

Registered number : 2959963, England

COMPANIES HOUSE

SUTTON BARNARD LIMITED

REPORTS AND FINANCIAL STATEMENTS

31 MARCH 1999



SUTTON BARNARD LIMITED

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SUTTON BARNARD LIMITED

Directors	A. E. Sutton (Chairman) M. B. Baldwin P. H. F. Barnard
Secretary	M. B. Baldwin
Auditors	Leach & Co. Ashley House 18-20 George Street Richmond Surrey TW9 1PR
Registered office	Ashley House 18-20 George Street Richmond Surrey TW9 1PR
Registered number	2959963, England

SUTTON BARNARD LIMITED

REPORT OF THE DIRECTORS TO THE MEMBERS OF SUTTON BARNARD LIMITED

The directors have pleasure in presenting their report and audited financial statements of the company for the year ended 31 March 1999.

Review of the business and future developments

The principal activity of the company was that of insurance brokers.

Both the level of business and the year end financial position were satisfactory, and the directors expect that the level of activity will improve.

Results and dividends

The results for the year are as shown in the annexed profit and loss account.

The directors do not recommend the payment of a final dividend.

Holding company

At 31 March 1999 Sutton Group Holdings Limited, a company incorporated in England was the ultimate holding company.

Directors

The following directors served on the Board during the year and their beneficial interests in the shares of the company were as follows:

	£1 ordinary shares	
	At 31 March 1999	At 31 March 1998
A. E. Sutton	-	-
M. B. Baldwin	-	-
P. H. F. Barnard	400	400

Mr. A. E. Sutton and Mr. M. B. Baldwin are directors of Sutton Group Holdings Limited, and their respective beneficial interest in the issued share capital of that company throughout the year were 4,518 and 3,717 ordinary shares of £1 each.

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 judgments 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 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 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.

SUTTON BARNARD LIMITED**REPORT OF THE DIRECTORS
TO THE MEMBERS OF SUTTON BARNARD LIMITED**

(continued)

Year 2000 compliance and the euro

The directors have considered the likely impact of the year 2000 problem upon the company. As is well known, many computer and digital storage systems express dates using only the last two digits of the year and may require modification or replacement to accommodate the year 2000 and beyond, in order to avoid malfunction and consequent commercial disruption. The operations of the company depend not only on its own computer systems but also those of its suppliers and other third parties; this could expose us to risk in the event that there is a failure by other parties to remedy their own year 2000 problem.

The company has assessed the risks to its operations and is well advanced in an action plan to deal with those risks considered critical. Priority has been given to those systems which could cause a significant financial or legal impact on the company's operations if they were to fail. The plan has also included the testing of systems changes, involving the participation of the users, and detailed enquiries of suppliers and other third parties.

Given the complexity of the issue, it is not possible for any organisation to guarantee that no year 2000 problem will remain, because at least some level of failure may occur. However, the directors believe that they will achieve an acceptable state of readiness and have also provided resources to deal promptly with significant subsequent failures or issues that may arise.

The cost of implementing the action plans will be subsumed into the recurring activities of the company and will be expensed as incurred.

The impact of the euro has also been considered generally by the company. Although the impact of the changeover to the euro is not currently anticipated to be significant, this issue is being closely monitored, particularly in the context of the company's trading relationship with Ireland.

Tax status

The company is a close company under the provisions of the Income and Corporation Taxes Act 1988.

Auditors

Messrs. Leach & Co., have expressed their willingness to continue in office. A resolution proposing their re-appointment will be put to the annual general meeting.

By order of the Board



M. B. Baldwin
Secretary

28 January 2000

SUTTON BARNARD LIMITED**REPORT OF THE AUDITORS
TO THE MEMBERS OF SUTTON BARNARD LIMITED**

We have audited the financial statements on pages 5 to 11.

Respective responsibility of directors and auditors

As described on page 2, 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 financial statements and to report our opinion to you.

