

ALSTON GAYLER & CO LIMITED

(Company Registration No : 2258855)

REPORTS AND FINANCIAL STATEMENTS

31 DECEMBER 2000



ALSTON GAYLER & CO LIMITED

REPORTS AND FINANCIAL STATEMENTS 2000

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ALSTON GAYLER & CO LIMITED

REPORTS AND FINANCIAL STATEMENTS 2000

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

Mr W van der Togt (Chairman)
Mr D J Jackson
Mr M W Stone
Mr M Whale
Mr G Hilton
Mr I Scott
Mr N P Summers
Mr R E Gospage

SECRETARY:

Mr M Whale

REGISTERED OFFICE:

Bankside House,
107/112 Leadenhall Street,
LONDON EC3A 4DA

BANKERS:

Barclays Bank plc
54 Lombard Street,
LONDON EC3V 9EX

SOLICITORS:

Gouldens,
10 Old Bailey,
LONDON EC4M 7NG

Halliwell Landau,
75 King William Street,
London EC4N 7EA

AUDITORS:

Mazars Neville Russell,
Chartered Accountants,
24 Bevis Marks,
LONDON EC3A 7NR

ALSTON GAYLER & CO LIMITED

DIRECTORS' REPORT

The directors present their report and the financial statements for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES

The company is a Lloyd's broker whose principal activities are those of insurance and reinsurance broking. The company is also a member of the General Insurance Standards Council.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The directors are pleased to report significant growth in the profitability of the company. This has been achieved through a 30% uplift in brokerage income as against a 7% increase in administrative expenses. At the pre tax level, the company has reported profits of £526,625 compared with £120,262 in 1999.

The directors are confident that the company will continue to achieve growth in profitability and remain committed to providing a professional and personalised service to clients.

RESULTS AND DIVIDENDS

The results of the company for the year are set out in the attached financial statements on pages 5 to 13. The directors do not recommend the payment of a dividend.

DIRECTORS

The current directors are shown on Page 1. The directors who held office from 1 January 2000 to the date of this report are listed below. All held office throughout the period, unless otherwise indicated.

Mr W van der Togt	(Chairman)
Mr D J Jackson	(Managing Director)
Mr M W Stone	
Mr B W Cook	(Resigned 17 January 2000)
Mr M Whale	(Finance Director)
Mr G Hilton	(Non-executive)
Mr I Scott	
Mr N P Summers	(Appointed 7 February 2000)
Mr R E Gospage	(Appointed 1 January 2001)

No director held any interest in the issued share capital of the company. Certain of the directors were also directors of the immediate parent company, Nelson Holdings Limited. The interests of those directors in the issued share capital of Nelson Holdings Limited are disclosed in the financial statements of that company.

The immediate parent company has granted options to the following directors to acquire Participating Shares of £1 each:

Mr N P Summers	15,932
Mr I Scott	10,621
Mr R E Gospage	5,311

The options are exercisable during a seven year period, commencing in December 2003, at a price of £4.81 per share.

ALSTON GAYLER & CO LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to


- (i) select suitable accounting policies and then apply them consistently;
- (ii) make judgements and estimates that are reasonable and prudent;
- (iii) comply with applicable accounting standards, subject to any material departures disclosed and explained in the financial statements; and
- (iv) 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 maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and 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.

GENERAL MEETINGS

The company has elected in pursuance of Section 252, Companies Act 1985, not to lay accounts before the members in general meeting. Members, however, may, by notice in writing to the company at its registered office, require that the accounts are laid before the company in general meeting.

Approved by the Board of Directors on 10 April 2001
and signed on behalf of the Board by



M Whale
Company Secretary

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF

ALSTON GAYLER & CO LIMITED

We have audited the financial statements on 5 to 13 which have been prepared following the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 3, in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 to you 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 and consider the implications for our report if we become aware of any apparent misstatement within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes an 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 affairs of the company as at 31 December 2000 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



MAZARS NEVILLE RUSSELL

CHARTERED ACCOUNTANTS
and Registered Auditors

London

10 April 2001

ALSTON GAYLER & CO LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2000

	Note	2000 £	1999 £
TURNOVER	2	1,971,643	1,527,950
Administrative expenses		(1,583,489)	(1,480,325)
OPERATING PROFIT		388,154	47,625
Interest receivable		139,147	77,021
Profit on disposal of fixed assets		8,286	3,500
Interest payable and similar charges	6	(8,962)	(7,884)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	526,625	120,262
Taxation	7	(140,216)	(32,793)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED PROFIT FOR THE FINANCIAL YEAR	12	386,409	87,469

The company had no recognised gains or losses other than the profit for the financial year.

The profit on ordinary activities before taxation is wholly attributable to continuing activities and has been calculated on the historical cost basis.

