BMS

BMS Associates Limited

Report and Accounts 2001

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COMPANIES HOUSE 09/08/02

MISSION STATEMENT

BMS Associates intends to be among the best of the specialist broking groups and to be identified by clients and markets as professionals whose skill, integrity and independence makes them market leaders.

Through the creation of a working environment that stimulates and rewards the best people in the market we aim to maintain and expand this reputation.

Our commitment to these objectives will help to promote a Group in which all participants can share in the benefits of success.

FINANCIAL SUMMARY

	2001	**2000**
	£000	**£000**
Turnover	33,160	29,086
Profit before tax	3,008	3,297
Profit/(Loss) after tax and minorities	1,739	2,289
Shareholders' funds	11,756	10,629
Dividend per share	256p	256p

CONTENTS

DIRECTORS AND ADVISERS

Directors

G.J. McKean	Chairman
W.M. Gabitass	(Non-executive)
C.B. Manwaring	
S.J. Nunn	
J.W.J. Spencer	
D. Sullivan	
J.R. Windeler	(Non-executive)

Secretary and Registered Office

J.J.F. Hills
Latham House
16 Minories
London, EC3N 1AX

Registered Number: 1494399

Auditors

Deloitte & Touche
Chartered Accountants
Stonecutter Court
1 Stonecutter Street
London, EC4A 4TR

Principal Bankers

Citibank N.A.
336 Strand
London, WC2R 1HB

Lloyds TSB Bank plc
113-116 Leadenhall Street
London, EC3A 4AX

Royal Bank of Scotland plc
138-142 Holborn
London, EC1N 2TH

Solicitors

Allen & Overy
One New Change
London EC4M 9QQ

CHAIRMAN'S STATEMENT

In my commentary on the year 2000 I referred to "tumultuous conditions" in our industry. It is not an exaggeration to say that the appalling events of 11th September 2001 have produced conditions that can be described as convulsive. As so often has happened in the past, our business contrives to create a variety of self-inflicted problems by selling its products below probable cost and then some outside event occurs to exacerbate the consequences of this folly. As a well-known commentator on our industry had observed, prior to 11th September, "Surprises in the insurance business always tend to be unpleasant ones."

The consequences of these events will be felt by everyone in our industry and, despite the rapid influx of new capital to help to replace some that was destroyed, it is already apparent that some buyers will experience great difficulty in obtaining the coverage that they need because of lack of availability or affordability. Whilst it is probably true that there is a global shortfall in the capital that is needed to service the needs of (re)insurance buyers, this is made much worse by the lack of willingness to put the existing capital at risk for certain types of coverage. The level of new captive formations and business leaders' urgings to governments to assume the risks of terrorism are powerful indicators of the imbalance between supply and demand.

In these conditions I am very glad to be able to report that the BMS Group achieved satisfactory growth in revenues in 2001, a useful pre-tax profit of £3,000,000 and we were able to maintain our level of dividend at 256p per share. My congratulations go to all concerned who have worked so hard to achieve this result and striven, on behalf of all of our clients, to demonstrate why a professional broker is so important in this market environment.

Lloyd's continues to be the largest recipient of the Group's business. Once again, and independently of the serious losses incurred in New York, the market's results have been very poor. The bottom quartile of the market has produced losses that have given rise to questions about the future of Lloyd's. When new capital was raised very quickly following the events of 11th September, it was noticeable that Lloyd's share of this new capital was modest. Many investors who were willing to put capital at risk in our industry did not find Lloyd's attractive.

The Council's response has been to commission consultants who, in conjunction with market practitioners have suggested capital reforms (that appear unworkable), and proposals to turn Lloyd's into a centrally controlled franchise. The premise upon which these changes have been suggested is that Lloyd's is not an economic regulator but must become so to manage the market, prevent the worst underwriters from inflicting damage on the market and give a strong strategic lead to the business. This premise is surprising given the mutuality that the Central Guarantee Fund has long conferred on the market and the commitments that were made by Lloyd's about market supervision at the time of R&R. However, if this new franchise can prevent the damage to the Market from poor underwriting, create an entrepreneurial culture that supports the creative energy and talent that typifies the best of Lloyd's and makes the market attractive to high quality, stable investors, it would deserve our support.

As part of the continuing development of the Group I was glad to welcome John Spencer's appointment to the role of Group Chief Executive during 2001. Since we have someone dedicated to this role for the first time in the Group's history, it was felt to be appropriate for him to provide a separate report on the Group's business operations. I would like to congratulate him on his appointment, his excellent work during 2001 and I look forward to our future work together.

Graham McKean
5th June 2002

CHIEF EXECUTIVE'S STATEMENT

2001 saw an increase in brokerage turnover of some 14% over 2000 levels. Ballantyne McKean & Sullivan maintained its excellent record and all our ongoing businesses met or exceeded their targeted levels of trading profit (before profit sharing and tax).

BMS Harris & Dixon Insurance Brokers produced an excellent performance in all three of its business areas, and at the year-end we implemented the planned separation of these units into individual Group companies. Meanwhile BankServe Insurance Services, which was formed at the start of the year, had a most encouraging start, despite working within strict legal constraints.

