

**SMITH & WILLIAMSON  
PENSION CONSULTANCY LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**for the year ended**

**30 April 2004**



**SMITH & WILLIAMSON PENSION CONSULTANCY LIMITED**

**REPORT AND FINANCIAL STATEMENTS for the year ended 30 April 2004**

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## SMITH & WILLIAMSON PENSION CONSULTANCY LIMITED

### DIRECTORS' REPORT

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

#### Activities

The company's principal activity is the provision of pensions, insurance and investment advice and services. The company is authorised and regulated by the FSA.

#### Review of business and results and dividends

The results for the year are shown on page 4. The company's trading was in line with expectation and the directors are confident about the level of future business, subject to market conditions.

The directors do not recommend payment of a dividend (2003: £Nil).

#### Directors and their interests in shares

None of the directors held shares directly in the company. The directors who served throughout the year, except as noted, and their interests in the share capital of the ultimate parent company, Smith & Williamson Holdings Limited were as follows:

	Ordinary B shares		Options to subscribe for ordinary shares at	
	At 30 April 2004	At 1 May 2003 or appointment	30 April 2004 (i)	30 April 2004 (ii)
G D Pearce	1,572,774	1,572,774	30,864	6,522
J T Boadle	1,033,490	1,033,490	30,864	-
R D Boycott	1,099,822	1,099,822	10,288	-
M P Fosberry	1,033,630	1,033,630	10,288	6,522
W A Fullerton-Batten	916,930	916,930	20,578	3,796
S J Mabey	1,369,352	1,369,352	20,578	6,522
M J Rose	468,874	468,874	10,288	-
A R Champion	169,052	169,052	10,288	6,522
J A Chandler	204,386	204,386	10,288	2,609
P Garwood	42,166	42,166	10,288	3,796
J M Goodfellow	55,256	55,256	-	-
D Horne	329,466	329,466	15,432	3,796
M M Lowe	40,754	40,754	10,288	6,522
C R Lynas	290,392	290,392	20,578	-
P D Maher	57,840	57,840	10,288	3,913
A E Thomas (appointed 1 May 2003)	13,875	9,760	10,288	2,609

S J D L Gray resigned as a director on 6 June 2003.

#### Notes:

All options held at 30 April 2004 were granted in the year.

- (i) Options granted in the year by the Smith & Williamson Holdings Limited Employee Benefit Trust to acquire "A" ordinary shares at a price of £2.43 per share, exercisable from 10 September 2006 to 10 September 2010, under the Smith & Williamson Company Share Option Plan.
- (ii) Options granted by the Smith & Williamson Holdings Limited Employee Benefit Trust to acquire "A" ordinary shares at a price of £2.43 per share, under the Smith & Williamson Sharesave Scheme.

# **SMITH & WILLIAMSON PENSION CONSULTANCY LIMITED**

## **DIRECTORS' REPORT**

### **Statement of directors' responsibilities**

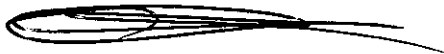
The directors are responsible for the preparation of the financial statements, which have been prepared on a going concern basis and give a true and fair view of the state of affairs of the company at the end of the financial year and of its profit or loss for the year then ended. The directors have selected suitable accounting policies, in line with currently applicable accounting standards, and have applied them consistently. Where judgements and estimates have necessarily been made they are reasonable and prudent.

In compliance with the Companies Act 1985 the directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to prepare financial statements that comply with the Act. The directors are also responsible for the system of internal control, for safeguarding the assets of the company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Auditors**

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board



**R F Vallance**  
**Company Secretary**  
**No 1 Riding House Street**  
**London, W1A 3AS**

29 July 2004

## **SMITH & WILLIAMSON PENSION CONSULTANCY LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SMITH & WILLIAMSON PENSION CONSULTANCY LIMITED**

We have audited the financial statements of Smith & Williamson Pension Consultancy Limited for the year ended 30 April 2004 which comprise the profit and loss account, the balance sheet and the related notes 1 to 14. The financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's member, 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 member those matters we are required to state to it 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 member 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, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

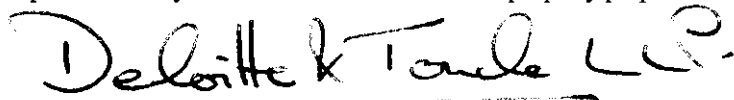
#### **Basis of audit opinion**

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 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 30 April 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Deloitte & Touche LLP**  
**Chartered Accountants and**  
**Registered Auditors**  
**London**

