

Company Registration No. 2090377 (England and Wales)

REGISTRAR OF COMPANIES OFFICE

Return to HAZLEMS FENTON

When approved and filed

CAPITAL & COUNTIES GROUP LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2004



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	Atholl House Duke Street Chelmsford Essex CM1 1EL
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

CONTENTS

	Page
Directors' report	1 - 2
Independent auditors' report	3
Consolidated profit and loss account	4
Balance sheets	5
Consolidated cash flow statement	6
Notes to the consolidated cash flow statement	7
Notes to the financial statements	8 - 18

CAPITAL & COUNTIES GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2004

The directors present their report and financial statements for the year ended 30 June 2004.

Directors

The following directors have held office since 1 July 2003:

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 is a member of the Financial Services Authority. This subsidiary carries 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 4.

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 2004	1 July 2003
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 2004	1 July 2003
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	
30 June 2004	1 July 2003

CAPITAL & COUNTIES GROUP LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2004

L C Earl FFA FCIB FFBA FInstM	88,750	88,750
J M Cookson LLB (Hons)	3,750	3,750
A J Kent	3,750	3,750
M D Lock FCA FBIM	3,750	3,750
R W Barrand FCA	-	-

Capital & Counties (Insurance Consultants) Limited

	Ordinary shares of £ 1 each	
	30 June 2004	1 July 2003
L C Earl FFA FCIB FFBA FInstM	8,875	8,875
J M Cookson LLB (Hons)	375	375
A J Kent	375	375
M D Lock FCA FBIM	375	375

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Hazlems Fenton be reappointed as auditors of the company 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

12th October 2004

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 4 to 18 for the year ended 30 June 2004. These financial statements have been prepared under the historical cost convention 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.

Opinion

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 2004 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Hazlems Fenton

Chartered Accountants
Registered Auditor



13th October 2004

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 2004

	Notes	2004 £	2003 £
Turnover	2	539,513	391,316
Administrative expenses		(453,266)	(375,930)
Other operating income		-	1,101
Operating profit	3	86,247	16,487
Interest payable and similar charges	4	(13,435)	(10,995)
Profit on ordinary activities before taxation	3	72,812	5,492
Tax on profit on ordinary activities	5	-	-
Profit on ordinary activities after taxation		72,812	5,492
Minority interests		(18,453)	(1,873)
Profit for the financial year	6	54,359	3,619

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 2004

	Notes	Group 2004 £	2003 £	Company 2004 £	2003 £
Fixed assets					
Tangible assets	7	60,759	41,910	-	1,000
Investments	8	-	-	82,499	75,000
		<u>60,759</u>	<u>41,910</u>	<u>82,499</u>	<u>76,000</u>
Current assets					
Debtors	9	251,960	231,868	353,615	365,662
Cash at bank and in hand		77	3,531	-	2
		<u>252,037</u>	<u>235,399</u>	<u>353,615</u>	<u>365,664</u>
Creditors: amounts falling due within one year	10	<u>(141,116)</u>	<u>(246,363)</u>	<u>(108,192)</u>	<u>(188,163)</u>
Net current assets/(liabilities)		<u>110,921</u>	<u>(10,964)</u>	<u>245,423</u>	<u>177,501</u>
Total assets less current liabilities		<u>171,680</u>	<u>30,946</u>	<u>327,922</u>	<u>253,501</u>
Creditors: amounts falling due after more than one year	11	<u>(67,922)</u>	<u>-</u>	<u>(67,922)</u>	<u>-</u>
Provisions for liabilities and charges	12	<u>(1,000)</u>	<u>(1,000)</u>	<u>-</u>	<u>-</u>
		<u>102,758</u>	<u>29,946</u>	<u>260,000</u>	<u>253,501</u>
Capital and reserves					
Called up share capital	13	260,000	260,000	260,000	260,000
Revaluation reserve	14	-	7,000	7,499	7,000
Other reserves	14	13,956	13,956	-	-
Profit and loss account	14	(222,168)	(283,527)	(7,499)	(13,499)
Shareholders' funds - equity interests	16	<u>51,788</u>	<u>(2,571)</u>	<u>260,000</u>	<u>253,501</u>
Minority interests	15	<u>50,970</u>	<u>32,517</u>	<u>-</u>	<u>-</u>
		<u>102,758</u>	<u>29,946</u>	<u>260,000</u>	<u>253,501</u>

The financial statements were approved by the board on

12th October 2004.

