

Company Registration No. 2288983 (England and Wales)

MALYON LESTRANGE INSURANCE SERVICES LTD
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2005



MALYON LESTRANGE INSURANCE SERVICES LTD

COMPANY INFORMATION

Directors	B B Malyon S M Lestrangle
Secretary	S M Lestrangle
Company number	2288983
Registered office	North Park House High Road Broxbourne Hertfordshire EN10 7HY
Auditors	McIntyre Irwin 18 Silver Street Enfield Middlesex EN1 3EG

MALYON LESTRANGE INSURANCE SERVICES LTD

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MALYON LESTRANGE INSURANCE SERVICES LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2005

The directors present their report and financial statements for the year ended 31 March 2005.

Principal activities and review of the business

The principal activity of the company continued to be that of insurance brokers.

The results for the year and the financial position at the year end were considered satisfactory by the directors who expect continued growth in the foreseeable future.

Results and dividends

The results for the year are set out on page 4.

An interim ordinary dividend was paid amounting to £74,910. The directors do not recommend payment of a final dividend.

Directors

The following directors have held office since 1 April 2004:

B B Malyon
S M Lestrangle

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 March 2005	1 April 2004
B B Malyon	260	260
S M Lestrangle	260	260

Charitable donations	2005	2004
	£	£

During the year the company made the following payments:

Charitable donations	-	960
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Auditors

The company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with section 386(1) of the Companies Act 1985. Therefore, the auditors, McIntyre Irwin, will be deemed to be reappointed for each succeeding financial year.

MALYON LESTRANGE INSURANCE SERVICES LTD

DIRECTORS' REPORT (CONTINUED) **FOR THE YEAR ENDED 31 MARCH 2005**

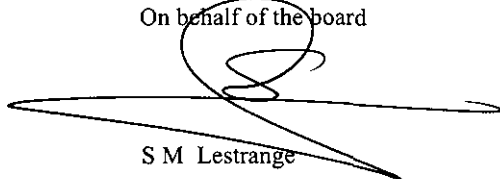
Directors' responsibilities

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:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 which disclose with reasonable accuracy at any time the financial position of the company 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



S M Lestrangle

Director

12 August 2005

MALYON LESTRANGE INSURANCE SERVICES LTD

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF MALYON LESTRANGE INSURANCE SERVICES LTD

We have audited the financial statements of Malyon Lestrangle Insurance Services Ltd on pages 4 to 16 for the year ended 31 March 2005. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the 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 misstatements 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 examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

McIntyre Irwin

Chartered Certified Accountants
Registered Auditor

12 August 2005

18 Silver Street
Enfield
Middlesex
EN1 3EG

MALYON LESTRANGE INSURANCE SERVICES LTD

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005

	Notes	2005 £	2004 £
Turnover	2	2,194,874	2,254,996
Administrative expenses		(2,228,904)	(2,024,582)
Other operating income		18,720	18,720
Operating (loss)/profit	3	(15,310)	249,134
Investment income	4	126,838	25,000
Other interest receivable and similar income		42,989	34,790
Interest payable and similar charges	5	(64)	(2,493)
Profit on ordinary activities before taxation		154,453	306,431
Tax on profit on ordinary activities	6	(28,871)	(78,654)
Profit on ordinary activities after taxation		125,582	227,777
Extraordinary items	7	(5,850)	-
Profit for the year		119,732	227,777
Dividends	8	(74,910)	(120,000)
Retained profit for the year	18	44,822	107,777

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

MALYON LESTRANGE INSURANCE SERVICES LTD

BALANCE SHEET AS AT 31 MARCH 2005

	Notes	2005 £	£	2004 £	£
Fixed assets					
Intangible assets	9		26,348		35,130
Tangible assets	10		79,070		99,643
Investments	11		-		500
			<u>105,418</u>		<u>135,273</u>
Current assets					
Debtors	12	60,895		117,448	
Cash at bank and in hand		1,684,166		1,526,384	
		<u>1,745,061</u>		<u>1,643,832</u>	
Creditors: amounts falling due within one year	13	(1,239,125)		(1,209,546)	
Net current assets			505,936		434,286
Total assets less current liabilities			611,354		569,559
Creditors: amounts falling due after more than one year	14		-		(917)
Provisions for liabilities and charges	15		(8,841)		(10,951)
			<u>602,513</u>		<u>557,691</u>
Capital and reserves					
Called up share capital	17		1,000		1,000
Profit and loss account	18		601,513		556,691
Shareholders' funds - equity interests	19		<u>602,513</u>		<u>557,691</u>

