

**HALL & CLARKE INSURANCE
BROKERS PLC
FINANCIAL STATEMENTS
31 DECEMBER 2000**

Company Registration Number 892968

S W FRANKSON & CO

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Chartered Accountants & Registered Auditors



HALL & CLARKE INSURANCE BROKERS PLC

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2000

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HALL & CLARKE INSURANCE BROKERS PLC

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2000

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the company during the year have continued to be those associated with insurance brokers.

The directors are satisfied with the results of the year's trading.

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have recommended the following dividends:

	2000 £	1999 £
Proposed dividends on ordinary shares	-	40,000
Dividends paid on ordinary shares	90,000	30,000
	<u>90,000</u>	<u>70,000</u>

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £1 each	
	At 31 December 2000	At 1 January 2000 or later date of appointment
D J Clarke	49,995	49,995
S J Clarke	-	-
R P Bogart	-	-
T Stemp	(Appointed 1 October 2000)	-
D G Earl	(Resigned 30 September 2000)	-
	<u> </u>	<u> </u>

D J Clarke passed away on 6 February 2001.

During the year the company purchased and maintained liability insurance for its directors and officers as permitted by Section 310 (3) of the Companies Act 1985.

POLICY ON THE PAYMENT OF CREDITORS

It is the policy of the company to agree suitable terms and conditions for its business transactions with suppliers. These terms and conditions range from standard written terms to individually drafted contracts. Once such terms are agreed it is the company's policy to fully adhere to them, including payment schedules, provided the supplier has also agreed with terms and conditions.

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 at the end of the year and of the profit or loss for the year then ended.

HALL & CLARKE INSURANCE BROKERS PLC

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2000

DIRECTORS' RESPONSIBILITIES *(continued)*

In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on page 9, 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; and

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. The directors 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.

DONATIONS

During the year the company made the following contributions:

	2000	1999
	£	£
Charitable	<u>1,100</u>	<u>310</u>

AUDITORS

A resolution to re-appoint S W Frankson & Co as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed on behalf of the directors

S J Clarke
Chairman

Approved by the directors on 10th Dec 2001

HALL & CLARKE INSURANCE BROKERS PLC

AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31 DECEMBER 2000

We have audited the financial statements on pages 4 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described on pages 1 to 2, 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 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 company'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 affairs as at 31 December 2000 and of the profit of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



S W FRANKSON & CO

Chartered Accountants

& Registered Auditors

Bridge House

Station Road

Hayes

Middlesex

UB3 4BT

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HALL & CLARKE INSURANCE BROKERS PLC

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2000

	Note	2000 £	1999 £
TURNOVER	2	3,647,882	3,003,516
Cost of sales		1,640,759	1,241,074
GROSS PROFIT		2,007,123	1,762,442
Administrative expenses		1,847,841	1,702,690
Other operating income		(17,250)	(17,250)
OPERATING PROFIT	3	176,532	77,002
Interest receivable		95,008	64,751
Amounts written off investments	6	(3,630)	-
Interest payable	7	(32,913)	(31,699)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		234,997	110,054
Tax on profit on ordinary activities	8	56,300	30,590
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		178,697	79,464
Dividends	9	90,000	70,000
RETAINED PROFIT FOR THE FINANCIAL YEAR		88,697	9,464
Balance brought forward		151,636	142,172
Balance carried forward		240,333	151,636

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the results for the year as set out above.

CONTINUING ACTIVITIES

All of the activities of the company are classed as continuing.

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

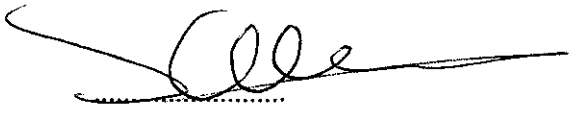
HALL & CLARKE INSURANCE BROKERS PLC

BALANCE SHEET

31 DECEMBER 2000

	Note	2000	1999
		£	£
FIXED ASSETS			
Intangible assets	10	-	-
Tangible assets	11	489,660	510,657
Investments	12	-	3,630
		<u>489,660</u>	<u>514,287</u>
CURRENT ASSETS			
Debtors	13	1,886,290	1,385,170
Investments	14	24,285	28,332
Cash at bank and in hand		<u>1,385,475</u>	<u>982,101</u>
		3,296,050	2,395,603
CREDITORS: Amounts falling due within one year	15	<u>(3,168,681)</u>	<u>(2,306,318)</u>
NET CURRENT ASSETS		127,369	89,285
TOTAL ASSETS LESS CURRENT LIABILITIES		617,029	603,572
CREDITORS: Amounts falling due after more than one year	16	<u>(326,696)</u>	<u>(401,936)</u>
		<u>290,333</u>	<u>201,636</u>
CAPITAL AND RESERVES			
Called-up equity share capital	19	50,000	50,000
Profit and Loss Account		<u>240,333</u>	<u>151,636</u>
SHAREHOLDERS' FUNDS	20	<u>290,333</u>	<u>201,636</u>

