR

AUDITORS

Hurst & Company
Chartered Accountants &
Registered Auditors
Registered Auditors
Lancashire Gate
21 Tiviot Dale
Stockport
SK1 1TD

PRINCIPAL BANKERS

Royal Bank of Scotland PLC
151 Chorley Road
Swinton
Manchester

WALTER AINSBURY & SON LIMITED

DIRECTORS' REPORT

The directors present their annual report with the financial statements of the company for the year ended 30 November 1998.

PRINCIPAL ACTIVITIES

The principal activities of the company in the year under review was that of insurance agents and brokers.

REVIEW OF THE BUSINESS

The net profit after providing for taxation amounted to £56,489.

The directors consider that the state of affairs of the company are satisfactory and anticipate that the current performance will be maintained in the forthcoming year.

DIVIDENDS

The directors have paid an interim dividend during the year amounting to £24,000.

FIXED ASSETS

The changes in fixed assets are summarised in note 10 to the financial statements. No depreciation is provided on the freehold land and buildings as the directors, after careful consideration, are of the opinion that the economic lives of these properties and their residual values, excluding inflation, are such that their depreciation is not significant. The residual values of the properties are regularly reviewed in order to identify any permanent diminution in value which would be charged to the profit and loss account.

DIRECTORS AND THEIR INTERESTS

The directors in office in the year and their beneficial interests in the company at the balance sheet date and the beginning of the year (or on appointment if later) were as follows:

		Number of Shares	
		1998	1997
D Bingham	Ordinary Shares of £1 each	334	334
D J Palmer	Ordinary shares of £1 each	333	333
N G Minay	Ordinary Shares of £1 each	1	1

During the year N Minay retired by rotation as a director of the company and was reappointed.

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 as at the end of the financial year 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 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.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year, the company made charitable contributions totalling £145 (1997:£473) of which £25 (1997:£25) was to a national charity. The company did not make any political donations.

WALTER AINSBURY & SON LIMITED

DIRECTORS' REPORT

YEAR 2000 ISSUE

The directors have considered the year 2000 issue faced by the company's systems and major suppliers, and are satisfied that all necessary action has been taken.

EURO

The directors have considered the impact of the introduction of the Euro and are satisfied that there are no issues which affect the company.

CLOSE COMPANY

The company is a close company, as defined by the Income and Corporation Taxes Act 1988.

AUDITORS

The auditors, Hurst & Company, will be proposed for re-appointment in accordance with section 385 of the Companies Act 1985.

By order of the board:



.....
N G Minay
Secretary

Approved by the board: 6 April 1999

WALTER AINSBURY & SON LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the financial statements on pages 5 to 17 which have been prepared under the historical cost convention and on the basis of accounting policies set out on pages 8 and 9.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITORS

As described in the directors' report, the company's directors are responsible for the preparation of 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 as to whether 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 affairs of the company as at 30 November 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Hurst & Company

Hurst & Company
Chartered Accountants &
Registered Auditors
Lancashire Gate
21 Tiviot Dale
Stockport
SK1 1TD

Date: *10 May 1999*

WALTER AINSBURY & SON LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 NOVEMBER 1998**

	Notes	1998 £	1997 £
TURNOVER		644,530	621,600
Administrative expenses		586,564	531,534
OPERATING PROFIT	2	57,966	90,066
Investment income and interest receivable	3	17,103	13,677
Interest payable and similar charges	4	(4,475)	(5,045)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		70,594	98,698
Tax on profit on ordinary activities	7	(14,105)	(21,259)
PROFIT FOR THE FINANCIAL YEAR		56,489	77,439
Dividends	8	(24,000)	(24,000)
RETAINED PROFIT FOR THE FINANCIAL YEAR	19	32,489	53,439

Continuing operations

None of the company's activities were acquired or discontinued during the above two financial years.

Total recognised gains and losses

The company has no recognised gains or losses other than the profit for the above two financial years.

WALTER AINSBURY & SON LIMITED**BALANCE SHEET
AT 30 NOVEMBER 1998**

	Notes	£	1998 £	£	1997 £
FIXED ASSETS					
Intangible assets	9		5,491		2,771
Tangible assets	10		162,957		126,317
Investments	11		3,972		3,972
			<u>172,420</u>		<u>133,060</u>
CURRENT ASSETS					
Debtors	12	71,175		100,793	
Cash at bank and in hand		264,373		252,569	
		<u>335,548</u>		<u>353,362</u>	
CREDITORS: amounts falling due within one year	13	(196,818)		(197,066)	
NET CURRENT ASSETS			<u>138,730</u>		<u>156,296</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>311,150</u>		<u>289,356</u>
CREDITORS: amounts falling due after more than one year	14		(27,938)		(38,633)
NET ASSETS			<u>283,212</u>		<u>250,723</u>
CAPITAL AND RESERVES					
Called up share capital	17		1,000		1,000
Other reserves	18		137		137
Profit and loss account	19		282,075		249,586
TOTAL SHAREHOLDERS' FUNDS	20		<u>283,212</u>		<u>250,723</u>

The financial statements were approved by the board of directors on 6 April 1999 and signed on its behalf by:

D Bingham

D Bingham

)
) Directors

D J Palmer

D J Palmer

The notes on pages 8 to 17 form part of these financial statements.

