

Company Registration No. 2090377 (England and Wales)

INCORPORATED IN ENGLAND
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When approved

CAPITAL & COUNTIES GROUP LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002



Hazlems Fenton
Chartered Accountants
Palladium House
1-4 Argyll Street
London W1F 7LD

CAPITAL & COUNTIES GROUP LIMITED

DIRECTORS AND ADVISERS

Directors	L C Earl FFA FCIB FFBA FInstM J M Cookson LLB (Hons) A J Kent M D Lock FCA FBIM R W Barrand FCA
Secretary	R W Barrand FCA
Company number	2090377
Registered office	9-13 Fenchurch Buildings Fenchurch Street London EC3M 5HR
Registered auditors	Hazlems Fenton Chartered Accountants Palladium House 1-4 Argyll Street London W1F 7LD
Business address	Atholl House Duke Street Chelmsford Essex CM1 1EL

CAPITAL & COUNTIES GROUP LIMITED

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CAPITAL & COUNTIES GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2002

The directors present their report and financial statements for the year ended 30 June 2002.

Directors

The following directors have held office since 1 July 2001:

L C Earl FFA FCIB FFBA FInstM
J M Cookson LLB (Hons)
A J Kent
M D Lock FCA FBIM
R W Barrand FCA

Principal activities and review of the business

The principal activity of the company is that of a group holding company. A subsidiary was a member of the Personal Investment Authority until 30 November 2001. On 1 December 2001, this subsidiary became a member of the Financial Services Authority. This subsidiary carried on the business of independent financial advisers.

The directors were satisfied with the group's result for the year and the financial position at the year end.

Results and dividends

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

The directors do not recommend payment of an ordinary dividend.

Future developments

The directors continually review each and every aspect of the group's affairs to take advantage of opportunities as they arise.

Directors' interests

The directors' interests in the shares of the company and other group companies were as stated below:

Capital & Counties Group Limited

	Ordinary shares of £ 1 each	
	30 June 2002	1 July 2001
L C Earl FFA FCIB FFBA FInstM	8,500	8,500
J M Cookson LLB (Hons)	500	500
A J Kent	500	500
M D Lock FCA FBIM	500	500
R W Barrand FCA	-	-

	'A' Ordinary shares of £ 1 each	
	30 June 2002	1 July 2001
L C Earl FFA FCIB FFBA FInstM	250,000	250,000
J M Cookson LLB (Hons)	-	-
A J Kent	-	-
M D Lock FCA FBIM	-	-
R W Barrand FCA	-	-

Capital & Counties (Financial Services) Limited

Ordinary shares of £ 1 each

CAPITAL & COUNTIES GROUP LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2002

	30 June 2002	1 July 2001
L C Earl FFA FCIB FFBA FInstM	25,000	25,000
J M Cookson LLB (Hons)	-	-
A J Kent	-	-
M D Lock FCA FBIM	-	-
R W Barrand FCA	-	-

Capital & Counties (Insurance Consultants) Limited

	Ordinary shares of £ 1 each	
	30 June 2002	1 July 2001
L C Earl FFA FCIB FFBA FInstM	2,501	2,501
J M Cookson LLB (Hons)	-	-
A J Kent	-	-
M D Lock FCA FBIM	-	-

Auditors

Hazlems Fenton were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

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 group and of the profit or loss of the group 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 group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board

L C Earl FFA FCIB FFBA FInstM

Director

25th November 2003

CAPITAL & COUNTIES GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CAPITAL & COUNTIES GROUP LIMITED

We have audited the financial statements of Capital & Counties Group Limited on pages 5 to 18 for the year ended 30 June 2002. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 1985. 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 directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 and the group'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.

