

**SWINTON GROUP LIMITED**

**DIRECTORS' REPORT AND**  
**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2006**

**Registered Number: 756681 England**



**SWINTON GROUP LIMITED**

**DIRECTORS:**

N Bowyer  
A P Clare  
G M Fearn  
P J Halpin  
A M Hazeldine  
B Lefebvre  
G H Lowe  
B Mercier  
T S Nelson  
J Ordish  
J-M Pescheux (Chairman)  
M Roux  
D Salvy  
P J E Smith

**SECRETARY:**

S A Hargreaves

**REGISTERED OFFICE:**

6 Great Marlborough Street  
Manchester  
M1 5SW

**REGISTERED AUDITORS:**

Ernst & Young LLP  
100 Barbican Square  
Manchester  
M2 3EY

**BANKERS:**

Lloyds TSB Bank plc  
City Office  
11-15 Monument Street  
London  
EC2V 9JA

**REGISTERED NUMBER:**

756681 England

**SWINTON GROUP LIMITED**  
**REPORT OF THE DIRECTORS**

The directors submit their report and the audited financial statements of the Company for the year ended 31 December 2006

**RESULTS AND DIVIDEND**

The results for the year are set out in the profit and loss account on page 6 The directors declared and paid dividends of £13,000,000 in the year (2005 - £32,000,000)

**BUSINESS REVIEW AND PRINCIPAL ACTIVITIES**

The Company's principal activity during the year continued to be operating as an insurance intermediary

The Company's key financial and other performance indicators during the year were as follows

	2006 £'000	2005 £'000	Change %
Turnover	151,502	125,669	+21%
Operating profit before share scheme charges	36,988	28,719	+29%
Profit after taxation	18,888	19,260	-2%
Shareholders' funds	99,415	25,054	+297%
No of branches	449	340	+32%
No of live policies	2.1 million	1.7 million	+24%

Turnover increased by 21% in the year reflecting continued growth in the company's insurance intermediary business. This growth has been achieved both organically, through the introduction of new products and initiatives, and also through the ongoing acquisition programme (including the acquisition of the 92 Budget Retail branches at the end of August 2006)

The outlook for 2007 is positive with further improvements in performance expected. In addition, internet sales are expected to have a significant positive impact on the Company in 2007 following the enhancement of the Company's internet proposition in 2006 together with the acquisition of the trade of Its4Me plc, an internet based insurance intermediary, at the end of 2006.

Operating profit before share scheme charges showed a 29% improvement in the year, despite higher acquisition costs for new leads, reflecting increased operational productivity. Profit after taxation decreased by 2% in the year reflecting the charges made in respect of the 2006 share scheme (see note 24 to the financial statements).

£68,293,000 of the increase in shareholders funds was due to capital contributions received from Swinton (Holdings) Limited, the Company's immediate parent company. £63,000,000 of this was to facilitate two major acquisitions made by the company during the year (see note 25 to the financial statements). The remaining £5,293,000 was in respect of the 2006 share scheme (see note 24 to the financial statements).

**SWINTON GROUP LIMITED**  
**REPORT OF THE DIRECTORS**

**DIRECTORS**

The members of the board during the year were

N Bowyer	(appointed 23/03/2006)
A P Clare	(appointed 23/03/2006)
G M Fearn	
P J Halpin	
A M Hazeldine	
A E Jackson	(resigned 06/04/2006)
B Lefebvre	
G H Lowe	
B Mercier	
T S Nelson	
J Ordish	
J-M Pescheux (Chairman)	
M Roux	
D Salvy	
P J E Smith	

In 2002 a share scheme was established whereby certain executives acquired shares in the company's immediate parent, Swinton (Holdings) Limited, from the Swinton (Holdings) Limited employee benefit trust. Details of this scheme can be found in the accounts of Swinton (Holdings) Limited. The interests of the directors in these shares were as follows

Ordinary shares of 10p each				
	As at 1 Jan 06	Acquired	Disposed	As at 31 Dec 06
A E Jackson	3,918,313	-	(3,918,313)	-
J Ordish	3,918,313	-	(3,918,313)	-
P J E Smith	13,829,340	-	(13,829,340)	-

During the year, Mr P J Halpin, Mr A M Hazeldine, Mrs J Ordish and Mr P J E Smith were awarded an interest, as potential beneficiaries under an incentive scheme, in an option over 'B' ordinary shares granted by the Company to the trustees of the Swinton (Holdings) Limited employee benefit trust. These cash settled share based incentive awards vest subject to meeting corporate performance targets based on increases in operating profits between 31 December 2005 and 31 December 2010.

