

**B.F. CAUDLE AGENCIES LIMITED**

**Registration Number 1227004**

**REPORT AND FINANCIAL STATEMENTS**

**30 JUNE 1996**



# **B.F. CAUDLE AGENCIES LIMITED**

## **DIRECTORS:**

**J.W. Pryke (Chairman)**  
**B.F. Caudle**  
**K.D. Thompson**  
**J.B. Hilsum**  
**N.R.S. Smith**  
**H.P.B. Dow QC MA**  
**M.R. Lester**

## **COMPANY SECRETARY:**

**J.B. Hilsum**

## **REGISTERED OFFICE:**

**Room 813**  
**Lloyd's**  
**1 Lime Street,**  
**LONDON EC3M 7DQ**

## **AUDITORS:**

**Neville Russell**  
**Chartered Accountants**  
**24 Bevis Marks,**  
**LONDON EC3A 7NR**

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## **REPORT OF THE DIRECTORS**

The directors present their report and audited financial statements for the year ended 30 June 1996.

### **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;
- \* comply with applicable accounting standards, subject to any material departures explained in the financial statements;
- \* prepare the financial statements on a 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.

### **RESULTS AND DIVIDENDS**

The profit for the year to 30 June 1996, before taxation, amounts to £5,970,011 (1995: £38,900) and is dealt with as shown in the Profit and Loss account.

The directors declared a final dividend amounting to £16.80 per Ordinary 'B' share.

### **PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS**

The principal activity of the company continues to be that of a registered Lloyd's Underwriting Agent. The company has continued to be managing agent for Syndicate 780 throughout the year.

During the year, the company invested in Advent Capital Holdings Plc, as detailed in note 7. Advent Capital Holdings Plc controls Advent Capital Plc which is a dedicated corporate capital vehicle placing capital only on Syndicate 780.

### **FUTURE DEVELOPMENTS**

Profits are anticipated for both the 1994 and 1995 years of account of Syndicate 780, these being forecast to produce returns of approximately 15% of Names' premium limits.

**REPORT OF THE DIRECTORS (continued)****DIRECTORS AND THEIR INTERESTS**

The directors and their interests in the share capital of the company during the year were as follows:

J.W. Pryke (non-executive)  
B.F. Caudle  
K.D. Thompson  
J.B. Hilsum  
H.P.B. Dow (non-executive)  
M.R. Lester (non-executive)  
N.R.S. Smith

'A' Ordinary shares of £1 each	
At	At
30 June 1996	30 June 1995
-	-
16	16
-	-
1	1
-	-
1	1
-	-

J.W. Pryke retired from office on 30th September 1996, H.P.B. Dow being appointed chairman in his stead.

Messrs. B.F. Caudle, J.B. Hilsum and K.D. Thompson are directors of the immediate parent company, B.F. Caudle Holdings Limited, and their interests in the shares of that company are disclosed in the financial statements thereof. No other director had any interest in the parent company.

**TAXATION STATUS**

In the opinion of the directors, the company is a close company for taxation purposes.

Approved by the Board on 28 October 1996  
and signed on its behalf



J.B. Hilsum  
Company Secretary

We have audited the financial statements on pages 4 to 11 which have been prepared following the accounting policies set out on page 6.

**Respective responsibilities of directors and auditors**

As described on page 1, 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.

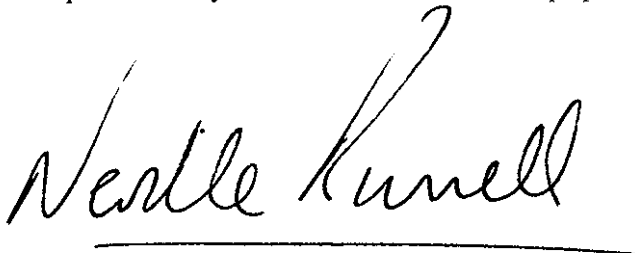
**Basis of opinion**

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 judgments 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 affairs of the company at 30 June 1996 and of its profit for the year then ended and have been prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, reading 'Neville Russell', is written over a horizontal line.