Our ambition to develop a broader international capability took a significant step forward with the recruitment of Steve Higginson in August 2001. Steve is leading this initiative through a newly formed subsidiary, BMS International Intermediaries, and he has already recruited a number of highly-regarded individuals from the market. There is much encouraging evidence that buyers in areas of the world where BMS has not so far traded are attracted by our independence, our reputation for specialist advice and our keen attention to service standards.

In anticipation of the move of BMS Harris & Dixon staff from New Street to Latham House in 2002 further steps were taken during 2001 to centralise technical support and administrative functions within BMS Management Services. We believe this enhances our ability to absorb changes to workload and to manage costs without compromising service levels.

Towards the end of the year we sold BMS Financial Services Limited to its two executive directors and we also closed down BMS Affinity International and the Healthcare division of BMS Special Risk Services. None of these businesses showed the potential to produce acceptable levels of return to the Group.

The pre-tax profit figures reflect the impact of enhanced performance bonus arrangements introduced in 2001, which are designed to encourage and reward the achievement of higher margins. For higher paid individuals these arrangements involve an element of share purchase, introduced to help further our goal of continued independence through employee share ownership. In addition to this, contributions totalling £501,000 were made to the Employee Trust to support the Group's share ownership programme.

Other items which impacted the 2001 profits include provisions for the cost of effecting the move of staff from New Street to Latham House, expenses relating to setting up BankServe and outsourcing costs relating to the final stages of the PIA Pension Review programme. Together these totalled over £1,000,000.

I'd like to add my own thanks to the management team and other colleagues who have grappled with a consistently demanding workload over the past year. I am looking forward to having all our London-based staff under one roof, which will transform many aspects of communication and collaboration within the Group. 2002 presents us all with significant challenges, but I believe we are well equipped to meet them.

John Spencer
5th June 2002

DIRECTORS' REPORT

The directors present their Annual Report and audited Financial Statements for the year ended 31st December 2001 which were approved at a meeting of the Board on 5th June 2002.

Business review and future developments

The principal activity of the Group is to operate as specialist insurance and reinsurance brokers.

A review of the Group's activities and prospects is set out in the Chairman's Statement.

The Group has continued to make progress in difficult trading conditions and the directors intend both to build upon existing business and to continue to seek new business.

Results and dividends

The profit attributable to shareholders amounted to £1,739,000 (2000:£2,289,000).

During 2001 the Group made a contribution of £501,000 (2000:£632,500) to the BMS Associates Limited Employee Trust. The assets of each fund are held for the collective benefit of the employees and former employees of the company to which that fund relates and do not vest in individual employees. In the opinion of the directors, the trust assets are not assets of the Group, since it does not bear their benefits and risks.

A first interim dividend of £152,973 was paid on 1st September 2001 (2000: £152,973), a second interim dividend of £152,973 was paid on 1st December 2001(2000: £152,973), a third interim dividend of £152,973 was paid on 1st March 2002(2000: £152,973), and a fourth interim dividend of £152,973 will be paid on 1st June 2002(2000: £152,973). Consequently £1,127,000 is transferred to reserves (2000: £1,677,000 was transferred to reserves).

Significant changes in fixed assets

Details of changes in fixed assets are disclosed in notes 1 to 6 to the balance sheets.

Directors

The present directors of the company are named on page 2 and all held office throughout the year.

Directors' responsibilities

United Kingdom 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 Group and the company as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' interests

	31st December 2001		*1st January 2001*	
	'A' Shares	*'B' Shares*	*'A' Shares*	*'B' Shares*
W.M. Gabitass	-	-	-	-
C.B. Manwaring	50	12,467	50	13,870
G.J. McKean	197	14,313	197	14,990
S.J. Nunn	40	12,686	40	12,686
J.W.J. Spencer	-	2,495	-	995
D. Sullivan	196	21,372	196	21,372
J.R. Windeler	-	-	-	-

None of the directors had an interest in the shares of any other Group company.

None of the directors had any interests in any transaction or arrangement with the Group during the year except as explained in note 16 to the balance sheets.

Donations

The Group made donations of £ 33,401 (2000: £16,212) for charitable purposes during the year.

Substantial interests

The company has been advised that AHJ Investments Limited has an interest in 260 'A' voting shares (26%) and 49,000 'B' non-voting shares (20.50%).

Employees

The Group's policy is to provide equal opportunities of employment, irrespective of sex, religion, race or marital status and to include, where appropriate having regard to capability and suitability, disabled persons. Accordingly, the Group will give due consideration to applications for employment by disabled persons and to the continued employment and training of persons who become disabled during their period of employment by the Group. *The Group seeks to achieve a common awareness among the staff of financial and economic* factors affecting the business by consultation and by a comprehensive system of employee communication.

Auditors

Deloitte & Touche 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.

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

J.J.F. Hills
Secretary

5th June 2002

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BMS ASSOCIATES LIMITED

We have audited the financial statements of BMS Associates Limited for the year ended 31st December 2001 which comprise the profit and loss account, the balance sheet, the cashflow statement and the related notes on pages ~~8~~ 9 to ~~31~~ 32. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of 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 and other members of the group is not disclosed.