At 1 January 2006, Mr P J E Smith had an interest in other bodies corporate in the same group as the Company 49,356 Ordinary 'B' Shares (16.5% of the Ordinary Share Capital) in Its4me plc. These shares were acquired by the Company's immediate parent, Swinton (Holdings) Limited on 31 December 2006.

**DISABLED EMPLOYEES**

Disabled persons, when they apply for jobs, are offered equal opportunity and, if appointed, they are provided with training, career progression and promotion within the scope of their aptitude and abilities. Training or re-training is also provided, wherever possible, for employees who become disabled during their employment by the Company.

**SWINTON GROUP LIMITED**  
**REPORT OF THE DIRECTORS**

**EMPLOYEE PARTICIPATION**

The Company places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and takes steps to keep them informed of the factors affecting the performance of the Company. A monthly briefing process exists to ensure effective internal communications and to provide a vehicle for employees' feedback and contributions.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The Board is responsible for approving the Company's strategy and the Company's risk appetite in the implementation of that strategy. The Company has established a risk management framework whose primary objectives are to protect the Company from events that hinder the achievement of the Company's performance objectives. The objectives aim to ensure sufficient working capital exists and to monitor the management of risk throughout the business. The principle risks and uncertainties facing the Company are classified under financial, strategic, and compliance.

**Financial and Financial Instrument Risks**

The Company manages liquidity risk through regular cash flow forecasts and monitoring and utilises a combination of revolving credit, money market and overdrafts facilities available both directly and through its holding company Swinton (Holdings) Limited.

The Company provides credit to customers in connection with the arrangement of insurance contracts. The Company actively monitors overdue debt and has procedures in place to minimise exposure in the event of default.

**Strategic**

The Company operates in a highly competitive market which has changed in structure substantially over recent years with the entry of many major retailers, a reduction in the number of small brokers and the development of internet trading. The Group has actively addressed these business challenges through product development, an acquisitions programme and development of an internet channel.

**Compliance**

The Company falls under the regulatory regime of the Financial Services Authority (FSA) and must meet the operational, financial and reporting requirements of that Authority. These include capital adequacy and other financial requirements together with a range of customer facing obligations under the general requirement of 'treating customers fairly'. The Company has a Legal and Compliance function which has established and oversees a Compliance Framework and liaises with the FSA on regulatory matters.

**DISCLOSURE OF INFORMATION TO THE AUDITORS**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

**AUDITORS**

Ernst & Young 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**



**S A HARGREAVES**  
Secretary  
20 March 2007

## **SWINTON GROUP LIMITED**

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

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

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

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that 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.

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

# INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

## OF SWINTON GROUP LIMITED

We have audited the financial statements of Swinton Group Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Note of Historical Costs Profits and Losses and the related notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



Ernst & Young LLP  
Registered Auditor  
Manchester  
23 March 2007

**SWINTON GROUP LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

	Note	2006 £'000	2005 £'000
<b>TURNOVER</b>	2	151,502	125,669
Administrative expenses		(119,807)	(96,950)
		<hr/>	<hr/>
<b>OPERATING PROFIT</b>		31,695	28,719
Interest receivable	6	163	132
Interest payable	7	(1,919)	(614)
		<hr/>	<hr/>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		29,939	28,237
Tax on profit on ordinary activities	8	(11,051)	(8,977)
		<hr/>	<hr/>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	20	18,888	19,260
		<hr/> <hr/>	<hr/> <hr/>

A statement of the movement on reserves can be found in notes 17 to 20

All results relate to continuing operations



**SWINTON GROUP LIMITED**  
**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

	Note	2006 £'000	2005 £'000
Profit for the financial year		18,888	19,260
Unrealised surplus on revaluation of properties	18	180	289
		<hr/>	<hr/>
Total recognised gains and losses since last annual report		<hr/> <hr/> 19,068	<hr/> <hr/> 19,549