Fundamental uncertainty

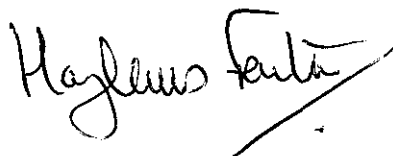
In forming our opinion, we have considered the adequacy of the disclosure made in note 1 of the financial statements concerning the continuation of the financial support given by the parent company. In view of the significance of this matter we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

CAPITAL & COUNTIES GROUP LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF CAPITAL & COUNTIES GROUP LIMITED

In our opinion the financial statements give a true and fair view of the state of the company's and the group's affairs as at 30 June 2002 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Hazlems Fenton



Chartered Accountants
Registered Auditor

26/6/2003

Chartered Accountants
Palladium House
1-4 Argyll Street
London W1F 7LD

CAPITAL & COUNTIES GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2002

	Notes	2002 £	2001 £
Turnover	2	381,583	471,092
Administrative expenses		(396,602)	(558,928)
Other operating income		26,824	25,000
Operating profit/(loss)	3	11,805	(62,836)
Interest payable and similar charges	4	(15,488)	(12,034)
Loss on ordinary activities before taxation	3	(3,683)	(74,870)
Tax on loss on ordinary activities	5	(1,838)	1,838
Loss on ordinary activities after taxation		(5,521)	(73,032)
Minority interests		1,380	17,758
Loss for the financial year	6	(4,141)	(55,274)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

CAPITAL & COUNTIES GROUP LIMITED

BALANCE SHEETS AS AT 30 JUNE 2002

	Notes	Group 2002 £	2001 £	Company 2002 £	2001 £
Fixed assets					
Tangible assets	7	48,803	48,505	3,000	5,000
Investments	8	-	-	75,000	75,000
		<u>48,803</u>	<u>48,505</u>	<u>78,000</u>	<u>80,000</u>
Current assets					
Debtors	9	190,784	335,671	348,480	462,051
Cash at bank and in hand		50	10,859	2	2
		<u>190,834</u>	<u>346,530</u>	<u>348,482</u>	<u>462,053</u>
Creditors: amounts falling due within one year	10	(214,183)	(364,060)	(170,981)	(284,552)
Net current liabilities		<u>(23,349)</u>	<u>(17,530)</u>	<u>177,501</u>	<u>177,501</u>
Total assets less current liabilities		<u>25,454</u>	<u>30,975</u>	<u>255,501</u>	<u>257,501</u>
Provisions for liabilities and charges	11	(1,000)	(1,000)	-	-
		<u>24,454</u>	<u>29,975</u>	<u>255,501</u>	<u>257,501</u>
Capital and reserves					
Called up share capital	13	260,000	260,000	260,000	260,000
Revaluation reserve	14	7,000	7,000	7,000	7,000
Other reserves	14	13,956	13,956	-	-
Profit and loss account	14	(286,646)	(282,505)	(11,499)	(9,499)
Shareholders' funds - equity interests	16	<u>(5,690)</u>	<u>(1,549)</u>	<u>255,501</u>	<u>257,501</u>
Minority interests	15	<u>30,144</u>	<u>31,524</u>	<u>-</u>	<u>-</u>
		<u>24,454</u>	<u>29,975</u>	<u>255,501</u>	<u>257,501</u>

The financial statements were approved by the board on

25th November 2003

L C Earl FFA FCIB FFBA FInstM
Director

CAPITAL & COUNTIES GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2002

	2002		2001	
	£	£	£	£
Net cash (outflow)/inflow from operating activities		(4,905)		33,430
Returns on investments and servicing of finance				
Interest paid	(15,488)		(12,034)	
Net cash outflow for returns on investments and servicing of finance		(15,488)		(12,034)
Taxation		(1,838)		(1,060)
Capital expenditure				
Payments to acquire tangible assets	(9,252)		(17,593)	
Net cash outflow for capital expenditure		(9,252)		(17,593)
Net cash (outflow)/inflow before management of liquid resources and financing		(31,483)		2,743
Financing				
Other new short term loans	105,181		-	
Repayment of other long term loans	-		(52,799)	
Capital element of hire purchase contracts	(855)		(2,443)	
Net cash inflow/(outflow) from financing		104,326		(55,242)
Increase/(decrease) in cash in the year		72,843		(52,499)

