

**B.F. CAUDLE AGENCIES LIMITED**

**Registration number:1227004**

**REPORT AND FINANCIAL STATEMENTS**

**30 JUNE 1998**



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

### **DIRECTORS:**

**H.P.B. Dow QC  
B.F. Caudle  
K.D. Thompson  
J.B. Hilsum  
N.R.S. Smith  
M.R. Lester**

### **COMPANY SECRETARY:**

**G. Perdoni ACA, ACII**

### **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 1998.

**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:

- (i) Select suitable accounting policies and then apply them consistently.
- (ii) Make judgements and estimates that are reasonable and prudent;
- (iii) Comply with applicable accounting standards, subject to any material departures explained in the financial statements;
- (iv) 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. Finally, the directors of the company are additionally responsible for ensuring that the company takes steps to ensure that systems and equipment will cope with the year 2000 date change, and for considering any specific impacts this issue may have on the financial statements and whether proper accounting records have been kept.

**RESULTS AND DIVIDENDS**

The profit for the year to 30 June 1998, before taxation, amounts to £1,483,652 (1997:£1,063,564) and is dealt with as shown in the Profit and Loss account.

The directors declared and paid a final dividend amounting to £2.50 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.

**FUTURE DEVELOPMENTS**

Profits are anticipated for both the 1996 and 1997 years of account of Syndicate 780, these being forecast to produce returns of approximately 22.5% and 15% of Names' premium limits.

Advent Capital (Holdings) Ltd. has announced its intention to further merge its interests with those of B.F. Caudle Agencies Ltd. by increasing its participation to approximately 25% of the 'B' share capital. This is intended to be by means of a share for share exchange, subject both to Lloyd's and Advent shareholders' approval. Advent is also intending to increase its support for Syndicate 780 through the raising of funds from existing and new shareholders.

**DONATIONS**

During the year, the company made charitable donations of £5,171 (1997:£2,100).

**DIRECTORS AND THEIR INTERESTS**

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

	'A' Ordinary shares of £1 each		'B' Ordinary shares of £1 each	
	At 30.6.98	At 30.6.97	At 30.6.98	At 30.6.97
H.P.B. Dow QC (non executive chairman)	-	-	-	-
B.F. Caudle	16	16	-	-
K.D. Thompson	-	-	6,000	-
J.B. Hilsum	1	1	6,000	-
M.R. Lester (non-executive)	1	1	-	-
N.R.S.Smith	-	-	-	-

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.

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

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**REPORT OF THE DIRECTORS (continued)**

**TAXATION STATUS**

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

**AUDITORS**

The auditors, Neville Russell, Chartered Accountants, have signified their willingness to continue in office and a resolution proposing their re-appointment will be put to the forthcoming Annual General Meeting.

Approved by the Board on 17 August 1998  
and signed on its behalf

A handwritten signature in dark ink, appearing to read 'G. Perdoni', with a stylized flourish at the end.

G. Perdoni ACA, ACII  
Company Secretary

## **AUDITORS' REPORT TO THE SHAREHOLDERS OF B.F. CAUDLE AGENCIES LIMITED**

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We have audited the financial statements on pages 4 to 10 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 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 affairs of the company at 30 June 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