We read the directors' report and the chairman's statement (contained in the annual report) for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of 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 circumstances of the company and the group, 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 affairs of the company and the group as at 31st December 2001 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

DELOITTE & TOUCHE
Chartered Accountants and Registered Auditors
6 June 2002
Stonecutter Court
1 Stonecutter Street
London
EC4A 4TR

ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with United Kingdom applicable accounting standards.

Basis of consolidation

The Group accounts comprise the accounts of BMS Associates Limited, its subsidiary undertakings as listed in note 3 to the balance sheets, its joint venture undertaking as detailed in note 4 to the balance sheets, and its associated undertakings as detailed in note 5 to the balance sheets.

Turnover

Turnover within the Group predominantly represents brokerage and fees earned for placing and servicing risks on behalf of clients.

In general the Group takes credit for this income when the client is debited, although this varies on specific types of specialist business. Where costs are not predominantly incurred at the inception of the policy, or where the premium is paid by the client in instalments, the brokerage is deferred as follows:

Where brokerage is received in installments, the revenue relating to each installment is *credited to the profit and loss account on due date for each installment.*

On certain specialist policies where there are significant on-going costs associated with servicing the risks, a proportion of brokerage is deferred upon inception of the risk, and matched to the accounting period in which the costs are incurred.

Foreign currencies

Foreign currency brokerage and investment income is translated into sterling at the average rates ruling during the year.

Monetary assets and liabilities in foreign currencies are translated into sterling at exchange rates ruling at the balance sheet date.

Fixed assets in foreign currencies are translated using historical rates.

Exchange gains or losses arising as a result of translation are included within turnover.

ACCOUNTING POLICIES

Depreciation of tangible assets

Where the Group expects to use certain assets in its operations for more than one year, the cost of these assets is spread over a number of years.

The method the Group uses to do this is to estimate the useful life of the asset and the realisable value at the end of that time. The profit and loss account is then charged with an equal annual amount so that by the end of its estimated useful life the cost of the asset has been written down to its estimated realisable value. Depreciation is not provided on freehold land.

For the major classes of assets, annual depreciation rates are as follows:

Buildings	at 2%
Fixtures, fittings and equipment	at 10% to 20%
Motor vehicles	at 20%
Computer installations	at 25%

Leasing

Operating lease costs are charged to the profit and loss account in equal annual instalments over the lives of the leases.

Pensions

All employees are eligible to become members of a Group pension scheme after three month's service.

The Group operates four pension schemes:

Two Defined benefit schemes

The pension cost charged to the profit and loss account is such as to spread the cost of pensions over employees' working lives with the Group as a constant percentage of pensionable payroll.

ACCOUNTING POLICIES

Two defined contribution schemes

The pension cost charge represents the contributions payable by the Group under the rules of the scheme.

Deferred taxation

For certain types of income and expenditure the method of calculating the income or expenditure for taxation purposes differs from the method for accounting purposes.

To make the taxation charge consistent with the accounting profits, a provision for the deferred tax on these timing differences has been included in the tax charge in the profit and loss account to the extent that such tax is likely to be payable or receivable in the foreseeable future. See also note 6 to the profit and loss account.

Goodwill

When the Group acquires other business undertakings, the purchase price will normally exceed the fair value of the net tangible assets acquired. This excess is referred to as goodwill and represents the income-generating potential of an experienced management team and an established customer base.

The Group's policy is to capitalise goodwill and amortise it over its estimated useful life.

Investment in subsidiary undertakings

The investment in subsidiary undertakings is stated in the parent company balance sheet at the cost of shares plus long term loans.

Investments

Except as stated below, investments are stated at the lower of cost or market value.

In the consolidated accounts, shares in associated undertakings and joint ventures are accounted for using the equity method.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2001

	Note	*2001* *£000*	*2000* *£000*
Turnover			
Group			
Continuing operations		32,541	29,086
Discontinued operations		619	-
	1	33,160	29,086
Other operating income	2	3,527	3,134
Administrative expenses	3	(34,187)	(28,007)
Total operating profit analysed below		2,500	4,213
Continuing operations		2,414	4,213
Discontinued operations		86	-
		2,500	4,213
Profit on ordinary activities before exceptional items:			
Group		2,500	4,213
Share of joint venture		252	-
Share of associate		134	(95)
		2,886	4,118
Gain/(loss) on the disposal of discontinued operations	5	122	(821)
Profit on ordinary activities before taxation		3,008	3,297
Tax on profit on ordinary activities	6	(1,070)	(946)
Profit on ordinary activities after taxation		1,938	2,351
Minority interests		(199)	(62)
Profit attributable to the shareholders of BMS Associates Limited		1,739	2,289
Dividends	7	(612)	(612)
Retained profit for the year		1,127	1,677

A consolidated statement of total recognised gains and losses has not been prepared since there are no recognised gains or losses for the current financial year and preceding financial year other than as stated in the profit and loss account.

NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2001

1) Turnover

	2001 £000	2000 £000
Geographical analysis of turnover		
North America	17,538	16,419
Rest of the World	10,990	8,129
United Kingdom	4,632	4,538
	33,160	29,086

The turnover relates to the Group's principal activity of insurance and reinsurance broking.
The group share of the joint venture turnover is £508,535.
The group share of the associate turnover is £656,860.