**NOTE OF HISTORICAL COST PROFITS AND LOSSES**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

	2006 £'000	2005 £'000
Profit on ordinary activities before taxation	29,939	28,237
Realisation of property revaluation losses of previous years	-	(54)
	<hr/>	<hr/>
Historical cost profit before taxation	<hr/> <hr/> 29,939	<hr/> <hr/> 28,183
Historical cost profit/(loss) for the year retained after taxation and dividends	<hr/> <hr/> 5,888	<hr/> <hr/> (12,794)

**SWINTON GROUP LIMITED**  
**BALANCE SHEET AS AT 31 DECEMBER 2006**

	Note	2006 £'000	2005 £'000
<b>FIXED ASSETS</b>			
Intangible assets	9	77,674	19,100
Tangible assets	10	17,176	12,407
Investments	11	11,797	11,797
		<hr/>	<hr/>
		106,647	43,304
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Debtors (including £13,074,000 (2005 - £2,378,000) due after one year)	12	134,050	104,524
Cash at bank and in hand		529	72
		<hr/>	<hr/>
		134,579	104,596
		<hr/>	<hr/>
<b>CREDITORS</b> · Amounts falling due within one year	13	(88,614)	(82,655)
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		45,965	21,941
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		152,612	65,245
		<hr/>	<hr/>
<b>CREDITORS</b> · Amounts falling due after more than one year	14	(52,641)	(39,857)
		<hr/>	<hr/>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	16	(556)	(334)
		<hr/>	<hr/>
		99,415	25,054
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	15,128	15,128
Revaluation reserve	18	1,162	982
Capital contribution reserve	19	68,293	-
Profit and loss account	20	14,832	8,944
		<hr/>	<hr/>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	21	99,415	25,054
		<hr/>	<hr/>

The financial statements on pages 6 to 22 were approved by the board on 20 March 2007 and signed on their behalf by

**J-M PESCHEUX - DIRECTOR**



**P J E SMITH - DIRECTOR**



# SWINTON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

### 1 STATEMENT OF ACCOUNTING POLICIES

A summary of the principal accounting policies is set out below

#### Basis of Preparation and Changes in Accounting Policy

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets, and in accordance with applicable accounting standards

In preparing the financial statements for the current year, the company has adopted FRS 20 'share-based payments'. For cash-settled transactions the fair value is established initially at the grant date and at each balance sheet date thereafter until the awards are settled. No prior year adjustment arises on adoption of the standard.

#### Goodwill

Goodwill, being the difference between the fair value of the assets acquired and the purchase consideration, is capitalised and amortised on a straight line basis over the useful life, estimated for each acquisition by the directors in the range between 5 and 10 years. It is reviewed for impairment at the end of the first full year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Goodwill acquired prior to 1 January 1998 has been taken directly to reserves. The profit or loss on the disposal or termination of a business acquired prior to this date includes goodwill previously taken directly to reserves.

#### Fixed Assets

##### (a) Valuation

Interests in freehold and long leasehold properties are stated at valuation. All freehold and long leasehold properties are valued by independent professionally qualified valuers at least once every three years, with valuations in the intervening years being performed by the Company's qualified surveyors. The basis of valuation is open market value or, for those properties occupied by the Group, open market value for existing use. Surpluses or deficits arising on valuation are taken direct to the revaluation reserve. Where there is a material diminution in value of a freehold or long leasehold property, as a result of consumption of economic benefit, such a diminution is recognised in the profit and loss account in the year in which it occurs or is first perceived.

##### (b) Depreciation

Freehold and long leasehold properties, the majority of which are operated as retail outlets within the Company, are maintained to a high standard. As a result, the directors are of the opinion that the residual values, estimated at the date of acquisition or subsequent valuation, are such that depreciation is not significant. Accordingly, freehold and long leasehold properties are not depreciated. Annual impairment reviews are performed on these assets.

The costs of maintenance and repair of freehold and long leasehold property are charged through the profit and loss account as they arise. Improvements to these properties are capitalised and written off over their estimated useful life.

