

Company Registration No. 02403909 (England and Wales)

LAYTON BLACKHAM GROUP LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2004



LAYTON BLACKHAM GROUP LIMITED

COMPANY INFORMATION

Directors	C L Blackham G C Bradford D T Hopwood C Whitfield
Secretary	V E Thanangadan
Company number	02403909
Registered office	Weston House 246 High Holborn London WC1V 7EX
Auditors	Lewis Golden & Co 40 Queen Anne Street London W1G 9EL
Business address	Weston House 246 High Holborn London WC1V 7EX
Bankers	Barclays Bank Plc 50 Pall Mall London SW1A 1QF

LAYTON BLACKHAM GROUP LIMITED

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LAYTON BLACKHAM GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2004

The directors present their report and accounts for the year ended 31 December 2004.

Principal activities and review of the business

The principal activity of the company continued to be that of a holding company.

The results for the year and the financial position at the year end were considered satisfactory by the directors.

Results and dividends

The results for the year are set out on page 3.

The directors do not recommend a payment of a final dividend.

Directors

The following directors have held office since 1 January 2004:

C L Blackham
G C Bradford
D T Hopwood
C Whitfield

Directors' interests

The directors' beneficial interest in the shares of the parent company are included in the accounts of that company.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Lewis Golden & Co be reappointed as auditors of the company will be put to the Annual General Meeting.

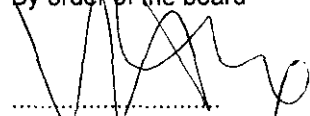
Directors' responsibilities

Company law requires the directors to prepare accounts for each financial period 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 accounts, 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 accounts 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 accounts 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.

By order of the board


.....
V E Thanangadan
Secretary 6/6/05
.....

LAYTON BLACKHAM GROUP LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF LAYTON BLACKHAM GROUP LIMITED

We have audited the accounts of Layton Blackham Group Limited for the year ended 31 December 2004 which comprise the profit and Loss Account, the Balance Sheet, and related Notes to the Accounts 1 to 18. These accounts have been prepared under the historical cost convention and 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 auditor's 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 the directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts 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 accounts, 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Lewis Golden & Co

Chartered Accountants and Registered Auditors
40 Queen Anne Street
London
W1G 9EL

Date 6 June 2005

LAYTON BLACKHAM GROUP LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £	2003 £
Turnover	2	-	45,994
Administrative expenses		(638,897)	(1,246,635)
Operating loss	3	(638,897)	(1,200,641)
Exceptional Item arising from disposal of investments		-	3,621,778
Exceptional Item	4	(167,500)	(393,000)
(Loss)/profit on ordinary activities before interest		(806,397)	2,028,137
Other interest receivable and similar income		-	345,507
(Loss)/profit on ordinary activities before taxation		(806,397)	2,373,644
Tax on (loss)/profit on ordinary activities	5	-	(3,878)
(Loss)/profit on ordinary activities after taxation	13	(806,397)	2,369,766

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.

LAYTON BLACKHAM GROUP LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2004

	Notes	2004 £	£	2003 £	£
Fixed assets					
Intangible assets	6	328,004		-	
Tangible assets	7	-		30,151	
Investments	8	273,159		446,407	
		<u>601,163</u>		<u>476,558</u>	
Current assets					
Debtors	9	9,825,651	10,454,457		
Cash at bank and in hand		4,101	200		
		<u>9,829,752</u>	<u>10,454,657</u>		
Creditors: amounts falling due within one year	10	(14,331,446)	(14,025,349)		
Net current liabilities		<u>(4,501,694)</u>		<u>(3,570,692)</u>	
Total assets less current liabilities		<u>(3,900,531)</u>		<u>(3,094,134)</u>	
Capital and reserves					
Called up share capital	12	1,000		1,000	
Profit and loss account	13	(3,901,531)		(3,095,134)	
Shareholders' funds - equity interests	14	<u>(3,900,531)</u>		<u>(3,094,134)</u>	

The accounts were approved by the Board on 6th JUNE 2005


 C L Blackham
 Director


 G C Bradford
 Director

LAYTON BLACKHAM GROUP LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004

1 Accounting policies

1.1 Accounting convention

The accounts are prepared under the historical cost convention.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group.

1.2 Compliance with accounting standards

The accounts are prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

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:

Fixtures, fittings & equipment	25% per annum on cost
Motor vehicles	20% per annum on cost

1.6 Leasing

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.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.7 Investments

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

1.8 Pensions

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

The regular cost of providing retirement pensions and related benefits is charged to the profit and loss account over the employees' service lives on the basis of a constant percentage of earnings. Any difference between the charge to the profit and loss account and the contributions paid to the scheme is shown as an asset or liability in the balance sheet.