2) Other operating income

	2001 £000	2000 £000
Loan and bank interest receivable	3,333	3,132
Capital gain/(loss) on investments	36	(18)
Income from unlisted investments	113	6
Consultancy Fees	45	36
	3,527	3,156
Interest payable on bank loans repayable within five years	-	(22)
	3,527	3,134

3) Administrative expenses

	2001 £000	2000 £000
Staff costs including directors' emoluments:		
Salary & performance bonus	17,504	14,380
Social security costs	1,713	1,576
Other pension costs	1,790	1,636
Other staff costs	583	458
	21,590	18,050
Amortisation of goodwill	87	88
Depreciation	854	749
(Profit) on disposal of tangible fixed assets	(17)	(142)
Auditors' remuneration - audit fee	170	152
Auditors' remuneration - other services	46	-
Provision for vacated property	775	-
Contributions to employee trust	501	632
Other administrative expenses	10,181	8,478
	34,187	28,007

NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2001

4) Directors

	2001	*2000*
	£000	*£000*
Remuneration of directors of the company included in staff costs was as follows:		
Emoluments payable	1,761	1,308

The company contributions payable to the defined contribution pension scheme amounted to £20,178 (2000: £81,252). Three directors (2000: four) are members of the defined benefit scheme and two (three) directors are members of the defined contribution schemes.

The emoluments payable to the highest paid director were £416,518 (2000: £433,496). Contributions to the defined contribution scheme for the highest paid director were £nil (2000: £37,307). The accrued pension of the highest paid director under the defined benefit scheme amounts to £66,666 (2000: £66,666).

	Number of employees	
	2001	*2000*
The average number of employees during the year was :	300	284

5) Exceptional items

The exceptional item arises from the following:

	2001	*2000*
	£000	*£000*
Disposal of other discontinued operations	-	(821)
Disposal of subsidiary		
Net proceeds	20	-
Net Assets at disposal	(10)	-
	10	(821)
Further Consideration on prior year disposals	112	-
Exceptional gain/(loss) on disposal of discontinued operations	122	(821)

NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2001

6) Taxation

	2001	*2000*
	£000	***£000***
The taxation charge comprises:		
U.K. corporation tax		
At 30% - parent and subsidiary undertakings	998	1,063
Prior years' (over)/under provision	(5)	(66)
Deferred tax		
Increase/(decrease) in provision	22	(51)
	1,015	946
Share of joint venture taxation	55	-
	1,070	946

7) Dividends

	2001	*2000*
	£000	***£000***
On 239,020 (2000: 239,020) 'B' ordinary shares of 5p each:		
Paid	306	306
Proposed	306	306
	612	612

8) Profit of parent company

In accordance with the exemption allowed by section 230 of the Companies Act 1985 the company has not presented its own profit and loss account. Of the consolidated profit for the financial year, £1,927,000 profit (2000: £4,809,000 loss) has been dealt with in the accounts of the parent company.

9) Pensions

The Group operates four pension schemes:

a)The Pension and Assurance Scheme of BMS Associates Limited

A defined benefit type pension scheme, the assets being held in a separate trustee administered fund. The pension cost relating to the scheme is assessed in accordance with the advice of an independent actuary using the projected unit credit funding method. The latest actuarial assessment of the scheme was at 31st December 1999 and the main long term actuarial assumptions were that the annual compound rate of return on investment would be 9% and that annual increases in pensions and earnings would be 3% and 7% respectively. The market value of the assets at the date of the latest actuarial valuation amounted to £11,296,000 and the actuarial value of the assets was sufficient to cover 113% of the value of the benefits that had accrued to members on the basis of pensionable earnings and service at the date of the valuation on an ongoing basis. The level of funding on a Minimum Funding Requirement basis was 112%.
Based on the recommendations of the actuary, the funding rate was set at 15.1%.

b) The BMS Supplementary Pension Plan

A supplementary defined contribution scheme, the assets being held separate from the Group in an independently administered fund. The employer contributions are charged direct to the profit and loss account.

c) The BMS Harris & Dixon Insurance Brokers Ltd Pension and Life Assurance Scheme

The Group operates a second defined benefit scheme, for some of the UK employees, providing benefits based on final pensionable salaries. The scheme's assets being held in a separate trustee administered fund. The latest triennial valuation was at September 1999. The main assumptions were that investment returns would be 7% p.a and salaries would increase at an average of 5% p.a. The market value of the scheme's assets at the valuation date amounted to £15,827,065. This level of funding on an ongoing basis was 99% of the benefits that had accrued to members, after allowing for projected increases in salaries. The level of funding on a Minimum Funding Requirement basis was 154%. Based on the recommendations of the actuary, the funding rate was reduced to 20% with effect from 1 September 2000. This reduced level of funding will be sufficient to remove the small deficit over the average remaining service lives of the employees within the scheme.

d) The BMS Associates Ltd Group Personal Pension Plan

A defined contribution group personal pension plan arranged through Standard life Assurance Company. The employer contributions are charged direct to the profit and loss account.

e) Disclosures in respect of FRS 17 (Retirement Benefits) are shown in note 18 to the balance sheets.

f) Contributions

	2001	*2000*
	£000	*£000*
Contributions to defined benefit schemes	1,197	851
Contributions to defined contribution schemes:	61	86