WALTER AINSBURY & SON LIMITED**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 NOVEMBER 1998**

	Notes	1998 £	1997 £
CASH FLOW FROM OPERATING ACTIVITIES	2	103,071	112,976
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	21	12,628	8,632
TAXATION	21	(21,086)	(12,254)
CAPITAL EXPENDITURE	21	(65,739)	(7,757)
EQUITY DIVIDENDS PAID		(24,000)	(24,000)
Cash inflow before use of liquid resources and financing		4,874	77,597
FINANCING	21	(12,362)	(17,514)
DECREASE IN CASH IN THE YEAR		(7,488)	60,083

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT
IN NET FUNDS**

22

DECREASE IN CASH IN THE YEAR	(7,488)	60,083
Cash outflow from decrease in debt and lease financing	12,362	17,514
Change in net funds resulting from cash flows	4,874	77,597
Movement in net funds in the year	4,874	77,597
Net funds at 1 December 1997	199,518	121,921
Net funds at 30 November 1998	204,392	199,518

The notes on pages 8 to 17 form part of these financial statements.

WALTER AINSBURY & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 1998

1. STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards.

The financial statements have also been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

The following is a summary of the significant accounting policies adopted by the company in the preparation of the financial statements.

Turnover

Turnover represents total commissions receivable and policy changes fees.

Goodwill

Goodwill is the amount paid for the acquisition of insurance clients. Goodwill is amortised through the profit and loss account over the directors estimate of its economic life of 5 years.

Depreciation of tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its useful life:

Computer equipment	25% on cost
Fixtures and fittings	20% reducing balance basis
Motor vehicles	25% reducing balance basis

Where zero depreciation of freehold buildings is appropriate

No depreciation is provided on the freehold land and buildings as the directors, after careful consideration, are of the opinion that the economic lives of these properties and their residual values, excluding inflation, are such that their depreciation is not significant. The residual values of the properties are regularly reviewed in order to identify any permanent diminution in value which would be charged to the profit and loss account.

Investment properties

Investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve. No amortisation or depreciation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to expiry.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their estimated useful lives, whichever is the shorter. Future instalments under such leases, net of finance charges, are included within creditors. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease.

All other leases are accounted for as operating leases and the rental charges to the profit and loss account on a straight line basis over the life of the lease.

WALTER AINSBURY & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 1998

1. STATEMENT OF ACCOUNTING POLICIES - (continued)

Pension costs

The company operates a defined contribution pension scheme. Contributions payable to this scheme are charged to the profit and loss account in the period to which they relate. These contributions are invested separately from the company's assets.

2. OPERATING PROFIT

Operating profit is stated:

	1998	1997
	£	£
(a) After charging:		
Depreciation of fixed assets	29,117	22,130
Equipment leasing	604	604
Amortisation of intangible assets	1,836	924
Auditors' remuneration	6,169	5,405

(b) Reconciliation of operating profit to net cash inflow from operating activities

	1998	1997
	£	£
Operating profit	57,966	90,066
Depreciation	29,117	22,130
Amortisation	1,836	924
Profit on disposal of fixed assets	(4,577)	-
Decrease in debtors	29,618	2,534
Decrease in creditors	(10,889)	(2,678)
Net cash inflow from operating activities	103,071	112,976

3. INVESTMENT INCOME AND INTEREST RECEIVABLE

	1998	1997
	£	£
Interest received and receivable		
Bank interest	8,835	6,876
Other interest	8,268	6,801
	17,103	13,677

4. INTEREST PAYABLE AND SIMILAR CHARGES

	1998	1997
	£	£
Lease finance charges and hire purchase interest	2,533	3,236
Other interest	1,942	1,809
	4,475	5,045

WALTER AINSBURY & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 1998

5. INFORMATION ON DIRECTORS AND EMPLOYEES

	1998 £	1997 £
Staff costs		
Wages and salaries	336,004	318,596
Social security costs	32,154	30,690
Other pension costs	9,643	11,905
	<u>377,801</u>	<u>361,191</u>

	1998 No.	1997 No.
The average number of employees during the year was made up as follows:		
Direct	12	14
Administration	<u>7</u>	<u>7</u>
	<u>19</u>	<u>21</u>

	1998 £	1997 £
Directors' emoluments		
Remuneration for management services	142,635	125,178
Pension contributions to money purchase schemes	7,092	10,495
	<u>149,727</u>	<u>135,673</u>

	1998 No.	1997 No.
The number of directors to whom retirement benefits are accruing under the following types of pension schemes in respect of qualifying services:		
Money purchase	<u>3</u>	<u>3</u>

6. PENSION COSTS

Money purchase (defined contribution) pension scheme

The company operates a money purchase (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 £9,643 (1997:£11,905).