L C Earl FFA FCIB FFBA FInstM
Director

CAPITAL & COUNTIES GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2004

	2004		2003	
	£	£	£	£
Net cash inflow/(outflow) from operating activities		52,526		(415)
Returns on investments and servicing of finance				
Interest paid	(13,435)		(10,995)	
Net cash outflow for returns on investments and servicing of finance		(13,435)		(10,995)
Capital expenditure				
Payments to acquire tangible assets	(30,500)		(2,291)	
Net cash outflow for capital expenditure		(30,500)		(2,291)
Net cash inflow/(outflow) before management of liquid resources and financing		8,591		(13,701)
Financing				
New long term bank loan	89,651		-	
Other new short term loans	-		26,657	
Repayment of long term bank loan	(21,729)		-	
Repayment of other short term loans	(87,132)		(27,863)	
Net cash outflow from financing		(19,210)		(1,206)
Decrease in cash in the year		(10,619)		(14,907)

CAPITAL & COUNTIES GROUP LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2004

1	Reconciliation of operating profit to net cash inflow/(outflow) from operating activities	2004	2003
		£	£
	Operating profit	86,247	16,487
	Depreciation of tangible assets	11,651	9,184
	Increase in debtors	(20,092)	(41,084)
	(Decrease)/Increase in creditors within one year	(25,280)	14,998
	Net cash inflow/(outflow) from operating activities	52,526	(415)

2	Analysis of net debt	1 July 2003	Cash flow	Other non-cash changes	30 June 2004
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	3,531	(3,454)	-	77
	Bank overdrafts	(84,198)	(7,165)	-	(91,363)
		(80,667)	(10,619)	-	(91,286)
	Debts falling due within one year	(103,975)	87,132	-	(16,843)
	Debts falling due after one year	-	(67,922)	-	(67,922)
		(103,975)	19,210	-	(84,765)
	Net debt	(184,642)	8,591	-	(176,051)

3	Reconciliation of net cash flow to movement in net debt	2004	2003
		£	£
	Decrease in cash in the year	(10,619)	(14,907)
	Cash outflow from decrease in debt	19,210	1,206
	Movement in net debt in the year	8,591	(13,701)
	Opening net debt	(184,642)	(170,941)
	Closing net debt	(176,051)	(184,642)

CAPITAL & COUNTIES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

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 2004. 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, except for fund based fee renewal fee commission, under which the initial fee is accounted for as receivable at the policy commencement date. Provision is made for the potential cancellation of policies.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost 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

1.6 Leasing

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

1.7 Investments

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

1.8 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

2 Turnover

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

CAPITAL & COUNTIES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2004

3	Operating profit	2004	2003
		£	£
	Operating profit is stated after charging:		
	Depreciation of tangible assets	11,651	9,184
	Operating lease rentals	60,437	85,000
	Auditors' remuneration (company £-; 2003: £-)	10,000	8,000
		<u> </u>	<u> </u>
4	Interest payable	2004	2003
		£	£
	On bank loans and overdrafts	13,324	10,995
	Other interest	111	-
		<u> </u>	<u> </u>
		13,435	10,995
		<u> </u>	<u> </u>
5	Taxation		
		<u> </u>	<u> </u>
	Current tax charge	-	-
		<u> </u>	<u> </u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	72,812	5,492
		<u> </u>	<u> </u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 0.00% (2003: 10.86%)	-	596
		<u> </u>	<u> </u>
	Effects of:		
	Non deductible expenses	-	542
	Depreciation add back	-	997
	Capital allowances	-	(475)
	Tax losses utilised	-	(734)
	Other tax adjustments	-	(926)
		<u> </u>	<u> </u>
		-	(596)
		<u> </u>	<u> </u>
	Current tax charge	-	-
		<u> </u>	<u> </u>

The group has estimated losses of £ 164,343 (2003: £ 228,992) available for carry forward against future trading profits.

CAPITAL & COUNTIES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2004

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:

	2004 £	2003 £
Holding company's loss for the financial year	<u>(1,000)</u>	<u>(2,000)</u>

CAPITAL & COUNTIES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2004

7 Tangible fixed assets Group

	Land and buildings Leasehold £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost				
At 1 July 2003	20,000	221,315	9,830	251,145
Additions	-	30,500	-	30,500
Disposals	(20,000)	-	-	(20,000)
At 30 June 2004	-	251,815	9,830	261,645
Depreciation				
At 1 July 2003	19,000	180,505	9,730	209,235
On disposals	(20,000)	-	-	(20,000)
Charge for the year	1,000	10,651	-	11,651
At 30 June 2004	-	191,156	9,730	200,886
Net book value				
At 30 June 2004	-	60,659	100	60,759
At 30 June 2003	1,000	40,810	100	41,910

CAPITAL & COUNTIES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2004

7 Tangible fixed assets (continued)

Company

	Land and buildings Leasehold £
Cost or valuation	
At 1 July 2003	20,000
Disposals	(20,000)
At 30 June 2004	-
Depreciation	
At 1 July 2003	19,000
On disposals	(20,000)
Charge for the year	1,000
At 30 June 2004	-
Net book value	
At 30 June 2004	-
At 30 June 2003	1,000

