

**Borderway Insurance Brokers Limited**

**Directors' report and financial  
statements**

**Registered number 2200510**

**30 June 2004**



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## Directors' report

The Directors present their annual report and the audited financial statements for the year ended 30 June 2004.

### 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 do not recommend the payment of a dividend (2003: £50,000).

### Directors and Directors' interests

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

	At 30 June 2004	At 30 June 2003
K Coulthard	-	-
T Hebdon	3,026	3,026
PH Pagin	25	25

### Auditors

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



**K Coulthard**  
Director

Borderway Mart  
Rosehill  
Carlisle  
CA1 2RS

15 September 2004

## **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.



KPMG LLP

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.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

### **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 2004 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*

15 September 2004

**Profit and loss account**  
*for the year ended 30 June 2004*

	<i>Note</i>	<b>2004</b> £	<b>2003</b> £
<b>Turnover</b>	<i>1</i>	<b>384,992</b>	<b>348,783</b>
Administrative expenses		<b>(362,087)</b>	<b>(302,118)</b>
<b>Operating profit</b>		<b>22,905</b>	<b>46,665</b>
Interest receivable	<i>5</i>	<b>4,924</b>	<b>5,075</b>
<b>Profit on ordinary activities before taxation</b>	<i>2-4</i>	<b>27,829</b>	<b>51,740</b>
Tax on profit on ordinary activities	<i>6</i>	<b>(5,706)</b>	<b>(8,143)</b>
<b>Profit on ordinary activities after taxation</b>		<b>22,123</b>	<b>43,597</b>
Dividend proposed		-	<b>(50,000)</b>
<b>Retained profit/(loss) for the year</b>	<i>11</i>	<b>22,123</b>	<b>(6,403)</b>

The Company's operating profit for both the current and preceding financial year derives from continuing operations.

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

**Balance sheet**  
*at 30 June 2004*

	<i>Note</i>	<b>2004</b>	<b>2003</b>
		£	£
<b>Fixed assets</b>			
Tangible assets	7	47,560	25,254
<b>Current assets</b>			
Debtors	8	171,030	149,487
Cash at bank and in hand		368,319	301,060
		<u>539,349</u>	<u>450,547</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>(476,251)</u>	<u>(387,266)</u>
<b>Net current assets</b>		<u>63,098</u>	<u>63,281</u>
<b>Net assets</b>		<u>110,658</u>	<u>88,535</u>
<b>Capital and reserves</b>			
Called up share capital	10	42,000	42,000
Profit and loss account	11	68,658	46,535
<b>Shareholders' funds</b>		<u>110,658</u>	<u>88,535</u>

These financial statements were approved by the Board of Directors on 15 September 2004 and were signed on its behalf by:



**K Coulthard**  
 Director

**Reconciliation of movements in shareholders' funds**  
*for the year ended 30 June 2004*

	2004 £	2003 £
Profit for the financial year	22,123	43,597
Dividends	-	(50,000)
	<hr/>	<hr/>
Net addition/(reduction) to shareholders' funds	22,123	(6,403)
Opening shareholders' funds	88,535	94,938
	<hr/>	<hr/>
Closing shareholders' funds	110,658	88,535
	<hr/>	<hr/>



## 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.

#### *Basis of preparation*

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

Under FRS 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% straight line
Computer equipment	-	3 year 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. The Group operates a funded Defined Benefit Scheme which became paid-up with effect from 28 February 2001, i.e. members are earning no further benefits. 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.

The Group also operates a Group Personal Pension Scheme and a Stakeholder Pension Scheme. Charges for these schemes in the accounts for the year relate to contributions made during the year.

#### *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 FRS 5.

## 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

	2004 £	2003 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration	1,000	1,000
Depreciation	11,473	7,022
Rentals payable under operating leases	13,892	13,892
	<hr/>	<hr/>

### 3 Remuneration of Directors

	2004 £	2003 £
Directors' emoluments	74,328	65,766
Contributions to money purchase pension schemes	2,281	2,256
	<hr/>	<hr/>
	76,609	68,022
	<hr/>	<hr/>

Two Directors (2003: 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 was as follows:

Number of employees	
2004	2003
15	12

The aggregate payroll costs of these persons were as follows:

	2004	2003
	£	£
Wages and salaries	192,929	160,802
Social security costs	18,171	13,913
Other pension costs	15,040	14,332
	<u>226,140</u>	<u>189,047</u>

### 5 Interest receivable

	2004	2003
	£	£
Bank interest	<u>4,924</u>	<u>5,075</u>

## Notes (continued)

### 6 Taxation

	2004 £	2003 £
<i>UK corporation tax</i>		
Current tax on income for the period	5,582	8,143
Adjustment in respect of prior years	124	-
	<hr/>	<hr/>
Total tax charge for the year	5,706	8,143
	<hr/>	<hr/>

#### *Factors affecting the tax charge for the current year*

The current tax charge for the year is higher (2003: lower) than the standard rate of corporation tax in the UK (19%, 2003: 19%).

The differences are explained below:

#### *Current tax reconciliation*

Profit on ordinary activities before tax	27,829	51,740
	<hr/>	<hr/>
Current tax at 19% (2003: 19%)	5,288	9,831
	<hr/>	<hr/>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	519	155
Capital allowances for period (in excess of)/less than depreciation	(225)	266
Utilisation of tax losses and group relief	-	(1,919)
Other timing differences	-	(190)
Adjustment in respect of prior years	124	-
	<hr/>	<hr/>
Total current tax (see above)	5,706	8,143
	<hr/>	<hr/>

## Notes (continued)

### 7 Tangible fixed assets

	Computer equipment	Motor vehicles	Office equipment and furniture	Total
	£	£	£	£
<b>Cost</b>				
At beginning of year	17,221	14,801	15,220	47,242
Additions	10,985	22,794	-	33,779
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	28,206	37,595	15,220	81,021
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At beginning of year	9,141	4,864	7,983	21,988
Charge for year	4,306	6,039	1,128	11,473
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	13,447	10,903	9,111	33,461
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 30 June 2004	14,759	26,692	6,109	47,560
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2003	8,080	9,937	7,237	25,254
	<hr/>	<hr/>	<hr/>	<hr/>

### 8 Debtors

	2004 £	2003 £
Trade debtors	151,008	147,403
Prepayments and accrued income	18,586	2,084
Value added tax	1,436	-
	<hr/>	<hr/>
	171,030	149,487
	<hr/>	<hr/>

### 9 Creditors: amounts falling due within one year

	2004 £	2003 £
Trade creditors	384,542	262,611
Amounts owed to group companies	36,916	21,455
Accruals and deferred income	49,211	45,057
Corporation tax	5,582	8,143
Proposed dividend	-	50,000
	<hr/>	<hr/>
	476,251	387,266
	<hr/>	<hr/>

## Notes (continued)

### 10 Called up share capital

	2004 £	2003 £
<i>Authorised</i>		
Ordinary shares of £1 each	100,000	100,000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	42,000	42,000

### 11 Profit and loss account

	2004 £	2003 £
At beginning of year	46,535	52,938
Retained profit/(loss) for the year	22,123	(6,403)
At end of year	68,658	46,535

### 12 Contingent liabilities

At 30 June 2004 the Company was party to unlimited cross guarantees with other Group companies.

### 13 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 one year totalling £5,220 (2003: £5,220) and computer equipment which expire within two years totalling £8,672 (2003: £8,672).

### 14 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 Mart, Rosehill, Carlisle, CA1 2RS.