The financial statements were approved by the Board on 12 August 2005


B B Malyon
Director

MALYON LESTRANGE INSURANCE SERVICES LTD

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

	£	2005 £	£	2004 £
Net cash inflow from operating activities		275,017		23,086
Returns on investments and servicing of finance				
Interest received	42,989		34,790	
Interest paid	(64)		(2,493)	
Dividends received from participating interests	82,428		25,000	
Net cash inflow for returns on investments and servicing of finance		125,353		57,297
Taxation		(73,061)		(51,556)
Capital expenditure and financial investment				
Payments to acquire tangible assets	(15,552)		-	
Receipts from sales of tangible assets	-		13,750	
Receipts from sales of investments	44,910		-	
Net cash inflow for capital expenditure		29,358		13,750
Equity dividends paid		(194,910)		-
Net cash inflow before management of liquid resources and financing		161,757		42,577
Financing				
Capital element of hire purchase contracts	(3,975)		(16,802)	
Net cash outflow from financing		(3,975)		(16,802)
Increase in cash in the year		157,782		25,775

MALYON LESTRANGE INSURANCE SERVICES LTD

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

1	Reconciliation of operating (loss)/profit to net cash inflow from operating activities		2005	2004
			£	£
	Operating (loss)/profit		(15,310)	249,134
	Depreciation of tangible assets		36,125	44,974
	Amortisation of intangible assets		8,782	8,782
	Loss on disposal of tangible assets		-	310
	Decrease/(increase) in debtors		50,703	(37,030)
	Increase/(decrease) in creditors within one year		194,717	(243,084)
	Net cash inflow from operating activities		275,017	23,086

2	Analysis of net funds	1 April 2004	Cash flow	Other non-cash changes	31 March 2005
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	1,526,384	157,782	-	1,684,166
	Debt:				
	Finance leases	(4,584)	3,975	-	(609)
	Net funds	1,521,800	161,757	-	1,683,557

3	Reconciliation of net cash flow to movement in net funds	2005	2004
		£	£
	Increase in cash in the year	157,782	25,775
	Cash outflow from decrease in debt and lease financing	3,975	16,802
	Movement in net funds in the year	161,757	42,577
	Opening net funds	1,521,800	1,479,223
	Closing net funds	1,683,557	1,521,800

MALYON LESTRANGE INSURANCE SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention .

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents the value of commissions earned during the year.

1.4 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Plant and equipment	15% - 25% straight line
Fixtures & fittings	15% - straight line
Motor vehicles	25% - reducing balance

1.6 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.7 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.8 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17.

1.9 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.10 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

MALYON LESTRANGE INSURANCE SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating (loss)/profit	2005 £	2004 £
Operating (loss)/profit is stated after charging:		
Amortisation of intangible assets	8,782	8,782
Depreciation of tangible assets	36,125	44,974
Loss on disposal of tangible assets	-	310
Loss on foreign exchange transactions	1,360	977
Auditors' remuneration	3,525	3,525
Remuneration of auditors for non-audit work	14,100	17,230
and after crediting:		

4 Investment income	2005 £	2004 £
Income from participating interests	82,428	25,000
Income from other fixed asset investments	44,410	-
	126,838	25,000

5 Interest payable	2005 £	2004 £
Hire purchase interest	154	2,387
On overdue tax	(90)	106
	64	2,493

MALYON LESTRANGE INSURANCE SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

6	Taxation	2005	2004
		£	£
	Domestic current year tax		
	U.K. corporation tax	30,981	73,062
	Current tax charge	30,981	73,062
	Deferred tax		
	Deferred tax charge/credit current year	(2,110)	5,592
		28,871	78,654
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	154,453	306,431
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2004: 30.00%)	46,336	91,929
	Effects of:		
	Non deductible expenses	11,142	9,977
	Depreciation add back	13,472	16,220
	Capital allowances	(6,565)	(8,771)
	Dividends and distributions received	(24,728)	(7,501)
	Other tax adjustments	(8,676)	(28,792)
		(15,355)	(18,867)
	Current tax charge	30,981	73,062
7	Extraordinary items	2005	2004
		£	£
	Extraordinary profit/(loss)	5,850	-
8	Dividends	2005	2004
		£	£
	Ordinary interim paid	74,910	-
	Ordinary final proposed	-	120,000
		74,910	120,000