NEVILLE RUSSELL  
CHARTERED ACCOUNTANTS  
and Registered Auditors

28 October 1996

**PROFIT AND LOSS ACCOUNT**

For the year ended 30 June 1996

	Notes	1996 £	1995 £
TURNOVER	2	8,469,575	252,301
Operating expenses		(2,491,151)	(231,391)
OPERATING PROFIT		5,978,424	20,910
Interest receivable		6,387	17,990
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		5,984,811	38,900
Interest payable		(14,800)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	5,970,011	38,900
Tax on profit on ordinary activities	6	(1,978,110)	10,072
PROFIT FOR THE YEAR		3,991,901	48,972
DIVIDENDS	4	(4,200,000)	-
RETAINED (LOSS)/PROFIT FOR THE YEAR		(208,099)	48,972
Retained profit brought forward		425,770	376,798
Retained profit carried forward		£217,671	£425,770

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

The company has no recognised gains or losses other than the profit for the year.

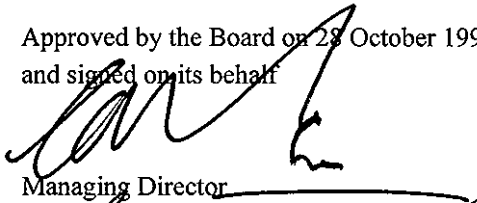
The profit for the year has been calculated on a historical cost basis.

**BALANCE SHEET**

As at 30 June 1996

	Notes	1996		1995	
		£	£	£	£
FIXED ASSETS					
Investments	7		275,000		125,000
CURRENT ASSETS					
Debtors	8	9,273,254		342,959	
Investments		21,021		6,329	
Cash at bank and in hand		38,492		292,896	
		9,332,767		642,184	
CURRENT LIABILITIES					
Creditors: Amounts falling due within one year	9	(9,140,076)		(91,394)	
NET CURRENT ASSETS					
			192,691		550,790
TOTAL ASSETS LESS CURRENT LIABILITIES					
			£467,691		£675,790
Called up share capital	10		250,020		250,020
Profit and loss account			217,671		425,770
SHAREHOLDERS' FUNDS (including non-equity interests)	11		£467,691		£675,790

Approved by the Board on 28 October 1996  
and signed on its behalf



Managing Director



Director

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 1996

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

**a. Accounting convention**

The financial statements are prepared under the historical cost convention.

**b. Underwriting agency income**

Agency salaries are credited in the period to which they relate.

**c. Profit commissions**

Profit commission receivable is credited in the period in which the year of account to which it relates closes. Profit commission received in advance of a year closing is carried in the Balance Sheet until the relevant year is closed. Profit commission payable is charged in the period to which it relates.

**d. Deferred taxation**

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

**2. TURNOVER**

Turnover is all derived from the United Kingdom. It represents profit commission receivable, underwriting agency salaries and certain management fees.

**3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

Profit on ordinary activities before taxation is arrived at after charging/(crediting):

Directors' emoluments (Note 5)
Auditors' remuneration
Auditors' remuneration: non-audit work
Management fees payable to parent company
Management fees receivable from syndicates
Exceptional charge

1996 £	1995 £
1,306,925	103,830
7,000	5,000
-	7,250
14,913	18,034
(25,918)	(12,557)
781,942	-

The exceptional charge represents a final payment to Lloyd's of London under the Reconstruction and Renewal Programme.

