AMENDING COPY

Chase Parkinson Limited

Directors' report and financial statements

for the Year Ended 31 December 1998

Registered number 2191976

Directors' report and financial statements

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1998.

Principal activities

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

The principal activities of the Company continued to be the provision of specialist Travel Insurance Services.

Business review

Both the level of business and the year end financial position remain satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future.

Year 2000

Towergate Underwriting Group Limited, the parent Company, and its subsidiary companies are fully aware of the Year 2000 issue and to the technology, systems and associated business issues. The Group has a separate Company, Compleat Solutions Limited, which provides computing and technical support to companies within the Group. A project team has been established at Compleat Solutions Limited to address the Year 2000 issue, and to ensure the continued smooth running of operations and relationships with customers, suppliers and intermediaries.

The work is being performed under close supervision from senior management and is co-ordinated centrally. Progress is reported at regular intervals to the Board.

A programme of testing is now underway to ensure that internal systems will be Year 2000 compliant. Appropriate assurances are also being sought from external service suppliers, counterparties and clients.
Given the complex nature of the issue and the inevitable reliance on third parties, it is not possible for any organisation to give absolute assurance that no Year 2000 problem will arise. However, all reasonable steps are being taken to ensure business continuity in the new millennium.

Much of the work relating to Year 2000 compliance involves internal staff resources from Compleat Solutions Limited. The estimated external consultancy, software and hardware costs at Chase Parkinson Limited are not expected to be significant.

Proposed dividend

The directors have declared the following dividends in respect of the year ended 31 December 1998.

Interim dividends paid £1,015,000 (1997: £NIL). The directors do not recommend the payment of any further dividends.

Directors and directors' interests

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

P Cullum	
P Dyer	(appointed 19 June 1998)
A Proverbs	(appointed 19 June 1998)
N Crocker	(appointed 21 January 1999)
A Freebody	(appointed 1 February 1998)
C M Chase	(resigned 19 June 1998)
C V Chase	

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:

	Towergate Underwriting Group Ltd				Chase Parkinson Ltd	
	Ordinary Shares £1		Preference Shares £1		Ordinary Shares £1	
	1 January	31 December	1 January	31 December	1 January	31 December
P Cullum	-	34,000	-	-	-	-
P Dyer	-	6,000	-	129,500	-	-
A Proverbs	-	5,000	-	40,500	-	-
C M Chase	-	-	-	-	500	-
C V Chase	-	-	-	-	500	-

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

The Company made charitable contributions of £2,298 (1997: £4,674).

Auditors

Alan Kent Partnership resigned as auditors in 1998. KPMG were appointed auditors to the Company by the Board.

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

By order of the board

P G Cullum
Director

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.

Under section 245 of the Companies Act 1985 the directors have the authority to revise financial statements or a directors' report if they do not comply with the Act. The revised financial statements must be amended in accordance with the Companies (Revision of Defective Accounts and Report) Regulations 1990 and in accordance therewith do not take account of events which have taken place after the date on which the original financial statements were approved. The regulations require that the revised financial statements show a true and fair view as if they were prepared and approved by the directors as at the date of the original financial statements.

Report of the auditors to the members of Chase Parkinson Limited

We have audited the revised financial statements on pages 5 to 19. The revised financial statements replace the original financial statements approved by the directors on 31 August 1999.

Respective responsibilities of directors and auditors

As described on page 3 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 these revised financial statements and to report our opinion to you. We are also required to report whether in our opinion the original financial statements failed to comply with the requirements of the Companies Act 1985 in the respects identified by the directors.

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. The audit of revised financial statements includes the performance of additional procedures to assess whether the revisions made by the directors are appropriate and have been properly made.

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 revised financial statements.

Opinion

In our opinion the revised financial statements give a true and fair view, seen as at the date the original financial statements were approved, of the state of affairs of the Company as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 as they have effect under the Companies (Revision of Defective Accounts and Report) Regulations 1990.

