

**SUTTON BARNARD LIMITED**

**REPORT OF THE DIRECTORS AND FINANCIAL  
STATEMENTS FOR THE YEAR ENDED  
31 MARCH 2004**

**COMPANY NUMBER 2959963**



**Sutton Barnard Limited****Report of the directors for the year ended 31 March 2004.**

The directors present their report together with the financial statements of the company for the year ended 31 March 2004.

**PRINCIPAL ACTIVITY**

The principal activity of the company continues to be insurance broking.

**RESULTS AND DIVIDENDS**

The results for the year are shown in the profit and loss account on page 3. Two interim dividends of £50 and £125 per share (2003: nil) were paid to shareholders on 1 September 2003 and 16 June 2004. The directors recommend the payment of a final dividend of £75 per share (2003: £25.00 per share).

**DIRECTORS**

The directors of the company during the year and their beneficial shareholdings were as follows:

	Ordinary shares of £1 each	
	At 31 March 2004	At 31 March 2003
M B Baldwin	-	-
P H F Barnard	200	400
A C Barnard	200	-

**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 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;
- 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.

**AUDITORS**

Leach & Co resigned from office and Moore Stephens were appointed as auditors in their place. A resolution approving their appointment will be proposed at the Annual General Meeting.

**ON BEHALF OF THE BOARD**

**M Baldwin - SECRETARY**

Date: 6th December 2004

**Sutton Barnard Limited  
Auditors' Report**

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SUTTON BARNARD LIMITED**

We have audited the financial statements of Sutton Barnard Limited for the year ended 31 March 2004 on pages 3 to 12. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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 that we are required to state to them in an auditors' 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**

As described on page 1, the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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 31 March 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Moore Stephens*

Moore Stephens  
Registered Auditors, Chartered Accountants  
St Pauls House  
Warwick Lane  
London EC4N 7BP

Date: 13 December 2004

**Sutton Barnard Limited**  
**Profit and loss account for the year ended 31 March 2004**

	Notes	2004 £	2003 £
<b>TURNOVER</b>		1,301,486	1,197,786
Other operating income	3	<u>138,661</u>	<u>108,934</u>
		1,440,147	1,306,720
Administrative expenses		<u>(1,166,778)</u>	<u>(928,146)</u>
<b>OPERATING PROFIT</b>	4	273,369	378,574
Interest payable		<u>-</u>	<u>(14)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAX</b>		273,369	378,560
Tax on profit on ordinary activities	7	<u>(55,000)</u>	<u>(114,334)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAX</b>		218,369	264,226
Dividends	8	<u>(199,750)</u>	<u>(19,975)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		18,619	244,251
<b>PURCHASE OF OWN SHARES</b>		<u>-</u>	<u>(185,995)</u>
<b>RETAINED PROFIT FOR THE YEAR</b>		<u>18,619</u>	<u>58,256</u>

**Statement of total recognised gains and losses (note 22)**

	2004 £	2004 £
Profit for the financial year	18,619	58,256
Prior year adjustment	<u>(15,000)</u>	<u>-</u>
Total gains and losses recognised since last annual report	<u>3,619</u>	<u>58,256</u>

All revenue was derived from continuing activities.

**Sutton Barnard Limited**  
**Balance Sheet as at 31 March 2004**

	Notes	31 March 2004		31 March 2003	
		£	£	£	£
<b>FIXED ASSETS</b>					
Tangible assets	9		80,236		96,140
<b>CURRENT ASSETS</b>					
Debtors	10	1,201,085		1,194,180	
Cash at bank and in hand	11	956,763		220,621	
		<u>2,157,848</u>		<u>1,414,801</u>	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	12	<u>(2,133,306)</u>		<u>(1,424,782)</u>	
<b>NET CURRENT ASSETS/ (LIABILITIES)</b>			24,542		(9,981)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	13		<u>(3,600)</u>		<u>(3,600)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>101,178</u>		<u>82,559</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	14		799		799
Capital redemption reserve			201		201
Profit and loss account	15		<u>100,178</u>		<u>81,559</u>
<b>SHAREHOLDERS' FUNDS (all equity interests)</b>	16		<u>101,178</u>		<u>82,559</u>