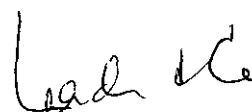
Basis of opinion

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 have 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 at 31 March 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



LEACH & CO.
Chartered Accountants
and Registered Auditors

Ashley House
18-20 George Street
Richmond
Surrey

28 January 2000

SUTTON BARNARD LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1999**

	Notes	<u>1999</u>	<u>1998</u>
TURNOVER	2	312,175	239,649
Other operating income	3	<u>7,242</u>	<u>6,218</u>
		319,417	245,867
Administrative expenses		<u>275,775</u>	<u>225,373</u>
OPERATING PROFIT		43,642	20,494
Interest payable	4	<u>51</u>	<u>25</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	43,591	20,469
Taxation	8	<u>1,521</u>	<u>1,306</u>
PROFIT FOR THE FINANCIAL YEAR		42,070	19,163
DEFICIT AT 1 APRIL 1998		(90,332)	(109,495)
DEFICIT AT 31 MARCH 1999		<u>£ (48,262)</u>	<u>£ (90,332)</u>

Continuing operations

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

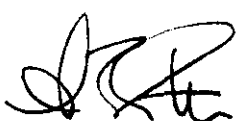
Total recognised gains and losses

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


SUTTON BARNARD LIMITED

BALANCE SHEET AS AT 31 MARCH 1999

	Notes	1999	1998
FIXED ASSETS			
Tangible assets	9	18,203	20,848
CURRENT ASSETS			
Debtors	10	163,688	72,028
Cash at bank and in hand	11	12,154	58,498
		<u>175,842</u>	<u>130,526</u>
CREDITORS: Amounts falling due within one year	12	<u>91,307</u>	<u>80,706</u>
NET CURRENT ASSETS		84,535	49,820
		<u>102,738</u>	<u>70,668</u>
CREDITORS: Amounts falling due after more than one year	13	150,000	160,000
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>£ (47,262)</u>	<u>£ (89,332)</u>
CAPITAL AND RESERVES			
Called-up share capital	15	1,000	1,000
Profit and loss account		(48,262)	(90,332)
SHAREHOLDERS' FUNDS (All equity interests)	16	<u>£ (47,262)</u>	<u>£ (89,332)</u>



A. E. Sutton, Director



M. B. Baldwin, Director

The financial statements were approved by the Board of Directors on 28 January 2000.

SUTTON BARNARD LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 1999

	1999	1998
Net cash inflow/(outflow) from operating activities (note 1)	(36,634)	54,808
Returns on investments and servicing of finance		
Interest received	3,625	2,413
Interest paid	(51)	(25)
	3,574	2,388
Taxation	(1,300)	(5)
Capital expenditure		
Payments to acquire tangible fixed assets	(4,686)	(7,174)
Receipts from sales of tangible fixed assets	-	-
	(4,686)	(7,174)
	(39,046)	50,017
Financing		
Debt due after one year - increase/(decrease) in long term loan (10,000)	(10,000)	10,000
	(10,000)	10,000
Increase/(decrease) in cash	<u>£ (49,046)</u>	<u>£ 60,017</u>
Reconciliation of net cash flow to movement in net debt (note 2)		
Increase/(decrease) in cash in the period	(49,046)	60,017
Cash inflow from increase in debt	10,000	(10,000)
Cash used to increase liquid resources	-	-
Change in net debt	(39,046)	50,017
Net debt at 1 April 1998	(101,502)	(151,519)
Net debt at 31 March 1999	<u>£ (140,548)</u>	<u>£ (101,502)</u>

NOTES TO THE CASH FLOW STATEMENT

Note 1 - Reconciliation of operating profit to net cash inflow from operating activities

Operating profit	43,642	20,494
Interest receivable	(3,625)	(2,154)
Depreciation charges	7,102	9,246
(Profit)/loss on sale of tangible of fixed assets	229	-
Increase/(decrease) in debtors	(91,661)	25,865
Increase in creditors	7,679	1,357
Net cash outflow from operating activities	<u>£ (36,634)</u>	<u>£ 54,808</u>

