

Going the extra mile...

180403

# Reports & Financial Statements

For the year ended 31 December 1999

**Stafford Knight & Co Limited**

**M MAZARS**

MAZARS NEVILLE RUSSELL  
Chartered Accountants



24 Bevis Marks London EC3A 7NR

# **STAFFORD KNIGHT & CO LIMITED**

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**DIRECTORS' REPORT**

The directors present their report and the financial statements for the year ended 31 December 1999.

**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;
- state whether applicable accounting standards have been followed; and
- 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.

**REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS**

The principal activity of the company continued to be that of insurance broking. The directors expect the company to return to profit in the future.

**RESULTS AND DIVIDENDS**

The results of the company for the year ended 31 December 1999 are set out in the financial statements on pages 4 to 12.

The directors do not recommend the payment of a dividend. The retained loss for the year of £109,857 (1998: loss £33,176) has been taken to reserves.

**FIXED ASSETS**

Details of changes in tangible fixed assets are given in note 8 to the financial statements.

**YEAR 2000**

The company does not expect to incur any further material costs in relation to year 2000 compliance. The company is aware of this issue and is undertaking relevant steps to eliminate the problem within its internal operations. The company remains vigilant and will take all practical steps to mitigate the effect of any future exposure to this problem.

**DIRECTORS' REPORT (continued)****DIRECTORS**

The directors set out below, have held office during the whole of the year unless otherwise stated. The beneficial interests of the directors holding office on 31 December 1999 in the shares of the company according to the register of directors' interests were as shown below:

	Ordinary shares of £1 each	
	31 December 1999 or date of appointment if later	31 December 1998
R V C Robins (Chairman)	-	-
J Dunford	-	-
D N Howe	-	-
P J Norton (resigned 30 December 1999)	-	-
M T Cass	-	-
P R Goodman	-	-
D J Bedford (appointed 24 February 1999)	-	-
L E Harris	-	-
M G Ede (resigned 30 December 1999)	-	-
I L Bates (resigned 30 December 1999)	-	-
R F E Grunert (appointed 6 March 2000)	-	-
D A Taylor	-	-

**DONATIONS**

During the year the company made charitable donations of £ 660 (1998: £60).

**AUDITORS**

Mazars Neville Russell have signified their willingness to continue in office and a resolution to re-appoint them will be proposed at the forthcoming annual general meeting.

**BY ORDER OF THE BOARD**


Secretary

26 APRIL 2000

4/5 London Wall Buildings  
LONDON EC2M 5NR

## **REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF**

### **STAFFORD KNIGHT & CO LIMITED**

We have audited the financial statements on pages 4 to 12 which have been prepared following the accounting policies set out on pages 6 and 7.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As described on page 1 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 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 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 December 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



CHARTERED ACCOUNTANTS  
and Registered Auditors

24 Bevis Marks  
LONDON EC3A 7NR

28 April 2000

**PROFIT AND LOSS ACCOUNT****For the year ended 31 December 1999**

	Notes	1999 £	1998 £
TURNOVER	2	2,913,524	2,552,084
Administrative expenses		<u>(3,050,760)</u>	<u>(2,591,139)</u>
OPERATING (LOSS)		(137,236)	(39,055)
Interest receivable and similar income		27,888	17,247
Interest payable and similar charges	3	<u>(509)</u>	<u>(272)</u>
(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(109,857)	(22,080)
Taxation	7	<u>-</u>	<u>(11,096)</u>
RETAINED (LOSS) FOR THE YEAR		<u>(109,857)</u>	<u>£(33,176)</u>
STATEMENT OF RESERVES			
At 1 January 1999		144,491	177,667
Retained (loss) for the year		<u>(109,857)</u>	<u>(33,176)</u>
At 31 December 1999		<u>£34,634</u>	<u>£144,491</u>

There are no recognised gains or losses other than those in the Profit and Loss account.

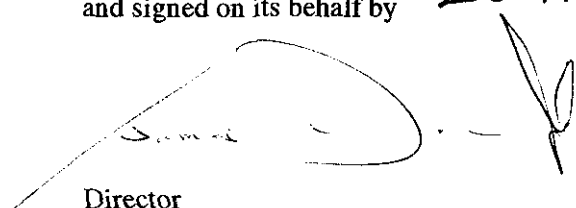
The company's turnover and expenses all relate to continuing activities.