NEVILLE RUSSELL  
CHARTERED ACCOUNTANTS  
and Registered Auditors

17 August 1998

**B.F. CAUDLE AGENCIES LIMITED****4****PROFIT AND LOSS ACCOUNT**

For the year ended 30 June 1998

	Notes	1998 £	1997 £
<b>TURNOVER</b>	2		
Continuing operations		2,114,661	1,521,677
Discontinued operations		393,266	350,091
		<u>2,507,927</u>	<u>1,871,768</u>
<b>OPERATING EXPENSES</b>			
Continuing operations		(886,198)	(643,085)
Discontinued operations		(230,034)	(270,082)
		<u>(1,116,232)</u>	<u>(913,167)</u>
<b>OPERATING PROFIT</b>			
Continuing operations		1,228,463	878,592
Discontinued operations		163,232	80,009
		<u>1,391,695</u>	<u>958,601</u>
Interest receivable		91,957	104,963
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	1,483,652	1,063,564
Tax on profit on ordinary activities	6	(452,079)	(341,855)
<b>PROFIT FOR THE YEAR</b>		1,031,573	721,709
<b>DIVIDENDS</b>	4	(1,053,750)	(750,000)
<b>RETAINED LOSS FOR THE YEAR</b>		(22,177)	(28,291)
Retained profit brought forward		39,380	217,671
Less: Capitalisation of reserves		-	(150,000)
		<u>39,380</u>	<u>67,671</u>
Retained profit carried forward		<u>£17,203</u>	<u>£39,380</u>

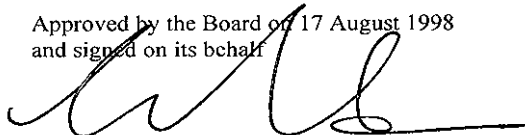
The company's turnover and expenses all relate to continuing operations.  
The company has no recognised gains or losses other than the profit for the year.  
The profit for the year has been calculated on a historical cost basis.

**B.F. CAUDLE AGENCIES LIMITED****5****BALANCE SHEET**

As at 30 June 1998

	Notes	1998 £	1997 £
CURRENT ASSETS			
Debtors	7	153,522	51,712
Investments		-	11,063
Cash at bank and in hand		1,071,403	1,179,874
		1,224,925	1,242,649
CURRENT LIABILITIES			
Creditors: Amounts falling due within one year	8	(757,607)	(803,249)
TOTAL ASSETS LESS CURRENT LIABILITIES		£467,318	£439,400
Called up share capital	9	421,520	400,020
Share Premium Account		28,595	-
Profit and Loss account		17,203	39,380
SHAREHOLDERS' FUNDS	10	£467,318	£439,400
(including non-equity interests)			

Approved by the Board on 17 August 1998  
and signed on its behalf

  
Managing Director  
Director

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 30 June 1998****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies 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 receivable 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 on 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.

**e. Investments**

Investments held as current assets are stated at the lower of cost and net realisable value.

**f. Leases**

Rental costs under operating leases are charged to Profit and Loss Account in equal amounts over the periods of the leases.

**g. Pensions**

Contributions payable to the Company's pension scheme are charged to the Profit and Loss Account so as to spread the cost of pensions over the service lives of the employees in the scheme. The pension charge is calculated on the basis of actuarial advice.

**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  
Management fees payable to parent company  
Management fees receivable from syndicate

1998 £	1997 £
449,743	381,907
8,550	5,500
19,989	22,425
(14,780)	(22,575)

**4. DIVIDENDS**

Ordinary dividend:

Proposed and paid final dividend of £2.50 (1997: £1.875) per 'B' Ordinary share

1998 £	1997 £
£1,053,750	£750,000



**B.F. CAUDLE AGENCIES LIMITED****7****NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 30 June 1998

**5. DIRECTORS AND EMPLOYEES**

All B.F. Caudle Group staff were employed during the year by B.F. Caudle Agencies Limited. 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 related 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.

**Directors' emoluments**

Emoluments (excluding costs borne by syndicate)  
Contributions to money purchase pension schemes

1998 £	1997 £
449,743	381,907
18,554	9,220
£468,297	£391,127

The emoluments of directors disclosed above include the following amounts paid to the highest paid director:

Emoluments (excluding costs borne by syndicate)  
Contributions to money purchase pension schemes

1998 £	1997 £
253,189	176,707
14,160	5,196
£267,349	£181,903

During the year, the following number of directors:

Accrued benefits under money purchase schemes  
Accrued benefits under defined benefit purchase schemes

1998 Number	1997 Number
2	2
2	2
4	4

**Staff costs**

Staff costs, including directors' remuneration (but excluding costs borne by the managed syndicate) were as follows:

Wages, salaries and bonuses  
Social security costs  
Pension contributions

1998 £	1997 £
717,052	542,355
72,519	54,583
54,782	49,662
£844,353	£646,600

The average number of persons, including executive directors, employed by the company during the year was:

Management  
Accounting  
Underwriting  
Other

1998 Number	1997 Number
3	3
2	2
6	7
5	5
16	17

**B.F. CAUDLE AGENCIES LIMITED****8****NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 30 June 1998

**5. DIRECTORS AND EMPLOYEES (Continued)****Pension benefits**

The B.F. Caudle Agencies Limited Staff Pension scheme is available to all permanent staff over the age of 21. 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 £1,186,000 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 £108,884 (1997: £69,512) which represented 17.2% (1997:15.7%) 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.

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

The charge based on the profit for the year comprises:

UK Corporation tax at 31% (1997 - 33%) on current profit  
Overprovision relating to prior years

1998 £	1997 £
462,552	356,989
(10,473)	(15,134)
£452,079	£341,855

**7. DEBTORS****Due within one year**

Amounts owed by group companies  
Amounts owed by managed syndicate  
Prepayments and accrued income

1998 £	1997 £
133,229	14,682
-	4,331
20,293	11,699
153,522	30,712
-	21,000
£153,522	£51,712

**Due after one year**

Other debtors

**B.F. CAUDLE AGENCIES LIMITED****9****NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 30 June 1998

**8. CREDITORS****Amounts falling due within one year**

Corporation tax

Other taxation

Accruals and deferred income

1998 £	1997 £
199,115	169,206
263,438	187,500
295,054	446,543
<b>£757,607</b>	<b>£803,249</b>

**9. CALLED UP SHARE CAPITAL**

'A' Ordinary shares of £1 each

'B' Ordinary shares of £1 each

Authorised		Allotted and fully paid	
1998	1997	1998	1997
£	£	£	£
20	20	20	20
500,000	500,000	421,500	400,000
<b>£500,020</b>	<b>£500,020</b>	<b>£421,520</b>	<b>£400,020</b>

The 'A' Ordinary non-equity 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. The increase in allotted 'B' share capital is in respect of certain option holders who have elected to exercise their right to purchase their entitlement of shares at the agreed option price, in accordance with the rules of the Scheme (see Note 11 below). Other than in the event of a winding up, the interest of 'A' shares in the shareholders' funds is limited to £20.

**10. MOVEMENT ON SHAREHOLDERS' FUNDS**

Profit for the financial year

Dividends

New share capital subscribed

Net movement in shareholders' funds

Shareholders' funds at 1 July 1997

Shareholders' funds at 30 June 1998

1998 £	1997 £
1,031,573	721,709
(1,053,750)	(750,000)
50,095	-
27,918	(28,291)
439,400	467,691
<b>£467,318</b>	<b>£439,400</b>

**11. 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 30.6.98	Date from which options can be exercised	Date from which options granted expires
K.D. Thompson	6,000	16.11.94	-		
J.B. Hilsum	6,000	16.11.94	-		
N.R.S. Smith	6,000	16.11.94	6,000	16.11.97	16.11.04
	<b>18,000</b>		<b>6,000</b>		

**B.F. CAUDLE AGENCIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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For the year ended 30 June 1998

**11. EXECUTIVE SHARE OPTION SCHEME (continued)**

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. Of the twelve original members of the scheme, one no longer works for the Company and has thereby forfeited his entitlement, whilst five have exercised their options at the exercise price. The remaining six have not exercised their options, whilst having paid £1 consideration for each option certificate. Accordingly, a liability appears in Creditors.

**11. PARENT COMPANIES**

The parent and ultimate parent companies 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.

**12. OPERATING LEASES**

The annual commitment under non-cancellable operating leases was:

After five years

Leasehold offices	
1998 £	1997 £
£121,670	£75,000