Depreciation is provided so as to write off the cost of all other tangible fixed assets over their expected useful economic lives, which are estimated to be

Short leasehold property	-	The period of the lease
Equipment, furniture and vehicles	-	3 – 5 years

##### (c) Disposals of Freehold and Long Leasehold Property

The difference between net proceeds and net carrying amount is dealt with through the profit and loss account. Any amount in the revaluation reserve relating to the property is transferred to the profit and loss reserve.

# SWINTON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2006

#### 1 STATEMENT OF ACCOUNTING POLICIES (continued)

##### **Fixed Asset Investments**

Fixed asset investments are valued at cost less any provision for impairment

##### **Vacant Property Expenses**

The Company provides for future costs associated with properties which it has ceased to use and is unlikely to re-occupy. The provision encompasses all net rent and other outgoings based on an estimate of the length of time properties will continue to be vacant.

##### **Hire Purchase and Operating Lease Rentals**

Assets obtained under hire purchase contracts are capitalised in the balance sheet and depreciated over their estimated useful lives.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Operating lease rentals are charged to the profit and loss account in the year in which they are incurred.

##### **Deferred Taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that the underlying timing difference will reverse and that there will be suitable taxable profits from which the future reversal can be deducted.

##### **Pension Costs**

The Company operates a defined contribution scheme, which is a stakeholder scheme, covering the majority of its employees. The scheme is non-contributory and the funds are administered independently of the Company's finances. The charge to the profit and loss account comprises the total contributions payable to the scheme in the financial year.

##### **Capital Instruments**

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

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

Cash-settled share based incentive awards are accounted for in accordance with FRS20 "Share-based payments". During the vesting period, a liability is recognised based on the fair value of the awards and the elapsed period of the service contract to which the award relates at the balance sheet date. From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the balance sheet date. Changes in the carrying amount for the liability are recognised in the profit and loss account for the period.

# SWINTON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

### 1. STATEMENT OF ACCOUNTING POLICIES (continued)

#### Cash Flows

The Company's ultimate parent undertaking is MMA IARD Assurances Mutuelles, (a company incorporated in France) and its results are included in the consolidated financial statements of that company. Consequently the Company is exempt from the requirement of Financial Reporting Standard 1 to prepare a cash flow statement.

#### Group Accounts

The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare consolidated accounts. These financial statements present information about the Company as an individual undertaking and not about its Group.

### 2. TURNOVER

Turnover on ordinary activities represents

Insurance commissions and fees receivable from the sale of insurance policies in the UK

Net property rents receivable

Commission and associated fees, less an appropriate provision for anticipated future rebates, are recognised in the profit and loss account at the date of transaction. Fees charged for the provision of credit to customers are recognised in the profit and loss account on a reducing balance basis over the credit period.

The level of third party rents receivable is insignificant in the context of Company turnover and therefore, in the opinion of the directors, a segmental analysis would not assist the users of the financial statements.

### 3. OPERATING PROFIT

	2006 £'000	2005 £'000
Operating profit is stated after charging/(crediting)		
Amortisation of goodwill	7,407	5,482
Depreciation	4,273	3,795
Profit on disposal of fixed assets	(8)	(75)
Auditors' remuneration (note 4)	270	244
Operating lease rentals		
- Land & buildings	4,087	3,557
- Motor vehicles	921	839
Rents receivable	(155)	(146)

**SWINTON GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

**4 AUDITORS' REMUNERATION**

The remuneration of the auditors is further analysed as follows

	<b>2006</b> <b>£'000</b>	<b>2005</b> <b>£'000</b>
Audit of the financial statements	120	103
Other fees to auditors		
– taxation services	150	59
– other services	-	82
	<hr/>	<hr/>
Auditors' Remuneration charged to the profit and loss account (note 3)	270	244
Other fees to auditors capitalised as acquisition costs – taxation services	65	-
	<hr/>	<hr/>
Total Auditors' Remuneration	335	244
	<hr/>	<hr/>

**5. DIRECTORS AND EMPLOYEE INFORMATION**

Directors' remuneration

	<b>2006</b> <b>£'000</b>	<b>2005</b> <b>£'000</b>
Emoluments	1,711	1,466
Company contributions paid to money purchase pension schemes	92	38
	<hr/>	<hr/>
	1,803	1,504
	<hr/>	<hr/>

