

**A/40998**

**B D B LIMITED**

**REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2005**

**REGISTRAR'S COPY**

**Company Number:**



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**Directors**

**Chairman**

R J L Bramble  
S de Besi  
Lord Clydesmuir  
P E Goff  
P Pezone

**Company Secretary**

PE Goff

**Business Address**

24b Lime Street  
London EC3M 7HR

**Registered Office**

1 Park Place  
Canary Wharf  
London E14 4HJ

**Bankers**

Lloyds TSB Bank plc  
72 Fenchurch Street  
London EC3P 3EH

**Auditors**

CLB Littlejohn Frazer  
Chartered Accountants  
and Registered Auditors  
1 Park Place  
Canary Wharf  
London E14 4HJ

**Solicitors**

Cumberland Ellis LLP  
Atrium Court  
15 Jockey's Fields  
London WC1R 4QR

The Directors have pleasure in presenting their Report together with the Financial Statements for the year ended 31 December 2005.

### Activities

The principal activity of the Company is the provision of insurance and reinsurance services.

### Results and Dividends

The profit before taxation for the year amounted to £1,194,956 (2004 profit - £986,753). The taxation charge was £367,243 (2004 - £304,864) leaving a profit after taxation of £827,713 (2004 - £681,889).

The Directors declared a dividend of £600,000 on 18 May 2005. They propose to pay a further dividend of £412,088 out of the 2005 profits.

### Change of control

On 30 January 2006, the entire share capital was acquired by BDB Holdings Limited, a company registered in England and Wales. With effect from the acquisition date BDB Holdings Limited became the holding company of BDB Limited.

### Review of the Business and Future Developments

The principal activity of the Company is the provision of insurance and reinsurance services.

The Directors anticipate that the Company will maintain its current level of business for the foreseeable future despite difficult market conditions.

### Directors and their Interests in Shares

The Directors during the year and their interests in the share capital of the Company were as follows:

	31 December 2005 Ordinary shares	1 January 2005 Ordinary shares
C Ahmet (resigned 30 January 2006)	-	-
S de Besi	63,960	63,960
P E Goff	24,000	24,000
C G Harman (resigned 30 January 2006)	-	-
P Pezone	45,000	45,000

The interests of C G Harman and C Ahmet in the share capital of the parent company, HWS Holdings Limited are shown in the financial statement of that Company.

Other than disclosed in the accounts, none of the Directors had any interest in any transaction or agreement with the Company during the year.

### Auditors

A resolution to reappoint CLB Littlejohn Frazer will be proposed at the next Annual General Meeting.

By Order of the Board



**P E Goff**  
Secretary

18 April 2006

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 year. 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 accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- 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 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. The Directors are responsible for ensuring that the Directors' Report is prepared in accordance with company law in the United Kingdom.

**Independent Auditors' Report to the Shareholders of B D B Limited**

We have audited the Financial Statements of B D B Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Accounting Policies and the related notes 1 to 24. These Financial Statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders 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' responsibilities for preparing the Annual Report and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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, 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 or material inconsistencies within it. Our responsibilities do not extend to any other information.

**Basis of 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 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
**CLB Littlejohn Frazer**

Chartered Accountants  
and Registered Auditors

1 Park Place  
Canary Wharf  
London E14 4HJ

 2 May 2006

	Note	2005	2004
<b>Turnover – continuing operations</b>	1	3,434,371	3,129,133
Administrative expenses		(2,397,197)	(2,289,758)
		<hr/>	<hr/>
<b>Profit on Ordinary Activities before Interest</b>	2	1,037,174	839,375
Other operating income	4	157,782	147,378
		<hr/>	<hr/>
<b>Profit on Ordinary Activities before Taxation</b>		1,194,956	986,753
Tax on profit on ordinary activities	5	(367,243)	(304,864)
		<hr/>	<hr/>
<b>Profit for the financial year</b>		<u>£827,713</u>	<u>£681,889</u>

There are no recognised gains or losses other than the profit after taxation shown above.

The Accounting Policies and Notes on pages 9 to 17 form part of these Financial Statements.