WALTER AINSBURY & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 1998

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £	1997 £
The taxation charge comprises:		
UK Corporation tax at 21% (1997 - 21% & 24%)	14,105	21,428
Adjustment in respect of prior years	-	(169)
	<u>14,105</u>	<u>21,259</u>

8. DIVIDENDS PAID OR PROPOSED

	1998 £	1997 £
On Ordinary Shares:		
Interim dividend paid	<u>24,000</u>	<u>24,000</u>

9. INTANGIBLE FIXED ASSETS

	Purchased Brokerage £
Cost:	
At 1 December 1997	4,618
Additions	4,556
At 30 November 1998	<u>9,174</u>
Amortisation:	
At 1 December 1997	1,847
Charge for year	1,836
At 30 November 1998	<u>3,683</u>
Net book value:	
At 30 November 1998	<u>5,491</u>
At 30 November 1997	<u>2,771</u>

During the year general (non life) insurance clients were purchased from Mr Ivor Savage trading as Ivor Savage & Company for a sum equal to 70% of the renewal commissions received in respect of business transacted with the transferred clients during the period 1 August 1998 until 31 July 2000. The initial deposit of £4,000 has been paid and is included in the purchased brokerage additions.

Additional household insurance clients were purchased from Mr J Hattan for £556 and this is also included in purchased brokerage additions.

The purchase of this brokerage constitutes goodwill, which is to be amortised through the profit and loss account over the directors estimate of its economic life of 5 years.

WALTER AINSBURY & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 1998

10. TANGIBLE FIXED ASSETS

	Land and buildings £	Computer equipment £	Fixtures and fittings £	Motor vehicles £	Total £
(a) Cost:					
At 1 Dec. 97	68,493	102,775	84,201	72,790	328,259
Additions	14,650	5,706	8,706	46,371	75,433
Disposals	-	-	-	(47,790)	(47,790)
At 30 Nov. 98	83,143	108,481	92,907	71,371	355,902
Depreciation:					
At 1 Dec. 97	-	83,681	65,700	52,561	201,942
Charge for year	-	10,872	4,013	14,232	29,117
On disposals	-	-	-	(38,114)	(38,114)
At 30 Nov. 98	-	94,553	69,713	28,679	192,945
Net book value:					
At 30 Nov. 98	83,143	13,928	23,194	42,692	162,957
At 30 Nov. 97	68,493	19,094	18,501	20,229	126,317
				1998 £	1997 £

(b) Analysis of net book value of land and buildings:

Freehold	83,143	68,493
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Included within freehold land and buildings is an investment property with a net book value of £54,650. The directors consider that the open market value of the investment property is in line with the value shown in the accounts.

(c) Included above are assets held under finance leases or hire purchase contracts as follows:-

	1998 £	1997 £
Net book values:		
Computer equipment	9,210	18,420
Motor vehicles	-	10,553
	<u>9,210</u>	<u>28,973</u>
Depreciation charge for the year:		
Computer equipment	9,210	9,210
Motor vehicles	-	3,517
	<u>9,210</u>	<u>12,727</u>

Net obligations under finance leases and hire purchase contracts are secured on the assets acquired.

WALTER AINSBURY & SON LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 1998****11. INVESTMENTS**

Cost or valuation:	Beginning and end of year £
Other investments	3,972

Other investments other than loans

Shares:

	Book value 1998 £	Market value 1998 £	Book value 1997 £	Market value 1997 £
Unlisted	3,972	3,972	3,972	3,972

12. DEBTORS

	1998 £	1997 £
Trade debtors	63,189	89,090
Other debtors	82	1,120
Prepayments and accrued income	7,904	10,583
	71,175	100,793

13. CREDITORS: amounts falling due within one year

	1998 £	1997 £
Bank loans and overdrafts	22,545	3,253
Net obligations under finance leases and hire purchase contracts	9,498	11,165
Trade creditors	117,514	132,552
Corporation tax	8,448	15,428
Other taxes and social security costs	17,591	7,870
Other creditors	239	-
Accruals and deferred income	20,983	26,798
	196,818	197,066

