

**Towergate Stafford Knight Company Limited**  
**Directors' report and financial statements**  
**for the year ended 31 December 2002**  
**Registered number 0180403**



## **Directors' report and financial statements**

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## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

### **Principal activities**

The profit and loss account for the year is set out on page 5.

The principal activity of the Company continued to be that of insurance broking.

### **Business review**

The directors are actively seeking alternative income streams to ensure the future profitability of the Company. As result of a restructure the Company will, during 2003, be transferring its entertainment division activity portfolio to another related company, Towergate Stafford Knight Holdings Ltd. Accordingly, the entertainment division is reported as "continuing operations to be transferred". The Company will then be sold in its entirety to the Folgate Group, a related Company.

### **Proposed dividend**

The directors do not recommend the payment of a dividend (2001: £nil)

### **Directors and directors' interests**

The directors who held office during the year were as follows:

PG Cullum  
PF Dyer  
A Proverbs  
NJ Crocker  
K Maciver  
C Hawker (appointed 28.02.02)  
N Morris (appointed 28.02.02)

The directors who held office at the end of the financial year had the following interests in the shares of group companies according to the register of directors' interests:

	<b>Towergate Underwriting Group Limited</b>			
	Ordinary Shares £1		Preference Shares £1	
	31 December 2002	31 December 2001	31 December 2002	31 December 2001
PG Cullum	35,550	35,550	14,725	14,725
PF Dyer	6,000	6,000	129,500	129,500
A Proverbs	5,000	5,000	40,500	40,500
NJ Crocker	200	200	1,900	1,900

## **Directors' report** *(continued)*

No directors have been granted share options in the shares of the Company or other group companies.

None of the other directors who held office at the end of the financial year had any disclosable interest in the shares of group companies.

### **Political and charitable contributions**

During the year the Company made charitable donations of £nil (2001: £nil).

### **Auditors**

In accordance with Sections 379A and 386 of the Companies Act 1985, the Company has dispensed with the resolution to appoint auditors annually.

### **Subsequent Events**

In March 2003 contracts were exchanged on the transfer of the entertainment portfolio of Towergate Stafford Knight Company Limited to Towergate Stafford Knight Holdings Limited, it's parent company. In March 2003 contracts were exchanged between Towergate Stafford Knight (Holdings) Limited and The Folgate Broker Partnership Limited (a related company) on the sale of Towergate Stafford Knight Company Limited. Both transactions took place at full market price as independently valued.

By order of the board



**P.G. Cullum**  
*Director*

30 April 2003

## **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 year. 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.

## **Independent auditors' report to the members of Towergate Stafford Knight Company Limited**

We have audited the financial statements on pages 5 to 15.

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 3, 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 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 misstatements, 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 Company's affairs as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985

**KPMG Audit Plc**  
*Chartered Accountants  
Registered Auditor  
8 Salisbury Square  
London  
EC4Y 8BB*

*KPMG Audit Plc*

*30 April* 2003

**Profit and loss account**  
**for the year ended 31 December 2002**

	<i>Note</i>	<b>2002</b> <b>Continuing</b>	<b>2002</b> <b>Continuing</b> <b>operations</b> <b>to be</b> <b>transferred</b>	<b>2002</b>	<b>2001</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Turnover – continuing operations	2	1,034,722	1,107,302	2,142,024	2,474,013
Administration expenses		(768,690)	(1,228,761)	(1,997,451)	(2,427,120)
<b>Operating profit - continuing operations</b>		<b>266,032</b>	<b>(121,459)</b>	<b>144,573</b>	<b>46,893</b>
Interest receivable and similar income				67,250	158,132
Interest payable and similar charges	6			(3,701)	(5,780)
<b>Profit on ordinary activities before taxation</b>	3			<b>208,122</b>	<b>199,245</b>
Tax on profit on ordinary activities	7			(72,846)	(71,634)
<b>Retained profit for the financial year</b>				<b>135,276</b>	<b>127,611</b>

The notes on pages 8 to 15 form a part of these financial statements.

The Company has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.


