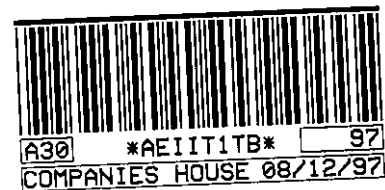


**ROCHESTER KEMP LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 1997**

**TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS**



# ROCHESTER KEMP LIMITED

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## **Report of the Directors**

### **For the Year Ended 31 March 1997**

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The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 31 March 1997.

#### Principal activity and business review

The principal activity of the company is insurance broking. Both the level of business and the year end financial position were satisfactory, and the directors expect the general level of activity to continue for the foreseeable future.

#### Results and dividend

The results for the year and the state of the company's affairs are shown in the attached financial statements on pages 6 to 15. The directors do not recommend the payment of a dividend for the year ended 31 March 1997 (1996 - £ nil).

#### Group changes

On 9 April 1997, C E Heath PLC sold its interest in Rochester Kemp Limited to Rochester Kemp Holdings Limited for a total consideration of £400,000.

Prior to the year end fixed assets amounting to a net book value of £ 54,712 were transferred to the company from C E Heath PLC. The payment for these assets is currently under dispute by the company.

#### Directors' interests

The beneficial interests, including family interests, of directors holding office at 31 March 1997 in the shares of the company according to the register maintained in compliance with the Companies Act 1985 (as amended) were as follows:

	<u>Ordinary £1 Shares</u>	
	<u>1.4.96</u>	<u>31.3.97</u>
R E Bareham (resigned 9.4.97)	-	-
R D Letby (resigned 9.4.97)	-	-
T P Newbery (resigned 9.4.97)	-	-
S J Poole	16,666	16,666
R N Thompson	16,666	16,666
S J Wynne	16,666	16,666

## Report of the Directors (continued)

### Directors' interests (continued)

The beneficial interests, including family interests, of directors holding office at 31 March 1997 in shares of group undertakings were as follows:

		<u>C E Heath Public Limited Company</u>					
		<u>20p Ordinary shares</u>					
		<u>1.4.96</u>	<u>31.3.97</u>				
R E Bareham		980	2,193				
T P Newbery		1,776	3,079				
		<u>Unissued shares under option</u>					
		<u>Options</u>	<u>Options</u>	<u>At</u>	<u>Exercise</u>	<u>Date when</u>	<u>Date of</u>
		<u>at the</u>	<u>granted/</u>	<u>the end of</u>	<u>price</u>	<u>exercisable</u>	<u>expiry</u>
		<u>beginning of</u>	<u>(waived)</u>	<u>the year</u>			
		<u>the year</u>	<u>during</u>	<u>the year</u>			
R E Bareham	1984 Option Scheme	15,000	(15,000)	-	467.50p	19.12.1994	17.12.2001
	1994 Option Scheme	9,500	(9,500)	-	247.50p	22.12.1997	22.12.2004
	1994 Option Scheme	-	9,500	9,500	92.00p	17.07.1999	16.07.2006
	Sharesave Scheme	-	16,783	16,783	74.00p	01.01.2002	01.05.2002
R D Letby	1994 Option Scheme	40,000	(40,000)	-	247.50p	22.12.1997	22.12.2004
	1994 Option Scheme	-	290,000	290,000	92.00p	17.07.1999	16.07.2006
	Sharesave Scheme	-	11,858	11,858	74.00p	01.11.1999	01.05.2000
T P Newbery	1984 Option Scheme	7,035	-	7,035	495.86p	14.08.1990	13.08.1997
	1984 Option Scheme	3,311	-	3,311	380.84p	24.12.1990	21.12.1997
	1984 Option Scheme	12,154	-	12,154	467.50p	19.12.1994	17.12.2001

None of the options were exercised during the year. The mid-market value of shares under option at 31 March 1997 was 101.5p (1996 - 166.5p)

## Report of the Directors (continued)

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### Employment policies

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

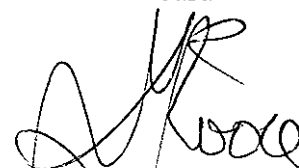
The directors are conscious that the primary asset of the company is the expertise and dedication of its staff. The organisation of the company has been structured in the belief that employees should be encouraged to become aware of and involve themselves in the performance of their own business unit and the company as a whole. Information about the company's achievements and plans is disseminated through the management structure by means of regular meetings and briefings at all levels.

### Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution proposing the retirement of Arthur Andersen as auditors to the company will be put to the Annual General Meeting.

133 Houndsditch  
London  
EC3A 7AH

By order of the Board



S.J. Poole  
Director

24 November 1997

## **Statement of Directors' and Auditors' Responsibilities**

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### **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:

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and estimates that are reasonable and prudent;
- c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- d) 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 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' responsibilities**

Company law requires auditors to form an independent opinion on the financial statements presented by the directors based on their audit and to report their opinion to the shareholders. The Companies Act 1985 also requires auditors to report to the shareholders if the following requirements are not met:

- a) that the company has maintained proper accounting records;
- b) that the financial statements are in agreement with the accounting records;
- c) that directors' emoluments and other transactions with directors are properly disclosed in the financial statements; and
- d) that the auditors have obtained all the information and explanations which, to the best of their knowledge and belief, are necessary for the purpose of their audit.

The auditors' opinion does not encompass the report of the directors on pages 1 to 3. However, the Companies Act 1985 requires auditors to report to the shareholders if the matters contained in the report of the directors are inconsistent with the financial statements.

## Auditors' Report

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To the Shareholders of Rochester Kemp Limited.

We have audited the financial statements on pages 6 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

### Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the 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 judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, 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 affairs of the company at 31 March 1997 and of its profit and cash flows for the year then ended and have been prepared in accordance with the Companies Act 1985.



Arthur Andersen  
Chartered Accountants and Registered Auditors  
1 Surrey Street  
London  
WC2R 2PS  
24 November 1997

**Profit and Loss Account**  
**For the Year Ended 31 March 1997**

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	<u>Notes</u>	<u>1997</u> £	<u>1996</u> £
Turnover - continuing operations	2	583,849	501,876
Operating expenses		(666,326)	(452,687)
Investment and other income	3	91,811	39,160
		<hr/>	<hr/>
Profit on ordinary activities before taxation - continuing operations	4	9,334	88,349
Tax on profit on ordinary activities	6	(962)	(12,694)
		<hr/>	<hr/>
Retained profit for the year	11	8,372	75,655
		<hr/> <hr/>	<hr/> <hr/>

There were no other recognised gains or losses during the year (1996 - £ nil).

The accompanying notes on pages 9 to 15 form an integral part of these financial statements.



**Balance Sheet**  
**As at 31 March 1997**

	<u>Notes</u>	<u>1997</u> £	<u>1996</u> £ (as restated)
<u>Fixed assets</u>			
Tangible assets	7	58,807	9,559
		<hr/>	<hr/>
<u>Current assets</u>			
Debtors	8	4,634,386	3,683,051
Cash at bank		535,040	361,820
		<hr/>	<hr/>
		5,169,426	4,044,871
<u>Creditors : amounts falling due</u>			
within one year	9	(5,074,267)	(3,908,836)
		<hr/>	<hr/>
<u>Net current assets</u>		95,159	136,035
		<hr/>	<hr/>
<u>Net assets</u>		153,966	145,594
		<hr/> <hr/>	<hr/> <hr/>
<u>Capital and reserves</u>			
Called-up share capital	10	249,998	249,998
Profit and loss account	11	(96,032)	(104,404)
		<hr/>	<hr/>
<u>Total capital employed - equity interests</u>		153,966	145,594
		<hr/> <hr/>	<hr/> <hr/>

Signed on behalf of the Board

S J Poole  Director

24 November 1997

The accompanying notes on pages 9 to 15 form an integral part of these financial statements.

**Cash Flow Statement**  
**For the year ended 31 March 1997**

	<u>Notes</u>	£	<u>1997</u> £	£	<u>1996</u> £ (as restated)
Net cash inflow from operating activities	12		240,626		144,077
Taxation					
Corporation tax paid		(12,694)		-	
Tax paid		<u>          </u>	(12,694)		-
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(54,712)		-	
Net cash outflow from investing activities		<u>          </u>	(54,712)	<u>          </u>	-
Increase in cash in the year	13		<u>173,220</u>		<u>144,077</u>

The accompanying notes on pages 9 to 15 form an integral part of these financial statements.