CAPITAL & COUNTIES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2004

8 Fixed asset investments Company

	Shares in group undertakings £
Cost or valuation	
At 1 July 2003	75,000
Revaluation	7,499
At 30 June 2004	82,499
At 30 June 2003	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 20%

The company holds more than 20% 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	Ordinary	75
Capital & Counties (Insurance Consultants) Ltd.	England	Ordinary	75

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) Ltd.	Insurance Consultants

CAPITAL & COUNTIES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2004

9 Debtors

	Group 2004 £	2003 £	Company 2004 £	2003 £
Trade debtors	211,871	177,946	-	-
Amounts owed by group undertakings	-	-	353,615	365,662
Other debtors	9,225	39,614	-	-
Prepayments and accrued income	30,864	14,308	-	-
	<u>251,960</u>	<u>231,868</u>	<u>353,615</u>	<u>365,662</u>

10 Creditors : amounts falling due within one year

	Group 2004 £	2003 £	Company 2004 £	2003 £
Bank loans and overdrafts	108,206	188,173	108,192	188,163
Trade creditors	3,549	8,968	-	-
Taxes and social security costs	3,983	10,142	-	-
Directors current accounts	28	11,004	-	-
Accruals and deferred income	25,350	28,076	-	-
	<u>141,116</u>	<u>246,363</u>	<u>108,192</u>	<u>188,163</u>

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

CAPITAL & COUNTIES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2004

11 Creditors : amounts falling due after more than one year

	Group 2004 £	2003 £	Company 2004 £	2003 £
Bank loans	67,922	-	67,922	-
Analysis of loans				
Wholly repayable within five years	84,765	103,975	84,765	103,975
Included in current liabilities	(16,843)	(103,975)	(16,843)	(103,975)
	67,922	-	67,922	-
Loan maturity analysis				
In more than one year but not more than two years	21,639	-	-	-
In more than two years but not more than five years	46,283	-	-	-

12 Provisions for liabilities and charges

Group	Other £
Balance at 1 July 2003 & at 30 June 2004	1,000

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 £25,973 (2003: £26,028).

13 Share capital

	2004 £	2003 £
Authorised		
100,000 Ordinary shares of £1 each	100,000	100,000
400,000 'A' Ordinary shares of £1 each	400,000	400,000
	500,000	500,000
Allotted, called up and fully paid		
260,000 Ordinary shares of £1 each	260,000	260,000

CAPITAL & COUNTIES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

14 Statement of movements on reserves

Group

	Revaluation reserve £	Other reserves £	Profit and loss account £
Balance at 1 July 2003	7,000	13,956	(283,527)
Retained profit for the year	-	-	54,359
Transfer from revaluation reserve to profit and loss account	-	-	7,000
Depreciation written back	(7,000)	-	-
	<u>-</u>	<u>13,956</u>	<u>(222,168)</u>
Balance at 30 June 2004	-	13,956	(222,168)

Other reserves

Reserves provided for by the Articles of Association

Balance at 1 July 2003 & at 30 June 2004

13,956

Company

	Revaluation reserve £	Profit and loss account £
Balance at 1 July 2003	7,000	(6,499)
Retained loss for the year	-	(1,000)
Revaluation during the year	7,499	-
Depreciation written back	(7,000)	-
	<u>7,499</u>	<u>(7,499)</u>
Balance at 30 June 2004	7,499	(7,499)

15 Minority interests

	2004 £	2003 £
Minority interests' share of net assets and liabilities in subsidiary undertakings	50,970	32,517
	<u>50,970</u>	<u>32,517</u>

CAPITAL & COUNTIES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

16 Reconciliation of movements in shareholders' funds	2004	2003
	£	£
Group		
Profit for the financial year	54,359	3,619
Opening shareholders' funds	(2,571)	(6,190)
Closing shareholders' funds	51,788	(2,571)
	2004	2003
Company	£	£
Loss for the financial year	(1,000)	(2,000)
Other recognised gains and losses	7,499	-
Net addition to/(depletion in) shareholders' funds	6,499	(2,000)
Opening shareholders' funds	253,501	255,501
Closing shareholders' funds	260,000	253,501

17 Financial commitments

At 30 June 2004 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2004	2003
	£	£
Expiry date:		
Within one year	-	42,500
Between two and five years	30,695	23,116
	30,695	65,616

18 Transactions with directors

During the year amounts of £78,500 (2003: £22,000) 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 £25,767 (2003: £22,000) were recharged to Lawrence Charles Earl & Co.

During the year an amount of £40,600 (2003: £17,000) was paid in respect of accounting services provided by a firm in which a group director, R.W. Barrand, has a financial interest.

CAPITAL & COUNTIES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2004

19 Employees

Number of employees

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

	2004 Number	2003 Number
No formal classification of duties	7	7

Employment costs

	£	£
Wages and salaries	53,246	66,353
Social security costs	5,353	6,538
	58,599	72,891

20 Control

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