

BDML GROUP LIMITED
(FORMERLY BDML (HOLDINGS) LIMITED)

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2004



Company Registration Number 3675407

BDML GROUP LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

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BDML GROUP LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

YEAR ENDED 31 DECEMBER 2004

DIRECTORS

Mr A Ball
Mr A Dunn
Mr K Morris
Mr A Lancaster
Mr J Kavanaugh

COMPANY SECRETARY

Mrs S Towns

REGISTERED OFFICE

The Connect Centre
Kingston Crescent
North End
Portsmouth
Hampshire
PO2 8QL

AUDITORS

Solomon Hare LLP
Registered Auditors
Chartered Accountants
Oakfield House
Oakfield Grove
Clifton
Bristol BS8 2BN

SOLICITORS

DLA
3 Noble Street
London
EC2V 7EE

BDML GROUP LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2004

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Principal Activities

The principal activity of the company during the year was that of the management and administration of its subsidiary and associate companies. BDML group companies specialise in providing insurance underwriting and business processing solutions working behind the brands of other financial services companies which have expertise in marketing and business acquisition. Sabre Insurance Company provides motor underwriting capacity and has particular skills in underwriting risks which are normally difficult to insure. BDML Connect provides insurance administration services and works with a panel of insurers to offer a range of personal insurance products to clients. BDML Connect also offers credit payment facilities, backed by securitised funding arrangements. Thornside is a specialist pet insurance intermediary. Ultimate Insurance Solutions provides and administers niche products such as legal expenses insurance, travel insurance and personal accident insurance.

On 27 July 2004 the company repurchased 141,236 ordinary £1 shares, representing 34% of the total issued share capital for a consideration of £17,015,000, as part of an exercise to restructure the shareholdings of the group.

On 2 December 2004 the company changed its name from BDML (Holdings) Limited to BDML Group Limited.

Business Review

We are delighted to report that BDML Group posted record pre-tax profits of £15 million in 2004, an increase of 28% over the previous year.

The insurance underwriting operations of the Group continued to perform well. The combined ratio of 85% compares favourably to most other motor insurers. This result arises from the clear strategic focus on underwriting for a profit, supported by a disciplined approach to claims handling.

Written premiums were little changed compared to 2003, reflecting our firm approach to premium setting as rating strength in the market starts to erode. We do not expect significant premium growth over the next two or three years as we anticipate that the market rating environment will weaken further, while we will take the necessary rating action to preserve profitability.

The turnover of the intermediary side of the business grew by 12% in the year with increased profits, and we aim to achieve further growth in this part of the business over the next few years. The new strategic partnership with Norwich Union has grown in scope to include other substantial business streams managed by Norwich Union. The intermediary business has developed a strong reputation for delivering personal lines insurance administration solutions for major brand names.

The Group has adapted to the latest FSA regulations. New capital models have been developed for the underwriting activities of the group to satisfy the FSA Individual Capital Assessment requirements, while the intermediary business has received authorisation under the new FSA intermediary regime.

The Group completed a refinancing in the year, replacing all existing loans with a single £17 million term loan repayable over 5 years. Following the refinancing, the Group repurchased 34% of the outstanding shares in the Group for £17 million.

We would like to take this opportunity to thank our staff and business partners for their support during the year.

BDML GROUP LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2004

EMPLOYMENT OF DISABLED PERSONS

The group is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Management actively pursues both the employment of disabled persons whenever a suitable vacancy arises and the continued employment and retraining of existing employees who may become disabled whilst employed by the company. Particular attention is given to the training, career development and promotion of disabled employees with a view to encouraging them to play an active role in the development of the group.

EMPLOYEE INVOLVEMENT

The flow of information to staff has been maintained by our staff forums, newsletters, and corporate intranet site. Members of the management team regularly discuss matters of current interest and concern to the business with members of staff.

CREDITOR PAYMENT POLICY

It is the group's policy to pay creditors when they fall due for payment. Terms of payment are agreed with suppliers when negotiating each transaction and the policy is to abide by those terms, provided that the suppliers also comply with all relevant terms and conditions.

The amounts due to trade creditors at 31 December 2004 represented approximately 2 days of average daily purchases through the year (2003 - 2 days).

RESULTS AND DIVIDENDS

The trading results for the year, and the group's financial position at the end of the year are shown in the attached financial statements.

