

**SMART & COOK LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**

**30 APRIL 2007**

(Company Registration Number 00931954)

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COMPANIES HOUSE

# **SMART & COOK LIMITED**

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## **SMART & COOK LIMITED**

### **OFFICERS AND PROFESSIONAL ADVISERS**

**30 APRIL 2007**

#### **DIRECTORS**

Mr P C Meehan, FCII	(Managing Director)
Mr I G Story, FCCA	
Mr K Popplewell, FCII	(Resigned 30 September 2007)
Mr I L Shay, ACA	(Resigned 31 August 2007)
Mr N Thornton, ACII	
Mr M J Sugden, ACII	
Mr A C Tickner, FCII, AIRM	

#### **SECRETARY**

Mr I L Shay, ACA	(Resigned 31 August 2007)
Mrs L McDonell, LLB	(Appointed 1 September 2007)

#### **REGISTERED OFFICE**

4 - 6 Ripon Road  
Harrogate  
HG1 2HH

#### **BANKERS**

The Royal Bank of Scotland  
7 Cambridge Crescent  
Harrogate  
HG1 1PH

#### **SOLICITORS**

Pinsent Masons  
1 Park Row  
Leeds  
LS1 5AB

#### **AUDITORS**

Deloitte & Touche LLP  
Chartered Accountants  
1 City Square  
Leeds  
LS1 2AL

## **SMART & COOK LIMITED**

### **MANAGING DIRECTOR'S STATEMENT**

**30 APRIL 2007**

It was yet another record year in terms of revenue growth, with the year to April 2007 seeing an increase of 62% to £35.0m. This was achieved through a combination of organic growth and acquisition, with a large proportion of the growth coming from the acquisitions completed at the very end of the prior year. These results for the year are all the more impressive given that the premium rates remain very soft. Against this background, we have been able to maintain our income levels by securing increased rates and improved deals with the major insurers.

The year has again seen the benefit of previous investment in the central operations team, which has resulted in a continued improvement in the efficiency of the business, and the continuing ability to quickly integrate new acquisitions. As a result, the operating profit has more than doubled to £7.5m, which represents a 21% (2006: 12%) return on income.

Our aim is to continue with this improvement as we seek to leverage further this investment through our acquisitions program.

We completed 2 main acquisitions during the year, to expand our national coverage of general insurance broking. These were Kallender Jeffries Ltd based in Bath in May 2006 and the business of Slater Marchant Insurance Brokers based in Settle in March 2007. I welcome these new teams who have joined Smart & Cook during the year.

Since the year end, we have continued to make acquisitions, and in June we added BA Insurance Group Ltd based in York, which specialises in scheme facilities for the care sector and further enhances and complements our niche scheme capability. In August we added the trade and assets of the Willis Cumbria business to increase our coverage further in the Northwest. In August we added SGY Insurance Services Ltd in Hull, which will merge with our existing Hull business. In October we added Talbot Insurance Brokers Ltd based in Kendal. In November we added Castlebank Insurance Brokers based in Leatherhead and in December we added Chambers & Newman (Manchester) Ltd based in Stockport. We are now operating from 28 offices with over 700 employees. We have made a strong start to the new financial year, and have many more acquisition targets under review.

I would like to welcome all those employees who are new to the Group, and to thank all our employees for their tremendous effort during the year, which has helped achieve these excellent results.

Paul Meehan

## **SMART & COOK LIMITED**

### **DIRECTORS' REPORT**

**30 APRIL 2007**

The directors present their annual report and the audited financial statements for the year ended 30 April 2007

#### **PRINCIPAL ACTIVITIES**

The principal activity of the company during the year was that of insurance brokers and consultants

#### **REVIEW OF BUSINESS**

The Company has traded satisfactorily during the year

#### **FUTURE PROSPECTS**

The directors are optimistic about the long term prospects for continued growth

#### **PROFITS AND DIVIDENDS**

The profit for the year after taxation amounted to £9,499,542 (2006 £3,119,552)

Dividends paid during the year amounted to £Nil (2006 £2,800,000) leaving a profit of £9,499,542 (2006 £319,552) to be transferred to reserves