CAPITAL & COUNTIES GROUP LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2002

1	Reconciliation of operating profit/(loss) to net cash (outflow)/inflow from operating activities			2002	2001
				£	£
	Operating profit/(loss)			11,805	(62,836)
	Depreciation of tangible assets			8,954	8,978
	Decrease in debtors			144,887	229,009
	Decrease in creditors within one year			(170,551)	(141,721)
	Net cash (outflow)/inflow from operating activities			(4,905)	33,430
2	Analysis of net debt	1 July 2001	Cash flow	Other non-cash changes	30 June 2002
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	10,859	(10,809)	-	50
	Bank overdrafts	(149,462)	83,652	-	(65,810)
		<u>(138,603)</u>	<u>72,843</u>	<u>-</u>	<u>(65,760)</u>
	Finance leases	(855)	855	-	-
	Debts falling due within one year	-	(105,181)	-	(105,181)
	Net debt	<u>(139,458)</u>	<u>(31,483)</u>	<u>-</u>	<u>(170,941)</u>
3	Reconciliation of net cash flow to movement in net debt			2002	2001
				£	£
	Increase/(decrease) in cash in the year			72,843	(52,499)
	Cash (inflow)/outflow from (increase)/decrease in debt			(104,326)	55,242
	Movement in net debt in the year			(31,483)	2,743
	Opening net debt			(139,458)	(142,201)
	Closing net debt			<u>(170,941)</u>	<u>(139,458)</u>

CAPITAL & COUNTIES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings.

The group has prepared the accounts on the going concern basis, which assumes the continued financial support of the parent company, for which written assurances have been received.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 30 June 2002. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

1.4 Turnover

Turnover represents commissions receivable on the commencement of a policy and renewal commission when it is received. Provision is made for the potential cancellation of policies.

1.5 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Leasehold	Straight line over the length of the lease term.
Fixtures, fittings & equipment	15% on the reducing balance basis
Motor vehicles	25% on the straight line basis

1.7 Leasing

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.8 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.9 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17.

CAPITAL & COUNTIES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2002

1 Accounting policies

(continued)

1.10 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

2 Turnover

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating profit/(loss)	2002 £	2001 £
Operating profit/(loss) is stated after charging:		
Depreciation of tangible assets	8,954	8,978
Operating lease rentals	85,000	85,000
Auditors' remuneration (company £- ; 2001 : £-)	12,628	10,685
Exceptional costs: legal expenses	15,459	67,159

4 Interest payable	2002 £	2001 £
On bank loans and overdrafts	15,332	11,456
Lease finance charges	156	469
Other interest	-	109
	15,488	12,034

CAPITAL & COUNTIES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2002

5 Taxation		
Adjustment for prior years	1,838	(1,838)
	<u>1,838</u>	<u>(1,838)</u>
Current tax charge	1,838	(1,838)
	<u>1,838</u>	<u>(1,838)</u>
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(3,683)	(74,870)
	<u>(3,683)</u>	<u>(74,870)</u>
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 0.00 % (2001 : 0.00 %)	-	-
	<u>-</u>	<u>-</u>
Effects of:		
Tax losses utilised	-	(1,838)
Adjustments to previous periods	1,838	-
	<u>1,838</u>	<u>(1,838)</u>
Current tax charge	1,838	(1,838)
	<u>1,838</u>	<u>(1,838)</u>

The company has estimated losses of £ 241,300 (2001 : £ 236,876) available for carry forward against future trading profits.