	Note	2005	2004
<b>Fixed Assets</b>			
Tangible assets	7	47	2,154
<b>Current Assets</b>			
ESOP Trust	8	(219)	(219)
Debtors	9	7,667,370	8,974,742
Cash at bank and in hand		9,855,350	11,596,563
		<u>17,522,501</u>	<u>20,571,086</u>
<b>Creditors: due within one year</b>	10	<u>16,281,431</u>	<u>19,592,836</u>
<b>Net Current Assets</b>		<u>1,241,070</u>	<u>978,250</u>
		<u>£1,241,117</u>	<u>£980,404</u>
<b>Capital and Reserves</b>			
Called-up share capital	12	150,000	150,000
Other reserves	13	(219)	(219)
Profit and Loss Account	14	1,091,336	830,623
<b>Shareholders' Funds</b>	15	<u>£1,241,117</u>	<u>£980,404</u>

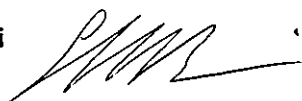
Approved by the Board on 18 April 2006.

R J L Bramble



) Directors

S De Besi



The Accounting Policies and Notes on pages 9 to 17 form part of these Financial Statements.



	Note	2005	2004
<b>Cash Flow from Operating Activities</b>	19	(1,045,063)	4,087,981
Returns on investments and servicing of finance	20	157,782	147,378
Taxation paid		(286,932)	(193,053)
Capital expenditure and financial investment		-	-
Equity dividends paid		(567,000)	(425,250)
		<hr/>	<hr/>
<b>(Decrease)/Increase in Cash in the year</b>	21	£(1,741,213)	£3,617,056
		<hr/>	<hr/>

The Accounting Policies and Notes on pages 9 to 17 form part of these Financial Statements.

**Basis of Accounting**

The Financial Statements are prepared under the historical cost basis of accounting and comply with applicable Accounting Standards.

**Income Recognition**

Brokerage is recognised when the company's contractual right to such income is established, and to the extent that the company's relevant obligations under the contracts concerned have been performed. For most of the company's broking activities, this means that brokerage is recognised at the inception of the underlying contract of insurance concerned, subject to a deferral of that brokerage in respect of post-placement services that constitute obligations of the company under those contracts.

Where the amount of brokerage is dependant on the achievement of contractual targets, the minimum amounts under the contract are recognised on inception, and the incremental amounts arising are recognised when the targets concerned are achieved.

Where the amount of brokerage is dependant on the results of the business placed, the minimum amounts under the contract are recognised at inception, and any incremental amounts are recognised only to the extent that a reliable estimate of the amounts concerned can be made. Such estimates are made on a prudent basis that reflects the level of uncertainty involved.

Profit commission arising from the placement of insurance contracts or the exercise of an underwriting agency by the company is recognised when the right to such profit commission is established through a contract, but only to the extent that a reliable estimate of the amount due can be made. Such estimates are made on a prudent basis that reflects the level of uncertainty involved.

Fees in respect of advisory services performed over periods of twelve months or more are recognised when the right to such fees is established in a contract, and to the extent that the company's obligations under that contract have been performed. Fees in respect of advisory services provided over shorter periods are recognised when the services concerned have been performed.

Revenue that has been credited in the company's books, but not yet recognised as income in accordance with the policies described above, is credited to the deferred income account within accruals and deferred income in the company's balance sheet.

**Depreciation**

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset, less any estimated residual value, evenly over its expected useful life. The annual depreciation rates of the principal categories are:

Fixtures, fittings and equipment	- 3 years
Motor vehicles	- 3 years

**Deferred Taxation**

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities have not been discounted.

**Foreign Currencies**

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the Balance Sheet date.

Exchange gains or losses arising during the year are taken to the Profit and Loss Account and included in turnover.

**Leasing and Hire Purchase Commitments**

Rentals paid under operating leases are charged to income as incurred.

