

SMITHSON MASON GROUP plc
REPORT AND GROUP ACCOUNTS
FOR THE YEAR ENDED

31 DECEMBER 2000

JOHN GORDON WALTON & CO.



Company Number: 3027964 (England and Wales)

Smithson Mason Group plc

Company Information

Directors	P.H. Battersby M.J. Hill R. Eveleigh
Secretary	P.H. Battersby
Company Number	3027964
Registered Office	SMG House Canal Place Leeds LS12 2DU
Auditors	John Gordon Walton & Co. Yorkshire House Greek Street Leeds LS1 5ST
Bankers	National Westminster Bank plc 8 Park Row Leeds LS1 1QS

Smithson Mason Group plc

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Smithson Mason Group plc

Directors' Report

The directors present their report and the group accounts for the year ended 31 December 2000.

Results and dividends

The group trading profit for the year after taxation amounted to £93,208 (1999 £190,259). The directors paid £60,000 by way of a dividend during the year.

Review of the business and future developments

The group's principal activities during the year continued to be insurance broking.

Both the level of business and the year end position were satisfactory.

The directors expect that the present level of activity will be sustained for the foreseeable future.

Directors

The directors who served during the year were as follows:

P.H. Battersby

M.J. Hill

R. Eveleigh

Directors' interests

The directors' beneficial interests in the share capital of the company during the year were as follows:

	At 31 December 2000		At 31 December 1999 (or date of appointment)	
	'A' Ordinary Shares	'C' Ordinary Shares	'A' Ordinary Shares	'C' Ordinary Shares
P.H. Battersby	97,442	10,000	107,442	-
M.J. Hill	97,442	10,000	107,442	-
R. Everleigh	-	-	-	-

No directors held any 'B' Ordinary Shares during the year.

Smithson Mason Group plc

Directors' Report (continued)

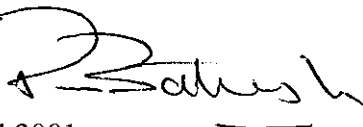
Auditors

A resolution to re-appoint John Gordon Walton & Co. will be put to the members at the Annual General Meeting.

For and on behalf of the Board

P.H. Battersby

Director

A handwritten signature in dark ink, appearing to read 'P. Battersby', with a horizontal line underneath.

25 April 2001

Smithson Mason Group plc

Statement of Directors' Responsibilities in respect of the accounts

Company law requires the directors to prepare accounts 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 year. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether the applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts 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 to enable them to ensure that the accounts 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.

Smithson Mason Group plc

**Report of the Auditors
To the Members of Smithson Mason Group plc**

We have audited the accounts on pages 5 to 17 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to 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 accounts 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 accounts.

In our opinion the accounts give a true and fair view of the state of affairs of the company and the group as at 31 December 2000 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

John Gordon Walton & Co.

John Gordon Walton & Co.
Chartered Accountants and
Registered Auditors
Yorkshire House
Greek Street
Leeds
LS1 5ST

30 April 2001

Smithson Mason Group plc
Group Profit and Loss Account
for the year ended 31 December 2000

	Note	2000 £	1999 £
Turnover	2	4,309,271	3,683,038
Administrative expenses		<u>4,111,686</u>	<u>3,438,709</u>
Operating profit	3	197,585	244,329
Interest receivable		185,804	152,339
Interest payable	7	<u>(200,181)</u> <u>(14,377)</u>	<u>(177,002)</u> <u>(24,663)</u>
Profit on ordinary activities before taxation		183,208	219,666
Taxation	8	<u>(90,000)</u>	<u>(29,407)</u>
Profit after taxation		93,208	190,259
Minority interests		<u>18,532</u>	<u>—</u>
Profit attributable to members of the parent undertaking		111,740	190,259
Dividend paid	9	<u>(60,000)</u>	<u>—</u>
Profit retained for the year	17	<u>51,740</u>	<u>190,259</u>

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.