In our opinion the original financial statements for the year ended 31 December 1998 failed to comply with the requirements of the Companies Act 1985 in the respects identified by the directors in the statement contained in note 1 to these financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

1 February 2000

Profit and loss account for the Year Ended 31 December 1998

	Note	1998 £	1997 (as restated) £
Turnover – Continuing operations	*2*	**2,035,546**	2,209,761
Cost of sales – **Continuing operations**		**-**	(1,403)
Gross profit		**2,035,546**	2,208,358
Administrative expenses		**(1,245,158)**	(1,810,488)
Other operating income		**13,194**	-
Operating profit – Continuing operations	*3*	**803,582**	397,870
Income from other sources:			
Property investments		**-**	1,440
Other interest receivable and similar income		**73,367**	56,724
Interest payable and similar charges	*6*	**(23,704)**	(20,548)
		49,663	37,616
Profit on ordinary activities before taxation		**853,245**	435,486
Tax on profit on ordinary activities	*7*	**(133,669)**	*(103,052)*
Profit on ordinary activities after taxation		**719,576**	332,434
Dividends	*8*	**(1,015,000)**	-
Retained (loss)/profit for the financial year		**(295,424)**	332,434

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

Balance sheet
at 31 December 1998

	Note	1998	1997 (as restated)
		£	£
Fixed assets			
Tangible assets	9	**431,108**	444,504
Investments	10	**17,203**	17,203
		448,311	461,707
Current assets			
Debtors	11	**138,434**	151,945
Cash at bank and in hand		**661,771**	880,609
		800,205	1,032,554
Creditors: amounts falling due within one year	12	**(1,049,026)**	(834,406)
Net current (liabilities)/assets		**(248,821)**	198,148
Total assets less current liabilities		**199,490**	659,855
Creditors: amounts falling due after more than one year	13	**(33,059)**	(198,000)
Net assets		**166,431**	461,855
Capital and reserves			
Called up share capital	14	**1,000**	1,000
Profit and loss account	15	**165,431**	460,855
Equity Shareholders' funds	15	**166,431**	461,855

These revised financial statements were approved by the board of directors on 1 February 2000 and were signed on its behalf by:

P G Cullum
Director

Reconciliations of movements in shareholders' funds
For the Year Ended 31 December 1998

	1998 £	1997 (as restated) £
Profit for the financial year	**719,576**	332,434
Dividends	**(1,015,000)**	-
Net (reduction)/addition to shareholders' funds	**(295,424)**	332,434
Opening shareholders' funds (originally £395,679 restated for prior year adjustment of £66,176)	**461,855**	129,421
Closing shareholders' funds	**166,431**	461,855

Statement of total recognised gains and losses for the Year Ended 31 December 1998

	1998 £	1997 (as restated) £
(Loss)/Profit for the financial year	**(295,424)**	332,434
Total recognised gains and losses relating to the year	**(295,424)**	332,434
Prior year adjustment	**66,176**	
Total gains and losses recognised since last annual report	**(229,248)**	

Notes

(forming part of the financial statements)

1 Accounting policies

Revised Financial Statements

These revised financial statements replace the original financial statements which were approved by the directors on 31 August 1999. These revised financial statements are now the statutory accounts for the year ended 31 December 1998. The revised accounts have been prepared as at the date on which the original accounts were approved by the board of directors and not as at the date of the revision and accordingly do not deal with events between those dates. The original accounts erroneously stated in Note 21 that a guarantee and debenture existed over the assets of the Company. This was not the case and the financial statements have been revised to remove this note.

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of preparation

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

Under Financial Reporting Standard 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 wholly owned subsidiary of Towergate Underwriting Group Ltd 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 Ltd within which this Company is included, can be obtained from the address given in note 19.

Changes in Accounting Policy

Comparative figures have been restated to reflect the following change of accounting policy.

The financial statements are prepared on an accruals basis. Previously the financial statements were prepared on a cash accounting basis, except for material accrued expenses which the directors believe should be brought in on the grounds of prudence. The accounting policy has been changed to conform with Statement of Standard Accounting Practice 2, and Schedule 4, Companies Act 1985 as amended.