The Financial statements were approved by the Board on 6th December 2004

SIGNED ON BEHALF OF THE BOARD



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M B Baldwin - Director

**Sutton Barnard Limited**  
**Cash Flow Statement for the year ended 31 March 2004**

	Notes	2004 £	2004 £	2003 £	2003 £
<b>Net cash inflow from operating activities</b>	<b>17</b>		858,417		613,698
<b>Returns on investments and servicing of finance</b>					
Interest received		19,372		18,595	
Interest paid		<u>-</u>	<u>19,372</u>	<u>(14)</u>	<u>18,581</u>
<b>Taxation</b>			(58,451)		(130,661)
<b>Capital expenditure</b>					
Payments to acquire tangible fixed assets		(23,271)		(39,378)	
Receipts from sales of tangible fixed assets		<u>-</u>	<u>(23,271)</u>	<u>17,934</u>	<u>(21,444)</u>
<b>Equity dividends paid</b>			<u>(59,925)</u>		<u>(180,000)</u>
<b>Management of liquid resources</b>			736,142		300,174
Cash (placed on) short term deposits			<u>(316,560)</u>		<u>(200,000)</u>
<b>Financing</b>					
Purchase of own shares			<u>-</u>		<u>(185,995)</u>
<b>Increase /(decrease) in cash</b>			<u>419,582</u>		<u>(85,821)</u>

**Reconciliation of net cash flow to movement in liquid resources**

	£	£	£	£
Increase / (decrease) in cash during the period	419,582		(85,821)	
Cash used to increase liquid resources	<u>316,560</u>	<u>736,142</u>	<u>200,000</u>	<u>114,179</u>
Net liquid resources at 1 April 2003		220,621		106,442
Net liquid resources at 31 March 2004	<b>18</b>	<u>956,763</u>		<u>220,621</u>

**Sutton Barnard Limited**  
**Notes to the financial statements**

**1 Accounting Policies**

**Accounting convention**

The financial statements have been prepared under the historical cost convention.

**Commissions receivable**

Commission is recognised in the profit and loss account at the inception date of the policy, or the date of contractual entitlement if later.

Alterations in commission arising from premium adjustments are taken into account as and when such adjustments are notified. To the extent that the company is contractually obliged to provide services after the balance sheet date, a suitable proportion of income is deferred and recognised over the life of the relevant contracts to ensure that revenue appropriately reflects the fulfilment of those obligations.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Computer equipment	33.33% on cost
Motor vehicles	25% reducing balance
Office equipment	15% on cost

**Insurance broking debtors and creditors**

Insurance brokers normally 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 the entitlement of the insurance broker to retain the investment income on any cash flows arising from these transactions.

Debtors and creditors arising from a transaction between client and insurer, such as a premium or 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 an agent 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 one of the principals. There is significant 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 creditors give no indication of future cash flows.

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 5 requires that assets and liabilities may be offset in the financial statements where, and only where, the offset would survive the insolvency of the other party. Accordingly only offsets which are permitted by FRS 5 have been recognised in calculating insurance broking debtors and creditors.

**Sutton Barnard Limited**  
**Notes to the financial statements**

**Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

All differences are taken to the profit and loss account.

**Deferred taxation**

Provision is made, under the liability method, to take account of material timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. No provision is made for permanent differences. Tax deferred or accelerated is accounted for in respect of all material un-reversed timing differences.

**Pensions**

The company operates a defined contribution pension scheme. Contributions payable for the year are charged to the profit and loss account.

The assets of the scheme are held separately from those of the company in separately administered funds.

**2 Turnover**

Turnover represents insurance commissions and agency fees receivable, net of refunds.