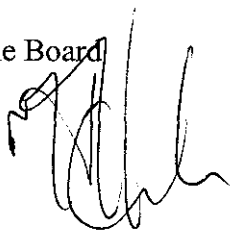
Smithson Mason Group plc

Group Balance Sheet
at 31 December 2000

	Note	At 31 December 2000 £	At 31 December 1999 £
Fixed Assets			
Tangible assets	11	728,753	968,909
Investments	12	<u>2,467</u>	<u>2,867</u>
		<u>731,220</u>	<u>971,776</u>
Current Assets			
Debtors	13	2,093,156	1,689,931
Cash at bank and in hand		<u>2,376,480</u>	<u>1,781,857</u>
		4,469,636	3,471,788
Creditors: amounts falling due within one year	14	<u>(4,951,916)</u>	<u>(3,917,240)</u>
Net Current (Liabilities)/Assets		<u>(482,280)</u>	<u>(445,452)</u>
Total Assets less Current Liabilities		<u>248,940</u>	<u>526,424</u>
Creditors: amounts falling due after more than one year	15	<u>(1,345,139)</u>	<u>(1,663,231)</u>
		<u>(1,096,199)</u>	<u>(1,136,807)</u>
Capital and Reserves			
Called up share capital	17	320,000	320,000
Profit and loss account	18	<u>(1,405,167)</u>	<u>(1,456,907)</u>
Equity Shareholders' Funds		(1,085,167)	(1,136,807)
Minority Interests		<u>(11,032)</u>	<u>-</u>
		<u>(1,096,199)</u>	<u>(1,136,807)</u>

On behalf of the Board

M.J. Hill
Director



25 April 2001

Smithson Mason Group plc

Company Balance Sheet at 31 December 2000

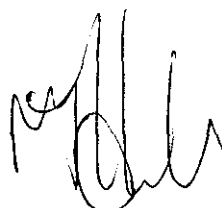
	Note	At 31 December 2000 £	At 31 December 1999 £
Fixed Assets			
Tangible assets	11	-	-
Investments	12	<u>2,368,629</u>	<u>2,368,629</u>
		<u>2,368,629</u>	<u>2,368,629</u>
Current Assets			
Debtors	13	-	150,156
Creditors: amounts falling due within one year	14	<u>(797,487)</u>	<u>(679,374)</u>
Net Current (Liabilities)/Assets		<u>(797,487)</u>	<u>(529,218)</u>
Total Assets less Current Liabilities		1,571,142	1,839,411
Creditors: amounts falling due after more than one year	15	<u>(1,250,000)</u>	<u>(1,500,000)</u>
		<u>321,142</u>	<u>339,411</u>
Capital and Reserves			
Called up share capital	17	320,000	320,000
Profit and loss account	18	<u>1,142</u>	<u>19,411</u>
Equity Shareholders' Funds		<u>321,142</u>	<u>339,411</u>

Reconciliation of Movements in Shareholders' Funds

Opening balance	339,411	344,953
Profit attributable to shareholders	<u>(18,269)</u>	<u>(5,542)</u>
Closing balance	<u>321,142</u>	<u>339,411</u>

