

Borderway Insurance Brokers Limited

Directors' report and financial
statements

Registered number 2200510

30 June 2002



Contents

Directors' report	1
Statement of directors' responsibilities	2
Report of the independent auditors to the members of Borderway Insurance Brokers Limited	3
Profit and loss account	4
Balance sheet	5
Reconciliation of movements in shareholders' funds	6
Notes	7

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2002.

Principal activities

The principal activity of the company is insurance broking.

Business review

The results of the company are set out in the profit and loss account on page 4.

Proposed dividend

The directors propose the payment of a dividend of £100,000 (2001: £nil).

Directors and directors' interests

The directors who held office during the year were as follows and their interests in the shares of the parent company, H&H Group plc, were as follows:

	At 30 June 2002	At 1 July 2001
PH Pugin	25	25
T Hebdon	2,252	2,252
K Coulthard	-	-

Auditors

KPMG were reappointed auditors on 13 November 2001. However, since that date their business was transferred to a limited liability partnership. Accordingly, KPMG resigned as auditors on 12 June 2002 and the directors thereupon appointed KPMG LLP to fill the vacancy arising. A resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the Annual General Meeting.

By order of the board



PH Pugin
Director

Borderway Mart
Rosehill
Carlisle
CA1 2RS

12 September 2002

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 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

Report of the independent auditors to the members of Borderway Insurance Brokers Limited

We have audited the financial statements on pages 4 to 12.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

Basis of audit 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 the company's affairs as at 30 June 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

12 September 2002

Profit and loss account
for the year ended 30 June 2002

	<i>Note</i>	2002 £	2001 £
Turnover	<i>1</i>	275,275	219,473
Administrative expenses		(252,339)	(207,534)
Operating profit		22,936	11,939
Interest receivable	<i>5</i>	5,266	7,728
Interest payable	<i>6</i>	-	(358)
Profit on ordinary activities before taxation	<i>2-4</i>	28,202	19,309
Tax on profit on ordinary activities	<i>7</i>	(6,459)	-
Profit on ordinary activities after taxation		21,743	19,309
Dividends		(100,000)	-
Retained (loss)/profit for the year	<i>12</i>	(78,257)	19,309

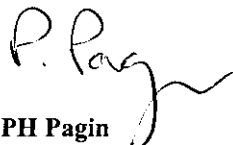
The company's operating profit/(loss) for both the current and preceding financial year derives from continuing operations.

There are no recognised gains and losses other than the profit for the year in the current or previous year.

Balance sheet
at 30 June 2002

	<i>Note</i>	2002	2001
		£	£
Fixed assets			
Tangible assets	8	25,593	28,081
Current assets			
Debtors	9	191,827	218,601
Cash at bank and in hand		314,820	262,352
		<hr/>	<hr/>
Creditors: amounts falling due within one year	10	506,647 (437,302)	480,953 (335,839)
		<hr/>	<hr/>
Net current assets		69,345	145,114
		<hr/>	<hr/>
Net assets		94,938	173,195
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	11	42,000	42,000
Profit and loss account	12	52,938	131,195
		<hr/>	<hr/>
Shareholders' funds		94,938	173,195
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 12 September 2002 and were signed on its behalf by:



PH Pagin
Director

Reconciliation of movements in shareholders' funds
for the year ended 30 June 2002

	2002 £	2001 £
Profit for the financial year	21,743	19,309
Dividends	(100,000)	-
Net (reduction)/addition to shareholders' funds	(78,257)	19,309
Opening shareholders' funds	173,195	153,886
Closing shareholders' funds	94,938	173,195

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements. The company has adopted FRS 19 'Deferred tax' in these financial statements.

Basis of preparation

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

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of H&H Group plc, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Office furniture and equipment	-	15% per annum on written down value
Motor vehicles	-	25% per annum on written down value
Computer equipment	-	20% per annum straight line

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. . Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension scheme

All employees are eligible to join Group pension schemes. Assets of these pension schemes are held separately from those of the Group. Contributions to the schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

Insurance debtors and creditors

In the normal course of business, settlement is required to be made with insurance companies on the basis of the net settlement due to or from the company in question, rather than the amounts due to or from the individual parties which it represents.

Insurance debtors and creditors reflect the treatment required by FRS5.