These financial statements were approved by the directors on the 19th July 2001, and are signed on their behalf by:


S J CLARKE


T STEMP

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

HALL & CLARKE INSURANCE BROKERS PLC

CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2000

	2000	1999
	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	512,946	270,455
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	95,008	64,751
Interest paid	(30,490)	(29,751)
Interest element of hire purchase	(2,423)	(1,948)
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	62,095	33,052
TAXATION	(30,982)	(15,211)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Payments to acquire tangible fixed assets	(47,071)	(43,208)
Receipts from sale of fixed assets	8,000	8,500
Receipts from loans	4,047	4,048
NET CASH OUTFLOW FOR CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	(35,024)	(30,660)
EQUITY DIVIDENDS PAID	(130,000)	(30,000)
CASH INFLOW BEFORE FINANCING	379,035	227,636
FINANCING		
Repayment of bank loans	(6,985)	(5,462)
Capital element of hire purchase	(17,924)	(14,591)
NET CASH OUTFLOW FROM FINANCING	(24,909)	(20,053)
INCREASE IN CASH	354,126	207,583

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

HALL & CLARKE INSURANCE BROKERS PLC

CASH FLOW STATEMENT *(continued)*

YEAR ENDED 31 DECEMBER 2000

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000	1999
	£	£
Operating profit	176,532	77,002
Amortisation	-	3,146
Depreciation	60,040	62,341
Loss/(Profit) on disposal of fixed assets	28	(4,040)
Increase in debtors	(501,120)	(186,736)
Increase in creditors	777,466	318,742
Net cash inflow from operating activities	<u>512,946</u>	<u>270,455</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2000	1999
	£	£
Increase in cash in the period	354,126	207,583
Net cash outflow from bank loans	6,985	5,462
Net cash outflow in respect of hire purchase	<u>17,924</u>	<u>14,591</u>
Change in net funds resulting from cash flows	379,035	227,636
Other differences	-	(30,000)
Movement in net funds in the period	<u>379,035</u>	<u>197,636</u>
Net funds at 1 January 2000	<u>556,469</u>	<u>358,833</u>
Net funds at 31 December 2000	<u>935,504</u>	<u>556,469</u>

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

HALL & CLARKE INSURANCE BROKERS PLC

CASH FLOW STATEMENT *(continued)*

YEAR ENDED 31 DECEMBER 2000

ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Jan 2000 £	Cash flows £	Other changes £	At 31 Dec 2000 £
Net cash:				
Cash in hand and at bank	982,101	403,374		1,385,475
Overdrafts	-	(49,248)		(49,248)
	<u>982,101</u>	<u>354,126</u>		<u>1,336,227</u>
Debt:				
Debt due within 1 year	(5,772)	6,985	(59,297)	(58,084)
Debt due after 1 year	(382,660)	-	59,297	(323,363)
Hire purchase agreements	(37,200)	17,924	-	(19,276)
	<u>(425,632)</u>	<u>24,909</u>		<u>(400,723)</u>
Net funds	<u>556,469</u>	<u>379,035</u>	<u>-</u>	<u>935,504</u>

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

HALL & CLARKE INSURANCE BROKERS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2000

1. ACCOUNTING POLICIES

Basis of accounting

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

Turnover

Brokerage commission is taken when the insurance policies are initiated/renewed. Life and pension commissions are recognised on a receipt basis. A provision is made in respect of expected clawback on commissions received on indemnity terms, the provision being based on clawback ratios in the previous years.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Goodwill - over 10 years

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold premises 2% on cost (excluding land of £136,667)

Motor vehicles 25% straight line

Office furniture and equipment 25% reducing balance

Computers are depreciated on a 25% straight line basis.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the Profit and Loss Account on a straight line basis.

Pension costs

The company operates a defined contribution pension scheme on behalf of its directors and certain employees. The assets of the scheme are held separately to those of the company in an independently administered fund. Contributions are charged to the profit and loss account in the year in which they are paid.

Deferred taxation

Provision is made, under the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may arise.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

2. TURNOVER

The whole of the turnover and profit before taxation is attributable to insurance broking business.