#### **ACQUISITIONS**

On 1 June 2006 the company bought the trade and assets of the newly acquired Kallendar Jeffries group of companies based in Bath

Also during the year the company bought the trade and assets of several businesses, the most significant being on 1 March 2007 with the acquisition of Slater Marchant, brokers based in Settle and Grassington, and on 31 March 2007 the existing business of Credit Insurance Brokers (UK) Limited

Further details of all the acquisitions are given in note 8 to the accounts

#### **FIXED ASSETS**

Movements in fixed assets are set out in notes 8 to 10 to the accounts

#### **DIRECTORS**

The directors who have served at any time since 1 May 2006 are shown on page 1

Directors & Officers insurance has been maintained throughout the year

## **SMART & COOK LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

**30 APRIL 2007**

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

The insurance market in the UK remains very soft and in a continuing cyclical downturn, which could result in reduced revenues. The company manages this risk by securing increased rates and improved terms with the major insurers and by winning new business from competitors, in order to protect our income, whilst maintaining strong relationships with both customers and the insurers.

The key regulations which affect the group are those set by the Financial Services Authority (FSA). The group monitors developments in the regulatory environment so that it can be aware of any changes, and act in a timely and efficient manner in order to comply with any new regulations. The group invests a significant amount of time and resource in this area, including the Chief Executive personally driving compliance throughout the organisation, and his attendance at joint sessions between the industry and the FSA on hot topics.

The group manages its credit risk by ensuring that it receives cash from its clients in respect of premiums before paying on those premiums to insurers.

Operational risk is managed by management who assess the risks which are faced by the company and then formulate an appropriate plan of action in order to address and mitigate these risks. The audit committee then oversees and monitors the operational risk management.

Other information which meets the requirements of the business review can be found in the Managing Director's Statement on page 2, which are incorporated into this report by reference. No other key performance indicators are considered necessary by the directors for an understanding of the company development, performance or position.

#### **EMPLOYEE CONSULTATION**

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings and the company's intranet. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

#### **DISABLED EMPLOYEES**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

## SMART & COOK LIMITED

### DIRECTORS' REPORT CONTINUED

30 APRIL 2007

#### ENVIRONMENT

As the company operates in the financial services sector, its actions do not have a significant environmental impact. However the company does recognise the importance of the environment, and acts to minimise its impact on the environment wherever it can, including recycling and reducing energy consumption.

#### CHARITABLE CONTRIBUTIONS

During the year the company made charitable donations of £11,617 (2006 £6,362), principally to local charities serving the communities in which the company operates.

#### POST BALANCE SHEET EVENTS

On 29 June 2007 the company bought the trade and assets of the newly acquired BA Insurance Group, based in York. On 1 August 2007 the company bought certain trade and assets of the Willis Cumbria business, based in Cockermouth. On 31 August 2007 the company bought the trade and assets of the newly acquired SGY Insurance Services Ltd, based in Hull. On 31 October 2007 the company bought the trade and assets of the newly acquired Talbot Insurance Brokers Limited, based in Kendal. On 9 November 2007 the company bought the trade and assets of the newly acquired Castlebank Insurance Brokers Limited, based in Leatherhead. On 7 December 2007 the company bought the trade and assets of the newly acquired Chambers & Newman (Manchester) Limited, based in Stockport.

Please see note 22 for specific details.

#### AUDITORS

Each of the directors at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

A resolution to reappoint Deloitte & Touche LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



Mrs L McDonell  
Secretary

10 January 2008

## **SMART & COOK LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

**30 APRIL 2007**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that period. In preparing these 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 UK 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SMART & COOK LIMITED**

We have audited the financial statements of Smart & Cook Limited for the year ended 30 April 2007 which comprise the profit and loss account, the balance sheet, the note of historical cost profit and losses, the statement of total recognised gains and losses, the accounting policies and the related notes 1 to 23. These financial statements have been prepared under 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 auditors' 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom generally Accepted Accounting Practice) are set out in the Statements of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the directors' report is consistent with the financial statements. In addition we also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises The Managing Directors Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the annual report.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

