

Suffolk Mercantile PLC

Directors' Report and Financial Statements

31st December 1999

Registered number 1107481



Directors' Report and Financial Statements

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Directors' Report

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

Principal Activities

The company's principal activities during the year continued to be the provision of guarantee credits and short term secured loans, together with the management of secured loans.

Review of the Business

The directors consider the state of affairs of the company at the year end to be satisfactory.

Results and Dividends

| | 1999 £ | 1998 £ |
|--|-----------------|-----------------|
| The financial statements show a loss for the year, after taxation amounting to | <u>(78,576)</u> | <u>(45,101)</u> |

The directors do not recommend the payment of a dividend.

Directors and Their Interests

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

AG Barker
AH Catchpole (Chairman)
PV Weir

None of the directors had any beneficial interest in the company's issued share capital. Those directors who were also directors of the holding company during the year have disclosed their shareholdings in the Directors' Report of that company. The interest of directors who were not also directors at the end of the financial year of the holding company were as follows:

| | Company | Class of share | Interest at end of year | Interest at start of year or date of appointment |
|---------|------------------------|--------------------|----------------------------|---|
| PV Weir | Suffolk Life Group plc | Ordinary £1 shares | 2,500 | 2,500 |

According to the register of directors' interests, no rights to subscribe for shares in or debentures of group companies were granted to any of the directors or their immediate families, or exercised by them, during the financial year, except for those directors who were also directors of the holding company, which are disclosed in the Directors' Report of that company.

Directors' Report

Year 2000 and EMU

The directors reviewed and are continuing to review the position with regard to the potential computer problems posed by the year 2000. Business critical areas were identified and examined on a systematic basis. In light of this review and the continuing expansion of the group's business activities, the directors took the decision to renew the group's computer network during 1999 at a total group cost of £40,000. No problems have occurred arising from the year 2000 issue but monitoring procedures remain in place

The directors are considering the impact of EMU on the company and the trade in general, and aim to be in a position to comply with any future requirements in due course.

Supplier Payment Policy

Although the company does not follow a specified code or standard of payment practice, it is the company's policy to agree terms for payment with suppliers in advance of the supply of goods and services and to make payment within those terms. There were no supplier credit days outstanding at the year end.

Political and Charitable Contributions

The company made a political donation of £250 (1998 £nil) during the year.

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



AO Stannard
Secretary

23rd February 2000

33 Lower Brook Street
Ipswich
IP4 1AQ

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.

Report of the Auditors to the Members of Suffolk Mercantile PLC

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

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 laws and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our professions'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. 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 other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 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 31st December 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Re

KPMG Audit Plc
Chartered Accountants
Registered Auditor

6 Lower Brook Street
Ipswich
IP4 1AP

Profit and Loss Account
for the year ended 31 December 1999

| | <i>Note</i> | 1999 £ | 1998 £ |
|--|-------------|------------------------|------------------------|
| Turnover | 2 | 167,709 | 139,797 |
| Administrative expenses | | (239,513) | (180,918) |
| Operating loss | | <u>(71,804)</u> | <u>(41,121)</u> |
| Other interest receivable and similar income | 5 | 5 | 2 |
| Interest payable and similar charges | 6 | (6,777) | (3,982) |
| Loss on ordinary activities before taxation | 3 | <u>(78,576)</u> | <u>(45,101)</u> |
| Tax on loss on ordinary activities | 7 | - | - |
| Retained loss for the year | 14 | <u><u>(78,576)</u></u> | <u><u>(45,101)</u></u> |

All of the above relate to the continuing activities of the company.

All gains and losses are included within the profit and loss account and as such no Statement of Total Recognised Gains and Losses has been prepared.

There is no material difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis.

Balance Sheet
as at 31st December 1999

| | Note | 1999 £ | 1999 £ | 1998 £ | 1998 £ |
|--|------|----------------|------------------|----------------|-----------------|
| Fixed assets | | | | | |
| Tangible assets | 8 | | 116,594 | | 111,427 |
| Current assets | | | | | |
| Current asset investments | 9 | 2,000 | | 2,000 | |
| Debtors | 10 | 106,959 | | 117,000 | |
| | | <u>108,959</u> | | <u>119,000</u> | |
| Creditors: amounts falling due within one year | 11 | (211,097) | | (141,096) | |
| Net current liabilities | | | <u>(102,138)</u> | | <u>(22,096)</u> |
| Total assets less current liabilities | | | <u>14,456</u> | | <u>89,331</u> |
| Creditors: amounts falling due after more than one year | 12 | | (8,366) | | (4,665) |
| Net assets | | | <u>6,090</u> | | <u>84,666</u> |
| Capital and reserves | | | | | |
| Called up share capital | 13 | | 300,000 | | 300,000 |
| Profit and loss account | 14 | | (293,910) | | (215,334) |
| Equity shareholders' funds | 15 | | <u>6,090</u> | | <u>84,666</u> |

These financial statements were approved by the board of directors on 23rd February 2000 and were signed on its behalf by:



AH Catchpole
Director



PV Weir
Director

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.