HALL & CLARKE INSURANCE BROKERS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2000

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2000	1999
	£	£
Amortisation	-	3,146
Depreciation	60,040	62,341
(Profit)/loss on disposal of fixed assets	28	(4,040)
Auditors' remuneration		
- as auditors	18,976	16,685
- for other services	<u>10,228</u>	<u>1,575</u>

Auditors' fees

The fees charged by the auditors can be further analysed under the following headings for services rendered:

	2000	1999
	£	£
Audit	18,976	16,685
Payroll	1,974	1,575
Business consultancy	6,756	-
Computer consultancy	<u>1,498</u>	<u>-</u>
	<u>29,204</u>	<u>18,260</u>

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2000	1999
	No.	No.
Average number of staff	<u>64</u>	<u>53</u>

The aggregate payroll costs of the above were:

	2000	1999
	£	£
Wages and salaries	1,203,262	1,082,915
Social security costs	116,288	113,632
Staff pension contributions	48,734	43,116
Other pension costs	<u>25,423</u>	<u>27,301</u>
	<u>1,393,707</u>	<u>1,266,964</u>

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2000	1999
	£	£
Emoluments receivable	336,967	362,595
Value of company pension contributions to money purchase schemes	<u>25,423</u>	<u>27,301</u>
	<u>362,390</u>	<u>389,896</u>

HALL & CLARKE INSURANCE BROKERS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2000

5. DIRECTORS' EMOLUMENTS *(continued)*

Emoluments of highest paid director:

	2000 £	1999 £
Total emoluments (excluding pension contributions)	121,633	118,211
Value of company pension contributions to money purchase schemes	4,000	11,835
	<u>125,633</u>	<u>130,046</u>

The number of directors who are accruing benefits under company pension schemes were as follows:

	2000 No.	1999 No.
Money purchase schemes	<u>5</u>	<u>4</u>

6. AMOUNTS WRITTEN OFF INVESTMENTS

	2000 £	1999 £
Investment written off	<u>3,630</u>	<u>-</u>

7. INTEREST PAYABLE

	2000 £	1999 £
Interest payable on bank borrowing	23,057	22,063
Finance charges	2,423	1,948
Other similar charges payable	7,433	7,688
	<u>32,913</u>	<u>31,699</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000 £	1999 £
In respect of the year:		
Corporation Tax based on the results for the year at 20% (1999 - 21/20%)	55,673	30,590
Adjustment in respect of previous years:		
Corporation Tax	627	-
	<u>56,300</u>	<u>30,590</u>

9. DIVIDENDS

The following dividends have been paid or proposed in respect of the year:

	2000 £	1999 £
Proposed dividends on ordinary shares	-	40,000
Dividend paid on ordinary shares	90,000	30,000
	<u>90,000</u>	<u>70,000</u>

HALL & CLARKE INSURANCE BROKERS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2000

10. INTANGIBLE FIXED ASSETS

	Goodwill £
COST	
At 1 January 2000 and 31 December 2000	<u>31,467</u>
AMORTISATION	
At 1 January 2000	<u>31,467</u>
At 31 December 2000	<u>31,467</u>
NET BOOK VALUE	
At 31 December 2000	<u>-</u>

11. TANGIBLE FIXED ASSETS

	Freehold premises £	Motor vehicles £	Office furniture and equipment £	Total £
COST				
At 1 January 2000	419,970	173,600	253,317	846,887
Additions	-	41,005	6,066	47,071
Disposals	-	(44,509)	-	(44,509)
At 31 December 2000	<u>419,970</u>	<u>170,096</u>	<u>259,383</u>	<u>849,449</u>
DEPRECIATION				
At 1 January 2000	16,998	98,480	220,752	336,230
Charge for the year	5,666	42,524	11,850	60,040
On disposals	-	(36,481)	-	(36,481)
At 31 December 2000	<u>22,664</u>	<u>104,523</u>	<u>232,602</u>	<u>359,789</u>
NET BOOK VALUE				
At 31 December 2000	<u>397,306</u>	<u>65,573</u>	<u>26,781</u>	<u>489,660</u>
At 31 December 1999	<u>402,972</u>	<u>75,120</u>	<u>32,565</u>	<u>510,657</u>

Hire purchase agreements

Included within the net book value of £489,660 is £27,404 (1999 - £44,387) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £16,983 (1999 - £16,983).