## BALANCE SHEET at 31 December 1999

	Notes	1999		1998	
		£	£	£	£
FIXED ASSETS					
Tangible assets	8		296,262		380,537
Investments	9		20,000		-
CURRENT ASSETS					
Debtors	10	5,838,254		5,600,478	
Cash at bank	11	<u>2,969,395</u>		<u>1,604,065</u>	
		8,807,649		7,204,543	
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	12	<u>8,361,277</u>		<u>6,712,589</u>	
NET CURRENT ASSETS			<u>446,372</u>		<u>491,954</u>
			<u>762,634</u>		<u>£872,491</u>
CAPITAL AND RESERVES					
Called up share capital	13		700,000		700,000
Share premium account			28,000		28,000
Profit and loss account			<u>34,634</u>		<u>144,491</u>
SHAREHOLDERS' FUNDS			<u>£762,634</u>		<u>£872,491</u>

Approved by the board on  
and signed on its behalf by

26 APRIL 2000



Director

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 1999**

**1. ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with applicable accounting standards.

**(a) Accounting convention**

The financial statements are prepared under the historical cost convention.

**(b) Turnover**

Turnover represents brokerage and fees which are recognised when the business is placed by the client having regard to the date of inception of policies.

Alterations in brokerage arising from additional and return premiums and adjustments are taken into account as and when these occur.

**(c) Expenses**

Expenses are written off as incurred.

**(d) Depreciation**

Depreciation is calculated to write off the cost of tangible fixed assets over their estimated useful lives.

**(e) Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance date.

Differences arising on the translation of trading items are dealt within the profit and loss account for the year.

**(f) Insurance debtors and creditors**

The legal status of the practice of net settlement is uncertain and in the event of an insolvency it is generally abandoned. Financial Reporting Standard No 5 "Reporting the substance of transactions" requires that offset of assets and liabilities should be recognised in financial statements 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.



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 1999 (continued)**

**1. ACCOUNTING POLICIES (continued)**

**(g) Deferred taxation**

Deferred tax is provided in respect of the tax effect of all timing differences, to the extent that it is probable that a liability will crystallise in the foreseeable future, at the rate of tax expected to apply when the timing differences reverse.

**(h) Operating leases**

Rentals payable are charged on a straight line basis over the term of the lease.

**(i) Pension costs**

Contributions to the group's pension scheme are charged to the profit and loss account as incurred.

**2. TURNOVER**

	1999 £	1998 £
Brokerage income	£2,913,524	£2,552,084

The whole of the turnover arose in the United Kingdom.

**3. INTEREST PAYABLE AND SIMILAR CHARGES**

	1999 £	1998 £
Interest payable on bank and other borrowings wholly repayable within five years	£509	£272

**4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**

	1999 £	1998 £
The loss on ordinary activities before taxation is after charging/(crediting):		
Depreciation of tangible fixed assets	98,099	86,495
Hire of land and buildings	75,743	83,035
Hire of other assets	13,245	12,352
Auditors' remuneration	22,250	20,800
Net insurance balances written off	375,105	3,186
(Profit) on exchange	(8,922)	(8,715)

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 1999 (continued)**

**5. STAFF COSTS**

All employees including executive directors:

	1999 £	1998 £
Wages and salaries	1,399,878	1,344,819
Social security costs	126,629	123,031
Other pension costs	160,541	108,199
	<u>£1,687,048</u>	<u>£1,576,049</u>

The average number of persons employed by the company during the year was as follows:

	Number	Number
Insurance broking	<u>50</u>	<u>52</u>

**6. DIRECTORS' REMUNERATION**

	1999 £	1998 £
Emoluments	390,074	342,243
Contributions to money purchase pension schemes	111,367	44,135
	<u>£501,441</u>	<u>£386,878</u>

The emoluments of directors disclosed above include the following amounts paid to the highest paid director:

	1999 £	1998 £
Emoluments	85,978	83,665
Contributions to money purchase pension schemes	4,875	4,875
	<u>£90,853</u>	<u>£88,540</u>

	Number	Number
During the period the following number of directors accrued benefits under money purchase pension schemes	<u>9</u>	<u>7</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 1999 (continued)**

**7. TAXATION**

	1999 £	1998 £
Corporation tax on the result for the year	-	-
Under provision in respect of prior years	-	11,096
	<u>-</u>	<u>11,096</u>
	<u>-</u>	<u>£11,096</u>