Note 2 - Analysis of changes in net debt

	At 1 April 1998	Cash flows	Other changes	At 31 March 1999
Cash in hand, at bank	58,498	(46,344)		12,154
Overdrafts	-	(2,702)		(2,702)
		(49,046)		
Debt due within one year	-	-	-	-
Debt due after one year	(160,000)	10,000	-	(150,000)
Current asset investments	-	-		-
Total	<u>£ (101,502)</u>	<u>£ (39,046)</u>	<u>£ -</u>	<u>£ (140,548)</u>

SUTTON BARNARD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

I. PRINCIPAL ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention.

Commissions receivable

Commission is taken into the profit and loss account at the point of invoice.

Fixed assets

All tangible fixed assets are stated at cost and all repairs are written off as incurred.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the assets over their expected useful lives. The annual rates in use are:

Motor vehicle	25% reducing balance
Computer and ancillaries	33 1/3% straight line
Office equipment	15% straight line

Insurance broking debtors and creditors

Insurance brokers usually act as agents in placing the insurable risks of their clients with insurers and, as such, generally are not liable as principals for amounts arising from such transactions. Notwithstanding these legal relationships, debtors and creditors arising from insurance broking transactions are shown as assets and liabilities. This recognises that the insurance broker is entitled to retain the investment income on any cash flows arising from these transactions.

Debtors and creditors arising from a transaction between client and insurer (e.g., a premium or a claim) are recorded simultaneously. Consequently, there is a high level of correlation between the totals reported in respect of insurance broking debtors and insurance broking creditors.

The position of the insurance broker as agents means that generally the credit risk is borne by the principals. There can be circumstances where the insurance broker acquires credit risks - through statute, or through the act or omission of the insurance broker or of one of the principals. There is much legal uncertainty surrounding the circumstances and the extent of such exposures and consequently they cannot be evaluated. However, the total of insurance broking debtors appearing in the balance sheet is not an indication of credit risk.

It is normal practice for insurance brokers to settle accounts with other intermediaries, clients, insurers and market settlement bureaux on a net basis. Thus, large changes in both insurance broking debtors and creditors can result from comparatively small cash settlements. For this reason, the totals of insurance broking debtors and give no indication of future cash flow.

The legal status of this practice of net settlement is uncertain and in the event of an insolvency it is generally abandoned. Financial Reporting Standard No 5 requires that offset of assets and liabilities should be recognised in the financial statements where, and only where, the offset would survive the insolvency of the other party. Accordingly only such offsets have been recognised in calculating insurance broking debtors and creditors.

Deferred taxation

No provision for deferred taxation has been made because in the opinion of the directors, no liability is likely to crystallise in the foreseeable future.

SUTTON BARNARD LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 19991. **PRINCIPAL ACCOUNTING POLICIES** (continued)**Pension contributions**

The company operates a defined contribution 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.

2. **TURNOVER**

Turnover represents commissions and fees receivable, net of refunds.

The turnover and pre-tax profit are attributable to one activity, insurance broking, carried on within the United Kingdom.

	<u>1999</u>	<u>1998</u>
3. OTHER OPERATING INCOME		
Bank deposit interest	3,625	2,154
Rent receivable	3,617	4,064
	<u>£ 7,242</u>	<u>£ 6,218</u>

4. **INTEREST PAYABLE**

Bank overdraft interest	<u>£ 51</u>	<u>£ 25</u>
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5. **PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

This is stated after charging:

Directors' remuneration (Note 7)	60,519	56,815
Auditors' remuneration	3,205	4,010
Hire of other assets - operating leases	9,273	9,273
Deficit on disposal of tangible fixed assets	229	-
Depreciation	<u>7,102</u>	<u>9,246</u>

6. **STAFF COSTS**

Staff costs, including directors' remuneration were as follows:

Wages and salaries	163,048	126,863
Social security costs	14,900	11,326
Other pension costs	5,700	4,500
	<u>£ 183,648</u>	<u>£ 142,689</u>

The average weekly number of employees was 10 (1998 - 7).