The directors have recommended the following dividends:

	2004	2003
	£000	£000
Dividends payable on preference shares	-	3
	<hr/>	<hr/>

BDML GROUP LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2004

DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Class of share	At 31 December 2004	At 31 December 2003
Mr A Ball	Ordinary	81,003	90,003
Mr A Dunn	Ordinary	81,003	90,004
Mr K Morris	Ordinary	81,003	90,003
Mr S Lockwood (resigned on 27 July 2004)	Ordinary	-	145,390
Mr A Lancaster	Ordinary	27,001	-
Mr J Kavanaugh	Ordinary	4,154	-

DONATIONS

During the year the group made charitable donations of £2,293 (2003 - £1,540).

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 the group at the end of the year and of the profit or loss of the group for the year then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on pages 15 to 18, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group 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 group and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BDML GROUP LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2004

AUDITORS

In accordance with the provisions of Section 386 of the Companies Act 1985 the company has dispensed with the obligation to appoint auditors annually. Solomon Hare LLP have expressed their willingness to continue in office.

Signed by order of the board



Mrs S Towns
Company Secretary

Date: *20 April 2005*

BDML GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31 DECEMBER 2004

We have audited the financial statements of BDML Group Limited which comprise the Consolidated Profit and Loss Account, the Balance Sheets, the Consolidated Cashflow Statement and related notes 1 to 32. These financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain assets, 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 THE AUDITORS

As described on page 4 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

It is our responsibility 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 group 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 circumstances of the company and the group, 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 and group's affairs as at 31 December 2004 and of the profit of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

SOLOMON HARE LLP

Chartered Accountants

Registered Auditors

Bristol

Date: 30/4/05

BDML GROUP LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT****TECHNICAL ACCOUNT****YEAR ENDED 31 DECEMBER 2004**

		Year ended 31 December 2004	Year ended 31 December 2003
	Note	£000	£000
Gross premiums written	2	64,484	63,919
Outwards reinsurance premiums		(8,745)	(7,995)
		<u>55,739</u>	<u>55,924</u>
Change in the gross and net provision for unearned premiums		(1,826)	(9,999)
Earned premiums, net of reinsurance		<u>53,913</u>	<u>45,925</u>
Claims paid			
- Gross amount		(42,166)	(37,365)
- Reinsurer's share		2,889	2,175
		<u>(39,277)</u>	<u>(35,190)</u>
Change in the provision for claims			
- Gross amount		9,655	(2,711)
- Reinsurer's share		(4,148)	6,780
		<u>5,507</u>	<u>4,069</u>
Claims incurred, net of reinsurance		<u>(33,770)</u>	<u>(31,121)</u>
Net operating expenses	3	(12,048)	(10,025)
Total technical charges		<u>(45,818)</u>	<u>(41,146)</u>
Balance on technical account		<u>8,095</u>	<u>4,779</u>

Notes 1 to 32 form part of these financial statements.

BDML GROUP LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT** *(continued)***NON-TECHNICAL ACCOUNT****YEAR ENDED 31 DECEMBER 2004**

		Year ended 31 December 2004	Year ended 31 December 2003
	Note	£000	£000
Balance on technical account		<u>8,095</u>	<u>4,779</u>
Investment income	4	11,171	10,167
Unrealised losses on investments	4	(4,602)	(77)
Realised losses/(gains) on investments	4	607	(2,177)
Investment expenses and charges	4	<u>(854)</u>	<u>(905)</u>
		6,322	7,008
Share of associate		9	85
Other income	7	16,187	14,466
Other charges	8	<u>(15,568)</u>	<u>(14,608)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	9	15,045	11,730
Tax on profit on ordinary activities	10	<u>(4,701)</u>	<u>(3,565)</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAX		10,344	8,165
Minority interest		<u>(200)</u>	<u>(75)</u>
PROFIT FOR THE FINANCIAL YEAR		10,144	8,090
Dividends – non equity	11	-	(3)
RETAINED PROFIT		<u>10,144</u>	<u>8,087</u>

All the activities of the group are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

Notes 1 to 32 form part of these financial statements.