29 July 2004

**SMITH & WILLIAMSON PENSION CONSULTANCY LIMITED**

**PROFIT AND LOSS ACCOUNT for the year ended 30 April 2004**

	Note	2004 £	2003 £
Turnover	2	4,617,241	3,642,144
Net operating expenses	3	(4,605,665)	(3,435,630)
<b>Operating profit</b>		<b>11,576</b>	<b>206,514</b>
Interest receivable		24,406	38,296
Interest payable	4	(3,229)	(1,137)
<b>Profit on ordinary activities before taxation</b>		<b>32,753</b>	<b>243,673</b>
Tax on profit on ordinary activities	6	(20,064)	(75,859)
<b>Retained profit for the financial year</b>		<b>12,689</b>	<b>167,814</b>
Retained profit brought forward		594,665	426,851
<b>Retained profit carried forward</b>		<b>607,354</b>	<b>594,665</b>

All of the results for the current and preceding year are generated from continuing operations.


There were no recognised gains or losses in either year other than those included in the above profit and loss account.

# SMITH & WILLIAMSON PENSION CONSULTANCY LIMITED

## BALANCE SHEET as at 30 April 2004

	Note	2004 £	2003 £
<b>Current assets</b>			
Work in progress		551,240	581,457
Debtors	7	724,569	547,401
Cash at bank		1,564,288	1,243,602
		<hr/>	<hr/>
		2,840,097	2,372,460
		<hr/>	<hr/>
<b>Creditors: Amounts falling due within one year</b>	8	(1,632,743)	(1,377,795)
		<hr/>	<hr/>
<b>Net current assets</b>		1,207,354	994,665
<b>Creditors: Amounts falling due after one year</b>	9	(200,000)	-
		<hr/>	<hr/>
<b>Net assets</b>		1,007,354	994,665
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	10	400,000	400,000
Profit and loss account		607,354	594,665
		<hr/>	<hr/>
<b>Equity shareholder's funds</b>	11	1,007,354	994,665
		<hr/>	<hr/>

These financial statements were approved by the Board of Directors on 29 July 2004.

  
A R Champion Director

# SMITH & WILLIAMSON PENSION CONSULTANCY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 2004

### 1. Accounting policies

#### a) Basis of preparation

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

#### b) Change in accounting policies

##### Revenue recognition

As a result of the adoption of FRS 5 "Reporting the Substance of Transactions, Application note G" fees and commission receivable are recognised as services are provided to clients based on the extent of the performance of our contractual obligations and the agreed rates for these services. Fees exclude value added tax. To the extent that fees and commission are recognised in advance of the client being billed they are included as accrued income. The impact of this change in accounting policy in the current year is to increase profit by £63,083. The impact on the profit in the prior year was not considered material and therefore no prior year adjustment has been made. The impact on the current year balance sheet is to record accrued income of £126,166 and decrease work in progress by £63,083.

#### c) Deferred taxation

Deferred taxation is provided for on a full provision basis on all timing differences which have arisen but not reversed at the balance sheet date. A deferred tax asset is not recognised to the extent that the transfer of economic benefit is uncertain. Any assets and liabilities recognised have not been discounted.

#### d) Work in progress and deferred income

Work in progress comprises work undertaken on behalf of clients which has not yet been billed or for which commissions have not yet been received. Where the value of commission received and work billed is in excess of the work undertaken to the balance sheet date, this is carried forward as deferred income. Work unbilled at the balance sheet date is stated at the lower of cost, comprising salary costs plus directly attributable overheads, and net realisable value.

### 2. Turnover

Turnover comprises fees for pensions and insurance advice, and commissions receivable.

The company engages in only one class of business and all income is derived in the United Kingdom.

### 3. Net operating expenses

	2004 £	2003 £
Movement in work in progress	101,483	(240,514)
Other operating income	(56,991)	(44,236)
Service charge for staff from related companies	3,241,475	2,425,819
Administrative expenses	1,319,698	1,294,561
	<hr/>	<hr/>
	4,605,665	3,435,630
	<hr/>	<hr/>



# SMITH & WILLIAMSON PENSION CONSULTANCY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 2004

### 3. Net operating expenses (continued)

	2004 £	2003 £
Administrative expenses include:		
Auditors' remuneration for:		
Audit services	3,500	3,300
Other services	3,500	3,300

The company did not have any contractual employees during the year (2003: Nil). Staff are provided to the company by a service company, Smith & Williamson Corporate Services Limited under service agreements.

### 4. Interest payable

	2004 £	2003 £
Bank loans and overdrafts	3,229	1,137

### 5. Directors' remuneration

The emoluments of those directors whose services are provided solely to Smith & Williamson Pension Consultancy Limited for the year ended 30 April 2004 were as follows:

	2004 £	2003 £
Salaries and other emoluments	333,564	361,517
Pension scheme contributions	27,633	20,700
Total emoluments	361,197	382,217

	2004 £	2003 £
Remuneration of the highest paid director (excluding pension contributions)	104,319	112,331

Contributions to the group's defined contribution pension schemes were made on behalf of 4 (2003: 4) directors. The pension contributions for the highest paid director were £5,731 (2003: £5,634).