ALSTON GAYLER & CO LIMITED

BALANCE SHEET

as at 31 December 2000

	Note	2000 £	1999 £
TANGIBLE FIXED ASSETS	8	163,725	137,670
CURRENT ASSETS			
Debtors	9	6,529,653	2,711,019
Cash at bank and in hand		4,405,806	1,555,016
		<u>10,935,459</u>	<u>4,266,035</u>
CREDITORS			
Amounts falling due within one year	10	(9,959,905)	(3,650,835)
		<u>975,554</u>	<u>615,200</u>
NET CURRENT ASSETS			
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,139,279</u>	<u>752,870</u>
NET ASSETS		<u>1,139,279</u>	<u>752,870</u>
SHARE CAPITAL AND RESERVES			
Called up share capital	11	500,000	500,000
Profit and loss account		639,279	252,870
		<u>1,139,279</u>	<u>752,870</u>
SHAREHOLDERS' FUNDS	12	<u>1,139,279</u>	<u>752,870</u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Approved by the Board on 10 April 2001
and signed on its behalf by :

Willem van der Togt
Director

ALSTON GAYLER & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2000

1. ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material to the company's affairs.

(a) Accounting convention and accounting standards

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The company is exempt from the requirement to prepare a cash flow statement on grounds of its size.

(b) Turnover

Brokerage is credited to income when debit notes are issued to clients, irrespective of the inception date of the policy. Turnover also includes gains or losses arising from foreign exchange transactions.

(c) Depreciation

Fixed assets are written off over their estimated useful lives on a straight line basis at the following annual rates.

Improvements to short leasehold	- over period of lease
Fixtures and fittings	- 10%
Motor vehicles	- 25%
Computer equipment	- 25%

(d) Foreign currency translation

Revenues and costs expressed in all foreign currencies are translated into sterling at average rates of exchange which approximate to the actual rate ruling on the date on which transactions occurred.

Monetary assets and liabilities are translated at the rate ruling at the balance sheet date.

Differences arising on the translation of foreign currency items are dealt with in the profit and loss account.

(e) Insurance broking assets and liabilities

The company acts as agents in broking the insurable risks of clients and, normally, is not liable as a principal for premiums due to underwriters or for claims payable to clients. Notwithstanding the legal relationship with clients and underwriters, the company has followed generally accepted accounting practice for insurance intermediaries by showing debtors, creditors and cash balances relating to insurance business as assets and liabilities of the company itself. This recognises that the company is entitled to retain the investment income on any cash flows arising from these transactions.

Under Financial Reporting Standard ("FRS 5"), assets and liabilities may not be offset unless net settlement is legally enforceable and, therefore, insurance debtors and creditors are shown gross within these financial statements.

ALSTON GAYLER & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2000

1. ACCOUNTING POLICIES (continued)

(f) Pension scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charged to the profit and loss account represents contributions payable by the company in respect of the period.

(g) Operating Leases

Rentals paid under operating leases are charged to the profit and loss account as incurred.

(h) Lloyd's reconstruction and renewal plan

The company, in common with other Lloyd's brokers, is subject to a market levy based on premium income over a period of five years, commencing in 1996, in respect of the Lloyd's Reconstruction and Renewal Plan. The levy is charged in the profit and loss account in the period to which it relates.

2. TURNOVER

	2000 £	1999 £
Turnover is analysed as :		
Net brokerage receivable	1,948,525	1,519,015
Exchange gain	23,118	8,935
	<hr/>	<hr/>
	1,971,643	1,527,950
	<hr/>	<hr/>

3. STAFF COSTS

	2000 £	1999 £
Staff costs comprised :		
Wages and salaries	863,811	853,095
Social security costs	106,408	95,681
Other pension costs	69,440	65,538
	<hr/>	<hr/>
	1,039,659	1,014,314
	<hr/>	<hr/>

The average number of persons employed during the year, including directors, was as follows:

	2000 Number	1999 Number
Management and administration	4	4
Broking and technical	15	14
	<hr/>	<hr/>
	19	18
	<hr/>	<hr/>

ALSTON GAYLER & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2000

4. DIRECTORS' EMOLUMENTS

	2000 £	1999 £
Aggregate directors' emoluments	458,418	449,640
	<hr/>	<hr/>
	Number	Number
During the period the following number of directors accrued benefits under money purchase pensions schemes.	6	6
	<hr/>	<hr/>

5. DIRECTORS' AND RELATED PARTY INTERESTS

(a) Interests and related party interests

Anchor Insurance BV owns 50% of MAR Holding BV. Anchor Insurance BV and its affiliated companies, Anchor Insurance SA and Rembrandt Insurance Co Limited are members of the Vitol group of companies.

Mr J Post, a director of the intermediate parent, Nelson Holdings Limited, owns a controlling interest in P&I Holland BV, the ultimate holding company of Post & Co (P&I) BV. P&I Holland BV, through a wholly-owned subsidiary, owns 50% of MAR Holding BV.

During 2000, brokerage was shared with Anchor Insurance BV, Anchor Insurance SA and Post & Co (P&I) BV, and earned from business placed with Rembrandt Insurance Co Limited.