BDML GROUP LIMITED
CONSOLIDATED BALANCE SHEET
31 DECEMBER 2004

	Note	2004	2003
		£000	£000
ASSETS			
Intangible assets	12	4,714	4,128
Investments:			
Land and buildings	13	8,975	8,975
Other financial investments	14	126,283	136,309
Investment in associate	15	32	-
Other investments	15	-	-
		<u>135,290</u>	<u>145,284</u>
Reinsurers' share of technical provisions:			
Claims outstanding		23,777	27,925
Debtors:			
Debtors arising out of direct insurance operations – intermediaries		4,633	4,051
Debtors arising out of outwards reinsurance operations		413	-
Securitised insurance debtors	17	24,372	11,942
Less: non-returnable proceeds	17	(20,767)	(10,688)
		<u>3,605</u>	<u>1,254</u>
Other debtors	18	8,401	18,322
		<u>17,052</u>	<u>23,627</u>
Other assets			
Tangible assets	19	1,185	924
Cash at bank and in hand		23,589	6,419
		<u>24,774</u>	<u>7,343</u>
Prepayments & accrued income:			
Accrued interest and rent		945	1,021
Deferred acquisition costs		5,584	5,388
Other prepayments and accrued income	20	782	834
		<u>7,311</u>	<u>7,243</u>
TOTAL ASSETS		<u>212,918</u>	<u>215,550</u>

Notes 1 to 32 form part of these financial statements.

BDML GROUP LIMITED

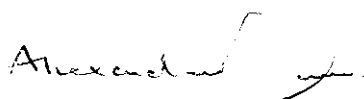
CONSOLIDATED BALANCE SHEET *(continued)*

31 DECEMBER 2004

	Note	2004 £000	2003 £000
LIABILITIES			
Share capital and reserves			
Called up share capital	21	274	415
Profit and loss account	22	18,640	25,511
Capital redemption reserve	22	141	-
Shareholders' funds	23	<u>19,055</u>	<u>25,926</u>
Equity shareholders' funds	23	19,055	25,926
Minority interests		-	115
Technical provisions			
Provision for unearned premiums		33,914	32,088
Claims outstanding		<u>109,115</u>	<u>118,770</u>
		143,029	150,858
Provisions for other risks and charges			
Deferred tax	24	45	9
Unearned charges		<u>2,072</u>	<u>2,109</u>
		2,117	2,118
Creditors: amounts falling due within one year			
Creditors arising out of direct insurance operations		29	30
Creditors arising out of reinsurance operations		5,288	3,152
Other creditors including taxation and social security	25	<u>22,874</u>	<u>26,137</u>
		28,191	29,319
Creditors: amounts falling due after more than one year			
Other creditors	26	13,341	2,000
Accruals and deferred income	27	<u>7,185</u>	<u>5,214</u>
TOTAL LIABILITIES		<u>212,918</u>	<u>215,550</u>

These financial statements were approved by the directors on 20/4/2005 and are signed on their behalf by:

Mr A Dunn
Director



Mr A Ball
Director



Notes 1 to 32 form part of these financial statements

BDML GROUP LIMITED**BALANCE SHEET****31 DECEMBER 2004**

	Note	2004 £000	2003 £000
FIXED ASSETS			
Investments	15	18,060	17,822
CURRENT ASSETS			
Debtors	18	2,669	380
Cash at bank and in hand		6	209
		<u>2,675</u>	<u>589</u>
CREDITORS: Amounts falling due within one year	25	<u>(6,059)</u>	<u>(8,170)</u>
NET CURRENT LIABILITIES		<u>(3,384)</u>	<u>(7,581)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>14,676</u>	<u>10,241</u>
CREDITORS: Amounts falling due after more than one year	26	13,326	2,000
CAPITAL AND RESERVES			
Called-up share capital	21	274	415
Profit and loss account	22	935	7,826
Capital redemption reserve	22	141	-
SHAREHOLDERS' FUNDS	23	<u>1,350</u>	<u>8,241</u>
		<u>14,676</u>	<u>10,241</u>

These financial statements were approved by the directors on 20/4/2005 and are signed on their behalf by:

Mr A Dunn
Director

Mr A Ball
Director

Notes 1 to 32 form part of these financial statements.