## **Notes to the Financial Statements**

### **For the Year Ended 31 March 1997**

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#### **1. Principal accounting policies**

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

##### **a) Basis of accounting**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

##### **b) Turnover**

Turnover represents brokerage and fees, which are generally recognised when the client is billed with the premium or invoice.

##### **c) Taxation**

Corporation tax has been provided at the current rate on the results for the year as adjusted for tax purposes, and takes into account deferred taxation on all timing differences between the treatment of certain items for accounting purposes and their treatment for corporation tax purposes, to the extent that it is probable that the liability will crystallise.

##### **d) Tangible fixed assets**

Tangible fixed assets are stated at cost less depreciation. Depreciation is calculated to write off the cost of tangible fixed assets on a straight-line basis over their estimated useful lives, at a rate of 33 $\frac{1}{3}$ % per annum.

##### **e) Prior year restatement**

The balance sheet at 31 March 1996 has been restated to reflect the expiry of the transitional provisions of the amendment to FRS5 "Reporting the substance of transactions" which allowed the offset of trade debtors and creditors arising from insurance broking transactions where such offset reflected the normal method of settlement. The effect of this restatement is to increase trade debtors and creditors at 31 March 1996 by £734,172. The effect on each of trade debtors and creditors as at 31 March 1997 is an increase of £ 926,350.

The cash flow statement for the year ended 31 March 1996 has been restated to comply with the requirements of FRS1 (Revised) "Cash Flow Statements".

#### **2. Turnover**

Turnover is attributable to the company's principal activity and derives solely from within the United Kingdom.

## Notes to the Financial Statements (continued)

3.	<u>Investment and other income</u>	<u>1997</u>	<u>1996</u>
		£	£
	Interest receivable on short term deposits	91,811	39,160
		<u>          </u>	<u>          </u>

## 4. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is shown after charging the following:

	<u>1997</u>	<u>1996</u>
	£	£
Staff costs (note 5)	391,845	313,802
Depreciation	5,464	5,463
Auditors' remuneration - audit fees	5,660	3,000
Interest payable	12,079	5,149
	<u>          </u>	<u>          </u>

Interest payable arose on bank overdrafts and other loans.

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year for both years and their respective historical cost equivalents.

## 5. Staff costs

Particulars of employees (including directors) are shown below :

	<u>1997</u>	<u>1996</u>
	£	£
Employee costs during the year amounted to :		
Wages and salaries	325,082	277,110
Social security costs	35,205	30,503
Pension costs	31,558	6,189
	<u>          </u>	<u>          </u>
	391,845	313,802
	<u>          </u>	<u>          </u>

## Notes to the Financial Statements (continued)

### 5. Staff costs (continued)

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

	<u>1997</u>	<u>1996</u>
Insurance broking	7	3
Administration	1	3
	<hr/>	<hr/>
	8	6
	<hr/>	<hr/>

#### *Directors' remuneration*

The staff costs shown above include the following remuneration in respect of directors of the company:

	<u>1997</u> £	<u>1996</u> £
Emoluments	194,756	188,325
Company contributions to money purchase schemes	16,721	3,092
	<hr/>	<hr/>
	211,477	191,417
	<hr/>	<hr/>

#### *Pensions*

The number of directors who were members of pension schemes was as follows:

	<u>1997</u>	<u>1996</u>
Money purchase pension scheme	3	3
	<hr/>	<hr/>

#### *Highest paid director*

The above amounts for remuneration include the following in respect of the highest paid director:

	<u>1997</u> £	<u>1996</u> £
Emoluments	73,209	71,099
Company contributions to money purchase schemes	6,643	1,178
	<hr/>	<hr/>
	79,852	72,277
	<hr/>	<hr/>

The highest paid director did not exercise any share options. The remuneration of certain directors have been excluded as emoluments are either charged in the ultimate holding company's financial statements or that of a fellow subsidiary undertaking.