	2000 £	1999 £
Brokerage earned by this company:		
Anchor Insurance BV	139,480	144,245
Anchor Insurance SA	567,285	336,323
Rembrandt Insurance Co Limited	61,409	58,239
Post & Co (P&I) BV	395,467	363,671
Amounts due (to)/from related company at year end:		
Anchor Insurance BV	261,704	(18,728)
Anchor Insurance SA	1,969,052	828,694
Rembrandt Insurance Co Limited	(380,261)	(82,079)
Post & Co (P&I) BV	453,201	248,587

ALSTON GAYLER & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2000

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is stated after charging :

	2000 £	1999 £
Depreciation	54,130	50,182
Auditors' remuneration	11,025	10,650
Operating lease rentals in respect of equipment	2,354	2,354
Operating lease rentals in respect of property	45,276	45,276
	<hr/>	<hr/>
Interest payable and similar charges :		
Interest payable on bank overdraft	8,962	7,884
	<hr/>	<hr/>

7. TAXATION

	2000 £	1999 £
Corporation tax on the profit for the year at 20%-32.5% (1999 : 20.25%)	139,450	31,245
Under provision for previous years	766	1,548
	<hr/>	<hr/>
	140,216	32,793
	<hr/>	<hr/>

ALSTON GAYLER & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2000

8. TANGIBLE FIXED ASSETS

	Leasehold Improvements £	Computer Equipment £	Fixtures & Fittings £	Motor Vehicles £	Total £
COST					
at 1 January 2000	9,860	163,899	59,650	123,784	357,193
Additions	503	18,221	2,285	70,435	91,444
Time expired disposals	-	(82,794)	(9,673)	-	(92,467)
Other disposals	-	(1,970)	-	(57,765)	(59,735)
at 31 December 2000	10,363	97,356	52,262	136,454	296,435
ACCUMULATED DEPRECIATION					
at 1 January 2000	5,948	106,610	35,269	71,696	219,523
Charge for period	1,520	23,084	6,818	22,708	54,130
Time expired disposals	-	(82,794)	(9,673)	-	(92,467)
Other disposals	-	(164)	-	(48,312)	(48,476)
at 31 December 2000	7,468	46,736	32,414	46,092	132,710
NET BOOK VALUE					
at 31 December 2000	2,895	50,620	19,848	90,362	163,725
at 31 December 1999	3,912	57,289	24,381	52,088	137,670

9. DEBTORS

	2000 £	1999 £
Amounts due within one year		
Insurance broking debtors	6,179,244	2,604,361
Amount due from holding company	244,759	-
Other debtors and prepayments	105,650	106,658
	6,529,653	2,711,019

The insurance broking debtors include £2,683,957 (1999: £1,077,281) due from related companies, the details of which are set out in Note 5.

At 31 December 2000, prepaid contributions to the company's pension scheme amounted to £6,118 (1999 : £5,976).

ALSTON GAYLER & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2000

10. CREDITORS

	2000 £	1999 £
Amounts falling due within one year :		
Insurance broking creditors	9,689,089	3,455,409
Amount due to holding company	-	12,500
Corporation tax - current year	139,450	35,476
Taxation and social security	79,524	48,624
Other creditors	51,842	98,826
	<u>9,959,905</u>	<u>3,650,835</u>

Insurance broking creditors include £380,261 (1999: £100,807) due to related companies, the details of which are set out in Note 5.

11. SHARE CAPITAL

	2000 £	1999 £
Authorised :		
Ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>
Called up, allotted, issued and fully paid:		
Ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>

12. RECONCILIATION OF SHAREHOLDERS' FUNDS

	Profit and Loss Account	Share Capital	Shareholders' Funds 2000	Shareholders' Funds 1999
	£	£	£	£
Balance at 1 January 2000	252,870	500,000	752,870	665,401
Profit for the financial year	386,409	-	386,409	87,469
	<u>639,279</u>	<u>500,000</u>	<u>1,139,279</u>	<u>752,870</u>

ALSTON GAYLER & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2000

13. INSURANCE BROKING ASSETS

The insurance broking assets of the company were, until 3 July 2000, subject to a floating charge held on trust by the Society of Lloyd's for the benefit of insurance creditors. At that date, the charge was released following the decision by the Society to transfer the regulation of Lloyd's brokers to the General Insurance Standards Council.

The company became a member of the General Insurance Standards Council on 3 July 2000 and continues to hold all insurance funds in segregated accounts, designated Insurance Broking Accounts, in accordance with the rules established by the Council.

14. OTHER FINANCIAL COMMITMENTS

At 31 December 2000, the company was committed to making the following payments during the next year in respect of lease agreements:

	2,000 £	1999 £
Operating leases which expire within 2 to 5 years:		
Land and buildings	45,276	45,276
Other	2,354	2,354
	<hr/>	<hr/>
	47,630	47,630
	<hr/>	<hr/>

15. CAPITAL COMMITMENTS

Capital expenditure contracted for, but not provided for in the financial statements, amounted to £10,000. (1999: £17,500).

16. PENSION COMMITMENTS AND OTHER POST-RETIREMENT BENEFITS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £69,430 (1999 : £68,805).

17. ULTIMATE HOLDING COMPANY

The company's immediate parent is Nelson Holdings Limited, a company registered in England. The ultimate parent company is Michiel Adriaanszoon de Ruyter Holding BV, a company registered in Holland.