HALL & CLARKE INSURANCE BROKERS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2000

12. INVESTMENTS

	£
COST	
At 1 January 2000 and 31 December 2000	<u>3,630</u>
AMOUNTS WRITTEN OFF	
Written off in year	<u>3,630</u>
At 31 December 2000	<u>3,630</u>
NET BOOK VALUE	
At 31 December 2000	-
At 31 December 1999	<u>3,630</u>

The investment is in respect of shares subscribed for in Brokers Direct plc and has been written off in the year by the directors in order to reflect the uncertain value of the shares.

13. DEBTORS

	2000 £	1999 £
Trade debtors	1,847,852	1,363,781
Prepayments and accrued income	<u>38,438</u>	<u>21,389</u>
	<u>1,886,290</u>	<u>1,385,170</u>

The debtors above include the following amounts falling due after more than one year:

	2000 £	1999 £
Prepayments and accrued income	<u>1,660</u>	<u>-</u>

14. INVESTMENTS

	2000 £	1999 £
Other investments	<u>24,285</u>	<u>28,332</u>

Other investments relate to an interest bearing loan to Clark Colour Limited (see the related party note for details). Of the £24,285 (1999 - £28,332) outstanding at the year end £20,238 (1999 - £24,285) is repayable after twelve months.

HALL & CLARKE INSURANCE BROKERS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2000

15. CREDITORS: Amounts falling due within one year

	2000		1999	
	£	£	£	£
Bank loans and overdrafts		57,332		5,772
Trade creditors		2,860,175		2,138,697
Other creditors including taxation and social security:				
Corporation tax	55,627		30,309	
PAYE and social security	32,106		121	
Hire purchase agreements	15,943		17,924	
Dividends payable	-		40,000	
Loan	50,000		-	
Directors current accounts	44,315		19,230	
		197,991		107,584
Accruals and deferred income		53,183		54,265
		<u>3,168,681</u>		<u>2,306,318</u>

16. CREDITORS: Amounts falling due after more than one year

	2000		1999	
	£	£	£	£
Bank loans and overdrafts		273,363		282,660
Hire purchase agreements		3,333		19,276
Other creditors including:				
Loan		50,000		100,000
		<u>326,696</u>		<u>401,936</u>

The bank loan is secured by a mortgage on the company's freehold property and a fixed and floating charge on the other assets of the company. The loan is subject to interest at 2.25% over Midland Bank plc's base rate and is repayable by instalments over 20 years as follows:

	2000		1999	
	£	£	£	£
Amounts due between one and two years		8,731		6,249
Amounts due between two and five years		30,612		22,012
Amounts due after more than five years		234,020		254,399
		<u>273,363</u>		<u>282,660</u>

The loan relates to an interest bearing loan from Mr D J Clarke, the chairman, to the company, £50,000 of which was repaid shortly after the year end, the balance being repayable on 31 July 2007. Interest on the loan is payable monthly at the normal House Mortgage Lending rate of Midland Bank PLC.

HALL & CLARKE INSURANCE BROKERS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2000

17. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	2000	1999
	£	£
Amounts payable within 1 year	15,943	17,924
Amounts payable between 2 to 5 years	3,333	19,276
	<u>19,276</u>	<u>37,200</u>

18. RELATED PARTY TRANSACTIONS

The company was under the control of Mr D J Clarke throughout the current and previous year. Mr D J Clarke was the chairman and majority shareholder.

Included in creditors: amounts falling due within one year is £50,000 (1999 - £Nil) and creditors: amounts falling due after one year is £50,000 (1999 - £100,000) relating to a loan from Mr D J Clarke (see creditors note for details).

Mr D J Clarke and Mr S J Clarke are respectively father and brother to Mrs C M Clark who, together with her husband, own and manage Clark Colour Limited. The company has made a loan to Clark Colour Limited repayable by monthly instalments over 10 years. Interest is charged annually in arrears at 2% over Midland Bank plc's base rate. At the year end the balance outstanding was £24,285 (1999 - £28,332).

In addition the company has purchased printing services from Clark Colour Limited amounting to £44,875 (1999 - £44,308) during the year. These transactions were conducted on a normal commercial basis.

19. SHARE CAPITAL

Authorised share capital:

	2000	1999
	£	£
50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

Allotted, called up and fully paid:

	2000	1999
	£	£
Ordinary share capital	<u>50,000</u>	<u>50,000</u>

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000	1999
	£	£
Profit for the financial year	178,697	79,464
Dividends	(90,000)	(70,000)
	<u>88,697</u>	<u>9,464</u>
Opening shareholders' equity funds	<u>201,636</u>	<u>192,172</u>
Closing shareholders' equity funds	<u>290,333</u>	<u>201,636</u>