BDML GROUP LIMITED**CONSOLIDATED CASH FLOW STATEMENT****YEAR ENDED 31 DECEMBER 2004**

	2004		2003	
	£000	£000	£000	£000
Net cash inflow from operating activities		34,340		11,926
Returns on investments and servicing of finance				
Interest paid	(721)		(780)	
Finance raising costs	(378)		-	
Non-equity dividends paid	(1)		(6)	
Dividends paid to minority shareholders in subsidiary undertaking	(210)		-	
Net cash outflow from returns on investments and servicing of finance		(1,310)		(786)
Taxation				
Corporation tax paid	(4,020)		(4,202)	
Taxation paid		(4,020)		(4,202)
Capital expenditure				
Purchase of tangible fixed assets	(577)		(181)	
Purchase of intangible fixed assets	(157)		-	
Sale of tangible fixed assets	8		20	
Net cash outflow from capital expenditure		(726)		(161)
Acquisition and disposals				
Acquisition of subsidiary	-		(84)	
Deferred consideration paid	(2,250)		(2,250)	
Bank and cash (sold)/acquired with subsidiaries	(168)		320	
Part acquisition of subsidiary	(283)		(34)	
Part disposal of subsidiaries	46		18	
Net cash outflow from acquisitions and disposals		(2,655)		(2,030)
Net cash inflow before financing		25,629		4,747
Financing				
Capital element of HP payments	(9)		-	
Issue of equity shares	-		15	
Repurchase of equity shares	(17,015)		-	
Net cash inflow/(outflow) of bank loans	13,183		(4,908)	
Net cash outflow from financing		(3,841)		(4,893)
Increase/(decrease) in cash in the year		21,788		(146)

Notes 1 to 32 form part of these financial statements.

BDML GROUP LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2004

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2004 £000	2003 £000
Operating profit before tax	15,045	11,730
Depreciation	330	319
Amortisation of positive goodwill	291	230
(Profit)/loss on sale of fixed assets	(6)	3
Loss/(profit) on part disposal of subsidiary	18	(18)
Realised and unrealised loss on other investments	3,995	4,054
Unrealised gain on investment properties	-	(1,800)
Movement in value of associate	(7)	(60)
Interest payable	853	869
Decrease/(increase) in debtors	8,372	(13,850)
Increase in non recourse financing	(2,351)	(259)
Increase in prepayments	(113)	(1,214)
(Decrease)/increase in technical provisions	(7,829)	12,874
Decrease/(increase) in reinsurer's share of technical provisions	4,148	(6,780)
Increase in creditors	10,235	4,011
Increase in accruals	1,396	898
(Decrease)/increase in other provisions	(37)	919
Net cash inflow from operating activities	<u>34,340</u>	<u>11,926</u>

CASH FLOWS WERE INVESTED AS FOLLOWS:

	2004 £000	2004 £000	2003 £000	2003 £000
Increase/(decrease) in cash holdings		27,819		(7,454)
Net portfolio investment:				
Fixed income securities	(4,570)		497	
Equities	<u>(1,461)</u>		<u>6,811</u>	
		(6,031)		7,308
Net investment in cash flows		<u>21,788</u>		<u>(146)</u>

Notes 1 to 32 form part of these financial statements.

BDML GROUP LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

YEAR ENDED 31 DECEMBER 2004

MOVEMENT IN OPENING AND CLOSING PORTFOLIO INVESTMENTS NET OF FINANCING

	2004 £000	2004 £000	2003 £000	2003 £000
Net cash flow for the year	27,819		(7,454)	
Cash flow:				
Portfolio investments	(6,031)		7,308	
Cash inflow from new loans	(17,000)		-	
Cash outflow from decreases in debt	3,817		4,908	
Cash outflow from decreases in hire purchase agreements	9		-	
		8,614		4,762
Changes in market value		(3,995)		(2,254)
		4,619		2,508
New hire purchase agreements in year		(29)		-
Finance raising costs		246		(89)
Portfolio investments net of financing at 1 January 2004		137,203		134,784
Portfolio investments net of financing at 31 December 2004		142,039		137,203

MOVEMENT IN CASH, PORTFOLIO INVESTMENTS AND FINANCING

	At 1 Jan 2004 £000	Cashflow £000	Non cash movement £000	Changes to market values £000	At 31 Dec 2004 £000
Cash at bank and in hand	6,419	17,170	-	-	23,589
Bank overdraft	(780)	649	-	-	(131)
Bank overdraft in respect of premium financing activities	(10,000)	10,000	-	-	-
Fixed income securities	128,909	(4,570)	-	(4,955)	119,384
Equities	7,400	(1,461)	-	960	6,899
Investment properties	8,975	-	-	-	8,975
Hire purchase agreements	-	9	(29)	-	(20)
Loans due within one year	(1,720)	(1,583)	(28)	-	(3,331)
Loans due after one year	(2,000)	(11,600)	274	-	(13,326)
	137,203	8,614	217	(3,995)	142,039

During the year a subsidiary company repaid the overdraft of £10,000,000 after entering into an agreement to securitise further customer receivables. Non cash movements relate to a new hire purchase agreement in the year and the allocation and amortisation of finance raising costs on loans raised and repaid in the year.