MALYON LESTRANGE INSURANCE SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

9 Intangible fixed assets

	Goodwill
	£
Cost	
At 1 April 2004 & at 31 March 2005	175,642
Amortisation	
At 1 April 2004	140,512
Charge for the year	8,782
At 31 March 2005	149,294
Net book value	
At 31 March 2005	26,348
At 31 March 2004	35,130

MALYON LESTRANGE INSURANCE SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

10 Tangible fixed assets

	Plant and equipment £	Fixtures & fittings £	Motor vehicles £	Total £
Cost				
At 1 April 2004	167,918	93,708	13,685	275,311
Additions	-	15,552	-	15,552
	<u>167,918</u>	<u>109,260</u>	<u>13,685</u>	<u>290,863</u>
At 31 March 2005	167,918	109,260	13,685	290,863
Depreciation				
At 1 April 2004	130,060	39,620	5,988	175,668
Charge for the year	18,544	15,657	1,924	36,125
	<u>148,604</u>	<u>55,277</u>	<u>7,912</u>	<u>211,793</u>
At 31 March 2005	148,604	55,277	7,912	211,793
Net book value				
At 31 March 2005	<u>19,314</u>	<u>53,983</u>	<u>5,773</u>	<u>79,070</u>
At 31 March 2004	<u>37,858</u>	<u>54,088</u>	<u>7,697</u>	<u>99,643</u>

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

	Motor vehicles £
Net book values	
At 31 March 2005	<u>5,773</u>
At 31 March 2004	<u>7,698</u>
Depreciation charge for the year	
31 March 2005	<u>1,924</u>
31 March 2004	<u>2,566</u>

MALYON LESTRANGE INSURANCE SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

11 Fixed asset investments

	Shares in participating interests £
Cost	
At 1 April 2004	500
Disposals	(500)
At 31 March 2005	-
Net book value	
At 31 March 2005	-
At 31 March 2004	500

12 Debtors

	2005 £	2004 £
Trade debtors	20,149	20,362
Other debtors	17,366	47,481
Prepayments and accrued income	23,380	49,605
	<u>60,895</u>	<u>117,448</u>

Amounts falling due after more than one year and included in the debtors above are:

	2005 £	2004 £
Other debtors	-	5,850

MALYON LESTRANGE INSURANCE SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

13 Creditors: amounts falling due within one year	2005 £	2004 £
Net obligations under hire purchase contracts	609	3,667
Trade creditors	1,029,929	836,674
Corporation tax	30,981	73,061
Directors' current accounts	-	538
Accruals and deferred income	177,606	175,606
Proposed dividend	-	120,000
	<u>1,239,125</u>	<u>1,209,546</u>

14 Creditors: amounts falling due after more than one year	2005 £	2004 £
Net obligations under hire purchase contracts	-	917
	<u>-</u>	<u>917</u>
Net obligations under hire purchase contracts		
Repayable within one year	609	3,667
Repayable between one and five years	-	917
	<u>609</u>	<u>4,584</u>
Included in liabilities falling due within one year	(609)	(3,667)
	<u>-</u>	<u>917</u>

15 Provisions for liabilities and charges	Deferred tax liability £
Balance at 1 April 2004	10,951
Profit and loss account	(2,110)
	<u>8,841</u>
Balance at 31 March 2005	<u>8,841</u>

The deferred tax liability is made up as follows:

	2005 £	2004 £
Accelerated capital allowances	<u>8,841</u>	<u>10,951</u>

MALYON LESTRANGE INSURANCE SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

16 Pension costs

Defined contribution

	2005 £	2004 £
Contributions payable by the company for the year	16,814	16,814

17 Share capital

Authorised

1,000 Ordinary shares of £1 each

2005
£

2004
£

1,000

Allotted, called up and fully paid

1,000 Ordinary shares of £1 each

1,000

18 Statement of movements on profit and loss account

Profit and loss account

£

Balance at 1 April 2004	556,691
Retained profit for the year	44,822
Balance at 31 March 2005	601,513

19 Reconciliation of movements in shareholders' funds

2005
£

2004
£

Profit for the financial year	119,732	227,777
Dividends	(74,910)	(120,000)
Net addition to shareholders' funds	44,822	107,777
Opening shareholders' funds	557,691	449,914
Closing shareholders' funds	602,513	557,691

MALYON LESTRANGE INSURANCE SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

20 Directors' emoluments	2005 £	2004 £
Emoluments for qualifying services	1,050,000	932,000
Company pension contributions to money purchase schemes	16,814	16,814
	<u>1,066,814</u>	<u>948,814</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 2 (2004 - 2).