**8. TANGIBLE FIXED ASSETS**

	Office & computer equipment £	Furniture fixtures & fittings £	Total £
<b>COST</b>			
At 1 January 1999	691,062	128,974	820,036
Additions	22,657	5,815	28,472
Disposals	(49,459)	(23,882)	(73,341)
	<u>664,260</u>	<u>110,907</u>	<u>775,167</u>
<b>At 31 December 1999</b>	<u>664,260</u>	<u>110,907</u>	<u>775,167</u>
<b>ACCUMULATED DEPRECIATION</b>			
At 1 January 1999	364,238	75,261	439,499
Charge for the year	92,683	5,416	98,099
Eliminated on disposals	(48,044)	(10,649)	(58,693)
	<u>408,877</u>	<u>70,028</u>	<u>478,905</u>
<b>At 31 December 1999</b>	<u>408,877</u>	<u>70,028</u>	<u>478,905</u>
<b>NET BOOK VALUES</b>			
31 December 1999	<u>£255,383</u>	<u>£40,879</u>	<u>£296,262</u>
31 December 1998	<u>£326,824</u>	<u>£53,713</u>	<u>£380,537</u>
Depreciation rates	20%	10%	
Depreciation method	Straight line	Reducing balance	

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 1999 (continued)**

**9. INVESTMENTS**

On 14 September 1999 the company acquired 20,000 ordinary shares of £1 each at par value in SK Underwriting Limited, a company incorporated in England. This represents a 40% shareholding in that company. The results of SK Underwriting Limited have not been consolidated in these financial statements as the company does exercise any significant influence over the operating and financial policies of SK Underwriting Limited.

**10. DEBTORS**

	1999 £	1998 £
<b>DUE WITHIN ONE YEAR</b>		
Insurance debtors	5,625,270	5,344,094
Amounts owed by group undertakings	94,015	95,137
Other debtors	49,090	60,964
Prepayments and accrued income	60,567	63,609
	<hr/>	<hr/>
	5,828,942	5,563,804
<b>DUE AFTER MORE THAN ONE YEAR</b>		
Other debtors	9,312	36,674
	<hr/>	<hr/>
	£5,838,254	£5,600,478
	<hr/> <hr/>	<hr/> <hr/>

**11. CASH AT BANK**

As required by Lloyd's Brokers Byelaw (Number 5 of 1988) the company has entered into a trust deed under which all insurance broking account assets are subject to a floating charge held on trust by the Society of Lloyd's for the benefit of the insurance creditors, which at 31 December 1999 amounted to £ 8,063,039 (1998: £6,424,407). The charge only becomes enforceable under certain circumstances as set out in the deed. The assets subject to this charge were:

	1999 £	1998 £
Bank balances	2,966,253	1,573,483
Insurance debtors	5,625,270	5,344,094
	<hr/>	<hr/>
	£8,591,523	£6,917,577
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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 1999 (continued)**

**12. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1999 £	1998 £
Bank loan and overdraft	95,543	-
Insurance creditors	8,063,039	6,424,407
Trade creditors	27,974	95,643
Amounts owed to group undertakings	106,591	101,269
Corporation tax	-	10,464
Taxation and social security	39,529	38,754
Accruals and deferred income	28,601	42,052
	<u>£8,361,277</u>	<u>£6,712,589</u>

**13. SHARE CAPITAL**

	Authorised		Issued and Fully Paid	
	1999	1998	1999	1998
Ordinary shares of £1 each	<u>£1,000,000</u>	<u>£1,000,000</u>	<u>£700,000</u>	<u>£700,000</u>

**14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	1999 £	1998 £
(Loss) for the financial year and net addition to shareholders' funds	(109,857)	(33,176)
Opening shareholders' funds	<u>872,491</u>	<u>905,667</u>
Closing shareholders' funds	<u>762,634</u>	<u>£872,491</u>

**15. GUARANTEES AND OTHER FINANCIAL COMMITMENTS**

The company stands surety to property rental commitments of a fellow subsidiary amounting to £15,000 per annum (1998: £15,000).

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 1999 (continued)**

**16. OPERATING LEASE COMMITMENTS**

At the balance sheet date the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2000.

	1999		1998	
	Land and Buildings £	Other £	Land and Buildings £	Other £
Operating leases which expire:				
Within 1 year	-	4,793	-	-
Between 2 and 5 years	53,000	9,917	82,450	7,271
	<u>123,967</u>	<u>14,710</u>	<u>£82,450</u>	<u>£7,271</u>

**17. PENSION CONTRIBUTIONS**

The company operates a defined contribution pension scheme. The schemes funds are administered independently of the company.

During the year ended 31 December 1999 contributions payable by the company to the scheme were £ 160,541 (1998: £108,199). At the balance sheet date there were no outstanding or prepaid pension contributions.

**18. ULTIMATE PARENT COMPANY AND GROUP ACCOUNTS**

The directors regard Summer Shore Investments Limited, a company incorporated in the Cayman Islands, as the ultimate parent company.

The company's financial statements are consolidated with the group accounts of Stafford Knight Holdings Limited, which is the intermediate holding company incorporated in England.