Notes 1 to 32 form part of these financial statements.

BDML GROUP LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

1. ACCOUNTING POLICIES

Basis of accounting

The group financial statements, which consolidate the financial statements of the company and its subsidiary undertakings, have been prepared in accordance with the provisions of Section 255 of, and Schedule 9A to, the Companies Act 1985. The balance sheet of the parent company is prepared in accordance with the provisions of Section 226 of, and Schedule 4 to, the Companies Act 1985. The financial statements have also been prepared in accordance with applicable accounting standards and under the historical cost convention, modified to include the revaluation of certain assets, and comply with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers.

Consolidation

The consolidated financial statements incorporate the financial statements of the company and each of its subsidiaries for the year ended 31 December 2004 and exclude all intra-group transactions. No profit and loss account is presented by the parent company as permitted by Section 230 of the Companies Act 1985.

Associates

An entity is treated as an associated undertaking where the group has a participating interest and exercises significant influence over its operating and financial policy decisions.

In the group financial statements, interests in associated undertakings are accounted for using the equity method of accounting. The consolidated profit and loss account includes the group share of the operating results, interest, pre-tax results and attributable taxation of such undertakings based on audited financial statements for the year. In the consolidated balance sheet, the interests in the associated undertakings are shown as the group's share of the net assets, exclusive of any goodwill. Any premium on acquisition is dealt with in accordance with the policy for goodwill.

Goodwill

Goodwill arising on the acquisition of the company's subsidiary undertakings has been capitalised as an intangible fixed asset. In estimating the useful economic life of goodwill arising, account has been taken of the nature of the business acquired, the stability of the industry and the expected future impact of competition. On disposal, or part disposal, of a subsidiary undertaking any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on disposal.

The Companies Act 1985 normally requires goodwill arising on the acquisition of a subsidiary undertaking to be calculated as the difference between total acquisition costs of the undertaking and the group's share of the identifiable assets and liabilities at the date it became a subsidiary undertaking. FRS 2 recognises that, where an investment in an associated undertaking is increased and becomes a subsidiary undertaking, in order to show a true and fair view, goodwill should be calculated on each purchase as the difference between the cost of the purchase and the fair value at the date of that purchase. In the opinion of the directors the treatment of the acquisition on a piecemeal basis is the most appropriate. The financial effect of this departure, which was adopted in respect of the acquisition of further shares in Thornside Limited, is shown in note 15.

BDML GROUP LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

1. ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

The directors consider that BDML Connect Limited has a proven ability to maintain its position in the market over a long period and will adapt successfully to any foreseeable changes in the insurance industry, such that the business will prove to be durable. BDML Connect Limited has also shown consistent growth in both turnover and operating profits. Accordingly, the goodwill is not amortised and, in order to give a true and fair view, the financial statements depart from the requirement of amortising goodwill over a finite period, as required by the Companies Act 1985. Instead an annual impairment test is undertaken and any impairment that is identified will be charged to the profit and loss account. It is not possible to quantify the effect of the departure from the Companies Act, because no finite life for goodwill can be identified.

Goodwill arising in an individual subsidiary company's financial statements resulting from the acquisition of a book of business is capitalised and amortised over the life of the asset. Any impairment in the carrying value of goodwill is determined as the greater of the post tax net realisable value of the goodwill and the value of the goodwill in use. The value in use is determined by reference to the discounted future cashflows which are anticipated to be generated by the goodwill. Any impairment in value is charged to the profit and loss account.

Amortisation of goodwill in individual subsidiary financial statements is calculated so as to write off the cost of the asset, less its estimated residual value, over the useful economic life of that asset, being between 3 and 7 years.

Investments

Investments are shown in the balance sheet as follows:

- (i) Listed securities and equities at middle market value less accrued interest where applicable.
- (ii) Investment properties at open market value valued by qualified external surveyors.
- (iii) Unlisted shares at cost or valuation less any provision for an impairment in value.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of the asset as follows:

Office equipment	-	15% straight line
IT equipment	-	15% straight line
Motor vehicles	-	33% straight line
Fixtures and fittings	-	20% straight line

Foreign currency

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any exchange differences are taken to the profit and loss account.