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	525,000	466,000
Company pension contributions to money purchase schemes	8,407	8,407
	<u>533,407</u>	<u>474,407</u>

21 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

2005 Number	2004 Number
24	22
<u>24</u>	<u>22</u>

Employment costs

	2005 £	2004 £
Wages and salaries	1,625,799	1,462,574
Social security costs	198,992	172,433
Other pension costs	16,814	16,814
	<u>1,841,605</u>	<u>1,651,821</u>

22 Related party transactions

During the year the company received rental income of £18,720 (2004 - £18,720) from Grew Financial Services Ltd, a company in which Mr Malyon and Mr Lestrangle were directors and 25% shareholders up to their resignation in March 2005. The company also received management charges of £38,317 (2004 - £70,641) and dividend income of £82,428 (2004 - £25,000) from IVML Underwriting Ltd which was 50% owned by Malyon Lestrangle Insurance Services Ltd up until 7th October 2004 after which date the shares were owned personally by Mr Malyon and Mr Lestrangle.

MALYON LESTRANGE INSURANCE SERVICES LTD

MANAGEMENT INFORMATION

FOR THE YEAR ENDED 31 MARCH 2005

MALYON LESTRANGE INSURANCE SERVICES LTD

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005

		2005		2004
	£	£	£	£
Turnover				
Commissions receivable		2,194,874		2,254,996
Administrative expenses		(2,228,904)		(2,024,582)
		(34,030)		230,414
Other operating income				
Rent receivable		18,720		18,720
Operating (loss)/profit		(15,310)		249,134
Other interest receivable and similar income				
Bank interest received		42,989		34,790
Income from investments				
Dividends rec'd from participating ints	82,428		25,000	
P/L on disposal of unlisted investment	44,410		-	
		126,838		25,000
Interest payable				
Hire purchase interest paid	154		2,387	
Interest on overdue tax paid	(90)		106	
		(64)		(2,493)
Profit before taxation	7.04%	154,453	13.59%	306,431

MALYON LESTRANGE INSURANCE SERVICES LTD

SCHEDULE OF ADMINISTRATIVE EXPENSES FOR THE YEAR ENDED 31 MARCH 2005

	2005	2004
	£	£
Administrative expenses		
Wages and salaries (excl. N.I.)	575,799	530,574
Directors' remuneration	1,050,000	932,000
Employer's N.I. contributions	198,992	172,433
Directors' pension costs	16,814	16,814
Staff training	26,198	16,863
Commissions payable	7,940	5,673
Rent	30,943	24,480
Rates	13,104	14,790
Management charges	(38,317)	(70,641)
Insurance	48,347	37,649
Light and heat	2,512	4,721
Repairs and maintenance	14,365	14,489
Printing, postage and stationery	34,484	28,113
Advertising and promotion	3,808	6,112
Telephone	18,025	20,183
Computer running costs	33,473	55,927
Motor and travelling expenses	14,238	15,186
Travelling expenses	1,443	-
Entertaining - allowable	3,108	-
Entertaining - non allowable	37,140	33,259
Legal and prof fees - allowable	3,901	3,803
Consultancy fees	37,080	49,678
Accountancy	14,100	17,230
Audit fees	3,525	3,525
Bank charges	1,629	1,438
Profit/loss on foreign currency	1,360	977
Staff welfare	16,883	18,707
Sundry expenses - allowable	7,347	11,338
Charitable donations - other	-	960
Subscriptions - allowable	5,756	4,235
Depreciation on intangible assets	8,782	8,782
Depreciation on plant and machinery	18,544	29,160
Depreciation on FF & E	15,657	13,248
Depreciation on motor vehicles	1,924	2,566
Profits/losses on disp of tangibles	-	310
	<u>2,228,904</u>	<u>2,024,582</u>