On behalf of the Board

M.J. Hill
Director



25 April 2001

Smithson Mason Group plc

**Group Cash Flow Statement
for the year ended 31 December 2000**

	Notes	2000 £	1999 £
Net cash inflow from operating activities	1	1,074,337	432,659
Returns on investments and servicing of finance			
Interest received		185,804	152,339
Interest paid		<u>(200,181)</u>	<u>(177,002)</u>
Net cash outflow for returns on investments and servicing of finance		(14,377)	(24,663)
Taxation			
Taxation paid		<u>(30,000)</u>	<u>(97,907)</u>
Net cash outflow for taxation		(30,000)	(97,907)
Capital expenditure and financial investment			
Payments to acquire tangible assets		(82,068)	(287,684)
Receipts from sale of tangible assets		90,499	50,150
Receipts from sale of fixed asset investments		400	-
Proceeds of share issue to Minority Interest		<u>7,500</u>	<u>-</u>
Net cash outflow from investing activities		16,331	(237,536)
Equity dividends paid		<u>(60,000)</u>	<u>-</u>
Cash inflow before use of liquid resources and financing		986,291	72,553
Management of liquid resources			
(Increase)/decrease in short term deposits		<u>(700,000)</u>	<u>600,000</u>
		(700,000)	600,000
Financing			
Loan repayments		(370,000)	(250,000)
Capital element of hire purchase payments		<u>(189,294)</u>	<u>(179,731)</u>
Net cash outflow from financing		<u>(559,294)</u>	<u>(429,731)</u>
(Decrease)/Increase in cash and cash equivalents	2	<u>(273,003)</u>	<u>242,822</u>

Smithson Mason Group plc

Notes to the Group Cash Flow Statement

for the year ended 31 December 2000

	2000 £	1999 £
1. Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	197,585	244,329
Depreciation of tangible assets	295,919	188,811
Profit on disposal of tangible assets	(582)	(22,457)
Increase in debtors	(403,225)	(117,005)
Increase in creditors	1,016,763	138,981
Gain on early settlement of Saltire loan	<u>(32,123)</u>	<u>-</u>
Net cash inflow from operating activities	<u>1,074,337</u>	<u>432,659</u>

2. Analysis of net funds	31 December 1999 £	Cash flow £	Other non-cash changes £	31 December 2000 £
Net cash:				
Cash at bank and in hand				
Bank overdrafts	363,580	(273,003)	-	90,577
Debt:				
Loans	(1,922,123)	370,000	32,123	(1,520,000)
Finance leases	<u>(317,968)</u>	<u>189,294</u>	<u>(63,612)</u>	<u>(192,286)</u>
Net debt	<u>(1,876,511)</u>	<u>286,291</u>	<u>(31,489)</u>	<u>(1,621,709)</u>

3. Reconciliation of net cash flow to movement in net debt	2000 £	1999 £
(Decrease)/increase in cash in the year	(273,003)	242,822
Cash outflow from decrease in debt and lease financing	189,294	179,731
New finance lease	(63,612)	(254,036)
Loan repayments	370,000	250,000
Gain on early settlement of Saltire loan	<u>32,123</u>	<u>-</u>
Movement in net debt in the year	<u>254,802</u>	<u>418,517</u>
Opening net debt	<u>1,876,511</u>	<u>2,295,028</u>
Closing net debt	<u>1,621,709</u>	<u>1,876,511</u>

Smithson Mason Group plc
Notes to the Group Accounts
for the year ended 31 December 2000

1. Accounting Policies

Accounting convention

The accounts have been prepared under the historical cost convention and comply with applicable accounting standards.

Basis of consolidation

The group accounts consolidate the accounts of Smithson Mason Group plc and all its subsidiary undertakings drawn up to 31 December 2000. The results of subsidiaries sold or acquired are included in the consolidated profit and loss account up to or from the date control passes.

Intra-group sales and profits are eliminated fully on consolidation.

On acquisition of a subsidiary all of the subsidiary's assets and liabilities existing at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities and the resulting gains and losses arising after the group has gained control of the subsidiary are charged to the post acquisition profit and loss account.

Goodwill

In accordance with FRS10 goodwill arising on consolidation, representing the excess of the cost of shares in a subsidiary or the acquisition cost of a business over the fair value of the net assets acquired is capitalised as an asset and amortised over its estimated useful life. Previously goodwill was transferred to the goodwill write-off reserve. This goodwill will be charged/credited in the profit and loss account on any subsequent disposal of the business to which it related.

Depreciation of tangible fixed assets

Depreciation is provided on a straight line basis to write off assets over their estimated useful lives, as follows:

Leasehold improvements	-	over the lease term
Fixtures and fittings	-	10% to 20% on cost
Plant and machinery	-	20% to 33 $\frac{1}{3}$ % on cost

Deferred taxation

Provision is made under the liability method in respect of those timing differences which are expected to crystallise in the foreseeable future.