There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

## Balance sheet at 31 December 2002

	<i>Note</i>	<b>2002</b>	<b>2002</b>	<b>2001</b>
		<b>£</b>	<b>£</b>	<b>£</b>
<b>Fixed assets</b>				
Tangible assets	8		<b>352,840</b>	533,072
			<hr/>	<hr/>
			<b>352,840</b>	533,072
<b>Current assets</b>				
Debtors	9	<b>7,040,634</b>		6,919,638
Cash at bank and in hand		<b>1,771,050</b>		1,669,802
		<hr/>		<hr/>
		<b>8,811,684</b>		8,589,440
<b>Creditors: amounts falling due within one year</b>	10	<b>(8,195,179)</b>		(8,288,443)
		<hr/>		<hr/>
<b>Net current assets</b>			<b>616,505</b>	300,997
			<hr/>	<hr/>
<b>Total assets less current liabilities</b>			<b>969,345</b>	834,069
			<hr/>	<hr/>
<b>Net assets</b>			<b>969,345</b>	834,069
			<hr/>	<hr/>
<b>Capital and reserves</b>				
Called up share capital	11		<b>700,000</b>	700,000
Share premium account	12		<b>28,000</b>	28,000
Profit and loss account	12		<b>241,345</b>	106,069
			<hr/>	<hr/>
<b>Equity Shareholders' funds</b>			<b>969,345</b>	834,069
			<hr/>	<hr/>

The notes on pages 8 to 15 form part of these financial statements.

These financial statements were approved by the board of directors on 30 April 2003 and were signed on its behalf by:

  
**P G Cullum**  
*Director*



**Reconciliation of movements in shareholders' funds  
for the year ended 31 December 2002**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
<b>Profit for the financial year</b>	<b>135,276</b>	<b>127,611</b>
<b>Net reduction in shareholders' funds</b>	<b>135,276</b>	<b>127,611</b>
<b>Opening shareholders' funds</b>	<b>834,069</b>	<b>706,458</b>
<b>Closing shareholders' funds</b>	<b>969,345</b>	<b>834,069</b>

## **Notes**

*(Forming part of the financial statements)*

### **1 Accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies is set out below. These have been applied consistently except that the Group has adopted FRS 19 (Deferred Tax) during the year. This has not had a material impact, in the current or prior year.

#### **Basis of preparation**

The financial statements are prepared in accordance with the historical cost convention.

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 100% indirectly owned subsidiary of Towergate Underwriting Group Limited 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 (or investees of the group qualifying as related parties). The consolidated financial statements of Towergate Underwriting Group Limited within which this Company is included, can be obtained from the address given in note 15.

#### **Tangible fixed assets and depreciation**

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Computers	-	25% per annum
Fixtures and fittings	-	15% per annum

#### **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.

## **Notes (continued)**

### **Accounting policies (continued)**

#### **Post retirement benefits**

Towergate Stafford Knight Company Limited operates a defined contribution pension scheme, which is open to employees of the Company. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting year.

#### **Taxation**

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

#### **Turnover**

Turnover comprises net commission receivable.

#### **2 Turnover**

Turnover consists entirely of sales made in the United Kingdom.

#### **3 Profit on ordinary activities before taxation**

	2002 £	2001 £
<b>Profit on ordinary activities before taxation is stated:</b>		
<b>After charging</b>		
Auditors' remuneration:		
- Audit	12,794	15,500
Depreciation and other amounts written off tangible fixed assets:		
- Owned	102,786	156,771

## Notes (continued)

### 4 Remuneration of directors

	2002 £	2001 £
Directors' emoluments	128,756	79,673
Company contributions to money purchase pension schemes	9,680	4,000
	<hr/> 138,436 <hr/>	<hr/> 83,673 <hr/>
The highest paid director – aggregate emoluments	70,241	79,673
The highest paid director – company contributions to money purchase pension schemes	5,150	4,000

	Number of directors 2002	Number of directors 2001
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	<hr/> 2 <hr/>	<hr/> 1 <hr/>

The emoluments of Mr Cullum, Mr Dyer, Mr Proverbs and Mr Crocker are paid by Towergate Underwriting Group Limited which makes no recharge to the Company. Messrs Cullum, Dyer, Proverbs and Crocker are directors of the ultimate parent Company and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly, the above details include no emoluments in respect of the above named directors. Their total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of the ultimate parent Company.

## **Notes (continued)**

### **5 Staff numbers and costs**

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

	<b>Number of employees</b>	
	<b>2002</b>	<b>2001</b>
Administration	<b>52</b>	<b>49</b>

The aggregate payroll costs of these persons were as follows:

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Wages and salaries	<b>1,697,298</b>	<b>1,645,306</b>
Social security costs	<b>170,212</b>	<b>160,534</b>
Other pension costs	<b>122,187</b>	<b>120,764</b>
	<b>1,989,697</b>	<b>1,926,604</b>

### **6 Interest payable and similar charges**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Bank loans and overdrafts	<b>3,701</b>	<b>5,780</b>

## **Notes (continued)**

### **7 Taxation**

Analysis of charge in year	2002 £	2001 £
UK Corporation tax		
Current tax on income for the year	72,846	71,634
Adjustments in respect of prior years	-	-
	<hr/>	<hr/>
Total current tax	72,846	71,634
	<hr/>	<hr/>

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

The current tax charge for the year is lower (2001: lower) than the standard rate of corporation tax in the UK (30%, 2001: 30%). The differences are explained below.