LAYTON BLACKHAM GROUP LIMITED

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

1 Accounting policies (continued)

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 Group accounts

The accounts present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 228 of the Companies Act 1985 as it is a subsidiary undertaking of Layton Blackham Holdings Limited, a company incorporated in England and Wales, and is included in the consolidated accounts of that company.

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	2004 £	2003 £
Operating loss is stated after charging:		
Amortisation of intangible assets	395,245	-
Depreciation of tangible assets	-	276,813
Loss on disposal of tangible assets	-	16,570
Loss on disposal of intangible assets	-	953,252
Auditors' remuneration	4,500	7,050
	<u> </u>	<u> </u>

4 Exceptional item

In the current and prior year the company incurred an exceptional charge relating to the pension scheme for the group.

LAYTON BLACKHAM GROUP LIMITED

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

5	Taxation	2004 £	2003 £
	Domestic current year tax		
	U.K. corporation tax	-	3,878
	Current tax charge	-	3,878
	Factors affecting the tax charge for the year		
	(Loss)/profit on ordinary activities before taxation	(806,397)	2,373,644
	(Loss)/profit on ordinary activities before taxation multiplied by small companies rate of UK corporation tax of 19.00% (2003: 19.00%)	(153,215)	450,992
	Effects of:		
	Non deductible expenses	46,436	184,266
	Depreciation add back	-	52,594
	Capital allowances	(2,419)	(32,270)
	Exceptional Items	-	(688,138)
	Adjustments to previous periods	-	(4,265)
	Losses group relieved	109,198	40,699
		153,215	(447,114)
	Current tax charge	-	3,878
6	Intangible fixed assets		Goodwill £
	Cost		
	At 1 January 2004		-
	Additions		550,000
	At 31 December 2004		550,000
	Amortisation		
	At 1 January 2004		-
	Charge for the year		221,996
	At 31 December 2004		221,996
	Net book value		
	At 31 December 2004		328,004
	At 31 December 2003		-

LAYTON BLACKHAM GROUP LIMITED

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

7 Tangible fixed assets

	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost			
At 1 January 2004	127,284	51,460	178,744
Intercompany transfers	(46,793)	(51,460)	(98,253)
Disposals	(80,491)	-	(80,491)
	<hr/>	<hr/>	<hr/>
At 31 December 2004	-	-	-
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2004	107,425	41,168	148,593
Intercompany transfers	(26,934)	(41,168)	(68,102)
On disposals	(80,491)	-	(80,491)
	<hr/>	<hr/>	<hr/>
At 31 December 2004	-	-	-
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2004	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2003	19,859	10,292	30,151
	<hr/>	<hr/>	<hr/>

LAYTON BLACKHAM GROUP LIMITED

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

8 Fixed asset investments

	Unlisted investments £	Shares in group undertakings £	Total £
Cost			
At 1 January 2004 & at 31 December 2004	100,000	346,407	446,407
Provisions for diminution in value			
At 1 January 2004	-	-	-
Charge for the year	-	173,248	173,248
At 31 December 2004	-	173,248	173,248
Net book value			
At 31 December 2004	100,000	173,159	273,159
At 31 December 2003	100,000	346,407	446,407

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
Subsidiary undertakings			
Ford Loft Financial Services Limited	UK	Ordinary	100

The company has an interest in the preference share capital of Alliance Insurance Management Limited, a company registered in the United Kingdom.

9 Debtors	2004 £	2003 £
Trade debtors	1,763	1,763
Amounts owed by parent and fellow subsidiary undertakings	9,732,195	10,206,234
Other debtors	91,693	93,728
Prepayments and accrued income	-	152,732
	9,825,651	10,454,457

LAYTON BLACKHAM GROUP LIMITED

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

10 Creditors: amounts falling due within one year	2004 £	2003 £
Bank loans and overdrafts	-	10,616
Amounts owed to parent and fellow subsidiary undertakings	13,771,082	13,008,984
Corporation tax	-	8,143
Other creditors	560,364	738,451
Accruals and deferred income	-	259,155
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	14,331,446	14,025,349
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LAYTON BLACKHAM GROUP LIMITED

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

11 Pension costs

	2004 £	2003 £
Contributions payable by the company for the year		
Defined benefit	335,500	393,000
	<u>335,500</u>	<u>393,000</u>

At the year end the group owed £14,000 (2003: £47,500) to the defined benefit scheme.

The pension costs charged in the accounts represent the contributions payable by the group during the year in accordance with FRS 17.

Defined benefit

The company operates a defined benefit pension scheme. A full actuarial valuation was carried out at 1 January 2003 and updated to 31 December 2004 by a qualified independent actuary to take account of the requirements of FRS17 in order to assess the liabilities of the scheme at 31 December 2004. Scheme assets are stated at their market values at respective balance sheet dates.