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is a wholly owned subsidiary of Suffolk Life Group plc, and its cash flows are included within the consolidated cash flow statement of that company.

The company is exempt from the requirement of Financial Reporting Standard No 8 to disclose transactions between group undertakings as it is a wholly owned subsidiary of Suffolk Life Group plc.

Tangible Fixed Assets

No depreciation has been provided on antique furniture and fittings or the library books. The library books were revalued on the basis of current cost during 1995. The directors consider that the lives of these assets are so long and the residual values so high that any depreciation charge would not be material.

Depreciation is provided on all other tangible fixed assets at the following annual rates in order to write off each asset over its estimated economic useful life:

| | |
|---|--------------|
| Computer equipment | over 4 years |
| Office equipment, fixtures and fittings | over 8 years |
| Motor vehicles | over 4 years |

Additional provisions are made to reflect any permanent diminution in value.

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. The company's policy is to provide for deferred taxation on all other material timing differences to the extent that, in the opinion of the directors, there is reasonable probability that the liability will arise in the foreseeable future.

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

2 Turnover

Turnover represents interest receivable on secured advances and fees for services provided, excluding Value Added Tax. Interest is not charged in those cases where this would result in equivalent increases in bad debt provisions in the current year.

All services were provided within the United Kingdom.

3 Profit on Ordinary Activities Before Taxation

| | 1999 £ | 1998 £ |
|--|-------------------|-------------------|
| Loss on Ordinary Activities Before Taxation is Stated After Charging/ (Crediting): | | |
| Depreciation of tangible fixed assets | 25,903 | 17,915 |
| Auditors' remuneration: | | |
| audit | 6,500 | 6,500 |
| fees for other services payable to the auditors and their associates | 1,000 | 1,000 |
| Bad debt provision released | - | (8,683) |
| | <u> </u> | <u> </u> |

4 Staff Costs

There were no employees other than the directors and company secretary during the year. All other staff are employed by a fellow subsidiary undertaking of the group.

| | 1999 £ | 1998 £ |
|-----------------------|---------------|---------------|
| Directors' emoluments | <u>35,310</u> | <u>44,751</u> |

5 Other Interest Receivable and Similar Income

| | 1999 £ | 1998 £ |
|-----------------------|-----------|-----------|
| Bank deposit interest | <u>5</u> | <u>2</u> |

6 Interest Payable and Similar Charges

| | 1999 £ | 1998 £ |
|--|--------------|--------------|
| On bank loans and overdrafts | 5,930 | 3,590 |
| Finance charges in respect of finance leases and hire purchase contracts | 847 | 392 |
| | <u>6,777</u> | <u>3,982</u> |

7 Taxation

No corporation tax liability arises in respect of the current year. There is no potential deferred taxation liability at the year end (1998: £nil)

Tax losses amounting to £140,926 (1998: £ 130,600) are available to relieve future profits of the company.

Notes Continued

8 Tangible Fixed Assets

| | Office equipment fixtures and fittings £ | Computer equipment £ | Motor vehicles £ | Library books £ | Total £ |
|--------------------------|---|----------------------------|------------------------|-----------------------|----------------|
| Cost or valuation | | | | | |
| At beginning of year | 88,456 | 54,800 | 57,370 | 3,500 | 204,126 |
| Additions | - | 16,142 | 17,699 | - | 33,841 |
| Disposals | (130) | - | (4,262) | - | (4,392) |
| At end of year | <u>88,326</u> | <u>70,942</u> | <u>70,807</u> | <u>3,500</u> | <u>233,575</u> |
| Depreciation | | | | | |
| At beginning of year | 35,005 | 35,058 | 22,636 | - | 92,699 |
| Charge for the year | 3,816 | 9,128 | 12,959 | - | 25,903 |
| On disposals | (23) | - | (1,598) | - | (1,621) |
| At end of year | <u>38,798</u> | <u>44,186</u> | <u>33,997</u> | <u>-</u> | <u>116,981</u> |
| Net book value | | | | | |
| At 31 December 1999 | <u>49,528</u> | <u>26,756</u> | <u>36,810</u> | <u>3,500</u> | <u>116,594</u> |
| At 31 December 1998 | <u>53,451</u> | <u>19,742</u> | <u>34,734</u> | <u>3,500</u> | <u>111,427</u> |

Included in office equipment, fixtures and fittings was £26,822 (1998: £26,822) of antique furniture, which has not been depreciated.

Included in the total net book value of motor vehicles is £23,530 (1998: £11,619) in respect of assets held under hire purchase contracts. Depreciation for the year on these assets was £5,787 (1998: £2,681).