BALANCE SHEETS
AT 31ST DECEMBER 2001

		GROUP		COMPANY	
		2001	*2000*	*2001*	*2000*
	Note	*£000*	*£000*	*£000*	*£000*
FIXED ASSETS					
Intangible assets	1	1,167	1,254	-	-
Tangible assets	2	2,688	2,033	108	126
Investment in subsidiary undertakings	3	-	-	4,283	4,618
Interest in joint venture:	4				
Share of gross assets		2,566	-	-	-
Share of gross liabilities		(2,434)	-	-	-
Investment in associated undertakings	5	674	1,314	-	-
Other investments	6	534	532	49	49
		5,195	5,133	4,440	4,793
CURRENT ASSETS					
Debtors	7	153,271	152,977	4,487	4,189
Investments	8	212	143	-	-
Cash at bank and in hand including short term deposits		65,876	57,778	126	86
		219,359	210,898	4,613	4,275
CREDITORS - amounts falling due within one year	9	209,759	(203,418)	(4,923)	(6,448)
NET CURRENT ASSETS/(LIABILITIES)		9,600	7,480	(310)	(2,173)
TOTAL ASSETS LESS CURRENT LIABILITIES		14,795	12,613	4,130	2,620
CREDITORS - amounts falling due after more than one year	10	(244)	(144)	-	-
PROVISIONS FOR LIABILITIES AND CHARGES	11	(2,433)	(1,639)	-	-
EQUITY MINORITIES' SHARE OF NET ASSETS OF SUBSIDIARIES		(362)	(201)	-	-
TOTAL NET ASSETS		11,756	10,629	4,130	2,620
CAPITAL AND RESERVES					
Called up share capital	13	12	12	12	12
Share premium account	14	2,343	2,343	2,343	2,343
Capital reserve	14	990	990	-	-
Profit and loss account	14	8,411	7,284	1,775	265
EQUITY SHAREHOLDERS' FUNDS	15	11,756	10,629	4,130	2,620

These financial statements were approved by the Board of Directors on 5th June 2002.
Signed on behalf of the Board of Directors.

Director

NOTES TO THE BALANCE SHEETS
AT 31ST DECEMBER 2001

1) Intangible fixed assets

	2001	*2000*
	£000	*£000*
Goodwill arising on acquisition of shares in subsidiary undertakings		
Brought forward 1st January	1,254	1,342
Amortisation	(87)	(88)
Carried forward 31st December	1,167	1,254

All acquisitions have been accounted for using the acquisition method. This has been calculated as the value of consideration and expenses of acquisition less the fair value of net assets acquired.

2) Tangible fixed assets

	Freehold and leasehold property	*Fixtures fittings and equipment*	*Motor vehicles*	*Computer installations*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
GROUP					
Cost					
At 1st January 2001	1,139	2,035	810	2,731	6,715
Additions	467	269	305	626	1,667
Disposals	-	-	(426)	-	(426)
At 31st December 2001	1,606	2,304	689	3,357	7,956
Accumulated depreciation					
At 1st January 2001	245	1,656	545	2,236	4,602
Charged in year	192	125	115	425	857
Disposals	-	-	(271)	-	(271)
At 31st December 2001	437	1,781	389	2,661	5,268
Net book value at 31st December 2001	1,169	523	300	696	2,688
Net book value at 31st December 2000	894	379	265	495	2,033

NOTES TO THE BALANCE SHEETS
AT 31ST DECEMBER 2001

	Leasehold property £000	*Fixtures fittings and equipment £000*	*Motor vehicles £000*	*Total £000*
COMPANY				
Cost				
At 1st January 2001	128	39	72	239
239	-	-	-	-
Disposal	-	-	-	-
At 31st December 2001	128	39	72	239
Accumulated depreciation				
At 1st January 2001	28	28	57	113
Charged in year	2	2	14	18
Disposal	-	-	-	-
At 31st December 2001	30	30	71	131
Net book value at 31st December 2001	98	9	1	108
Net book value at 31st December 2000	100	11	15	126

The net book amount of tangible assets at 31st December 2001 includes £ 98,000 (2000: £100,000) for the Group and £ 98,000 (2000: £100,000) for the company in respect of leased assets.

3) Investment in subsidiary undertakings

	Shares at cost £000	*Long term loans £000*	*Total £000*
COMPANY			
Balance at 1st January 2001	3,170	1,448	4,618
Write down investments	-	(417)	(417)
Additions	3	79	82
Balance at 31st December 2001	3,173	1,110	4,283

NOTES TO THE BALANCE SHEETS
AT 31ST DECEMBER 2001

3) Investment in subsidiary undertakings (continued)

Details of the principal subsidiary undertakings at 31st December 2001 all of which are consolidated are:

Name	*Principal activity*	*Percentage held by* *The company* %	*Subsidiaries* %
Baceman Limited	SightPlan scheme management	-	51
Ballantyne, McKean & Sullivan Limited	Reinsurance broking	100	-
BankServe Insurance Services Limited	Non-life Insurance	70	
BMS Clarke Limited	Corporate investment	100	-
BMS Facultative Limited	Insurance services	70	-
BMS Greenstock Limited	Run off of financial planning services	-	100
BMS Harris & Dixon Insurance Brokers Limited	Reinsurance and Insurance broking	-	100
BMS Harris & Dixon Insurance Brokers Pty Limited	Reinsurance and Insurance broking	-	100
BMS Harris & Dixon Praha a.s.	Reinsurance and Insurance broking	-	100
BMS Harris & Dixon Slovakia a.s.	Reinsurance and Insurance broking	-	100
BMS Investments Limited	Corporate investment	100	-
BMS Management Services Limited	Management services	100	-

NOTES TO THE BALANCE SHEETS
AT 31ST DECEMBER 2001

3) Details of principal subsidiary undertakings (continued)

Name	*Principal activity*	*Percentage held by* *The company* %	*Subsidiaries* %
BMS Marine Reinsurance Services Limited	Reinsurance broking	100	-
BMS Millsmith Limited	Run off of financial planning Services	-	100
BMS Re Limited	Reinsurance broking	100	-
BMS Special Risk Services Limited	Insurance and Reinsurance Broking	100	-
Jansen & Hastings Intermediaries Limited	Insurance Services	70	-
H.D. Holdings Limited	Corporate investment	100	-
Minova Enterprises Limited	Corporate investment	100	-
SCI Palmier	Property investment	100	-
Underwriting Facilities Limited	Insurance services	-	100

All the above companies are registered and operate in England and Wales except SCI Palmier which is registered in France, BMS Harris & Dixon Insurance Broker Pty Limited which is registered in Australia, BMS Harris & Dixon Praha a.s. which is registered in the Czech Republic and BMS Harris & Dixon Slovakia a.s. which is registered in the Slovak Republic.

NOTES TO THE BALANCE SHEETS
AT 31ST DECEMBER 2001

4) Interest in joint venture

	GROUP	COMPANY *Shares at cost*
	£000	*£000*
At 1st January 2001	(65)	-
Movement during the year	197	-
At 31st December 2001	132	-

In accordance with FRS 9 ("Associates & Joint Ventures"), the investment in BMS Collins Ltd has been reclassified as a joint venture.
The Group's investment in joint venture undertakings is valued at its share of their net assets.

Name	Principal activity	Country in which registered & operating	Percentage held by The company	Percentage held by Subsidiaries
			%	%
BMS Collins Limited	Reinsurance broking	England & Wales	-	50

5) Investment in associated undertakings

	GROUP	COMPANY *Shares at cost*
	£000	*£000*
At 1st January 2001	1,314	-
Movement during the year	(640)	-
At 31st December 2001	674	-

The Group's investment in associated undertakings is valued at its share of their net assets.

Details of the associated undertakings at 31st December 2001 are:

Name	Principal activity	Country in which registered & operating	Percentage held by The company	Percentage held by Subsidiaries
			%	%
B&HD Limited	General trading	England & Wales	-	50
Health & Accident Underwriters (Pty) Limited	Insurance services	South Africa	50	-
International Reinsurance Brokers Limited	Reinsurance broking	England & Wales	-	50
Vision Re Insurance Intermediaries Inc.	Reinsurance broking	USA	-	40

NOTES TO THE BALANCE SHEETS
AT 31ST DECEMBER 2001

6) Other investments

	GROUP Unlisted Investments £000	COMPANY Unlisted Investments £000
At 1st January 2001	532	49
Additions	59	-
Disposals	(57)	-
At 31st December 2001	534	49

7) Debtors

	GROUP		COMPANY	
	2001 £000	2000 £000	2001 £000	2000 £000
Trade debtors	148,371	149,578	-	-
Amount due from subsidiary undertaking	-	-	3,777	3,628
Amount due from Associated companies	548	225	-	-
Taxation	39	73	618	561
Other debtors	530	334	29	-
Prepayments and accrued income	3,783	2,767	63	-
	153,271	152,977	4,487	4,189

8) Current asset investments - Group

	2001 £000	2000 £000
Listed in Great Britain	11	11
Listed overseas	68	66
Unlisted	133	66
	212	143

The value of unlisted investments is based on cost.

NOTES TO THE BALANCE SHEETS
AT 31ST DECEMBER 2001

9) Creditors: amounts falling due within one year

	GROUP		*COMPANY*	
	2001 *£000*	*2000* *£000*	*2001* *£000*	*2000* *£000*
Trade creditors	200,134	196,476	-	-
Amount owed to subsidiary undertakings	-	-	4,086	5,667
Proposed dividend	306	306	306	306
Taxation	796	645	7	7
Other taxation and social security	487	352	-	-
Accruals and deferred income	8,036	5,639	524	468
	209,759	203,418	4,923	6,448

10) Creditors: amounts falling due after more than one year

	GROUP		*COMPANY*	
	2001 *£000*	*2000* *£000*	*2001* *£000*	*2000* *£000*
Other	244	144	-	-
	244	144	-	-

11) Provisions for liabilities and charges

	At 1 January 2001 *£000*	**Increase / (Release)** *£000*	**At 31 December 2001** *£000*
Provisions for payments under pension review	684	140	824
E&O provision	250	-	250
Provision for property costs	405	554	959
Administration costs in respect of pension misselling	300	100	400
	1,639	794	2,433

Certain subsidiaries are currently involved or potentially involved in claims arising from their business activities. On the facts known to the directors there is no reason to suppose that any losses in excess of the deductibles under the Group's errors and omission insurances will not be covered. Provision is only made to the extent that losses are expected to arise.