	<b>2006</b> <b>No.</b>	<b>2005</b> <b>No.</b>
Number of directors who exercised purchase options under share schemes	3	-
	<hr/>	<hr/>
Number of directors who received interests in options under share schemes	4	-
	<hr/>	<hr/>
Members of money purchase pension schemes	5	3
	<hr/>	<hr/>

The amounts in respect of the highest paid director are as follows

	<b>2006</b> <b>£'000</b>	<b>2005</b> <b>£'000</b>
Emoluments	397	592
	<hr/>	<hr/>
Company contributions paid to money purchase pension schemes	23	16
	<hr/>	<hr/>

**SWINTON GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

**5 DIRECTORS AND EMPLOYEE INFORMATION (continued)**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Staff costs comprise		
Wages and salaries	53,434	42,409
Social security costs	4,575	4,020
Other pension costs	994	891
	<hr/>	<hr/>
	59,003	47,320
	<hr/>	<hr/>

Included in wages and salaries is a total expense of £5,293,000 (2005 £m) in respect of cash-settled share based incentive awards

	<b>2006</b>	<b>2005</b>
	<b>No.</b>	<b>No.</b>
The average monthly number of employees during the year was		
Sales	1,959	1,912
Other operational	512	390
Support	219	188
	<hr/>	<hr/>
	2,690	2,490
	<hr/>	<hr/>

**6 INTEREST RECEIVABLE**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest receivable	99	-
Other interest receivable	64	132
	<hr/>	<hr/>
	163	132
	<hr/>	<hr/>

**7. INTEREST PAYABLE**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Interest payable on overdrafts and bank loans	1,176	428
Interest payable to group undertakings	725	182
Other interest payable	18	4
	<hr/>	<hr/>
	1,919	614
	<hr/>	<hr/>

**SWINTON GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

**8 TAXATION**

**(a) The tax charge is made up as follows:**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
<i>Current tax</i>		
UK corporation tax	11,085	9,097
Adjustments in respect of previous periods	(34)	(120)
	<hr/>	<hr/>
Total current tax (b)	11,051	8,977
	<hr/>	<hr/>
<i>Deferred tax</i>		
Short term timing differences	-	-
Accelerated capital allowances	-	-
Prior year adjustment	-	-
	<hr/>	<hr/>
Total deferred tax	-	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	11,051	8,977
	<hr/>	<hr/>
<b>(b) Factors affecting tax charge for the period.</b>		
Profit on ordinary activities before tax	29,939	28,237
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard tax rate in the UK of 30% (2005 – 30%)	8,982	8,471
Expenses not deductible for tax purposes		
- Goodwill amortisation	591	729
- Share scheme provision	1,587	-
- Other	87	82
Capital allowances for period in excess of depreciation	(201)	(164)
Utilisation of tax losses	-	(20)
Adjustments to tax charge in respect of previous periods	(34)	(120)
Movement on other deferred tax not provided	39	(1)
	<hr/>	<hr/>
Total current tax (a)	11,051	8,977
	<hr/>	<hr/>

**(c) Factors that may affect future tax charges**

In accordance with accounting standards, the deferred tax asset on accelerated capital allowances and short term timing differences has not been accounted for in the financial statements as they are not expected to reverse in the foreseeable future

Deferred taxation has not been provided in respect of any liability to taxation that may arise on the sale of land and buildings at their valuation as, at the balance sheet date, there is no binding agreement to dispose of the assets



**SWINTON GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

**8 TAXATION (continued)**

**(d) Deferred tax**

	<b>UNRECOGNISED ASSET</b>	
	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Deferred taxation represents		
Capital allowances	1,574	1,765
Short term timing differences	112	72
	<hr/>	<hr/>
	1,686	1,837
	<hr/>	<hr/>

**9. INTANGIBLE FIXED ASSETS**

	<b>Purchased Goodwill £'000</b>
Cost	
At 1 January 2006	34,164
Additions (note 25)	65,985
Disposals	(4)
	<hr/>
At 31 December 2006	100,145
Amortisation	
At 1 January 2006	15,064
Charge for the year	7,407
Disposals	-
	<hr/>
At 31 December 2006	22,471
Net book value	
At 31 December 2006	77,674
	<hr/>
At 1 January 2006	19,100
	<hr/>