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation purposes and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of services to customers. The turnover and profit is attributable to the principal activity of the company, and is earned entirely within the United Kingdom.

2 Profit on ordinary activities before taxation

	2002 £	2001 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors remuneration	1,000	1,000
Depreciation	7,578	6,756
Rentals payable under operating leases	10,094	2,891
Loss on disposal of fixed assets	3,878	4,678
	<hr/>	<hr/>

3 Remuneration of directors

	2002 £	2001 £
Directors' emoluments	64,504	49,784
Contributions to money purchase pension schemes	2,146	709
	<hr/>	<hr/>
	66,650	50,493
	<hr/>	<hr/>

Two directors (2001: 2) had benefits accruing under the group's money purchase scheme.

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2002	2001
Administration	9	7

The aggregate payroll costs of these persons were as follows:

	2002	2001
	£	£
Wages and salaries	130,817	112,600
Social security costs	11,055	9,260
Other pension costs	12,657	11,893
	<u>154,529</u>	<u>133,753</u>

5 Interest receivable

	2002	2001
	£	£
Bank interest	5,266	7,427
Interest on corporation tax refund	-	301
	<u>5,266</u>	<u>7,728</u>

6 Interest payable

	2002	2001
	£	£
Finance charges payable in respect of finance leases and hire purchase contracts	-	358

Notes (continued)

7 Taxation

	2002 £	2001 £
<i>UK corporation tax</i>		
Current tax on income for the period	6,459	-
Tax on profit on ordinary activities	6,459	-
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	28,202	19,309
Current tax at 19.75% (2001: 20%)	5,570	3,862
<i>Effects of:</i>		
Expenses not deductible for tax purposes	-	-
Capital allowances for period in excess of depreciation	496	-
Utilisation of tax losses and group relief	-	(3,862)
Other timing differences	393	-
Tax on profit on ordinary activities	6,459	-

8 Tangible fixed assets

	Computer equipment £	Motor vehicles £	Office equipment and furniture £	Total £
<i>Cost</i>				
At beginning of year	8,121	33,923	15,220	57,264
Additions	2,417	14,801	-	17,218
Disposals	-	(33,923)	-	(33,923)
At end of year	10,538	14,801	15,220	40,559
<i>Depreciation</i>				
At beginning of year	4,809	19,165	5,209	29,183
Charge for year	1,906	4,170	1,502	7,578
On disposals	-	(21,795)	-	(21,795)
At end of year	6,715	1,540	6,711	14,966
<i>Net book value</i>				
At 30 June 2002	3,823	13,261	8,509	25,593
At 30 June 2001	3,312	14,758	10,011	28,081

Notes (continued)

9 Debtors

	2002 £	2001 £
Trade debtors	187,247	215,226
Prepayments and accrued income	4,580	3,375
	<u>191,827</u>	<u>218,601</u>

10 Creditors: amounts falling due within one year

	2002 £	2001 £
Trade creditors	270,667	292,335
Amounts owed to group companies	21,944	14,243
Accruals and deferred income	38,232	29,261
Corporation tax	6,459	-
Proposed dividend	100,000	-
	<u>437,302</u>	<u>335,839</u>

11 Called up share capital

	2002 £	2001 £
<i>Authorised</i>		
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<u>42,000</u>	<u>42,000</u>

12 Profit and loss account

	2002 £	2001 £
At beginning of year	131,195	111,886
Retained (loss)/profit for the year	<u>(78,257)</u>	<u>19,309</u>
At end of year	<u>52,938</u>	<u>131,195</u>

Notes *(continued)*

13 Contingent liabilities

At 30 June 2002 the company was party to unlimited cross guarantees with other group companies.

14 Commitments

The company had no contracted capital commitments at the end of the current or previous year.

The company has annual commitments relating to operating leases in respect of a motor vehicle which expire within three years totalling £5,220 (2001: *£nil*) and computer equipment which expire within four years totalling £8,672 (2001: £8,672).

15 Ultimate parent company

The company is a subsidiary undertaking of H&H Group plc incorporated in England and Wales. Results of the company are consolidated only in the accounts of H&H Group plc. Consolidated accounts of H&H Group plc are available from the Group at Borderway Mort, Rosehill, Carlisle, CA1 2RS.