7. **DIRECTORS' REMUNERATION**

Directors' remuneration consists of:

Company contribution to money purchase pension schemes	4,500	4,500
Other emoluments	56,019	52,315
	<u>£ 60,519</u>	<u>£ 56,815</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1999**

	<u>1999</u>	<u>1998</u>
8. TAXATION		
Based on the profits of the year		
U. K. Corporation Tax at 21%.	<u>1,521</u>	<u>1,306</u>
	<u>£ 1,521</u>	<u>£ 1,306</u>

The company has tax losses of approximately £38,000 (1998 - £77,600) available to carry forward against future taxable profits.

9. FIXED ASSETS

Cost	Motor Vehicles	Computer equipment	Office furniture & equipment	Total
At 1 April 1998	17,870	16,704	14,628	49,202
Additions	-	3,234	1,452	4,686
Disposals	-	-	(270)	(270)
At 31 March 1999	<u>17,870</u>	<u>19,938</u>	<u>15,810</u>	<u>53,618</u>
Depreciation				
At 1 April 1998	10,370	12,595	5,389	28,354
Charge for the year	1,875	2,859	2,368	7,102
Disposals	-	-	(41)	(41)
At 31 March 1999	<u>12,245</u>	<u>15,454</u>	<u>7,716</u>	<u>35,415</u>
Net book values				
At 31 March 1999	<u>£ 5,625</u>	<u>£ 4,484</u>	<u>£ 8,094</u>	<u>£ 18,203</u>
At 31 March 1998	<u>£ 7,500</u>	<u>£ 4,109</u>	<u>£ 9,239</u>	<u>£ 20,848</u>

	<u>1999</u>	<u>1998</u>
10. DEBTORS		
Debtors in respect of insurance transactions	157,556	69,918
Other debtors	3,359	379
Prepayments	2,773	1,731
	<u>£ 163,688</u>	<u>£ 72,028</u>

11. CASH AT BANK AND IN HAND

Insurance broking bank account	12,054	57,185
General account	-	1,213
Cash in hand	100	100
	<u>£ 12,154</u>	<u>£ 58,498</u>

SUTTON BARNARD LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

	<u>1999</u>	<u>1998</u>
12. CREDITORS: Amounts falling due within one year		
Bank overdraft	2,702	-
Creditors in respect of insurance transactions	70,110	14,031
Amounts due to fellow subsidiary company	5,433	52,242
Corporation Tax	1,521	1,301
Other taxes and social security costs	5,455	3,518
Other creditors	875	197
Accruals	5,211	9,417
	<u>£ 91,307</u>	<u>£ 80,706</u>

13. CREDITORS: Amounts falling due after more than one year

Amounts due to holding company (Note 14)	<u>£ 150,000</u>	<u>£ 160,000</u>
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14. LOAN

This is an interest-free loan from Sutton Group Holdings Limited, the ultimate holding company, with no specified repayment date.

Repayment is due 36 months after receipt of request for repayment.

	<u>1999</u>	<u>1998</u>
15. SHARE CAPITAL		
Authorised		
1,000 ordinary shares of £1 each	<u>£ 1,000</u>	<u>£ 1,000</u>
Allotted, called-up and fully paid		
1,000 ordinary shares of £1 each	<u>£ 1,000</u>	<u>£ 1,000</u>

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Profit for the financial year	42,070	19,163
	42,070	19,163
Shareholders' funds at 31 March 1998	(89,332)	(108,495)
Shareholders' funds at 31 March 1999	<u>£ (47,262)</u>	<u>£ (89,332)</u>

17. CONTINGENT LIABILITIES

At 31 March 1999 there were contingent liabilities for which no provision had been made in these financial statements in respect of a guarantee given by the Company to secure the parent company's bank overdraft of up to £10,000.

18. OPERATING LEASE COMMITMENTS

At 31 March 1999 the company was committed to making payments of £9,273 (1998 - £9,273) annually in respect of an operating lease, relating to land and buildings which expires within five years.