BDML GROUP LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

1. ACCOUNTING POLICIES *(continued)*

Substance of transactions

The consolidated balance sheet includes certain trading balances in respect of a business service provided to a client by a subsidiary undertaking. While some balances are not assets or liabilities of the group, as it does not bear the risks and rewards of ownership, they are shown in the balance sheet because, in the opinion of the directors, it more accurately reflects the substance of the whole transactions undertaken. This has no impact on net assets or profit of the group.

Premiums

Premiums are accounted for in the year the risk commences. An adjustment has been made for the overall effect of new business premiums, mid term adjustments and lapses of renewal premiums not accounted for in the year of risk inception. All premiums are shown gross of commission payable to intermediaries and are exclusive of taxes, duties and levies thereon. Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or indirect reinsurance business being reinsured.

Claims

Claims incurred include all losses occurring during the year, whether reported or not, related handling costs and any adjustments to claims outstanding from previous years. Significant delays are experienced in the notification and settlement of certain claims, particularly in respect of liability business, the ultimate cost of which cannot be known with certainty at the balance sheet date.

Technical provisions

- (i) Unearned premiums are those proportions of the premiums written in a year that relate to the periods of risk subsequent to the balance sheet date. They are computed principally on a daily pro-rata basis.
- (ii) The provision of claims outstanding is made on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, *together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported at the balance sheet date based on statistical methods. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.*
The provision of claims outstanding is based on information available at the balance sheet date. Significant delays are experienced in the notification and settlement of certain claims, accordingly the ultimate cost of such claims cannot be known with certainty at the balance sheet date. Subsequent information and events may result in the ultimate liability being less than, or greater than, the amount provided. Any differences between provisions and subsequent settlements are dealt with in the technical account – general business of later years.
- (iii) Provision is made for unexpired risks when, after taking account of an element of attributable investment income, it is anticipated that the unearned premiums will be insufficient to cover future claims and expenses on existing contracts. The expected claims are calculated having regard to events which have occurred prior to the balance sheet date. Unexpired risk surpluses and deficits are offset when business classes are managed together and a provision is made if an aggregate deficit arises.

BDML GROUP LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

1. ACCOUNTING POLICIES *(continued)*

Deferred acquisition costs

Deferred acquisition costs represent a proportion of commission and other acquisition costs that relate to policies that are in force at the year end. Deferred acquisition costs are amortised over the period in which the related premiums are earned.

Investment income, realised and unrealised investment gains and losses

Investment income consists of interest receivable for the year. Income is credited to the profit and loss account at the amount receivable, with no associated tax credit for income from the United Kingdom. Interest receivable is accounted for on an accruals basis.

Net realised gains/losses on investments are calculated as the difference between net sales proceeds and the cost of acquisition.

Unrealised gains and losses on investments represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year. Net movements in the year are taken to the profit and loss account and disclosed as unrealised gains/(losses) on investments.

Investment expenses and charges

Investment expenses and charges consist of the expenses relating to the management of the investment portfolio and interest payable.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Deferred taxation

Deferred taxation 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 taxation balance has not been discounted.

Pension costs

The group operates a matched contribution group personal pension scheme where the group contributes an amount matching the contribution made by the staff member. In addition, the group does fund the pension contributions of some of its senior employees. Accordingly, the contributions are charged to the profit and loss account as they are incurred.

2. SEGMENTAL INFORMATION

Gross written premiums are attributable to the principal activities of the group which arose wholly within the United Kingdom.

BDML GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

3. NET OPERATING EXPENSES

	Year ended 31 December 2004 £000	Year ended 31 December 2003 £000
Gross written commission	8,309	8,014
Other acquisition costs	2,907	2,640
Change in deferred acquisition costs	(196)	(1,185)
Administrative expenses	1,028	556
	<u>12,048</u>	<u>10,025</u>

4. INVESTMENT RETURN

	Year ended 31 December 2004 £000	Year ended 31 December 2003 £000
Investment income:		
Income from other investments	11,171	10,167
Investment expenses and charges:		
Bank interest payable	(639)	(350)
Loan interest payable	(82)	(420)
Amortisation of finance costs	(132)	(89)
Other interest payable	-	(10)
Investment management expenses	(1)	(36)
	<u>(854)</u>	<u>(905)</u>
Gains/(losses) on the realisation of investments	607	(2,177)
Unrealised losses on investments	(4,602)	(77)
	<u>6,322</u>	<u>7,008</u>

