Deloitte Haskins+Sells

S41132

SECURE HOMES LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1988

SECURE HOMES LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1988.

PRINCIPAL ACTIVITIES

The principal activities of the company during the year were:

To accept standing instructions from clients to discharge on their behalf liabilities of a regular and recurring nature and to collect from the clients agreed weekly or monthly sums of money to provide and maintain the funds necessary to carry out this function and;

To arrange and sell life assurance and general insurance policies through a financial services division, acting in the capacity of tied agents of Royal Life Insurance.

With effect from 30 September 1988 the trade previously conducted by Jascot Insurance Limited (a wholly owned subsidiary of Secure Homes Limited) has been transferred to Secure Homes Limited, and as a result the company now also arranges and plans life, sickness and general insurance in the capacity as brokers for established insurance companies.

The directors are satisfied with the performance of the company during the year and do not envisage any change in the principal activities in the ensuing year.

RESULTS AND DIVIDENDS

	£
Profit for the year after taxation	2,302,531
Dividend paid	(1,580,000)
Dividend proposed	(700,000)
Retained profit for the year	22,531
Retained profit brought forward	1,370,345
Retained profit carried forward	£1,392,876

DIRECTORS

The directors who served throughout the year were as follows:

H. Angest Chairman
R. Paston
M.C. Moss

Mr. H. Angest and Mr.R. Paston are directors of the ultimate holding company Secure Trust Group PLC and their interests in the share capital of the group are shown in the directors report of that company.

SECURE HOMES LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS (Continued)

At 31 December 1988 Mr. M.C. Moss had a beneficial interest in 91,160 Ordinary shares of 1p each (1 January 1988 - 9116 Ordinary shares of 10p) in the share capital of Secure Trust Group PLC, the company's ultimate holding company.

AUDITORS

In accordance with section 384 of the Companies Act 1985, a resolution for the reappointment of Deloitte Haskins & Sells as auditors of the company is to be proposed at the forthcoming annual general meeting.

BY ORDER OF THE BOARD

M.C. MOSS
Secretary

19 April 1989

AUDITORS' REPORT TO THE MEMBERS OF SECURE HOMES LIMITED

We have audited the financial statements on pages 4 to 14 in accordance with Auditing Standards.

In our opinion, the financial statements give a true and fair view of the state of the company's affairs at 31 December 1988 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

DELOITTE HASKINS & SELLS
Chartered Accountants

Birmingham

20 April 1989

SECURE HOMES LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1988

	Notes	1988 £	1987 £
TURNOVER	2	4,518,056	3,360,858
Administrative costs		3,437,609	2,848,608
OPERATING PROFIT		1,080,447	512,250
Dividends from subsidiary companies		835,000	970,323
Income from listed investments		30	60
Interest receivable		1,259,171	1,165,748
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	3,174,648	2,648,381
Taxation	4	872,117	609,300
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,302,531	2,039,081
Dividends: paid		1,580,000	-
proposed		700,000	1,800,000
RETAINED PROFIT FOR THE YEAR		22,531	239,081
Retained profit brought forward		1,370,345	1,131,264
RETAINED PROFIT CARRIED FORWARD		£1,392,876	£1,370,345

SECURE HOMES LIMITED

BALANCE SHEET
AT 31 DECEMBER 1988

	Notes	1988 £	1987 £
FIXED ASSETS			
Tangible assets	5	514,211	512,458
Investments	6	187,342	187,342
		701,553	699,800
CURRENT ASSETS			
Debtors	7	5,503,205	6,113,256
Short term deposits	8	6,255,036	4,256,609
Cash at bank and in hand		5,734,637	4,334,971
		17,492,878	14,704,836
CURRENT LIABILITIES			
CREDITORS: Amounts falling due within one year	9	16,180,347	13,462,681
NET CURRENT ASSETS		1,312,531	1,242,155
TOTAL ASSETS LESS CURRENT LIABILITIES		2,014,084	1,941,955
PROVISION FOR LIABILITIES AND CHARGES			
Deferred Taxation	10	116,208	66,610
		£1,897,876	£1,875,345
CAPITAL AND RESERVES			
Called up share capital	11	505,000	505,000
Profit and loss account		1,392,876	1,370,345
		£1,897,876	£1,875,345

The financial statements on pages 4 to 14 were approved by the Board of Directors on 19 April 1989 and were signed on their behalf by:

R. PASTON)
) Directors
M.C. MOSS)

SECURE HOMES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1988

	1988 £	1987 £
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	3,174,648	2,648,381
Adjustment for items not involving the movement of funds:		
Depreciation of tangible fixed assets	137,452	137,256
Amortisation of lease	1,380	768
Dividends receivable from subsidiaries	(835,000)	(970,323)
Profit on disposal of fixed assets	(6,333)	(7,469)
FUNDS GENERATED FROM OPERATIONS	2,472,147	1,808,613
FUNDS FROM OTHER SOURCES		
Group relief received	44,636	-
Dividends received	1,698,000	880,323
Proceeds on disposal of fixed assets	23,141	61,125
	4,237,924	2,750,061
APPLICATION OF FUNDS		
Purchase of tangible fixed assets	157,393	294,469
Dividends paid	3,380,000	1,700,000
Taxation paid	35,823	524,559
	3,573,216	2,519,028
NET SOURCE OF FUNDS	£664,708	£231,033
Represented by:		
INCREASE IN WORKING CAPITAL		
Debtors	252,949	450,015
Creditors	(2,986,334)	(938,625)
Short term deposits and other liquid funds	3,398,093	719,643
	£664,708	£231,033

SECURE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1988

1. ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements are prepared under the historical cost convention.

(b) Depreciation and amortisation

Depreciation is charged on a straight line basis, from the month following the month of purchase, to write down the cost of assets to estimated residual values over their estimated useful lives, applying the following rates:

Computer equipment	-	20%
Other office equipment	-	5% to 12.5%
Motor Vehicles	-	25%

Amortisation is provided to write off the cost of leasehold property on a straight line basis over the term remaining on the leases.

No depreciation is provided on freehold property as in the opinion of the directors the amount of any provision would not be material.

(c) Deferred taxation

Provision for deferred taxation is made only to the extent that a liability is expected to arise in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover represents the value of services supplied to third parties in the United Kingdom.

The analysis of turnover and profit on ordinary activities before taxation by activity is as follows:

	Turnover		Profit on ordinary activities before taxation	
	1988 £	1987 £	1988 £	1987 £
Management fees	4,034,344	3,360,858	1,989,673	1,678,058
Brokerage commission	483,712	-	349,975	-
Dividends from subsidiaries	-	-	835,000	970,323
	£4,518,056	£3,360,858	£3,174,648	£2,648,381

	1988 £	1987 £
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration	15,600	15,600
Depreciation of fixed assets	137,452	137,256
Hire of equipment	24,506	24,542
Amortisation of lease	1,380	768
Loss on redemption of investments	427	-
and after crediting:		
Surplus from disposal of fixed assets	6,333	7,469

3. DIRECTORS AND EMPLOYEES

The average number of persons (including directors) employed by the company during the year was:

	1988 Number	1987 Number
Administrative	125	124

SECURE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. DIRECTORS AND EMPLOYEES (Continued)

Staff costs for the above persons:	1988 £	1987 £
Wages and salaries	1,013,103	931,780
Social security costs	91,366	87,640
Other pension costs	78,174	55,124
	£1,182,643	£1,074,544

Directors' remuneration

The remuneration paid to the directors was:

	1988	1987
Emoluments (including pension contributions and benefits in kind)	£272,123	£232,304

Fees and other emoluments disclosed above (excluding pension contributions) include amounts paid to

	1988	1987
The chairman	£70,833	£66,386
The highest-paid director	£75,625	£70,583

The number of directors who received fees and other emoluments in the following ranges was

	1988 Number	1987 Number
£45,001 - £50,000	1	1
£65,001 - £70,000	-	1
£70,001 - £75,000	1	1
£75,001 - £80,000	1	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. TAXATION

	1988 £	1987 £
Taxation based on the profit for the year		
Corporation tax at 35% (1987:35%)	820,000	585,665
Corporation tax under-provided in prior years	2,519	29,699
Deferred taxation	49,598	(6,064)
	£872,117	£609,300