Smithson Mason Group plc

Notes to the Accounts for the year ended 31 December 2000 (continued)

1. Accounting Policies (continued)

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are included as tangible assets at cost and depreciated over the asset's life. The interest element is charged to the profit and loss account using a reducing balance method. Rentals under operating leases are charged to profit as incurred over the term of the lease.

Commissions

Credit is taken for commissions earned as follows when the premium notice is issued to the client.

Commissions are adjusted to reflect under or over payments as and when the settlement sums are paid to or received from the insurance companies.

Pensions

The group operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. The assets of the scheme are held separately from those of the group in independently administered funds.

2. Turnover

Turnover represents commissions earned from insurance broking and is derived entirely from the United Kingdom.

3. Operating profit

	For the year ended 31 December 2000	For the year ended 31 December 1999
This is stated after charging/(crediting):	£	£
Auditors' remuneration	17,702	15,700
Non-audit fees paid to auditors	3,936	3,440
Depreciation of owned assets	165,640	59,086
Depreciation of assets held under finance leases and hire purchase contracts	130,279	148,301
Operating lease rentals - land and buildings	195,692	167,003
- plant and machinery	28,539	46,961
Profit on disposal of fixed assets	(582)	(22,457)
Gain on early settlement of loan	<u>(32,123)</u>	<u>-</u>

Smithson Mason Group plc

Notes to the Accounts for the year ended 31 December 2000 (continued)

4. Directors' Emoluments

	For the year ended 31 December 2000 £	For the year ended 31 December 1999 £
Emoluments	<u>254,007</u>	<u>203,000</u>

There are two directors who are accruing retirement benefits under defined contribution scheme. Contributions in respect of these directors amounted to £100,000.

5. Staff Costs

	For the year ended 31 December 2000 £	For the year ended 31 December 1999 £
Wages and salaries	1,960,251	1,875,936
Social security costs	202,846	192,717
Other pension costs	<u>156,523</u>	<u>238,307</u>
	<u>2,319,620</u>	<u>2,306,960</u>

The average weekly number of employees during the year was 96 (31 December 1999 - 83).

6. Pension Costs

The amount payable in respect of the group's defined contribution scheme during the year was £156,523 (1999 : £238,307). There were no unpaid contributions at the year end.

7. Interest payable

	For the year ended 31 December 2000 £	For the year ended 31 December 1999 £
Bank loans and overdrafts	40,032	1,163
Finance charges payable under finance leases and hire purchase contracts	28,014	25,245
Other loan interest	<u>132,135</u>	<u>150,594</u>
	<u>200,181</u>	<u>177,002</u>

Smithson Mason Group plc

Notes to the Accounts for the year ended 31 December 2000 (continued)

8. Tax on ordinary activities

	For the year ended 31 December 2000 £	For the year ended 31 December 1999 £
Based on the profit for the year:		
UK corporation tax at 30%	90,000	30,000
Prior year adjustment	-	(593)
	<u>90,000</u>	<u>29,407</u>

9. Dividends

	2000 £	1999 £
Paid £3.00 per 'C' Ordinary share	<u>60,000</u>	<u>-</u>

10. Profit attributable to members of the holding company

The holding company has taken advantage of the exemption, under section 230 of the Companies Act 1985, from presenting its own profit and loss account. The loss after tax for the year dealt with in the accounts of the holding company was £18,269 (1999 £5,542).