As required by the Financial Services Authority a review has been carried out of individuals who may have been wrongly advised to transfer or opt out of an occupational pension scheme and enter into a personal pension scheme and have thereby suffered financial loss. The amounts provided represent the Directors' best assessment in the current circumstances. However, the potential exists for the provision in relation to Phase II of the review to change due to factors beyond the control of the Group, such as changes in the Phase II regulations and movements in long term interest rates and equity markets.

12) Provision for deferred taxation has been made in respect of :

Capital allowances	7	-	7	-
Other short term timing differences	(46)	(60)	(7)	-
	(39)	(60)	-	-

Unprovided deferred taxation

Capital allowances in excess of depreciation	(161)	-	-	-
Other timing differences	-	-	(4)	-
	(161)	-	(4)	-

13) Called up share capital

	2001	*2000*
	£	*£*
Authorised		
1,000 (2000: 1,000) 'A' ordinary shares of 5p each - non equity	50	50
399,000 (2000: 399,000) 'B' ordinary shares of 5p each - equity	19,950	19,950
	20,000	20,000
Allotted and fully paid		
1,000 (2000: 1,000) 'A' ordinary shares of 5p each - non equity	50	50
239,020 (2000: 239,020) ' B' ordinary shares of 5p each - equity	11,951	11,951
	12,001	12,001

The holders of the 'A' ordinary shares of 5p each are entitled to vote at the company's general meetings but are not entitled to any dividends and are only entitled to the paid up amount upon winding up.

The holders of the 'B' ordinary shares of 5p each are not entitled to vote at the company's general meetings but are entitled to dividends and any surplus upon winding up.

NOTES TO THE BALANCE SHEETS
AT 31ST DECEMBER 2001

14) Reserves

	GROUP		*COMPANY*	
	2001	*2000*	*2001*	*2000*
	£000	*£000*	*£000*	*£000*
Share premium account				
At 1st January	2,343	2,343	2,343	2,343
Additions	-	-		-
At 31st December	2,343	2,343	2,343	2,343
Capital reserve				
At 1st January and 31st December	990	990	-	-
Profit and loss account				
At 1st January	7,284	4,559	265	5,074
Retained profit/(loss) for the year	1,127	1,677	1,510	(4,809)
Goodwill written back	-	1,048	-	-
At 31st December	8,411	7,284	1,775	265

The capital reserve is non-distributable. It relates to a retained reserves within a subsidiary company which have been converted to share capital.

15) Reconciliation of movements in equity shareholders' funds

	2001	*2000*
	£000	*£000*
Profit attributable to shareholders	1,738	2,289
Dividends	(612)	(612)
Net increase to shareholders' funds	1,127	1,677
Goodwill written back from reserves	-	1,048
Opening equity shareholders' funds	10,629	7,904
Closing equity shareholders' funds	11,756	10,629

16) Transactions with directors

Mr G.J. McKean, Mr R.E.F. Ballantyne and Mr S.J. Nunn are underwriting members of Lloyd's. The Group places business with syndicates at Lloyd's, on which these directors are members, on the same basis as the Group deals with other Lloyd's syndicates.

NOTES TO THE BALANCE SHEETS
AT 31ST DECEMBER 2001

17) Commitments - Lease agreements

The Group as part of its normal trading activities, has entered into certain lease agreements for the provision of office accommodation, equipment and motor vehicles. These agreements impose a commitment on the Group to pay the lease rents for the period of the lease.

Set out below are the operating lease rentals payable during the next year.

	2001	*2000*
	Property *£000*	*Property* *£000*
Commitments expiring :		
Within one year	33	4
Between one and five years	1,262	458
After more than five years	832	1,811
	2,127	2,273

18) Financial commitments

i) At 31st December 2001 there were outstanding forward exchange contracts for the sale of US$ 46 million for Sterling at rates of exchange varying between US$ 1.35 and US$1.57. There are additional outstanding contracts to sell various foreign currencies. The commitment at the balance sheet date amounts to £898,152 (2000: £1,893,297).

ii) The company had outstanding forward rate agreements for deposits totalling $12,000,000.

iii) The minority shareholders of Jansen & Hastings Intermediaries Limited hold options to sell their shareholdings in exchange for shares in the company. The options are exercisable in the period 2000 to 2002 and the number of shares to be issued will be dependent upon the average profits of Jansen & Hastings Intermediaries Limited relative to the average profits of the rest of the Group for the three, four or five financial years ending prior to the exercise of the options.

iv) The minority shareholders of BMS Facultative Limited hold options to sell their shareholdings in exchange for shares in the company. The options are exercisable in the period 2002 to 2004 and the number of shares to be issued will be dependent upon the average profits of BMS Facultative Limited relative to the average profits of the rest of the Group for the three, four or five financial years ending prior to the exercise of the options.

iv) The Minority shareholders of BankServe Insurance Services Limited hold option to sell their shareholdings in exchange for shares in the company. The options are exerciseable in the period 2003 to 2005 and the number of shares to be issued will be dependent upon the average profits of BankServe Insurance Services Limited relative to the average profits of the rest of the Group for the three, four or five financial years ending prior to the exercise of the options.