5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the group during the financial year amounted to:

	2004 No.	2003 No.
Operations and management	<u>408</u>	<u>447</u>

BDML GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

5. PARTICULARS OF EMPLOYEES *(continued)*

The aggregate payroll costs of the above were:

	Year ended 31 December 2004 £000	Year ended 31 December 2003 £000
Wages and salaries	9,151	8,970
Social security costs	935	862
Other pension costs	329	317
Other staff costs	22	21
	<u>10,437</u>	<u>10,170</u>

6. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	Year ended 31 December 2004 £000	Year ended 31 December 2003 £000
Emoluments receivable	<u>1,673</u>	<u>1,826</u>

Emoluments of the highest paid director:

	Year ended 31 December 2004 £000	Year ended 31 December 2003 £000
Emoluments receivable	<u>515</u>	<u>576</u>

7. OTHER INCOME

	Year ended 31 December 2004 £000	Year ended 31 December 2003 £000
Insurance intermediary group income	16,205	14,423
Other income	(18)	43
	<u>16,187</u>	<u>14,466</u>

BDML GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

8. OTHER CHARGES

	Year ended 31 December 2004 £000	Year ended 31 December 2003 £000
Insurance intermediary group expenses	13,614	12,815
Other expenses	1,954	1,793
	<u>15,568</u>	<u>14,608</u>

9. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

	Year ended 31 December 2004 £000	Year ended 31 December 2003 £000
Profit on ordinary activities before tax is stated after charging/(crediting):		
Amortisation of goodwill	291	230
Depreciation of owned assets	322	310
Depreciation of assets held under hire purchase	8	9
Auditors remuneration - audit services	92	75
- non audit services	33	30
(Profit)/loss on disposal of fixed assets	(6)	3
Loss/(profit) on disposal of shares in subsidiary undertaking	18	(18)
Release of provision for funding of loss making subsidiary	-	(26)

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

a) Analysis of current period tax charge

	Year ended 31 December 2004 £000	Year ended 31 December 2003 £000
Current tax:		
In respect of the year:		
UK corporation tax based on the results for the year at 30% (2003 - 30%)	4,746	3,612
Share of associated undertakings tax charge	2	26
Adjustments in respect of previous years	(83)	(64)
Total current tax	<u>4,665</u>	<u>3,574</u>
Deferred tax:		
Increase in deferred tax provision (note 24)		
Capital allowances	36	(9)
Tax on profit on ordinary activities	<u>4,701</u>	<u>3,565</u>

BDML GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

10. TAX ON PROFIT ON ORDINARY ACTIVITIES *(continued)*

b) Factors affecting current year tax charge

The UK standard rate of corporation tax is 30% (2003 – 30%), whereas the current tax assessed for the year ended 31 December 2004 as a percentage of profit before tax is 31% (2003 – 30.4%). The reasons for this difference are explained below:

	2004 %	2003 %
Current tax on profit on ordinary activities calculated at the standard rate of corporation tax in the UK of 30%	30.0	30.0
Depreciation for the year in excess of capital allowances	(0.4)	(0.4)
Income not taxable	(0.8)	(0.1)
Expenses not deductible for tax purposes	1.0	1.0
Timing differences	0.6	0.7
Technical reserve adjustment	1.2	-
Small companies relief	(0.1)	-
Losses (brought forward)/carried forward	-	(0.1)
Consolidation adjustments	-	(0.1)
Associated company profits	-	(0.2)
UK corporation tax charge for the year	31.5	30.8
Associated company's tax charge	-	0.2
Adjustments in respect of previous years	(0.5)	(0.6)
Current tax charge in the year	31.0	30.4

c) Factors affecting future tax charges

The impact of deferred tax can be seen in note 24.