6 Loss for the financial year

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The loss for the financial year is made up as follows:

	2002	2001
	£	£
Holding company's loss for the financial year	(2,000)	(2,000)
	<u>(2,000)</u>	<u>(2,000)</u>

CAPITAL & COUNTIES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2002

7 Tangible fixed assets Group

	Land and buildings Leasehold	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Cost or valuation				
At 1 July 2001	20,000	209,772	9,830	239,602
Additions	-	9,252	-	9,252
At 30 June 2002	20,000	219,024	9,830	248,854
Depreciation				
At 1 July 2001	15,000	166,873	9,224	191,097
Charge for the year	2,000	6,448	506	8,954
At 30 June 2002	17,000	173,321	9,730	200,051
Net book value				
At 30 June 2002	3,000	45,703	100	48,803
At 30 June 2001	5,000	42,899	606	48,505

Included above are assets held under finance leases or hire purchase contracts as follows:

	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£
Net book values			
At 30 June 2002	-	-	-
At 30 June 2001	-	606	606
Depreciation charge for the year			
30 June 2002	-	-	-
30 June 2001	-	9,224	9,224

CAPITAL & COUNTIES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2002

7 Tangible fixed assets (continued) Company

	Land and buildings Leasehold £
Cost or valuation	
At 1 July 2001 & at 30 June 2002	20,000
Depreciation	
At 1 July 2001	15,000
Charge for the year	2,000
At 30 June 2002	17,000
Net book value	
At 30 June 2002	3,000
At 30 June 2001	5,000

CAPITAL & COUNTIES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2002

8 Fixed asset investments Company

	Shares in group undertakings £
Cost or valuation	
At 1 July 2001 & at 30 June 2002	75,000
At 30 June 2001	75,000

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Holdings of more than 10%

The company holds more than 10% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held	
		Class	%
Subsidiary undertakings			
Capital & Counties (Financial Services) Ltd.	England and Wales	Ordinary	75
Capital & Counties (Insurance Consultants) Limited	England and Wales	Ordinary	75

Holdings of more than 20%

The principal activity of these undertakings for the last relevant financial year was as follows:

	Principal activity
Capital & Counties (Financial Services) Ltd.	Independent financial advisors
Capital & Counties (Insurance Consultants) Limited	Insurance consultants

9 Debtors

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Trade debtors	96,583	135,893	-	-
Amounts owed by group undertakings	-	-	348,480	348,498
Other debtors	66,268	93,140	-	6,915
Prepayments and accrued income	27,933	106,638	-	106,638
	<u>190,784</u>	<u>335,671</u>	<u>348,480</u>	<u>462,051</u>

CAPITAL & COUNTIES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

10 Creditors : amounts falling due within one year

	Group 2002 £	2001 £	Company 2002 £	2001 £
Bank loans and overdrafts	170,991	149,462	170,981	149,462
Net obligations under finance lease and hire purchase contracts	-	855	-	-
Trade creditors	25,462	82,255	-	79,218
Taxes and social security costs	2,858	19,273	-	19,273
Other creditors	-	5,823	-	-
Accruals and deferred income	14,872	106,392	-	36,599
	<u>214,183</u>	<u>364,060</u>	<u>170,981</u>	<u>284,552</u>

Mr L C Earl has given a personal guarantee to the bank in respect of the group bank borrowings.

Net obligations under finance leases and hire purchase contracts

Repayable within one year	-	855	-	-
Finance charges and interest allocated to future accounting periods	-	-	-	-
	<u>-</u>	<u>855</u>	<u>-</u>	<u>-</u>

11 Provisions for liabilities and charges Group

	Other £
Balance at 1 July 2001 & at 30 June 2002	<u>1,000</u>

Provision for the withdrawal of commission on cancelled policies has been made in these financial statements in accordance with the accounting policy described in note 1. The amount provided is shown above. The full additional unprovided potential liability is £24,874 (2001: £20,889).