*continued on page 8*

**INDEPENDENT AUDITORS' REPORT TO  
THE MEMBERS OF SMART & COOK LIMITED (CONTINUED)**

*continued from page 7*

**Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 April 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

*Deloitte & Touche LLP*

**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors

Leeds

10 January 2008

# SMART & COOK LIMITED

## PROFIT & LOSS ACCOUNT

30 APRIL 2007

	Note	2007 £	2006 £
<b>TURNOVER</b>	1	35,049,126	21,694,584
Administrative expenses		(27,533,480)	(19,006,074)
<b>Operating profit</b>	3	<u>7,515,646</u>	<u>2,688,510</u>
Income from fixed asset investments		25,000	17,500
Interest receivable and similar income	4	1,333,751	810,635
Interest payable and similar charges	5	(71,413)	(47,379)
<b>Profit on ordinary activities before taxation</b>		<u>8,802,984</u>	<u>3,469,266</u>
Tax on profit on ordinary activities	6	696,558	(349,714)
<b>Profit on ordinary activities after taxation for the financial year</b>		<u>9,499,542</u>	<u>3,119,552</u>
Dividends	7	-	(2,800,000)
<b>Retained profit for the year</b>	17	<u><u>9,499,542</u></u>	<u><u>319,552</u></u>

All activities relate to continuing operations

## NOTE OF HISTORICAL COST PROFIT AND LOSSES

	2007 £	2006 £
Profit on ordinary activities before taxation	8,802,984	3,469,266
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	4,069	4,069
Historical cost profit on ordinary activities before taxation	<u>8,807,053</u>	<u>3,473,335</u>
Historical cost profit for the year retained after taxation and dividends	<u><u>9,503,611</u></u>	<u><u>323,621</u></u>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses for the current or preceding financial year other than as stated in the profit and loss account

# SMART & COOK LIMITED

## BALANCE SHEET

30 APRIL 2007

	Note	2007 £	2006 £
<b>Fixed assets</b>			
Intangible assets	8	8,796,254	9,320,010
Tangible assets	9	2,739,652	2,326,708
Investments	10	643,879	643,879
		<u>12,179,785</u>	<u>12,290,597</u>
<b>Current assets</b>			
Debtors	11	24,771,809	26,255,196
Cash at bank and in hand	12	23,587,654	16,320,405
		<u>48,359,463</u>	<u>42,575,601</u>
<b>Creditors: amounts falling due within one year</b>	13	46,816,144	50,581,606
<b>Net current assets/(liabilities)</b>		<u>1,543,319</u>	<u>(8,006,005)</u>
<b>Total assets less current liabilities</b>		13,723,104	4,284,592
<b>Creditors: amounts falling due after more than one year</b>	14	2,077,798	1,935,796
<b>Provisions for liabilities &amp; charges</b>	15	125,045	328,077
<b>Total net assets</b>		<u>11,520,261</u>	<u>2,020,719</u>
<b>Capital &amp; reserves</b>			
Called-up share capital	16	500	500
Revaluation reserve	17	170,870	174,939
Profit and loss account	17	11,348,891	1,845,280
<b>Total equity shareholders' funds</b>	18	<u>11,520,261</u>	<u>2,020,719</u>

These financial statements were approved by the Board of Directors on 10 January 2008

Signed on behalf of the Board of Directors



Mr I G Story  
Director

## SMART & COOK LIMITED

### ACCOUNTING POLICIES

30 APRIL 2007

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been consistently applied in the current and previous year, are described below.

#### Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of freehold properties.

#### Intangible fixed assets

Goodwill arising on acquisition is capitalised in the balance sheet at cost less any provision for impairment, and is amortised through the profit and loss account in equal instalments over a maximum of twenty years being the period over which benefit is expected to be derived.

#### Tangible fixed assets

The company's policy is to carry all assets at historical cost except for Freehold Property which has been included in the balance sheet at a valuation existing on 30 April 2000 when the company implemented 'FRS 15 - Measurement of Tangible Fixed Assets' for the first time.