## Notes to the Financial Statements (continued)

### 6. Tax on profit on ordinary activities

The tax charge is based on the profit for the year and comprises :

	<u>1997</u>	<u>1996</u>
	£	£
United Kingdom corporation tax at 33% (1996:33%)	962	12,694
	<u>          </u>	<u>          </u>

### 7. Tangible fixed assets

The movement in tangible fixed assets in the year was as follows:

	<u>Machinery and Equipment</u>
<u>Cost</u>	£
1 April 1996	16,388
Transfers from group undertakings	63,599
	<u>          </u>
31 March 1997	79,987
	<u>          </u>
<u>Depreciation</u>	
1 April 1996	6,829
Charge for the year	5,464
Transfers from group undertakings	8,887
	<u>          </u>
31 March 1997	21,180
	<u>          </u>
<u>Net book value</u>	
1 April 1996	<u>9,559</u>
31 March 1997	<u>58,807</u>

## Notes to the Financial Statements (continued)

### 8. Debtors

	<u>1997</u>	<u>1996</u>
	£	£
		(as restated)
Amounts falling due within one year:		
Trade debtors	4,631,748	3,670,859
Prepayments and accrued income	2,638	12,192
	<hr/>	<hr/>
	4,634,386	3,683,051
	<hr/> <hr/>	<hr/> <hr/>

### 9. Creditors: amounts falling due within one year

	<u>1997</u>	<u>1996</u>
	£	£
		(as restated)
Trade creditors	4,758,595	3,610,264
Amounts owed to other group undertakings	231,252	174,068
Corporation tax payable	962	12,694
Accruals and deferred income	83,458	111,810
	<hr/>	<hr/>
	5,074,267	3,908,836
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the Financial Statements (continued)

### 10. Called-up share capital

	<u>1997</u> £	<u>1996</u> £
Authorised :		
250,000 ordinary shares of £1 each	250,000	250,000
	<u>          </u>	<u>          </u>
Allotted, called-up and fully paid :		
249,998 ordinary shares of £1 each	249,998	249,998
	<u>          </u>	<u>          </u>

### 11. Reconciliation of movements in reserves and shareholders' funds

	<u>Called-up</u> <u>share</u> <u>capital</u> £	<u>Profit</u> <u>and loss</u> <u>account</u> £	<u>Total</u> <u>shareholders'</u> <u>funds</u> £
Balance at 31 March 1996	249,998	(104,404)	145,594
Retained profit for the year	-	8,372	8,372
	<u>          </u>	<u>          </u>	<u>          </u>
Balance at 31 March 1997	249,998	(96,032)	153,966
	<u>          </u>	<u>          </u>	<u>          </u>

### 12. Reconciliation of operating profit to net cash inflow from operating activities

	<u>1997</u> £	<u>1996</u> £ (as restated)
Operating profit	9,334	88,349
Depreciation charges	5,464	5,463
Increase in debtors	(951,335)	(3,662,769)
Increase in creditors	1,177,163	3,713,034
	<u>          </u>	<u>          </u>
Net cash inflow from operating activities	240,626	144,077
	<u>          </u>	<u>          </u>



## Notes to the Financial Statements (continued)

### 13. Reconciliation of net cash flow to movement in net funds

The movement in net funds was as follows:

	<u>1997</u> £	<u>1996</u> £ (as restated)
Increase in cash in the period	173,220	144,077
Net funds at 1 April 1996	361,820	217,743
	<hr/>	<hr/>
Net funds at 31 March 1997	535,040	361,820
	<hr/> <hr/>	<hr/> <hr/>

### 14. Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost represents contributions payable by the company to the fund in respect of the year and amounted to £31,558 (1996 - £6,189).

### 15. Commitments

The company has entered into a lease for new office premises, the payment for which extends over a period of years. At the end of the year, the annual rental commitment under this operating lease is as follows:

	<u>1997</u> £	<u>1996</u> £
Operating lease for premises which expire:		
Within 2 - 5 years	17,000	12,000
	<hr/> <hr/>	<hr/> <hr/>

### 16. Ultimate parent company

At 31 March 1997, the largest and smallest group in which the results of the company are consolidated is that headed by its ultimate holding company, C E Heath PLC, a company registered in England and Wales.

The consolidated accounts of C E Heath PLC are available to the public from 133 Houndsditch, London, EC3A 7AH.

On 9 April 1997, C E Heath PLC sold its interest in Rochester Kemp Limited to Rochester Kemp Holdings Limited.