9 Current Asset Investments

| | Other investments £ |
|-----------------------|---------------------------|
| Cost | |
| At beginning of year | 2,000 |
| Additions | - |
| At end of year | <u>2,000</u> |
| Net book value | |
| At 31 December 1999 | <u>2,000</u> |
| At 31 December 1998 | <u>2,000</u> |

Notes Continued

10 Debtors

| | 1999 £ | 1998 £ |
|------------------------------------|----------------|----------------|
| Secured loans | 35,000 | 35,000 |
| Amounts owed by group undertakings | 71,959 | 70,000 |
| Other debtors | - | 12,000 |
| | <u>106,959</u> | <u>117,000</u> |

11 Creditors: Amounts Falling Due Within One Year

| | 1999 £ | 1998 £ |
|--|----------------|----------------|
| Bank loans and overdrafts | 94,204 | 100,045 |
| Amounts owed to group undertakings | 99,443 | 17,692 |
| Obligations under finance leases and hire purchase contracts | 9,950 | 3,559 |
| Accruals and deferred income | 7,500 | 7,500 |
| Other creditors | - | 12,300 |
| | <u>211,097</u> | <u>141,096</u> |

12 Creditors: Amounts Falling Due After More Than One Year

| | 1999 £ | 1998 £ |
|---|---------------|--------------|
| Obligations under finance leases and hire purchase contracts | <u>8,366</u> | <u>4,665</u> |
| The maturity of obligations under finance leases and hire purchase contracts is as follows: | | |
| Within one year | 9,950 | 3,559 |
| In the second to fifth years | 8,366 | 4,665 |
| | <u>18,316</u> | <u>8,224</u> |

13 Share Capital

| | 1999 £ | 1998 £ |
|---|------------------|------------------|
| <i>Authorised</i> | | |
| Equity: Ordinary shares of £1 each | <u>1,000,000</u> | <u>1,000,000</u> |
| <i>Allotted, called up and fully paid</i> | | |
| Equity: Ordinary shares of £1 each | <u>300,000</u> | <u>300,000</u> |

Notes Continued

14 Reserves

| | Profit and loss account £ |
|--------------------------------------|---------------------------------|
| At beginning of year | (215,334) |
| Retained loss for the financial year | (78,576) |
| At end of year | <u>(293,910)</u> |

15 Reconciliation of Movements in Shareholders' Funds

| | 1999 £ | 1998 £ |
|--|--------------|---------------|
| Loss for the financial year after taxation | (78,576) | (45,101) |
| Opening shareholders' funds | 84,666 | 129,767 |
| Closing shareholders' funds | <u>6,090</u> | <u>84,666</u> |

16 Deferred Taxation

The amounts provided and unprovided for deferred taxation at 20% (1998: 21%) are set out below:

| | 1999 £ | 1998 £ |
|-----------------------------------|-----------|-----------|
| Accelerated capital allowances | 192 | 2,500 |
| Other timing differences (losses) | (192) | (2,500) |
| | <u>-</u> | <u>-</u> |

17 Ultimate Parent Company and Parent Undertaking of Larger Group of which the Company is a Member

The company is a subsidiary undertaking of Suffolk Life Group plc which is the ultimate parent company.

The largest group in which the results of the company are consolidated is that headed by Suffolk Life Group plc. The consolidated accounts of these groups are available to the public and may be obtained from Companies House, Crown Way, Cardiff. No other group accounts include the results of the company.

Detailed Profit and Loss Account
 for the year ended 31 December 1999

| | 1999 £ | 1999 £ | 1998 £ | 1998 £ |
|--|-----------|-----------|-----------|-----------|
| Turnover | | | | |
| Interest and fees receivable | | 167,709 | | 139,797 |
| Administration expenses | | | | |
| Management fees | 157,613 | | 128,553 | |
| Directors' emoluments | 35,310 | | 44,000 | |
| Audit and accountancy | 7,500 | | 7,500 | |
| Bank charges | 87 | | 116 | |
| Sundry expenses | 388 | | 236 | |
| Depreciation | 25,903 | | 17,915 | |
| Loss on sale of fixed assets | 712 | | 1,025 | |
| Profit on sale of investments | - | | (9,744) | |
| Bad debt written off | 12,000 | | - | |
| Bad debt provision released | - | | (8,683) | |
| | | (239,513) | | (180,918) |
| Operating loss | | (71,804) | | (41,121) |
| Interest receivable and similar income | | | | |
| On bank deposits | | 5 | | 2 |
| Interest payable and similar charges | | | | |
| On bank loans and overdrafts | (5,930) | | (3,590) | |
| Finance charges payable in respect of hire purchase contracts | (847) | | (392) | |
| | | (6,777) | | (3,982) |
| Loss on ordinary activities before taxation | | (78,576) | | (45,101) |