As a result, comparative figures for the year ended 31 December 1997 have been adjusted as follows:

	Retained profit for the Year £	Net Assets £
As previously reported	266,258	395,679
Effect of the change in accounting policy	66,176	66,176
As restated	332,434	461,855

Notes *(continued)*

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, other than freehold land and buildings, less their estimated residual values over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Computer equipment	-	25% per annum on straight line basis
Fixtures, fittings and office equipment	-	20% per annum on straight line basis
Motor vehicles	-	25% per annum on straight line basis

For the year ended 31 December 1997 fixed assets were depreciated either at 15% or 25% using the reducing balance method or at 20% on cost. With effect from 1 January 1998 the rates were changed to those stated above in order to bring the accounting policy for depreciation in line with that of the group. The effect of this change on the results of the year is not considered to be material.

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.

Post retirement benefits

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 amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover comprises commission receivable on business incepting up to the year end.

Notes *(continued)*

2 Turnover

Turnover consists entirely of sales made in the United Kingdom.

3 Profit/(loss) on ordinary activities before taxation

	1998	1997 (as restated)
	£	£
Profit/[loss] on ordinary activities before taxation is stated		
After charging		
Auditors' remuneration:		
- audit	**15,676**	11,004
Depreciation and other amounts written off tangible fixed assets:		
Owned	**52,470**	21,099
Leased	**19,993**	14,143
Hire of equipment - operating leases	**1,689**	1,689

Notes *(continued)*

4 Remuneration of directors

	1998	1997 (as restated)
	£	£
Directors' emoluments	**138,217**	580,000
Company contributions to money purchase pension schemes	**1,100**	4,500
	139,317	585,000

The aggregate of emoluments of the highest paid director was £94,448 (1997: £429,500), and Company pension contributions of £1,100 (1997: £4,500) were made to a money purchase scheme on his behalf.

	Number of directors 1998	1997
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**1**	1

The emoluments of Mr Cullum, Mr Dyer, Mr Proverbs and Mr Crocker are paid by the parent Company which makes no recharge to the Company. Messrs Cullum, Dyer, Proverbs and Crocker are directors of the 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 parent Company.

Notes *(continued)*

5 Staff numbers and costs

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

	Number of employees (as restated)	
	1998	1997
Management	**3**	4
Technical, clerical and secretarial	**31**	23
	34	27

The aggregate payroll costs of these persons were as follows:

	1998	1997 (as restated)
	£	£
Wages and salaries	**654,532**	1,239,408
Social security costs	**60,949**	149,356
Other pension costs	**1,200**	4,500
	716,681	1,393,264

Notes *(continued)*

6 Interest payable and similar charges

	1998	1997 (as restated)
	£	£
On bank loans and overdrafts	**19,950**	16,697
On overdue tax	**783**	902
Finance charges payable in respect of lease purchase and hire purchase contracts	**2,971**	2,949
	23,704	20,548

7 Taxation

	1998	1997 (as restated)
	£	£
UK corporation tax at 31% (1997: marginal rate)	**275,724**	103,052
Under provision in respect of prior year	**5,249**	-
Group relief received	**(147,304)**	-
	133,669	103,052

The corporation tax charge for the year has been reduced by £147,304 because of losses surrendered by the parent company. No payment for this surrender is to be made by the Company.

8 Dividends

	1998	1997 (as restated)
	£	£
Dividends on equity shares:		
Interim paid £600 per share	**600,000**	-
Interim paid £165 per share	**165,000**	-
Interim paid £250 per share	**250,000**	-
	1,015,000	-

Notes *(continued)*

9 Tangible fixed assets

	Freehold land and buildings	Computer Equipment	Fixtures, Fittings and Office Equipment	Motor Vehicles	Total
	£	£	£	£	£
Cost					
At beginning of year (as restated)	310,325	99,652	78,412	64,122	552,511
Additions	-	11,742	7,575	39,750	59,067
Disposals	-	-	-	-	-
At end of year	310,325	111,394	85,987	103,872	611,578
Depreciation					
At beginning of year (as restated)	-	48,491	30,377	29,139	108,007
Charge for year	-	26,534	19,733	26,196	72,463
Disposals	-	-	-	-	-
At end of year	-	75,025	50,110	55,335	180,470
Net book value At 31 December 1998	**310,325**	**36,369**	**35,877**	**48,537**	**431,108**
At 31 December 1997 (as restated)	310,325	51,161	48,035	34,983	444,504