Goodwill is being amortised as follows

- goodwill arising on the acquisition of Budget Retail and its4me plc is being amortised evenly over the directors' estimate of its useful economic life of 10 years,
- goodwill arising on the acquisition of other unincorporated businesses purchased during the year is being amortised evenly over the directors' estimates of their useful economic lives of 5 years

**SWINTON GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2006**

**10. TANGIBLE FIXED ASSETS**

	<b>Freehold Property £'000</b>	<b>Long Leasehold Property £'000</b>	<b>Short Leasehold Property £'000</b>	<b>Equipment Furniture &amp; Vehicles £'000</b>	<b>Total £'000</b>
Cost or valuation					
At 1 January 2006	3,227	346	394	27,293	31,260
Additions	-	-	-	5,864	5,864
Acquisitions (note 25)	-	-	-	3,028	3,028
Disposals	-	-	-	(35)	(35)
Revaluation (note 18)	164	16	-	-	180
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	3,391	362	394	36,150	40,297
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At valuation	3,391	362	-	-	3,753
At cost	-	-	394	36,150	36,544
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	3,391	362	394	36,150	40,297
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 January 2006	-	-	373	18,480	18,853
Charge for the year	-	-	3	4,270	4,273
Disposals	-	-	-	(5)	(5)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	-	-	376	22,745	23,121
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 December 2006	3,391	362	18	13,405	17,176
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January 2006	3,227	346	21	8,813	12,407
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Freehold and long leasehold properties to the value of £nil (2005 - £2,480,000) were valued at 31 December 2006 and 31 December 2005 by Weatherall Green & Smith North Ltd trading as Sanderson Weatherall, Chartered Surveyors and Property Consultants, at an open market value on the basis of existing use where occupied by the Group, and at an open market value, where otherwise occupied, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. The remaining properties in 2006 were valued by internal qualified Chartered Surveyors on the same basis.

The historical cost of freehold and long leasehold property at 31 December 2006 amounted to £2,592,000 (2005 - £2,592,000).

**SWINTON GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2006**

<b>11</b>	<b>FIXED ASSET INVESTMENTS</b>	<b>Shares in Subsidiary Companies £'000</b>	<b>Unlisted Investment £'000</b>	<b>Total £'000</b>
	At 1 January 2006 and 31 December 2006	11,794	3	11,797
<b>12</b>	<b>DEBTORS</b>		<b>2006 £'000</b>	<b>2005 £'000</b>
	Insurance debtors		109,599	94,871
	Amounts owed by a fellow subsidiary undertaking		2,534	1,114
	Amounts owed by immediate parent company due after one year		10,696	-
	Amounts owed by subsidiary undertakings due after one year		2,378	2,378
	Other debtors		1,189	1,225
	Prepayments and accrued income		7,654	4,936
			<hr/>	<hr/>
			134,050	104,524
			<hr/>	<hr/>
<b>13.</b>	<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>		<b>2006 £'000</b>	<b>2005 £'000</b>
	Bank loans and overdrafts (note 15)		15,455	18,601
	Trade creditors		1,164	295
	Insurance creditors		48,737	43,891
	Corporation tax		6,954	4,881
	Other creditors including taxation and social security		1,790	1,572
	Accruals and deferred income		14,514	13,415
			<hr/>	<hr/>
			88,614	82,655
			<hr/>	<hr/>
	Included in insurance creditors is £4,306,000 due to fellow subsidiary undertakings (2005 - £5,980,000)			
<b>14</b>	<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>		<b>2006 £'000</b>	<b>2005 £'000</b>
	Wholly repayable within 5 years			
	- Bank loans (note 15)		-	10,386
	Amounts owed to immediate parent company		-	8,661
	Amounts owed to group undertakings		52,641	20,810
			<hr/>	<hr/>
			52,641	39,857
			<hr/>	<hr/>

**SWINTON GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2006**

**15. BANK LOANS AND OVERDRAFTS**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due:</b>		
In one year or less	15,473	18,650
In more than one year but not more than two years	-	10,400
	<hr/>	<hr/>
	15,473	29,050
Less issue costs	(18)	(63)
	<hr/>	<hr/>
	15,455	28,987
	<hr/>	<hr/>

Loans due after more than one year include £nil (2005 - £9,000,000) of borrowings repayable within one year. These are drawings under long-term committed facilities and have therefore been classified as such.