**Insurance Broking Assets and Liabilities**

The Company acts as an agent in broking the insurable risks of its clients and generally is not liable as a principal for premiums due to underwriters or for claims payable to clients. Notwithstanding the Company's legal relationship with clients and underwriters and since in practice premium and claim monies are usually accounted for by insurance intermediaries it has followed generally accepted accounting practice by showing cash, debtors and creditors relating to insurance business as assets and liabilities of the company itself.

In the ordinary course of insurance broking business, settlement is required to be made with certain market settlement bureaux or insurance intermediaries on the basis of the net balance due to or from the bureau or intermediary in question rather than the amounts due to or from the individual third parties which it represents. In order to comply with the requirements of FRS5, insurance broking debtors and creditors are included gross, not reflecting this basis of settlement, except where a right of set-off exists.

**Pension Costs**

The Company operates defined contribution schemes for both staff and Directors. The assets of the Scheme are held separately from those of the Company in independently administered funds. The pension cost charge represents contribution payable by the Company to the funds.

**Employee Share Ownership Plans (ESOP)**

The Company operates an ESOP trust which may hold shares in the Company or its former Holding Company for future transfers to employees under certain share incentive schemes. The cost of shares in the company held by the ESOP Trust is deducted from shareholders' funds in a separate "Own Shares" reserve as set out in Note 13. Other assets and liabilities of the ESOP Trust are included in current assets.

The contributions to, and costs of administering, the ESOP Trust are charged to the Profit and Loss Account as they are incurred.

**Dividends recognition**

Until 2005, dividends payable to shareholders were recognised in the financial statements for the year in which they were paid, declared or proposed by the directors, whichever was the earlier. In accordance with Financial Reporting Standards 21 and 25, which are applicable for the first time to these financial statements, the policy for recognising dividends has been changed so that only dividends declared within the financial year are recognised. The comparative figures for 2004 have been re-stated to show a consistent treatment.

The effect of this change of accounting policy has been to increase shareholders funds at the accounting date by £408,000 (2004 - £600,000). There is no effect on the result for the year (2004 - £Nil)

**1. Geographical analysis of Turnover**

	<b>2005</b>	<b>2004</b>
Continental Europe	£3,434,371	£3,129,133
	<hr/>	<hr/>

All turnover is derived from provision of insurance and reinsurance services.

**2. Profit on Ordinary Activities before Interest**

This is stated after charging:

Depreciation	£2,108	£19,392
Auditors' remuneration - audit fees	£8,225	£ 6,875
	<hr/>	<hr/>

**3. Employees****Staff costs (including Directors)**

Salaries	1,252,741	1,334,466
Social security costs	136,322	147,113
Other pension costs	136,716	106,594
Other staff costs	41,875	42,010
	<hr/>	<hr/>
	£1,567,654	£1,630,183
	<hr/>	<hr/>

**Average number of employees during the year**

	No.	No.
Production and servicing	28	25
	<hr/>	<hr/>

Retirement benefits are accruing to 5 Directors (2004 - 4) under a money purchase scheme.

**Directors' Emoluments**

Aggregate emoluments	425,024	576,557
Company pension contributions to money purchase schemes	64,950	48,938
	<hr/>	<hr/>
	£489,974	£625,495
	<hr/>	<hr/>

**Highest paid Director:**

Aggregate emoluments	101,853	139,895
Company pension contributions to money purchase scheme	15,000	11,738
	<hr/>	<hr/>
	£116,853	£151,633
	<hr/>	<hr/>

Retirement benefits are accruing to 5 Directors (2004 - 4) under a money purchase scheme.

**4. Other Operating Income**

	<b>2005</b>	<b>2004</b>
Loan and bank interest receivable	£157,782	£147,378
	<u>          </u>	<u>          </u>

**5. Taxation**

UK corporation tax on profits of the year	373,616	319,457
Adjustments in respect of previous periods	901	(2,459)
	<u>          </u>	<u>          </u>
Current tax	374,517	316,998
Deferred tax (Note 11)	(7,274)	(12,134)
	<u>          </u>	<u>          </u>
Tax on profit on ordinary activities	£367,243	£304,864
	<u>          </u>	<u>          </u>