Of the remainder of the directors, who are directors of other companies within the Smith & Williamson group, it is not practicable to allocate their remuneration between their services to Smith & Williamson Pension Consultancy Limited and the other companies of which they are directors. These directors received total emoluments of £2,131,938 (2003: £1,772,482) during the year. In addition pension contributions of £604,212 (2003: £82,948) were made on behalf of 12 (2003: 14) directors.

# SMITH & WILLIAMSON PENSION CONSULTANCY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 2004

### 6. Tax on profit on ordinary activities

	2004 £	2003 £
a) Analysis of charge in year		
Corporation tax charge for the year	20,064	78,050
Over provision in prior year	-	(2,191)
	<u>20,064</u>	<u>75,859</u>

### b) Factors affecting tax charge for year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2004 £	2003 £
Profit on ordinary activities before taxation	32,753	243,673
Tax on profit on ordinary activities at 30% (2003: 30%)	9,826	73,102
Factors affecting charge:		
Disallowable expenses	10,238	4,948
Over provision in prior year	-	(2,191)
Current tax charge for the year	<u>20,064</u>	<u>75,859</u>

There are no unprovided deferred tax liabilities as at 30 April 2004 (2003: £Nil).

### 7. Debtors

	2004 £	2003 £
Trade debtors	561,706	545,173
Amounts owed by group undertakings	25,144	2,228
Other debtors	220	-
Prepayments and accrued income	137,499	-
	<u>724,569</u>	<u>547,401</u>

# SMITH & WILLIAMSON PENSION CONSULTANCY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 2004

### 8. Creditors: amounts falling due within one year

	2004 £	2003 £
Bank overdraft	1,835	710
Amounts owed to group undertakings	835,755	686,604
Corporation tax	21,377	61,050
Social security and other taxes	122,772	70,716
Other creditors	114,073	93,051
Accruals and deferred income	536,931	465,664
	<hr/>	<hr/>
	1,632,743	1,377,795
	<hr/>	<hr/>

### 9. Creditors – Amounts falling after more than one year

	2004 £	2003 £
Amount due to group undertaking		
Loan:		
Amounts due after more than one year	200,000	-
	<hr/>	<hr/>
Loan amounts falling due:		
Between two and five years	200,000	-
	<hr/>	<hr/>

On 31 October 2003 the company entered into a subordinated loan agreement with fellow subsidiary Smith & Williamson Investment Management (Ireland) Limited.

Interest is charged on the loan at a variable rate calculated at 2% above the LIBOR. The loan is unsecured. The loan is repayable on or after 31 October 2008 at the request of the borrower with a three month notice period.

### 10. Called up share capital

	2004 £	2003 £
Ordinary shares of £1 each		
1,000,000 Authorised	1,000,000	1,000,000
	<hr/>	<hr/>
400,000 Issued and fully paid	400,000	400,000
	<hr/>	<hr/>

## SMITH & WILLIAMSON PENSION CONSULTANCY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 2004

#### 11. Reconciliation of movement in equity shareholder's funds

	2004 £	2003 £
Profit for the financial year	12,689	167,814
Net increase in shareholder's funds	12,689	167,814
Opening shareholder's funds	994,665	826,851
Closing shareholder's funds	1,007,354	994,665

#### 12. Cash flow statement

As the cash flow statement included in the consolidated financial statements for the ultimate parent company complies with the conditions of the Financial Reporting Standard No 1 (Revised 1996) - "Cash Flow Statements", the company is exempt from the requirement to prepare a separate cash flow statement.

#### 13. Related party disclosures

As the company is ultimately a wholly owned subsidiary of Smith & Williamson Holdings Limited, the company has taken advantage of the exemptions to disclose transactions or balances with entities which form part of the group. These exemptions are contained in Financial Reporting Standard No 8 - "Related Party Disclosures".

#### 14. Immediate and ultimate parent company

The company is a wholly owned subsidiary undertaking of Smith & Williamson Investment Management Limited, a company incorporated in Great Britain and registered in England and Wales.

The ultimate parent company is Smith & Williamson Holdings Limited, a company incorporated in Great Britain and registered in England and Wales.

The consolidated financial statements of Smith & Williamson Holdings Limited, within which this company is included, can be obtained from the Company Secretary, Smith & Williamson Holdings Limited, No 1 Riding House Street, London W1A 3AS.