Bank loans and overdrafts are secured by fixed and floating charges over the assets of the Company and bear interest based on LIBOR.

**16. PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>Restructuring Provision £'000</b>	<b>Other Provisions £'000</b>	<b>Total £'000</b>
At 1 January 2006	159	175	334
Charge to profit and loss account	194	259	453
Utilised during the year	(42)	(189)	(231)
	<hr/>	<hr/>	<hr/>
At 31 December 2006	311	245	556
	<hr/>	<hr/>	<hr/>

Included within the restructuring provision are amounts relating to the costs associated with vacant property provisions.

**17. SHARE CAPITAL**

	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>2005</b>
	<b>£'000</b>	<b>000's</b>	<b>£'000</b>	<b>000's</b>
Authorised, issued and fully paid Ordinary shares of £1 each	15,128	15,128	15,128	15,128
	<hr/>	<hr/>	<hr/>	<hr/>

**SWINTON GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2006**

<b>18. REVALUATION RESERVE</b>	<b>£'000</b>
At 1 January 2006	982
Increase in property valuation (note 10)	180
	<hr/>
At 31 December 2006	1,162
	<hr/>

<b>19. CAPITAL CONTRIBUTION RESERVE</b>	<b>£'000</b>
At 1 January 2006	-
Contributions received in the year	68,293
	<hr/>
At 31 December 2006	68,293
	<hr/>

£63 000 000 of capital contributions were received from Swinton (Holdings) Limited, the company's immediate parent company, to facilitate two major acquisitions made by the company during the year £5,293,000 represents a capital contribution received by the company from Swinton (Holdings) Limited in respect of cash settled share based incentives awarded to certain executives of the company (see note 24)

<b>20. PROFIT AND LOSS ACCOUNT</b>	<b>£'000</b>
At 1 January 2006	8,944
Profit for the financial year	18,888
Dividends declared and paid in the year	(13,000)
	<hr/>
At 31 December 2006	14,832
	<hr/>

<b>21 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Opening shareholders' funds	25,054	37,505
Profit for the financial year (note 20)	18,888	19,260
Dividends declared and paid in the year (note 20)	(13,000)	(32,000)
Movement of revaluation reserve (note 18)	180	289
Capital contributions (note 19)	68,293	-
	<hr/>	<hr/>
Closing shareholders' funds	99,415	25,054
	<hr/>	<hr/>

**SWINTON GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2006**

**22. CAPITAL COMMITMENTS**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
At the balance sheet date, the Company had capital expenditure commitments as follows		
Contracted for but not provided in the financial statements	767	202

**23. OTHER FINANCIAL COMMITMENTS**

The Company has annual commitments under non-cancellable operating leases as follows

	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>2005</b>
	<b>Land and</b>	<b>Motor</b>	<b>Land and</b>	<b>Motor</b>
	<b>Buildings</b>	<b>Vehicles</b>	<b>Buildings</b>	<b>Vehicles</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Expiring within one year	410	93	268	131
Expiring between 2-5 years	2,327	593	1,469	745
Expiring after more than 5 years	1,368	-	1,390	-
	<hr/>	<hr/>	<hr/>	<hr/>
	4,105	686	3,127	876
	<hr/>	<hr/>	<hr/>	<hr/>

**24. SHARE-BASED PAYMENTS**

Options in B' ordinary shares in the Company's immediate parent, Swinton (Holdings) Limited, were awarded to the trustees of the Swinton (Holdings) Limited employee benefit trust during the year. These options are exercisable between 2009 and 2011 and are subject to meeting corporate performance targets based on the results of the Group for the years ending 31 December 2008, 31 December 2009 and 31 December 2010. Incentive awards, in the form of reversionary interests in these sub trust, have been awarded to certain executives of the Company.

In respect of the scheme, £5,293,000 was charged as staff costs to the profit and loss account during the year. The liability under the scheme will be met by the Company's parent, Swinton (Holdings) Limited, and hence the Company has reflected a capital contribution of £5,293,000 receivable from Swinton (Holdings) Limited in accordance with FRS20 "Share-based payments" (see note 19).