**Factors affecting tax charge for the year**

The tax assessed for the period differs from the standard rate of corporation tax in the UK. The differences are explained below:

	<b>2005</b>	<b>2004</b>
Profit on ordinary activities before tax	£1,194,956	£986,753
	<u>          </u>	<u>          </u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004 - 30%)	358,487	296,026
Effects of:		
Permanent differences	7,855	11,111
Capital allowances for period in excess of depreciation	(8,305)	(6,335)
Capital items expensed	9,579	18,655
Other timing differences	6,000	-
Adjustments to tax charge in respect of previous periods	901	(2,459)
	<u>          </u>	<u>          </u>
Current tax charge for the year	£374,517	£316,998
	<u>          </u>	<u>          </u>

6. Dividends paid and declared	2005	2004
On Ordinary Shares		
Declared and paid	600,000	450,000
Less waived	(33,000)	(24,750)
	<u>£567,000</u>	<u>£425,250</u>

The ESOP Trust waived its entitlement to the dividend declared in 2004 and the first dividend declared in 2005.

7. Tangible Fixed Assets	Equipment	Office furniture	Motor vehicles	Total
<b>Cost</b>				
At 1 January 2005	44,387	49,197	21,380	114,964
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2005	44,387	49,197	21,380	114,964
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Depreciation</b>				
At 1 January 2005	44,014	49,197	19,599	112,810
Charge in the year	326	-	1,781	2,107
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2005	44,340	49,197	21,380	114,917
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net Book Value</b>				
At 31 December 2005	£47	£-	£-	£47
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2004	£373	£ -	£1,781	£2,154
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

8. ESOP Trust	2005	2004
Bank Overdraft	(219)	(219)
	<u>          </u>	<u>          </u>
	£(219)	£(219)
	<u>          </u>	<u>          </u>

9. Debtors	2005	2004
Insurance debtors	7,542,691	8,902,817
Other debtors	57,491	16,611
Prepayments and accrued income	34,280	29,680
Deferred tax (Note 11)	32,908	25,634
	<u>£7,667,370</u>	<u>£8,974,742</u>

The deferred tax asset is expected to be realised after one year.

10. Creditors: amounts falling due within one year	2005	2004 (Restated)
Insurance creditors	15,847,743	19,072,467
Amounts due to fellow group undertakings	50	744
Corporation Tax	293,616	206,030
Other taxes and social security	67,172	185,020
Accruals and deferred income	72,850	128,575
	<u>£16,281,431</u>	<u>£19,592,836</u>

#### 11. Deferred Taxation

Accelerated capital allowances	(26,908)	(25,634)
Other timing differences	(6,000)	-
	<u>£(32,908)</u>	<u>£(25,634)</u>
At 1 January	(25,634)	(13,500)
Profit and loss account movement (Note 5)	(7,274)	(12,134)
	<u>£(32,908)</u>	<u>£(25,634)</u>
At 31 December		

12. Called-up Share Capital	2005	2004	2005	2004
			Allotted, called-up and fully paid	
	Authorised			
Ordinary shares of 25p each	£150,000	£150,000	£150,000	£150,000
	<u>£150,000</u>	<u>£150,000</u>	<u>£150,000</u>	<u>£150,000</u>

On 23 March 2006 the authorised and issued share capital was increased to £400,000 by the creation of 1,000,000 ordinary of £0.25 each.

**13. Movement on other Reserves**

	<b>ESOP Reserve</b>	<b>Own Shares</b>	<b>Total</b>
Balance at 1 January 2005	£43,495	£(43,714)	£(219)
Net movement of ESOP Trust funds	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2005	£43,495	£(43,714)	£(219)
	<hr/>	<hr/>	<hr/>

The ESOP reserve of £43,495 (2004 - £43,495) represents the funds held in the ESOP Trust and is not a distributable reserve of the Company.

The Own Shares reserve of £(43,714) (2004 - £(43,714)) represents the cost of the Company's own shares purchased and held in the ESOP Trust.

The investment in the Company's own shares is valued at the purchase price. The Trust held 33,000 ordinary shares of 25p each at the year end valued at £1.325 per share.