Depreciation on fixed assets has been provided as follows:

Freehold property	2% Straight line basis
Leasehold property	Over the term of the lease
Computer equipment	20% Straight line basis
Fixtures, fittings and office equipment	15% Reducing balance basis
Motor vehicles	25% Reducing balance basis

#### Contributions to pension scheme

The group arranges on behalf of the directors and other employees a defined contribution pension scheme, the net cost of which is charged against the profits of the company in the year in which the expenditure is incurred. At the year end the outstanding balance was £80,764 (2006 £4,780).

#### Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets and liabilities are not discounted.

#### Operating leases

Rentals in respect of operating leases are charged to the profit & loss account in equal annual amounts over the lease term.

## **SMART & COOK LIMITED**

### **ACCOUNTING POLICIES (CONTINUED)**

**30 APRIL 2007**

#### **Hire purchase contracts**

Assets held under hire purchase contracts are capitalised at their fair value on the inception of the contract and depreciated over their estimated useful lives. The finance charges are allocated over the period of the contract in proportion to the capital amount outstanding.

#### **Turnover**

Turnover represents commissions and fees earned in the period net of discounts and allowances and is accounted for as earned when the policy is inception.

#### **Investments**

Investments are stated at cost less provision for impairment in value.

#### **Claims servicing costs**

Claims servicing costs are expensed in the period incurred.

#### **Insurance broking assets and liabilities**

The company acts as an agent in broking the insurable risks for its clients and, generally, is not liable as a principal for premiums due to underwriters or for claims payable to clients. Notwithstanding the company's legal relationship with clients and underwriters and since in practice premium and claim monies are usually accounted for by insurance intermediaries, it has followed generally accepted accounting practice by showing cash, debtors and creditors relating to insurance business as assets and liabilities of the company itself.

#### **Cash flow statement**

During the accounting period, the company was a subsidiary of Smart & Cook Group Limited. As a result, the company's cash flows will be included in the consolidated cash flow statement of Smart & Cook Group Limited and under FRS 1 - Cash Flow Statements (revised 1996), the company is exempt from publishing its own cash flow statement.

#### **Share-based payments**

Smart & Cook Holdings Limited operated an Enterprise Management Incentive Plan for the benefit of all eligible employees of the Group including its subsidiaries and was approved by Her Majesty's Revenue & Customs. The value of the options at the date of issue were intrinsically low as the options are not assignable and Smart & Cook Holdings Limited is not a listed company. As a consequence, the impact on the profitability of the company and its net assets is immaterial and the cost of share-based payments is therefore disregarded in the preparation of the financial statements.

# SMART & COOK LIMITED

## NOTES TO THE ACCOUNTS

30 APRIL 2007

### 1. TURNOVER

There are no segments of the business which are substantially different from each other Turnover is wholly attributable to operations within the UK

### 2 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2007 £	2006 £
<b>Directors' remuneration</b>		
Emoluments inclusive of benefits in kind	1,387,498	1,873,905
Pension contributions	57,688	49,435
	<u>1,445,186</u>	<u>1,923,340</u>
Emoluments of highest paid director	<u>421,377</u>	<u>289,675</u>
Pension contributions of highest paid director	<u>13,969</u>	<u>9,092</u>
The highest paid director exercised options during the year	No	No.
The number of directors for whom the company has made pension contributions		
Defined contribution scheme	<u>8</u>	<u>23</u>
Average number of persons employed	<u>582</u>	<u>423</u>
Number of directors who exercised options during the year	<u>6</u>	<u>-</u>
	2007 £	2006 £
<b>Staff costs during the year (including directors, excluding benefits in kind)</b>		
Wages and salaries	16,665,145	11,247,623
Social security costs	1,788,702	1,204,009
Pension costs	794,287	429,103
	<u>19,248,134</u>	<u>12,880,735</u>

### 3 OPERATING PROFIT

	2007 £	2006 £
<b>Operating profit is stated after charging:</b>		
Depreciation - owned assets	413,218	372,344
- leased and hire purchase assets	53,825	59,046
Loss on disposal of fixed assets	12,646	10,273
Amortisation of goodwill	555,889	348,912
Diminution in value of investments	-	257,238
Operating lease rentals - land & buildings	940,028	562,891
- other	19,821	5,303
Auditors' remuneration - audit fees	52,306	42,050
- tax services	93,546	18,000