Included above are assets held under lease purchase and hire purchase contracts as follows:

	1998	1997 (as restated)
Net book value	£	£
Computer equipment	**10,361**	17,761
Motor vehicles	**51,830**	24,671
	62,191	42,432

Depreciation charged during year		
Computer equipment	**7,400**	5,920
Motor vehicles	**12,593**	8,223
	19,993	14,143

Notes *(continued)*

10 Fixed Asset Investments

	1998	1997 (as restated)
	£	£
Investment properties overseas:		
Cost at beginning of year	**17,203**	79,703
Additions	**-**	-
Disposals	**-**	(62,500)
Cost at end of year	**17,203**	17,203

No depreciation has been provided on freehold buildings because the directors are of the opinion that the property will maintain its value in future years.

11 Debtors

	1998	1997 (as restated)
	£	£
Insurance debtors	**126,299**	150,883
Amounts owed by group undertakings	**7,338**	-
Other debtors	**827**	1,062
Prepayments and accrued income	**3,970**	-
	138,434	151,945

Notes *(continued)*

12 Creditors: amounts falling due within one year

	1998	1997 (as restated)
	£	£
Bank loans and overdrafts	198,000	-
Obligations under lease purchase and hire purchase contracts (see note 11)	4,664	10,433
Insurance creditors	605,539	551,106
Corporation tax	154,857	103,058
Taxation and social security	17,949	21,725
Other creditors	10,272	8,277
Accruals and deferred income	57,745	139,807
	1,049,026	834,406

The bank loan which is repayable on demand within five years bears interest at 2% above bank base rate and is secured by a fixed charge over the Company's freehold property.

13 Creditors: amounts falling due after more than one year

	1998	1997 (as restated)
	£	£
Bank loans and overdrafts	-	198,000
Obligations under lease purchase and hire purchase contracts	33,059	-
	33,059	198,000

Analysis of debt:

	1998	1997 (as restated)
	£	£
Debt can be analysed as falling due:		
Between two and five years	-	198,000
	-	198,000

Notes *(continued)*

Creditors: amounts falling due after more than one year (continued)

The maturity of obligations under lease purchase and hire purchase contracts is as follows:

	1998	1997 (as restated)
	£	£
Within one year	7,164	12,572
In the second to fifth years	41,603	-
Less future finance charges	(11,045)	(2,139)
	37,722	10,433

14 Called up share capital

	1998	1997 (as restated)
	£	£
Authorised		
10,000 Ordinary shares of £1 each	10,000	10,000
Allotted, called up and fully paid		
1,000 Ordinary shares of £1 each	1,000	1,000

Notes *(continued)*

15 Reserves

	1998 Profit and loss account	1997 Profit and loss account (as restated)
	£	£
At beginning of year	**460,855**	128,421
Retained (loss)/profit for the year	**(295,424)**	332,434
At end of year	**165,431**	460,855

16 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	1998 Land and buildings	**1998 Other**	1997 (as restated) Land and buildings	1997 (as restated) Other
	£	**£**	£	£
Company				
Operating leases which expire:				
Within one year	**-**	**1,689**	-	-
In the second to fifth years inclusive	**15,000**	**-**	15,000	1,689
	15,000	**1,689**	15,000	1,689

17 Pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the fund and amounted to £1,200 (1997: £4,500).

All contributions were paid in the year.

Notes *(continued)*

18 Post Balance Sheet events

There are no material post balance sheet events.

19 Related party disclosures

At the year end an amount of £2,000 was payable to Holiday Insurance Services (Homes) Limited, a company ultimately controlled by Mr P Cullum. This relates to the deposit made by Holiday Insurance Services (Homes) Limited on a company car owned by Chase Parkinson Limited.

The Company is a subsidiary undertaking of Towergate Underwriting Group Limited which is the ultimate parent Company incorporated in Great Britain.

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

20 Controlling Party

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