12 Pension costs

Defined contribution

	2002 £	2001 £
Contributions payable by the company for the year	<u>3,000</u>	<u>18,000</u>

CAPITAL & COUNTIES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2002

13 Share capital	2002	2001
	£	£
Authorised		
100,000 Ordinary shares of £ 1 each	100,000	100,000
400,000 'A' Ordinary shares of £ 1 each	400,000	400,000
	<u>500,000</u>	<u>500,000</u>
 Allotted, called up and fully paid		
260,000 Ordinary shares of £ 1 each	<u>260,000</u>	<u>260,000</u>
 14 Statement of movements on reserves		
Group		
	Revaluation reserve	Other reserves
	£	£
Balance at 1 July 2001	7,000	13,956
Retained loss for the year	-	(4,141)
	<u>7,000</u>	<u>13,956</u>
Balance at 30 June 2002	<u>7,000</u>	<u>13,956</u>
 Other reserves		
Balance at 1 July 2001 & at 30 June 2002	<u>13,956</u>	
 Company		
	Revaluation reserve	Profit and loss account
	£	£
Balance at 1 July 2001	7,000	(9,499)
Retained loss for the year	-	(2,000)
	<u>7,000</u>	<u>(11,499)</u>
Balance at 30 June 2002	<u>7,000</u>	<u>(11,499)</u>
 15 Minority interests	2002	2001
	£	£
Minority interests' share of net assets and liabilities in subsidiary undertakings	<u>30,144</u>	<u>31,524</u>

CAPITAL & COUNTIES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2002

16 Reconciliation of movements in shareholders' funds	2002	2001
Group	£	£
Loss for the financial year	(4,141)	(55,274)
Opening shareholders' funds	(3,549)	51,725
Closing shareholders' funds	(5,690)	(3,549)
	2002	2001
Company	£	£
Loss for the financial year	(2,000)	(2,000)
Opening shareholders' funds	257,501	259,501
Closing shareholders' funds	255,501	257,501

17 Contingent liabilities

Group

Included within Other debtors is an amount of £28,886 in respect of legal costs incurred in successfully defending a complaint made to the Insurance Ombudsman. The amount is being disputed for reimbursement by the company's Professional Indemnity Insurer on the grounds that these costs were incurred in defending part of the legal action which constituted a commercial dispute, on the grounds of the ruling by the Ombudsman.

The view taken by the directors is that these costs fall within the group's Professional Indemnity cover and that Capital & Counties (Financial Services) Limited, a group subsidiary, is entitled to full reimbursement. This dispute has been placed with the Association of British Insurer's Policy Arbitration Panel but a ruling date has not yet been given. If the ruling goes against Capital & Counties (Financial Services) Limited, it will result in a reduction in profit of £28,886.

Capital & Counties (Financial Services) Limited reach the renewal date for the current office lease on 25 December 2003. The group has given the Freeholder notice of intention not to renew the lease. The lease contains a dilapidations clause. The directors are of the opinion that the exercise of this clause by the freeholder will not result in a significant liability. On this basis, no provision for a liability arising from this clause has been provided in these accounts.

18 Financial commitments

At 30 June 2002 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2002	2001
	£	£
Expiry date:		
Between two and five years	85,000	85,000

CAPITAL & COUNTIES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2002

19 Directors' emoluments	2002 £	2001 £
	<u> </u>	<u> </u>

Emoluments amounting to £15,000 (2001 - £Nil) have been waived by 1 (2001 - 0) director.

20 Transactions with directors

During the year amounts of £57,793 (2001: £14,031) were paid in respect of commission to Lawrence Charles Earl & Co, a business in which a group director, L.C. Earl, has a financial interest.

During the year, expenses of £22,000 (2001: £22,714) were recharged to Lawrence Charles Earl & Co.

During the year an amount of £18,000 (2001: £33,000) was paid in respect of accounting services provided by a firm in which a group director, R.W. Barrand, has a financial interest.

21 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2002 Number	2001 Number
No formal classification of duties	<u>4</u>	<u>6</u>

Employment costs

	£	£
Wages and salaries	80,805	107,207
Social security costs	10,027	10,295
Other pension costs	3,000	18,000
	<u>93,832</u>	<u>135,502</u>

22 Control

The controlling party is Mr L C Earl, who is also a group director.