NOTES TO THE BALANCE SHEETS
AT 31ST DECEMBER 2001

19) FRS17 Disclosures

On 30 November 2000, the Accounting Standards Board introduced a new standard, FRS 17 "Retirement Benefits", replacing SSAP 24 "Accounting for Pension Costs". FRS 17 is fully effective for periods ending on or after 22 June 2003, though disclosures are required in the transitional period commencing with the year ended 31 December 2001. The group is adopting the transitional arrangements of FRS17. Therefore ,the full actuarial valuations for the Group schemes as a whole have been reviewed and updated as at 31 December 2001 by qualified independent actuaries. Initial disclosures showing the total assets and liabilities of the pension plans are set out below. These have been calculated on the following assumptions, for both schemes:

Rate of increase in salaries	3.75%
Rate of increase for pensions in payment	3% in respect of service before 6/4/97 and 2.75% thereafter
Discount rate	6.0%
Inflation assumption	2.75%

The assets and liabilities of the BMS Associates Group defined benefit pension plans at 31 December 2001 are shown below:

	BMS Associates £000	BMS Harris & Dixon £000	Total £000
Equities	7,300	9,463	16,763
Bonds & Cash	1,800	6,685	8,485
Market value of assets	9,100	16,148	25,248
Present value of liabilities	(12,000)	(14,470)	(26,470)
(Deficit)/Surplus in the plan	(2,900)	1,678	(1,222)
Related deferred tax asset	-	-	-
Net pension liability	(2,900)	1,678	(1,222)

The expected long-term rate of return over the following year is 5.25% for bonds and 7% for equities.

The above annual financial assumptions are prescribed by FRS17 and do not reflect the assumptions used by the independent qualified actuary in the triennial valuation at 31 December 1999, which determines the company contribution rate for future years. FRS 17 requires the directors to disclose the assets and liabilities of the Groups defined benefit schemes at 31 December 2001 using these FSR17 assumptions.

CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2001

		2001		2000	
	Note	*£000*	*£000*	*£000*	*£000*
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	1		908		(461)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		3,511		2,927	
Interest paid		-		(22)	
Dividends paid to minority shareholders in subsidiary undertakings		(46)		-	
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			3,465		2,905
TAXATION					
Tax paid			(836)		(778)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Purchase of tangible fixed assets		(1,593)		(558)	
Disposal of tangible fixed assets		102		446	
Purchase of other fixed asset investments		(84)		(927)	
Disposal of other fixed asset investments		853		-	
NET CASH (OUTFLOW) FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			(722)		(1,039)
ACQUISITIONS AND DISPOSALS					
Proceeds from sale of subsidiary		20		805	
Net cash disposed of on sale of subsidiary		(10)		(146)	
Proceeds from sale of business interest		112		396	
NET CASH INFLOW FROM ACQUISITIONS AND DISPOSALS			122		1,055
EQUITY DIVIDENDS PAID		(612)		(612)	
			(612)		(612)
MANAGEMENT OF LIQUID RESOURCES					
Purchase of current asset investment		(69)		-	
NET CASH OUTFLOW FROM MANAGEMENT OF LIQUID RESOURCES			(69)		-
CASH (OUTFLOW) BEFORE FINANCING			2,256		1,070
FINANCING					
Capital element of finance lease rentals		-		(6)	
					(6)
INCREASE IN CASH			2,256		1,064

NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2001

		2001 £000	2000 £000
1.	Reconciliation of consolidated operating profit to net cash inflow/(outflow) from operating activities		
	Operating profit	2,500	4,213
	Net interest received	(3,333)	(2,905)
	Depreciation	854	750
	Amortisation of goodwill	87	88
	Amortisation of fixed asset investments	25	-
	(Profit)/loss on disposal of fixed assets	(17)	(142)
	Capital (gain)/loss on investments	(36)	33
	Increase in/(release of) provision	500	(100)
	(Increase)/decrease in non insurance debtors	(1,468)	(757)
	Increase/(Decrease) in non insurance creditors	2,753	2,046
	Decrease in insurance net assets	(957)	(3,687)
	Net cash (outflow) from operating activities	908	(461)

2. Analysis of net funds
year ended 31st December 2001

	2000 £000	Cash flow £000	Other Changes £000	2001 £000
Cash in hand and at bank	1,929	2,256	-	4,185
Current asset investments	143	69	-	212
Net funds	2,072	2,325	-	4,397

3. Reconciliation of net cashflow to movement in net funds

Increase in cash in period	2,256	
Cash outflow from increase in liquid resources	69	
Change in net debt		2,325
Net funds at 1st January 2001		2,072
Net funds at 31st December 2001		4,397

NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2001

4. Analysis of the balances of net cash

			Change in year	
	2001	2000	2001	2000
	£000	£000	£000	£000
Insurance cash at bank and in hand	61,691	55,849	5,842	18,497
Other cash at bank and in hand	4,185	1,929	2,256	1,021
	65,876	57,778	8,098	19,518
Overdraft	-	-	-	43
	65,876	57,778	8,098	19,561