WALTER AINSBURY & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 1998

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

	1998 £	1997 £
Other creditors	17,536	18,846
Net obligations under finance leases and hire purchase contracts	10,402	19,787
	<u>27,938</u>	<u>38,633</u>

15. BORROWINGS

	1998 £	1997 £
The company's borrowings are repayable as follows		
Up to one year and on demand	22,545	3,253
Between one and two years	3,253	3,253
Between two and five years	9,755	9,755
After five years	4,527	5,840
	<u>40,080</u>	<u>22,101</u>
Wholly repayable within five years	<u>35,553</u>	<u>16,261</u>
Included in current liabilities	<u>22,545</u>	<u>3,253</u>

Included in bank loans and overdrafts is a building society mortgage, with £3,253 (1997 £3,253) due within one year and £17,535 (1997 £18,848) due after more than one year. The mortgage is a capital and interest mortgage and is repayable by instalments over a period of greater than five years. It is secured on the freehold property of the company. The rate of interest is variable as determined by the building society's lending rates. The rates charged during 1998 ranged from 8.70% and 8.95%.

16. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	1998 £	1997 £
The company's obligations are repayable as follows:		
Within one year or on demand	9,498	11,165
In two to five years	10,402	19,788
Total net obligations	<u>19,900</u>	<u>30,953</u>

WALTER AINSBURY & SON LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 1998****17. SHARE CAPITAL**

	1998 £	1997 £
Authorised:		
Equity interests:		
1000 Ordinary Shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid:		
Equity interests:		
1000 Ordinary Shares of £1 each	<u>1,000</u>	<u>1,000</u>

18. CAPITAL RESERVE

	1998 £	1997 £
Balance at beginning and end of year	<u>137</u>	<u>137</u>

19. PROFIT AND LOSS ACCOUNT

	1998 £	1997 £
Retained profit at 1 December 1997	249,586	196,147
Profit for the year	<u>32,489</u>	<u>53,439</u>
Retained profit at 30 November 1998	<u>282,075</u>	<u>249,586</u>

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Profit for the year	56,489	77,439
Dividends	<u>(24,000)</u>	<u>(24,000)</u>
Net addition to shareholders' funds	32,489	53,439
Opening shareholders' funds	<u>250,723</u>	<u>197,284</u>
Closing shareholders' funds	<u>283,212</u>	<u>250,723</u>
Represented by:-		
Equity interests	<u>283,212</u>	<u>250,723</u>

WALTER AINSBURY & SON LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 1998****21. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	1998 £	1997 £
Returns on investments and servicing of finance		
Interest received	17,103	13,677
Interest paid	(1,942)	(1,809)
Interest element of hire purchase contracts	(285)	(1,100)
Interest element of finance lease rental payments	(2,248)	(2,136)
Net cash inflow from returns on investments and servicing of finance	<u>12,628</u>	<u>8,632</u>
Taxation		
Corporation tax paid	<u>(21,086)</u>	<u>(12,254)</u>
Capital expenditure		
Purchase of intangible fixed assets	(4,556)	(1,118)
Purchase of tangible fixed assets	(75,433)	(4,605)
Purchase of other investments	-	(2,034)
Receipts from sale of tangible fixed assets	14,250	-
Net cash outflow from capital expenditure	<u>(65,739)</u>	<u>(7,757)</u>
Financing		
Repayments of long-term loans	(1,310)	(1,349)
Repayments of capital element of hire purchase contracts	(1,667)	(6,667)
Repayments of capital element of finance lease rental payments	(9,385)	(9,498)
Net cash outflow from financing	<u>(12,362)</u>	<u>(17,514)</u>

22. ANALYSIS OF NET FUNDS

	1997 £	Cash flow £	1998 £
Cash at bank and in hand	252,569	11,804	264,373
Bank overdraft	-	(19,292)	(19,292)
Debt due within one year	(3,253)	-	(3,253)
Debt due after one year	(18,846)	1,310	(17,536)
Finance leases	(30,952)	11,052	(19,900)
	<u>199,518</u>	<u>4,874</u>	<u>204,392</u>

WALTER AINSBURY & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 1998

23. REVENUE COMMITMENTS

At year end the company was committed to making the following payments during the next year in respect of operating leases with expiry dates as follows:

	Land and buildings		Other	
	1998	1997	1998	1997
	£	£	£	£
More than one year and less than five years	-	-	604	604

24. CONTINGENT LIABILITIES

The company has a contingent liability in respect of commission received on indemnity terms which may be claimed back if clients cancel policies. During the year clawbacks totalled £1,894 (1997:£2,522).

25. CONTROL

The company is under the ultimate control of D Bingham & DJ Palmer by virtue of their respective 33.4% and 33.3% shareholdings.