The company carries out one activity, that of insurance broking. All business is carried out in the United Kingdom.

**3 Other operating income**

	2004	2003
	£	£
Bank interest receivable	19,372	18,595
Profit on disposal of tangible fixed assets	-	2,338
Other income	119,289	88,001
	<u>138,661</u>	<u>108,934</u>

**4 Operating profit**

	2004	2003
	£	£
This is stated after charging:		
Depreciation	37,507	36,161
Depreciation written back	(14,993)	(31,114)
Operating lease payments on property	30,380	34,938
Loss on disposal of tangible fixed assets	1,669	-
Auditors' remuneration	6,000	5,515
Directors' remuneration (note 6)	<u>178,904</u>	<u>162,042</u>



**Sutton Barnard Limited**  
**Notes to the financial statements**

**5 Staff costs**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Staff costs, including directors' remuneration, are comprised of:		
Wages and salaries	733,534	550,585
Social security costs	75,522	52,394
Pension costs	34,952	22,112
	<u>844,008</u>	<u>625,091</u>

The average number of employees during the year was 32 (2003 - 27).

**6 Directors' remuneration**

Directors' remuneration consists of:	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Emoluments	151,604	142,542
Company contributions to money purchase schemes	27,300	19,500
	<u>178,904</u>	<u>162,042</u>
Number of directors in money purchase schemes:	<u>2</u>	<u>2</u>

**7 Taxation on profit on ordinary activities**

Taxation based on profit for the year:	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
UK corporation tax at 19% (2003: 30%)	55,000	110,928
Deferred tax	-	(3,100)
Prior year adjustments	-	6,506
	<u>55,000</u>	<u>114,334</u>

The effective rate of corporation tax for the year is higher than the 19% standard rate of corporation tax for small companies in the UK. The differences are analysed as follows:

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Taxation on profit for the year at UK standard rate	51,940	113,568
Accelerated capital allowances	1,997	(4,688)
Items related to prior year adjustment	(2,850)	-
Disallowed items	1,657	2,048
Other timing differences	2,256	-
Taxation on profit for the year	<u>55,000</u>	<u>110,928</u>

**8 Dividends**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Interim dividend paid 1 September 2003 of £50.00 per share (2003: nil)	39,950	-
Interim dividend paid 16 June 2004 of £125.00 per share (2003: nil)	99,875	-
Proposed final dividend of £75 (2003 - £25.00) per share	59,925	19,975
	<u>199,750</u>	<u>19,975</u>

**Sutton Barnard Limited**  
**Notes to the financial statements**

**9 Tangible fixed assets**

	Office furniture and equipment £	Computer equipment £	Motor vehicles £	Total £
<b>COST</b>				
At 1 April 2003	104,309	70,191	6,500	181,000
Additions	4,706	18,565	-	23,271
Disposals	-	(16,661)	-	(16,661)
At 31 March 2004	109,015	72,095	6,500	187,610
<b>ACCUMULATED DEPRECIATION</b>				
At 1 April 2003	35,470	44,946	4,444	84,860
Charge for year	15,399	21,580	528	37,507
Disposals	-	(14,993)	-	(14,993)
At 31 March 2004	50,869	51,533	4,972	107,374
<b>NET BOOK VALUE</b>				
At 31 March 2004	58,146	20,562	1,528	80,236
At 31 March 2003	68,839	25,245	2,056	96,140

**10 Debtors**

	2004 £	2003 £
Debtors in respect of insurance transactions	1,182,052	1,187,394
Other debtors	430	430
Prepayments and accrued income	18,603	6,356
	<u>1,201,085</u>	<u>1,194,180</u>

**11 Cash at bank and in hand**

	2004 £	2003 £
Insurance broking bank accounts		
Short term deposit	516,560	200,000
Current account	439,197	16,648
	<u>955,757</u>	<u>216,648</u>
Company bank accounts and cash		
Current account	912	3,863
Cash in hand	94	110
	<u>956,763</u>	<u>220,621</u>