**4. DIVIDENDS**

Dividends on ordinary shares:

Final dividend

1996 £	1995 £
4,200,000	-



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 1996 (continued)

## 5. DIRECTORS AND EMPLOYEES

a. All B.F. Caudle Group staff were employed during the year by B.F. Caudle Agencies Ltd. Staff costs have been borne by the employer and recharged to its fellow subsidiary company and managed syndicate in accordance with the normal payroll allocation. The amounts disclosed below relate to the company's share of the group's costs, and do not reflect the total amount paid by the group to the individuals concerned.

b. Directors' emoluments (excluding costs borne by syndicates) were as follows:

Salaries, remuneration and benefits  
Social security costs  
Pension contributions

1996 £	1995 £
1,285,246	89,161
8,600	5,477
13,079	9,192
<b>£1,306,925</b>	<b>£103,830</b>

The emoluments of the directors, excluding pension contributions, include amounts paid to:

Chairman

Highest paid director

1996 £	1995 £
£19,063	£10,938
<b>£783,761</b>	<b>£26,689</b>

The number of other directors who received emoluments, excluding pension contributions, in the following ranges were:

£0 - £5,000  
£5,001 - £10,000  
£10,001 - £15,000  
£15,001 - £20,000  
£40,001 - £45,000  
£195,001 - £200,000  
£200,001 - £210,000

1996 Number	1995 Number
-	1
-	3
-	1
2	-
1	-
1	-
1	-
<b>5</b>	<b>5</b>

c. Director's loan.

N.R.S.Smith has been in receipt of a loan throughout the period for underwriting purposes from B.F. Caudle Holdings Ltd. His loan at 1 July 1995 and 30 June 1996 amounted to £12,609 and £4,802 on these dates respectively and was interest free. The maximum amount outstanding during the period was £12,609. Mr. Smith is not a director of B.F. Caudle Holdings Ltd.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 1996 (continued)

## 5. DIRECTORS AND EMPLOYEES (continued)

d. Staff costs, including directors' remuneration (but excluding costs borne by syndicates) were as follows:

Wages, salaries and bonuses  
Social security costs  
Pension contributions

1996 £	1995 £
1,566,983	98,786
10,629	8,537
16,579	11,763
<b>£1,594,191</b>	<b>£119,086</b>

## e. Pension benefits

The B.F. Caudle Agencies Limited Staff Pension Scheme is available to all permanent staff (over the age of 21) of B.F. Caudle Agencies Limited. The staff pension scheme is a defined benefits scheme under which benefits are based on final salary at retirement. The scheme used a projected unit funding method.

The main actuarial assumptions were as follows:

Price inflation	4% p.a.
Investment return	8% p.a.
Pay escalation	6% p.a.
Increases to pensions in payment	3.5% p.a.
Increases to pensions during deferment	4% p.a.
Equity dividend growth	3.5% p.a.

The market value of the Scheme assets amounted to £981,000, and these assets fully covered the accrued liabilities at the date of valuation. The assets of the Scheme are held in Trustees' administered funds which are financially separate from the group.

The latest independent actuarial valuation of the fund for which results are available was carried out at 31 March 1995.

The group pension costs amounted to £69,512 (1995 - £75,758) which represented 15.7% (1994: 18.5%) of scheme salaries contributed solely by the employer, B.F. Caudle Agencies Limited.

The annual pension cost is recharged to the group subsidiary companies and syndicates, where applicable, in accordance with the normal payroll allocation. These payments are charged against the profits of the year in which they become payable.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 1996 (continued)

**6. TAX ON PROFIT ON ORDINARY ACTIVITIES**

The charge based on the profit for the year comprises:

UK Corporation tax at 33% (1995 - 25%) on current profit  
 Overprovision relating to prior years

1996 £	1995 £
1,978,110	-
-	(10,072)
£1,978,110	(£10,072)

**7. FIXED ASSET INVESTMENTS****Cost**

At 1 July 1995

Additions

Disposals

At 30 June 1996

Unlisted £
125,000
275,000
(125,000)
£275,000

This investment is in Advent Capital Holdings Plc, which is registered in England and Wales. This represents an investment of 8.19% in the Ordinary 'B' share capital of the company. Advent Capital Holdings Plc is the holding company for Advent Capital Plc.