11. Tangible fixed assets

	Leasehold Improvements £	Office Furniture and Equipment £	Plant and Machinery £	Total £
Group				
Cost:				
At 31 December 1999	248,060	325,267	796,255	1,369,582
Additions	-	5,531	140,149	145,680
Disposals	-	-	(221,623)	(221,623)
Disposals	-	-	-	-
At 31 December 2000	<u>248,060</u>	<u>330,798</u>	<u>714,781</u>	<u>1,293,639</u>
Depreciation:				
At 31 December 1999	36,915	86,766	276,992	400,673
Provided	19,740	65,238	210,941	295,919
Disposals	-	-	(131,706)	(131,706)
Reclassification	-	-	-	-
At 31 December 2000	<u>56,655</u>	<u>152,004</u>	<u>356,227</u>	<u>564,886</u>
Net book amount:				
At 31 December 2000	<u>191,405</u>	<u>178,794</u>	<u>358,554</u>	<u>728,753</u>
At 31 December 1999	<u>211,145</u>	<u>238,501</u>	<u>519,263</u>	<u>968,909</u>

The company had no tangible fixed assets during the year.

Smithson Mason Group plc

Notes to the Accounts for the year ended 31 December 2000 (continued)

11. Tangible fixed assets

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

	Office Furniture and Equipment £	Plant and Machinery £	Total £
Net book amount			
At 31 December 2000	<u>63,223</u>	<u>177,131</u>	<u>240,354</u>
At 31 December 1999	<u>80,867</u>	<u>309,877</u>	<u>390,744</u>
Depreciation charge for the year	<u>17,644</u>	<u>112,635</u>	<u>130,279</u>

12. Investments

Group

Cost and net book value

At 31 December 1999 2,867

Disposals

At 31 December 2000 (400)
2,467

Other
Investments
£

Company

Cost and net book value:

At 31 December 1999 and 31 December 2000 2,368,629

Smithson Mason Group Plc owns the entire share capital of Smithson Mason Limited, a company registered in England whose nature of business is that of insurance broking.

Smithson Mason Limited owns 75% of the ordinary share capital of Smithson Mason Credit Risks Limited, a company registered in England whose nature of business is that of credit insurance broking.

13. Debtors

	Group		Company	
	2000 £	1999 £	2000 £	1999 £
Amounts due from clients	1,737,253	1,352,707	-	-
Other debtors	142,408	130,638	-	-
Corporation tax receivable	-	-	-	-
Prepayments and accrued income	213,495	206,586	-	-
Amounts due from subsidiary	-	-	-	<u>150,156</u>
	<u>2,093,156</u>	<u>1,689,931</u>	<u>-</u>	<u>150,156</u>

Other debtors include £72,946 (1999 £87,076) which is receivable after more than one year.

Smithson Mason Group plc

Notes to the Accounts for the year ended 31 December 2000 (continued)

14. Creditors: amounts falling due within one year

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Bank overdraft	585,903	418,277	503,039	418,277
Other loans	250,000	250,000	250,000	250,000
Obligations under finance leases and hire purchase contracts (note 16)	97,147	174,737	-	-
Amounts due to insurance companies	3,456,662	2,547,163	-	-
Corporation tax payable	90,000	30,000	-	-
Other taxes and social security costs	91,340	70,815	6,677	7,225
Other creditors and accruals	380,864	426,248	4,825	3,872
Amounts due to group undertaking	-	-	32,946	-
	<u>4,951,916</u>	<u>3,917,240</u>	<u>797,487</u>	<u>679,374</u>

The bank overdraft is secured by a mortgage debenture over the assets of the group, excluding any trade debtors and insurance broking bank accounts, up to a limit of £600,000.

The hire purchase liabilities are secured on the assets to which they relate.

15. Creditors: amounts falling due after more than one year

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Other loans	1,250,000	1,500,000	1,250,000	1,500,000
Obligations under finance leases and hire purchase contracts (note 16)	95,139	143,231	-	-
Other creditors	-	20,000	-	-
	<u>1,345,139</u>	<u>1,663,231</u>	<u>1,250,000</u>	<u>1,500,000</u>

Amounts repayable by instalment

	Group and Company	
	2000	1999
	£	£
Due within one year	250,000	250,000
Due between one and two years	250,000	250,000
Due between two and five years	750,000	750,000
Due after five years	<u>250,000</u>	<u>500,000</u>
	<u>1,500,000</u>	<u>1,750,000</u>

The loan is secured by a debenture creating fixed and floating charges over the assets of Smithson Mason Limited.