# SMART & COOK LIMITED

## NOTES TO THE ACCOUNTS (CONTINUED)

30 APRIL 2007

### 4 INTEREST RECEIVABLE AND SIMILAR INCOME

	2007 £	2006 £
Bank interest receivable	<u>1,333,751</u>	<u>810,635</u>

### 5. INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £	2006 £
Bank loans and overdrafts	18,644	23,007
Hire purchase contracts	17,215	12,210
Other short term interest	35,554	12,162
	<u>71,413</u>	<u>47,379</u>

### 6 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2007 £	2006 £
UK tax based on the profit for the year	(615,870)	375,388
Under/(Over) provision in previous years	<u>123,020</u>	<u>(2,709)</u>
	(492,850)	372,679
Deferred tax - timing differences	(186,855)	(24,080)
- adjustment in respect of prior years	<u>(16,853)</u>	<u>1,115</u>
	<u>(696,558)</u>	<u>349,714</u>

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 30% (2006 30%)  
The current tax charge for the year is less than 30% (2006 30%) for the reasons set out in the following reconciliation

Profit on ordinary activities before tax	<u>8,802,984</u>	<u>3,469,266</u>
Tax on profit on ordinary activities at standard rate	2,640,895	1,040,780
Factors affecting charge		
Expenses not deductible	133,640	138,655
Income not taxable	(7,500)	(5,250)
Group relief given free of charge	-	(822,877)
Share option tax deductions	(3,580,349)	-
Tax losses carried forward	212,796	-
Capital allowances in excess of depreciation	(23,089)	5,534
Short term timing differences	7,737	18,546
Prior year adjustment	123,020	(2,709)
Current tax (credit)/charge for the year	<u>(492,850)</u>	<u>372,679</u>



# SMART & COOK LIMITED

## NOTES TO THE ACCOUNTS (CONTINUED)

30 APRIL 2007

### 7 DIVIDENDS

	2007 £	2006 £
Final paid - £Nil (2006 - £5,600) per ordinary share	-	2,800,000

### 8. INTANGIBLE ASSETS

	Goodwill £
<b>Cost</b>	
At 1 May 2006	10,957,454
Additions	891,861
Adjustments	(915,112)
Transferred from fellow subsidiary undertakings	55,384
At 30 April 2007	10,989,587
<b>Amortisation</b>	
At 1 May 2006	1,637,444
Charge	555,889
At 30 April 2007	2,193,333
<b>Net Book Value</b>	
At 30 April 2007	8,796,254
At 30 April 2006	9,320,010
<b>Additions</b>	
The insurance broking book of business of Slater Marchant	849,361
The insurance broking business of Mortimer Associates	2,500
A book of insurance broking business from Towergate Limited	25,000
A book of insurance broking business from Layton Blackham Limited	15,000
	891,861

The results of the above businesses for the periods since acquisition are not separately identifiable, as the contributions of the acquired entities have been merged into the group's other business activities immediately upon acquisition. It is therefore not possible to state the financial performance of these businesses after the acquisition date.

### Acquisitions

On 1 March 2007 Smart & Cook Group Limited acquired the trade and assets of Slater Marchant Insurance Brokers Limited. The Group acquired net assets of £2,639. The total estimated consideration payable is £852,000 of which £555,200 was paid in cash on acquisition, the balance of £296,800 being deferred and subject to future performance of the business.

For Slater Marchant Insurance Brokers Limited the profit before taxation for year ended 31 May 2006 was £106,594.