	2002 £	2001 £
Profit on ordinary activities before tax	208,122	199,245
Current tax at 30% (2001: 30%)	62,437	59,773
Effects of:		
Expenses not deductible for tax purposes (primarily goodwill amortisation)	44,041	64,522
Capital allowances in excess of depreciation	(33,632)	(52,661)
	<hr/>	<hr/>
Total current tax charge (see above)	72,846	71,634
	<hr/>	<hr/>

There are no known factors that may affect future tax charges, (2001: none)

## Notes (continued)

### 8 Tangible fixed assets

	Computers £	Fixtures and fittings £	Total £
<b>Cost</b>			
At beginning of year	746,204	467,112	1,213,316
Additions	23,222	3,754	26,976
Disposals	(583,267)	(123,179)	(706,446)
	<hr/>	<hr/>	<hr/>
At end of year	186,159	347,687	533,846
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At beginning of year	604,817	75,427	680,244
Charge in year	50,732	52,054	102,786
Disposals	(583,267)	(18,757)	(602,024)
	<hr/>	<hr/>	<hr/>
At end of year	72,282	108,724	181,006
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 December 2002	113,877	238,963	352,840
	<hr/>	<hr/>	<hr/>
At 31 December 2001	141,387	391,685	533,072
	<hr/>	<hr/>	<hr/>

### 9 Debtors

	2002 £	2001 £
Insurance debtors	5,633,537	6,212,381
Amounts due to group undertakings	1,084,487	531,223
Other debtors	171,556	44,331
Prepayments and accrued income	151,054	131,703
	<hr/>	<hr/>
	7,040,634	6,919,638
	<hr/>	<hr/>

Included in the insurance debtor balance above is a sum of £462,688 (2001: £246,793) which relates to amounts due from group undertakings.

## Notes (continued)

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

	2002	2001
	£	£
Bank loans and overdraft	21,031	23,917
Insurance creditors	7,849,704	7,633,212
Amounts owed to group undertakings	2,810	249,820
Corporation tax	72,846	71,634
Taxation and social security	90,257	126,243
Other creditors	20,670	125,663
Accruals and deferred income	137,861	57,954
	<u>8,195,179</u>	<u>8,288,443</u>

Included in the insurance creditor balance is a sum of £296,539 (2001: £133,070) which relates to amounts due to group undertakings.

### 11 Called up share capital

	2002	2001
	£	£
<b>Authorised</b>		
1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
<b>Allotted, called up and fully paid</b>		
700,000 Ordinary shares of £1 each	<u>700,000</u>	<u>700,000</u>

### 12 Share premiums and reserves

	Share premium account £	Profit and loss account £	Total £
At beginning of year	28,000	106,069	134,069
Retained profit for the year	-	135,276	135,276
At end of year	<u>28,000</u>	<u>241,345</u>	<u>269,345</u>



## **Notes (continued)**

### **13 Pension schemes**

Towergate Underwriting Group Limited operates a defined pension scheme. The pension cost charge for the period represents contributions payable by the Company to the fund and amounted to £62,135 (2001: £57,489).

### **14 Operating lease commitments**

Annual commitments under non-cancellable operating leases, which are borne by the intermediate parent Company, are as follows:

	<b>2002</b>	<b>2001</b>
	<b>Land and</b>	<b>Land and</b>
	<b>buildings</b>	<b>buildings</b>
	<b>£</b>	<b>£</b>
Operating leases which expire:		
Within one year	-	-
In the second to fifth years inclusive	<b>270,500</b>	<b>270,500</b>
	<u><b>270,500</b></u>	<u><b>270,500</b></u>

### **15 Related party disclosures**

The Company is a subsidiary undertaking of Towergate Underwriting Group Limited which is the ultimate parent Company incorporated in England and Wales.

The consolidated accounts of this Company are available to the public and may be obtained from:

Towergate House  
St Leonard's Road  
20/20 Maidstone  
Kent ME16 0LS

### **16 Controlling party**

Mr PG Cullum, the Chairman, is the controlling party by virtue of his controlling interest in the parent Company's equity capital.