	2004 %	2003 %
The major assumptions used by the actuary were:		
Rate of increase in pensions payment	5.00	5.00
Discount rate	5.75	6.00
Inflation assumption	2.50	2.50
The long term expected rates of return are as follows:		
Equities	6.50	6.50
Bonds	5.00	4.50
Property	6.00	6.00
Other assets	4.00	3.00

LAYTON BLACKHAM GROUP LIMITED

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

11 Pension costs

(continued)

	2004 £	2003 £
The assets in the scheme are as follows:		
Equities	2,719,000	2,879,000
Bonds	2,941,000	2,750,000
Property	125,000	209,000
Other assets	328,000	25,000
	<hr/>	<hr/>
Total market value of assets	6,113,000	5,863,000
Present value of scheme liabilities	(7,025,000)	(7,480,000)
	<hr/>	<hr/>
Deficit in scheme	(912,000)	(1,617,000)
	<hr/>	<hr/>
	2004 £	2003 £
Analysis of other finance income		
Expected return on pension scheme assets	320,000	284,000
Interest on pension scheme liabilities	(433,000)	(436,000)
	<hr/>	<hr/>
Net expense	(113,000)	(152,000)
	<hr/>	<hr/>
Total actuarial gains and losses		
Actual return less expected return on pension scheme assets	84,000	327,000
Experience gains and losses arising on scheme liabilities	634,000	-
Changes in assumptions underlying the present value of the scheme liabilities	(269,000)	-
	<hr/>	<hr/>
Total actuarial gains and losses	449,000	327,000
	<hr/>	<hr/>
Movement in deficit during the year		
Deficit in scheme at beginning of year	(1,617,000)	(2,166,000)
Other finance income	(113,000)	(152,000)
Contributions made	369,000	374,000
Actuarial gain	449,000	327,000
	<hr/>	<hr/>
Deficit in scheme	(912,000)	(1,617,000)
	<hr/>	<hr/>

LAYTON BLACKHAM GROUP LIMITED

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

11 Pension costs

(continued)

	2004 £	2003 £
History of experience gains and losses		
Difference between the expected and actual return on scheme assets:		
Amount	84,000	327,000
Percentage of scheme assets	1.40%	5.60%
Experience gains and losses on scheme liabilities:		
Amount	634,000	-
Percentage of the present value of the scheme liabilities	9.00%	-
Total actuarial gains and losses:		
Amount	449,000	327,000
Percentage of the present value of scheme liabilities	6.40%	4.40%

Under the current schedule of contributions the group is committed to pay £168,000 each year from June 2004 to June 2013.

The defined benefit scheme is closed to new members, future benefit accrual and continued salary linkage.

12 Share capital

	2004 £	2003 £
Authorised		
1,000 Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
1,000 Ordinary shares of £1 each	1,000	1,000

13 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2004	(3,095,134)
Retained loss for the year	(806,397)
Balance at 31 December 2004	(3,901,531)

LAYTON BLACKHAM GROUP LIMITED

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

14 Reconciliation of movements in shareholders' funds	2004	2003
	£	£
(Loss)/Profit for the financial year	(806,397)	2,369,766
Opening shareholders' funds	(3,094,134)	(5,463,900)
Closing shareholders' funds	(3,900,531)	(3,094,134)

15 Financial commitments

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2004	2003
	£	£
Expiry date:		
Within one year	-	2,069
In over five years	-	49,684
	-	51,753

16 Employees

Number of employees

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

	2004	2003
	Number	Number
Staff including directors	4	49

Employment costs

	£	£
Other pension costs	168,000	-

17 Control

The ultimate parent company throughout the current and prior year is Layton Blackham Holdings Limited, a company registered in England and Wales.

There was no single ultimate controlling party in the current or prior year.

Layton Blackham Holdings Limited prepares group accounts and copies can be obtained from Weston House, 246 High Holborn, London, WC1V 7EX.

LAYTON BLACKHAM GROUP LIMITED

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

18 Related party transactions

At the year end the company was owed £1,198,022 (2003: £1,191,996) by Layton Blackham Underwriting Limited, £167,658 (2003: £163,378) by LBBS Limited and £8,366,515 (2003: £8,850,860) by Layton Blackham Limited, fellow subsidiaries. The company also owed £4,002,411 (2003: £3,439,776) to Layton Blackham Insurance Brokers Limited and £1,008,714 (2003: £742,640) to Layton Blackham Financial Services Limited, its fellow subsidiaries and £8,759,957 (2003: £8,759,957) to Layton Blackham Holdings Limited, its parent company.

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated accounts are prepared by the ultimate parent company.