# SMART & COOK LIMITED

## NOTES TO THE ACCOUNTS (CONTINUED)

30 APRIL 2007

### 8. INTANGIBLE ASSETS (CONTINUED)

#### Adjustments

The acquisitions in recent years of various insurance broking businesses comprised both fixed and variable elements of deferred consideration, dependent on the subsequent performances of the businesses. The performance of these businesses in the current year has resulted in adjustments to the goodwill on acquisition and to the estimated deferred consideration (see notes 13 and 14)

### 9. TANGIBLE ASSETS

	Freehold property £	Short leasehold property £	Fixtures, fittings & equipment £	Computer equipment £	Motor vehicles £	Total £
<b>Cost or Valuation</b>						
At 1 May 2006	900,576	307,287	697,024	1,344,900	479,122	3,728,909
Additions	32,999	52,157	161,134	397,083	124,595	767,968
Transferred from fellow subsidiary undertakings	-	13,320	72,760	16,929	84,177	187,186
Disposals	-	-	-	(4,510)	(152,963)	(157,473)
At 30 April 2007	933,575	372,764	930,918	1,754,402	534,931	4,526,590
<b>Depreciation</b>						
At 1 May 2006	103,043	132,884	266,238	792,271	107,765	1,402,201
Charge	18,671	27,906	81,719	233,832	104,915	467,043
Disposals	-	-	-	(2,268)	(80,038)	(82,306)
At 30 April 2007	121,714	160,790	347,957	1,023,835	132,642	1,786,938
<b>Net book value</b>						
At 30 April 2007	811,861	211,974	582,961	730,567	402,289	2,739,652
At 30 April 2006	797,533	174,403	430,786	552,629	371,357	2,326,708

The net book value of the company's assets includes the following amounts in respect of assets held under hire purchase contracts

At 30 April 2007	-	-	-	-	254,785	254,785
At 30 April 2006	-	-	-	-	276,804	276,804

As stated in the accounting policies, the company carries freehold property at its 30 April 2000 revalued amount

If stated under the historical cost convention the freehold property would be as follows

	2007 £	2006 £
Cost	724,152	691,153
Net book value	633,777	615,261

# SMART & COOK LIMITED

## NOTES TO THE ACCOUNTS (CONTINUED)

30 APRIL 2007

### 10. INVESTMENTS

	Subsidiaries £	Un-quoted £	Total £
At 1 May 2006 and 30 April 2007	603,727	40,152	643,879

#### Summary of investment subsidiaries

Subsidiary	Principal activity	Country of incorporation and registration	Shares held Class	%
Castlegate Insurance Brokers Limited	Insurance Broking & Consultancy	England and Wales	Ordinary	100
Mandroyds Limited	Insurance Broking & Consultancy	England and Wales	Ordinary	100
L W Holdings Limited	Insurance Broking & Consultancy	Scotland	Ordinary	100

In the opinion of the directors the value of the shares in Castlegate Insurance Brokers Limited, Mandroyds Limited and L W Holdings Limited is not less than that stated in the balance sheet of those companies

### 11 DEBTORS

	2007 £	2006 £
Trade debtors Insurance broking account	17,255,857	18,988,279
Amounts owed by fellow subsidiary undertakings	3,943,007	3,897,369
Corporation tax	1,352,350	-
Other debtors	1,393,601	2,828,306
Prepayments and accrued income	826,994	541,242
	<u>24,771,809</u>	<u>26,255,196</u>

# SMART & COOK LIMITED

## NOTES TO THE ACCOUNTS (CONTINUED)

30 APRIL 2007

### 12 CASH AT BANK AND IN HAND

	2007 £	2006 £
Insurance broking accounts	22,854,765	16,317,087
Office accounts	729,094	-
Cash accounts	3,795	3,318
	<u>23,587,654</u>	<u>16,320,405</u>

The presentation of cash at bank and bank overdraft in note 13 reflects the commercial arrangements the company has with its bankers

### 13. CREDITORS: amounts falling due within one year

	2007 £	2006 £
Office bank overdrafts (note 12)	173,384	292,838
Bank loans	-	78,006
Obligations under hire purchase contracts	149,564	136,113
Trade creditors		
Insurance broking account	29,839,802	31,347,893
Other	904,269	117,052
Amounts owed to ultimate parent company	-	1,346,901
Amounts owed to parent company	3,915,311	5,690,462
Amounts owed to fellow subsidiary undertakings	5,466,289	6,134,062
Corporation tax	-	638,565
Other tax and social security	2,605,089	617,769
Deferred consideration	786,850	1,767,813
Other creditors	1,833,179	808,973
Accruals and deferred income	1,142,407	1,605,159
	<u>46,816,144</u>	<u>50,581,606</u>