5. TANGIBLE FIXED ASSETS

	Leasehold Property £	Freehold Property £	Computer and Office Equipment £	Motor Vehicles £	Total £
COST					
At 1 January 1988	5,000	50,564	630,772	202,394	888,730
Additions	-	-	135,404	21,989	157,393
Disposals	-	-	(6,313)	(33,728)	(40,041)
At 31 December 1988	5,000	50,564	759,863	190,655	1,006,082
DEPRECIATION					
At 1 January 1988	1,536	-	334,439	40,297	376,272
Charge for the year	1,380	-	89,815	47,637	138,832
Disposal	-	-	(5,546)	(17,687)	(23,233)
At 31 December 1988	2,916	Nil	418,708	70,247	491,871
NET BOOK VALUE					
At 31 December 1988	£2,084	£50,564	£341,155	£120,408	£514,211
At 31 December 1987	£3,464	£50,564	£296,333	£162,097	£512,458

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

6. FIXED ASSET INVESTMENTS

At 31 December 1988 the company held the following interests in subsidiary companies all of which are incorporated in and operate in Great Britain:

	Cost £	% held
Auto and General Insurance Brokers (1971) Ltd 2,000 Ordinary shares of £1 each) 1,000 Deferred shares of £1 each)	107,000	100
Heathfield Finance Ltd 20,000 Ordinary shares of £1 each	20,000	100
Secure Homes Services Ltd 2 Ordinary shares of £1 each	2	100
Jascot Insurance Services Ltd 60,000 Ordinary shares of £1 each	59,974	100
Secure Homes Manchester Ltd 360 Ordinary shares of £1 each	360	100
Secure Travel Ltd 2 Ordinary shares of £1 each	2	100
Secure Holidays Ltd 2 Ordinary shares of £1 each	2	100
Vanguard Debt Collectors Ltd 2 Ordinary shares of £1 each	2	100
	£187,342	

7. DEBTORS

	1988 £	1987 £
Amounts falling due within one year:		
Trade debtors	1,402,937	841,061
Amounts owed by group companies	3,599,723	4,094,631
Dividends receivable from subsidiaries	67,000	930,000
Prepayments and accrued income	433,545	247,564
	£5,503,205	£6,113,256

8. SHORT TERM DEPOSITS

	1988 £	1987 £
Listed Investments:		
Building Society deposits	5,750,000	3,750,000
Local authority loans	505,036	505,036
British Transport 3% Stock - at cost (Market Value 1987 £1,965)	-	1,573
	£6,255,036	£4,256,609

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. CREDITORS

	1988 £	1987 £
Amounts falling due within one year:		
Trade creditors	12,485,921	9,356,782
Amounts owed to group companies	1,158,954	1,200,767
Proposed dividends	700,000	1,800,000
Corporation tax	1,401,830	570,498
Other taxation & social security	27,916	55,471
Accruals & deferred income	405,726	479,163
	£16,180,347	£13,462,681

10. DEFERRED TAX

At 1 January 1988	66,610	72,674
Transfer from/(to) profit and loss account	49,598	(6,064)
At 31 December 1988	£116,208	£66,610

The amounts provided for deferred taxation and the full potential liability, calculated on the liability method, are set out below:

	1988		1987	
	Amount Provided £	Full Potential Liability £	Amount Provided £	Full Potential Liability £
Excess of tax allowances over depreciation	26,047	27,644	25,769	40,398
Accrued interest	119,405	119,405	63,591	63,591
Other timing differences	(29,244)	(29,244)	(22,750)	(22,750)
	£116,208	£117,805	£66,610	£81,239

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. CALLED UP SHARE CAPITAL

	1988 and 1987 £
Authorised:	
50,000 ordinary shares of 10p each	5,000
500,000 deferred shares of £1 each	500,000
	£505,000

	£
Allotted called up and fully paid:	
50,000 ordinary shares of 10p each	5,000
500,000 deferred shares of £1 each	500,000
	£505,000

12. CAPITAL COMMITMENTS

Capital commitments for which no provision has been made in these financial statements were as follows:

	£	£
Contracted for	£18,944	£24,628
Authorised but not contracted for	-	-

13. OTHER FINANCIAL COMMITMENTS

The company had annual commitments under non-cancellable operating leases as follows:

	1988 £	1987 £
Expiring between two and five years	£17,236	£15,946

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. PENSIONS

The company makes contributions to individual defined benefit pension funds for the benefit of certain senior employees. It is the policy of the company to avoid the creation of deficits relating to past service.

15. ULTIMATE HOLDING COMPANY

The ultimate holding company is Secure Trust Group PLC, a company incorporated in Great Britain.