**14. Profit and Loss Account**

	<b>2005</b>	<b>2004 (Restated)</b>
Balance at 1 January, as previously stated	230,623	223,984
Prior year adjustment - dividends payable	600,000	450,000
	<hr/>	<hr/>
Balance at 1 January, as re-stated	830,623	673,984
Profit for the financial year	827,713	681,889
Capitalisation of retained earnings	-	(100,000)
Dividends declared	(567,000)	(425,250)
	<hr/>	<hr/>
Balance at 31 December	£1,091,336	£830,623
	<hr/>	<hr/>

**15. Reconciliation of movements in Shareholders' Funds**

	<b>2005</b>	<b>2004 (Restated)</b>
Opening Shareholders Funds, as previously stated	380,404	273,981
Prior year adjustment (Note 14)	600,000	450,000
	<hr/>	<hr/>
Opening Shareholders Funds, as re-stated	980,404	723,981
Profit for the financial year	827,713	681,889
Dividends declared	(567,000)	(425,250)
	<hr/>	<hr/>
Net movement on ESOP Trust funds	-	(216)
	<hr/>	<hr/>
Closing Shareholders Funds	£1,241,117	£980,404
	<hr/>	<hr/>



**16 Related Party Transactions**

- a. During the year the Company shared brokerage for access to Lloyd's with Harman Wicks & Swayne Limited, a fellow group undertaking. This amounted to £52,500 (2004 - £50,000) and £Nil was payable to that company at the year-end.
- b. Turnover of £3,434,371 (2004 - £3,129,133) arises from insurance contracts placed through Harman Wicks & Swayne Limited.
- c. Messrs Harman and Ahmet are Directors of Harman Wicks & Swayne Limited and Directors and shareholders of its parent company, HWS Holdings Limited.

**17. Ultimate Parent Company**

At 31 December 2005 the Company's ultimate parent company was HWS Holdings Limited, a Company registered in England. On 31 January 2006, BDB Holdings Limited became the holding company of BDB Limited.

**18. Transaction with Directors**

Included within other debtors is an interest free loan of £nil to a Director, Mr de Besi (2004 - £nil). The maximum outstanding during the year was £nil (2004 - £770).

**19. Reconciliation of Operating Profit to Operating Cash Flows**

	<b>2005</b>	<b>2004</b>
Profit on ordinary activities before interest	1,037,174	839,375
Depreciation charge and		
Loss on disposal of fixed assets	2,108	19,392
	<hr/>	<hr/>
	1,039,282	858,767
(Increase)/decrease in debtors	1,314,646	(4,929,474)
Increase/(decrease) in creditors	(3,398,991)	8,158,688
	<hr/>	<hr/>
<b>Net Cash Inflow from Operating Activities</b>	<b>£(1,045,063)</b>	<b>£4,087,981</b>
	<hr/>	<hr/>

**20. Analysis of cash flows for headings netted in the Cash Flow Statement****Returns on Investments and Servicing of Finance**

Interest received	£157,782	£147,378
	<hr/>	<hr/>

**21. Reconciliation of Net Cash Flow to Movement in Net Funds**

Increase in cash in the year	(1,741,213)	3,617,056
Net funds at 31 December 2004	11,596,563	7,979,507
	<hr/>	<hr/>
<b>Net Funds at 31 December 2005</b>	<b>£9,855,350</b>	<b>£11,596,563</b>
	<hr/>	<hr/>

**22. Analysis of Changes in Net Funds**

	At 31 December 2004	Cash flow	At 31 December 2004
Cash at bank and in hand	£11,596,563	£(1,741,213)	£9,855,350
	<u>                    </u>	<u>                    </u>	<u>                    </u>

**23. Obligations under Operating Leases**

The minimum lease payments to which the Company is committed under non-cancellable operating leases for the coming year are:

	2005	2004	2005	2004
	Land and Buildings		Other	
Two to five years	106,620	£89,487	13,165	£12,971
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

**24. Pension Costs**

The Company operates a defined contribution scheme for both staff and directors. 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 £136,716 (2004 - £106,594).