### 14 CREDITORS. amounts falling due after more than one year

	2007 £	2006 £
Bank loans		
Amounts due between one and two years	-	21,025
Amounts due between two and five years	-	72,494
Amounts due after five years	-	142,074
Obligations under hire purchase contracts		
Amounts due between one and two years	75,036	100,203
Amounts due between two and five years	4,362	-
Amounts owed to parent company	1,850,000	1,600,000
Deferred consideration		
Amounts due between one and two years	148,400	-
	<u>2,077,798</u>	<u>1,935,796</u>

The amount owed to parent company is interest free and repayable in full or in part on 37 months' notice on a rolling basis

# SMART & COOK LIMITED

## NOTES TO THE ACCOUNTS (CONTINUED)

30 APRIL 2007

### 15. PROVISIONS FOR LIABILITIES AND CHARGES

	Provision for dilapidations £	Deferred taxation £	Total £
At 1 May 2006	347,624	(19,547)	328,077
Created	-	(203,708)	(203,708)
Transferred from fellow subsidiary undertakings	-	676	676
At 30 April 2007	347,624	(222,579)	125,045

The amounts of deferred taxation provided and unprovided in the financial statements are as follows

	Provided 2007 £	Provided 2006 £	Not provided 2007 £	Not provided 2006 £
Short term timing differences	(49,093)	4,999	-	-
Capital allowances in excess of depreciation	39,310	(24,546)	-	-
Tax losses	(212,796)	-	(1,361)	-
	(222,579)	(19,547)	(1,361)	-

### 16. CALLED-UP SHARE CAPITAL

	No.	2007 £	No.	2006 £
<b>Authorised:</b>				
Ordinary shares of £1 each	1,000	1,000	1,000	1,000
<b>Allotted, called-up and fully-paid:</b>				
Ordinary shares of £1 each	500	500	500	500

### 17. RESERVES

	Profit and loss account £	Revaluation reserve £	Total £
At 1 May 2006	1,845,280	174,939	2,020,219
Retained profit for the year	9,499,542	-	9,499,542
Transfer of amount equivalent to additional depreciation on revalued assets	4,069	(4,069)	-
At 30 April 2007	11,348,891	170,870	11,519,761

# SMART & COOK LIMITED

## NOTES TO THE ACCOUNTS (CONTINUED)

30 APRIL 2007

### 18 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2007 £	2006 £
Profit for the financial year	9,499,542	3,119,552
Dividends	-	(2,800,000)
Net addition to equity shareholders' funds	<u>9,499,542</u>	<u>319,552</u>
Opening equity shareholders' funds	2,020,719	1,701,167
Closing equity shareholders' funds	<u><u>11,520,261</u></u>	<u><u>2,020,719</u></u>

### 19. OPERATING LEASE COMMITMENTS

At 30 April 2007, the company was committed to make the following payments during the next year in respect of operating leases

	Land and buildings 2007 £	Land and buildings 2006 £
Leases which expire		
Within one year	80,450	61,807
Within two to five years	284,241	405,647
After five years	372,618	234,987
	<u><u>737,309</u></u>	<u><u>702,441</u></u>

### 20. RELATED PARTY TRANSACTIONS

During the period Smart & Cook Limited leased properties situated at 6 Ripon Road, Harrogate and 4 Belgrave Crescent, Scarborough, at rentals of £43,750 and £26,850 respectively, from the Pension Scheme of the founder, the late G G Cook. These rentals are independently assessed by Carter Jonas, Chartered Surveyors when the rent is reviewed under the terms of the leases. There is no liability relating to these transactions at the year end.

During the year the Smart & Cook Limited traded in the ordinary course of business with AXA UK plc an amount of £14,895,935 premium. At the year end £3,338,127 was due to AXA UK plc. This amount is included within creditors due within one year. At the year end £84,354 was due from AXA UK plc. This amount is included within debtors.

The company has taken advantage of the exemption contained in 'FRS 8 - Related Party Disclosures' not to disclose transactions with other group companies.