Advent Capital Plc. is a dedicated corporate capital vehicle, placing capital only on Syndicate 780. B.F. Caudle and K.D. Thompson are directors of the holding company, Advent Capital Holdings Plc., and hold 400,000 and 37,500 Ordinary 25p shares respectively. B.F. Caudle Agencies Ltd continues to be the Managing Agent for this Syndicate.

**8. DEBTORS****Due within one year**

Amounts owed by parent company

Amounts owed by associated company

Amounts owed by managed syndicate

Prepayments and accrued income

Advance Corporation Tax receivable

**Due after one year**

Other debtors

1996 £	1995 £
-	327,720
20,000	-
8,278,419	1,398
3,835	3,841
950,000	-
9,252,254	332,959
21,000	10,000
£9,273,254	£342,959

Amounts owed by associated company are in respect of Caudle Hilsum (Members Agency) Ltd.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 1996 (continued)

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

Amounts owed to parent company  
 Current corporation tax  
 Other taxation  
 Profit commission  
 Accruals and deferred income

1996 £	1995 £
3,804,135	-
1,978,110	-
950,000	-
781,942	-
1,625,889	91,394
<b>£9,140,076</b>	<b>£91,394</b>

Amounts owed to parent company take account of the final dividend of £4,200,000.

**10. CALLED UP SHARE CAPITAL**

'A' Ordinary shares of £1 each  
 'B' Ordinary shares of £1 each

Authorised		Allotted & fully paid	
1996 £	1995 £	1996 £	1995 £
20	20	20	20
500,000	500,000	250,000	250,000
<b>£500,020</b>	<b>£500,020</b>	<b>£250,020</b>	<b>£250,020</b>

The 'A' Ordinary shares have voting rights but no rights to dividends. The 'B' Ordinary shares have dividend rights, but no voting rights. The shares rank equally on a winding up of the company, but the 'A' shares carry no rights to the surplus assets of the company.

Since the year end, a further 150,000 B Ordinary shares were issued by means of a bonus issue.

**11. MOVEMENT ON SHAREHOLDERS' FUNDS**

Profit for the financial year  
 Dividends  
 Net movement in shareholders' funds  
 Shareholders' funds at 1 July 1995

1996 £	1995 £
3,991,901	48,972
(4,200,000)	-
(208,099)	48,972
675,790	626,818
<b>£467,691</b>	<b>£675,790</b>

Shareholders' funds at 30 June 1996

Shareholders' funds includes £41 (1995: £54) in respect of non equity interests.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 1996 (continued)

**12. PARENT COMPANIES**

The parent and ultimate parent undertakings are B.F. Caudle Holdings Limited and Charlbury Holdings Limited respectively, both companies registered in England. Copies of those companies' accounts are available from the Registrar of Companies.

**13. EXECUTIVE SHARE OPTION SCHEME**

On 26 July 1994, the company approved an amendment to its Articles of Association which established an Executive Share Option Scheme. Details of directors' holdings in the scheme are as follows:

	Number of options granted	Date granted	Number of options at 30.6.96	Date from which options can be exercised	Date from which option granted expires
K.D. Thompson	6,000	16.11.94	6,000	16.11.97	16.11.04
J.B. Hilsum	6,000	16.11.94	6,000	16.11.97	16.11.04
N.R.S. Smith	6,000	16.11.94	6,000	16.11.97	16.11.04
	18,000		18,000		

The options are only available over non-voting 'B' shares and have an exercise price of £2.33 per share, with no performance criteria conditional upon which options can be exercised.

The shares of the company are unquoted, and as such the market price of the options is not given.

The cost of establishing the scheme was £10,000, and appears in 'Debtors - Due after one year'. The directors intend to recover these costs upon exercise of the options by members of the scheme.

The twelve members of the scheme paid £1 consideration for each option certificate, and a liability therefore appears in Creditors.

No options lapsed unexpired or were exercised during the year.