**SWINTON GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2006**

**25. ACQUISITIONS**

**(a) Budget Retail & Its4Me plc**

On 31 August 2006, the company acquired certain trade and assets of the retail network of BISL Limited ("Budget Retail") for a consideration of £26,998,000

On 31 December 2006, the trade and certain assets of Its4Me plc, a fellow subsidiary, were transferred into the Company for a consideration of £32,374,000

The following table analyses the major categories of assets and liabilities acquired for both acquisitions – no accounting policy adjustments were made to arrive at the fair values reported. The figures are provisional as they are still subject to agreement with the vendors of the completion balances acquired

	<b>Fair value of net assets</b>	
	<b>Budget Retail</b>	<b>Its4Me plc</b>
	<b>£'000</b>	<b>£'000</b>
Tangible fixed assets	2,679	349
Debtors	3,659	2,298
Cash balances (including overdrafts)	(1,693)	4,315
Creditors and accruals	(7,972)	(2,995)
	<hr/>	<hr/>
Net assets/(liabilities) acquired	(3,327)	3,967
Goodwill	30,325	28,407
	<hr/>	<hr/>
	26,998	32,374
	<hr/>	<hr/>
Consideration (satisfied by cash)	26,673	-
Consideration (satisfied by intercompany loan)	-	32,374
Acquisition costs	325	-
	<hr/>	<hr/>
	26,998	32,374
	<hr/>	<hr/>

The Budget Retail acquisition was a trade and asset purchase and, therefore, it has not been possible to determine profit and loss figures for this business from 1 July 2006 to 31 August 2006

Its4Me plc earned a profit after taxation of £30,858,000 in the year ended 31 December 2006 (2005 £131,000), of which £2,451,000 arose in the period from 1 January 2006 to prior to its acquisition on 31 December 2006 by Swinton (Holdings) Limited and the remaining £28,407,000 is in respect of the transfer of its trade to Swinton Group Limited at the year end. The summarised profit and loss account for the period from 1 January 2006 to the effective date of acquisition is as follows

Turnover	8,494
Operating profit	3,595
Net interest payable	(438)
	<hr/>
Profit before taxation	3,157
Taxation	(706)
	<hr/>
Profit for the period from 1 January 2006 to acquisition on 31 December 2006	2,451
	<hr/>

There were no recognised gains and losses in the period prior to acquisition other than the profit of £2,451,000

# **SWINTON GROUP LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2006**

### **25. ACQUISITIONS (continued)**

#### **(b) Other business acquisitions**

During the year the group has acquired a number of other unincorporated businesses. The impact of these acquisitions in aggregate gave rise to goodwill of £7,253,000 (2005 - £4,603,000)

### **26. DETAILS OF SUBSIDIARY COMPANIES**

All subsidiary undertakings, which are all wholly owned by the Company, are registered in England and Wales and remained dormant throughout the year

### **27. RELATED PARTY TRANSACTIONS**

The Company has applied the provisions of Financial Reporting Standard 8 ("Related Party Transactions") and taken the exemption allowed by the Standard from disclosing transactions with entities in the MMA IARD Assurances Mutuelles Group

On 31 December 2006, Swinton (Holdings) Limited acquired from a director, Mr P J E Smith, 49,356 Ordinary B' Shares (16.5% of the Ordinary Share Capital) in Its4me plc

### **28. CONTINGENT LIABILITIES**

The company is a guarantor of the loans of its parent company. The total amount outstanding on these facilities at 31 December 2006 was £46,668,000 (2005 - £13,100,000)

### **29. ULTIMATE PARENT COMPANY & CONTROLLING PARTY**

The Company's immediate parent company is Swinton (Holdings) Limited

In the directors' opinion, the Company's ultimate parent company, controlling party and largest undertaking which produces consolidated accounts (which include the Company and its subsidiary undertakings) is MMA IARD Assurances Mutuelles, a company incorporated in France. Copies of its group accounts can be obtained from MMA Insurance plc, Norman Place, Reading RG1 8DA

The smallest undertaking in the group which produces consolidated accounts (which include the Company and its subsidiary undertakings) continues to be Swinton (Holdings) Limited which is registered in England & Wales. A copy of its accounts can be obtained from the Company's registered office