**Sutton Barnard Limited**  
**Notes to the financial statements**

**12 Creditors: amounts falling due within one year**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Creditors in respect of insurance transactions	1,820,488	1,055,008
Amounts owed to group undertakings	17,499	-
Corporation tax	61,483	64,934
Social security and other taxes	25,763	27,036
Other creditors	8,294	206,805
Accruals and deferred income	39,979	51,024
Dividends payable	159,800	19,975
	<u>2,133,306</u>	<u>1,424,782</u>

**13 Provisions for liabilities and charges**

The amount provided for deferred tax and the movement during the year was as follows:

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
At 1 April 2003	3,600	6,700
Accelerated capital allowances	-	(3,100)
At 31 March 2004	<u>3,600</u>	<u>3,600</u>

**14 Share capital**

<b>Authorised</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
1,000 Ordinary Shares of £1 pence each	<u>1,000</u>	<u>1,000</u>

<b>Issued and fully paid</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
799 Ordinary Shares of £1 pence each	<u>799</u>	<u>799</u>

**15 Reserves - profit and loss account**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Balance at 1 April 2003 as previously reported	96,559	38,303
Prior year adjustment	(15,000)	(15,000)
Balance at 1 April 2003 as currently reported	<u>81,559</u>	<u>23,303</u>
Retained profit for the year	18,619	58,256
At 31 March 2004	<u>100,178</u>	<u>81,559</u>

**Sutton Barnard Limited**  
**Notes to the financial statements**

**16 Reconciliation of movement in shareholders' funds**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Profit for the year after tax	218,369	264,226
Dividends	(199,750)	(19,975)
Purchase of own shares	-	(185,995)
	<u>18,619</u>	<u>58,256</u>
Shareholders' funds at 1 April 2003	82,559	24,303
Shareholders' funds at 31 March 2004	<u>101,178</u>	<u>82,559</u>

**17 Reconciliation of operating profit to net cash inflow from operating activities**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Operating profit	273,369	378,574
Interest receivable	(19,372)	(18,595)
Depreciation	37,507	36,161
Loss /(profit) on disposal of tangible fixed assets	1,669	(2,338)
(Increase) in debtors	(6,905)	(902,269)
Increase in creditors	572,149	1,122,165
<b>Net cash inflow from operating activities</b>	<u>858,417</u>	<u>613,698</u>

**18 Analysis of changes in liquid resources**

	<b>1 April 2003</b>	<b>Cash flows</b>	<b>31 March 2004</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Cash at bank and in hand	20,621	419,582	440,203
Current asset investments	200,000	316,560	516,560
<b>Total</b>	<u>220,621</u>	<u>736,142</u>	<u>956,763</u>

**19 Operating leases**

At 31 March 2004 the company was committed to making payments of £34,938 (2003: £34,938) annually in respect of operating leases for land and buildings all of which expire within five years.

**20 Related party transactions**

Sutton Group Holdings Limited owns 49.99% of the shares in the company. Sutton Winson Limited, a subsidiary of Sutton Group Holdings charged the company £7,726 (2003: £8,260) for administration services provided during the year.

At 31 March 2004 the amount due to Sutton Winson Limited was £17,499 (2003: £21,124).

**21 Controlling party**

The company is controlled by PHF Barnard and AC Barnard by virtue of shareholdings. PHF and AC Barnard are both directors of the company.

**22 Prior year adjustment**

During the year the company adopted Amendments to Financial Reporting Standard 5, Reporting the Substance of Transactions ("FRS5 Application Note G"). To the extent that the company is contractually obliged to provide services after the balance sheet date, a suitable proportion of income is deferred and recognised over the life of the relevant contracts.

The effect of implementing FRS5 Application Note G was to decrease revenue and operating profit for the period prior to that ended 31 March 2003 by £15,000 and to decrease net assets and the value of the reserves at 1st April 2003 by £15,000.