Smithson Mason Group plc

Notes to the Accounts for the year ended 31 December 2000 (continued)

16. Obligations under finance leases and hire purchase contracts

	2000	Group 1999
	£	£
Amounts payable:		
Within one year	110,885	201,683
Between two to five years	<u>110,324</u>	<u>165,886</u>
	221,209	367,569
Less: finance charges allocated to future periods	<u>(28,923)</u>	<u>(49,601)</u>
	<u>192,286</u>	<u>317,968</u>
Finance leases and hire purchase contracts are analysed as follows:		
Current obligations (note 12)	97,147	174,737
Non-current obligations (note 13)	<u>95,139</u>	<u>143,231</u>
	<u>192,286</u>	<u>317,968</u>

17. Share Capital

	2000 No.	1999 No.
Authorised:		
'A' ordinary shares of £1 each	260,000	280,000
'B' ordinary shares of £1 each	40,000	40,000
'C' ordinary shares of £1 each	<u>20,000</u>	<u>-</u>
	<u>320,000</u>	<u>320,000</u>
Allotted, called up and fully paid:		
'A' ordinary shares of £1 each	260,000	280,000
'B' ordinary shares of £1 each	40,000	40,000
'C' ordinary shares of £1 each	<u>20,000</u>	<u>-</u>
	<u>320,000</u>	<u>320,000</u>

During the year the company converted 20,000 'A' ordinary shares of £1 each into 20,000 'C' ordinary shares of £1 each.

The 'A' ordinary shares, the 'B' ordinary shares and the 'C' ordinary shares are separate classes of shares but, save as explained below, shall rank pari passu in all respects.

The holders of the 'C' ordinary shares will be entitled to a dividend solely at the recommendation of the board of directors of the company and shall have no right to such a dividend regardless of any dividend that may be paid to holders of 'A' ordinary shares or 'B' ordinary shares.

Smithson Mason Group plc

Notes to the Accounts for the year ended 31 December 2000 (continued)

18. Reserves	2000 £	1999 £
Profit and Loss Account		
Group		
Balance brought forward	(1,456,907)	(1,647,166)
Retained in the period	<u>51,740</u>	<u>190,259</u>
Balance carried forward	<u>(1,405,167)</u>	<u>(1,456,907)</u>

Goodwill previously eliminated against reserves amounts to £2,276,919.

Company		
At 31 December 1999	19,411	24,953
Loss/(Profit) for the period	<u>(18,269)</u>	<u>(5,542)</u>
At 31 December 2000	<u>1,142</u>	<u>19,411</u>

19. Leases

At 31 December 2000 the group had annual commitments under non-cancellable operating leases as set out below:

	Land and Buildings		Other	
	2000 £	1999 £	2000 £	1999 £
Operating leases which expire:				
Within one year	-	-	143	5,326
Within two to five years	60,292	36,000	23,213	23,213
After more than five years	<u>135,400</u>	<u>159,692</u>	-	-
	<u>195,692</u>	<u>195,692</u>	<u>23,356</u>	<u>28,539</u>

At 31 December 2000 the company had no annual commitments under non-cancellable operating leases.

20. Contingent liabilities

The company has guaranteed the bank overdraft facilities of two subsidiary undertakings. The net amount of these overdrafts at 31 December 2000 was £nil.

21. Related Party Transactions

During the year Smithson Mason Limited received service charges amounting to £60,458 (1999: £48,240) from, and paid administration fees of £10,000 (1999: £7,000) to Smithson Mason Financial Services Limited a company under common control.

In addition the company sold a vehicle for £9,100 to Smithson Mason Financial Services. The transaction was at open market value.