### 21 GROUP ACCOUNTS

The company is exempt from the obligation to prepare group accounts under S228 Companies Act 1985 since it is a wholly owned subsidiary of Smart & Cook Group Limited, a company incorporated in Great Britain and registered in England and Wales. Smart & Cook Group Limited prepares consolidated accounts which can be obtained from the Registrar of Companies, Companies House, 3 Crown Way, Maindy, Cardiff, CF4 3UZ.

These financial statements present information about the company as a single undertaking rather than a group.

## SMART & COOK LIMITED

### NOTES TO THE ACCOUNTS (CONTINUED)

30 APRIL 2007

#### 22. POST BALANCE SHEET EVENTS

On 29 June 2007 Smart & Cook Group Limited, the immediate parent company, acquired 100% of the issued share capital of BA Insurance Group, a company based in York whose principal activity is insurance broking. The total estimated consideration payable is £901,389 of which £151,389 was paid in cash on acquisition, the balance of £750,000 being deferred and subject to future performance of the business. The trade, assets and liabilities were immediately hived into Smart & Cook Limited.

On 1 August 2007 Smart & Cook Limited bought certain trade and assets of the Willis Cumbria business, based in Cockermouth whose principal activity is insurance broking. The consideration paid in cash on acquisition was £1,500,000.

On 31 August 2007 Smart & Cook Group Limited, the immediate parent company, acquired 100% of the issued share capital of SGY Insurance Services Limited, a company based in Hull whose principal activity is insurance broking. The total estimated consideration payable is £1,272,236 of which £883,119 was paid in cash on acquisition, the balance of £389,117 being deferred and subject to future performance of the business. The trade, assets and liabilities were immediately hived into Smart & Cook Limited.

On 31 October 2007 Smart & Cook Group Limited, the immediate parent company, acquired 100% of the issued share capital of Talbot Insurance Brokers Limited, a company based in Kendal whose principal activity is insurance broking. The total estimated consideration payable is £2,298,563 of which £1,391,571 was paid in cash on acquisition, the balance of £906,992 being deferred and subject to future performance of the business. The trade, assets and liabilities were immediately hived into Smart & Cook Limited.

On 9 November 2007 Smart & Cook Group Limited, the immediate parent company, acquired 100% of the issued share capital of Castlebank Insurance Brokers Limited, a company based in Leatherhead whose principal activity is insurance broking. The total estimated consideration payable is £3,121,970 of which £2,142,670 was paid in cash on acquisition, the balance of £979,300 being deferred and subject to future performance of the business. The trade, assets and liabilities were immediately hived into Smart & Cook Limited.

On 7 December 2007 Smart & Cook Group Limited, the immediate parent company, acquired 100% of the issued share capital of Chambers & Newman (Manchester) Limited, a company based in Stockport whose principal activity is insurance broking. The total estimated consideration payable is £3,467,297 of which £2,285,097 was paid in cash on acquisition, the balance of £1,182,200 being deferred and subject to future performance of the business. The trade, assets and liabilities were immediately hived into Smart & Cook Limited.

## **SMART & COOK LIMITED**

### **NOTES TO THE ACCOUNTS (CONTINUED)**

**30 APRIL 2007**

#### **23 ULTIMATE PARENT COMPANY**

The Company's immediate parent company is Smart & Cook Group Limited, a company incorporated in Great Britain and registered in England and Wales

The smallest Group of which the company is a member and for which Group Financial Statements are drawn up is headed by Smart & Cook Group Limited, whose registered office is 4 - 6 Ripon Road, Harrogate, North Yorkshire, HG1 2HH

As at the balance sheet date the largest Group of which the company is a member and for which Group Financial Statements are drawn up is headed by Smart & Cook Holdings Limited, whose registered office is 4 - 6 Ripon Road, Harrogate, North Yorkshire, HG1 2HH

The Company's ultimate parent and controlling company is AXA, a company incorporated in France

Copies of the Financial Statements of Smart & Cook Group Limited and Smart & Cook Holdings Limited may be obtained from the Registrar of Companies, Companies House, 3 Crown Way, Maindy, Cardiff, CF4 3UZ