11. DIVIDENDS – NON EQUITY

The following dividends have been proposed in respect of the year:

	2004 £000	2003 £000
Dividend paid and proposed on preference shares	-	3

BDML GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

12. INTANGIBLE FIXED ASSETS – GROUP

	Goodwill £000	Goodwill on consolidation £000	Total £000
COST			
At 1 January 2004	1,612	3,783	5,395
On acquisition	733	211	944
Disposal of subsidiary	-	(67)	(67)
	<u>2,345</u>	<u>3,927</u>	<u>6,272</u>
AMORTISATION			
At 1 January 2004	1,267	-	1,267
Charge for the year	291	-	291
At 31 December 2004	<u>1,558</u>	<u>-</u>	<u>1,558</u>
NET BOOK VALUE			
At 31 December 2004	<u>787</u>	<u>3,927</u>	<u>4,714</u>
At 31 December 2003	<u>345</u>	<u>3,783</u>	<u>4,128</u>

During the year the company acquired a further 30% investment in Thornside Limited (2003 – 15%), increasing the company's shareholding to 90%. Goodwill of £211,385 arose in respect of this tranche of the acquisition (calculated on a piecemeal basis as permitted by FRS 2 'Accounting for Subsidiary Undertakings') based on the fair value of the net assets acquired. This does not represent a substantial acquisition, consequently no fair value table has been disclosed.

As stated in the accounting policies the group has accounted for the purchase of additional shares as a piecemeal acquisition in accordance with FRS 2. If goodwill had been calculated in accordance with the Companies Act 1985, goodwill of £328,175 would have been generated rather than £372,204. As at 31 December 2004, the effect on the balance sheet would have been to reduce intangible assets by £44,029 but there would have been no effect on the profit and loss account.

13. INVESTMENTS – LAND AND BUILDINGS

GROUP	Market value		Historical cost	
	2004 £000	2003 £000	2004 £000	2003 £000
Land and buildings:				
Properties occupied by the group, freehold	4,141	4,141	3,990	3,990
Other investment properties, freehold	4,834	4,834	2,460	2,460
	<u>8,975</u>	<u>8,975</u>	<u>6,450</u>	<u>6,450</u>

The directors have valued the properties at the year end and consider the open market value as at 31 December 2004 to be as stated.

Freehold land and buildings were valued at open market value on 3 March 2003 and 11 October 2002 by Hughes Ellard Limited.

BDML GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

14. INVESTMENTS – OTHER FINANCIAL INVESTMENTS

GROUP	Market value		Historical cost	
	2004 £000	2003 £000	2004 £000	2003 £000
Other financial investments:				
Shares and other variable yield securities and units in unit trusts				
- Listed	6,899	7,400	6,278	7,065
Debt securities and other fixed income securities – Listed				
- At current value	119,384	128,909	127,657	132,294
	<u>126,283</u>	<u>136,309</u>	<u>133,935</u>	<u>139,359</u>

15. INVESTMENTS

COMPANY	Unlisted shares in associated undertakings £000	Unlisted shares in group undertakings £000	Other unlisted investments £000	Total £000
Cost or valuation				
At 1 January 2004	-	17,822	217	18,039
Additions	-	283	-	283
Disposals	-	(45)	-	(45)
At 31 December 2004	<u>-</u>	<u>18,060</u>	<u>217</u>	<u>18,277</u>
Impairment in value				
At 1 January 2004 and 31 December 2004	<u>-</u>	<u>-</u>	<u>217</u>	<u>217</u>
Net Book Value				
At 31 December 2004	<u>-</u>	<u>18,060</u>	<u>-</u>	<u>18,060</u>
At 31 December 2003	<u>-</u>	<u>17,822</u>	<u>-</u>	<u>17,822</u>

BDML GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

15. INVESTMENTS (continued)

The historical cost of the other unlisted investments is:

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Cost	150	150	150	150
Impairment in value	(150)	(150)	(150)	(150)
Historical cost net book value	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The company owns the following percentages of the issued share capital of the subsidiary and associated undertakings listed below:

Company	Percentage holding	Nature of business
BDML Connect Limited	100%	Insurance intermediary
Supatex Limited	100%	Insurance intermediary
Sabre Insurance Company Limited	100%	Insurance company
Thornside Limited	90%	Pet insurance intermediary
Ultimate Insurance Solutions Limited	42.75%	Provision of services to insurance companies and insurance brokers

Supatex Limited was incorporated in the year and is a wholly owned subsidiary of BDML Connect Limited.

In addition the company owns 100% of the issued share capital of Insuremythings.com Limited and 100% of the issued share capital of Expert Guides Limited, both of which were dormant throughout the year.

All subsidiary and associated undertakings were incorporated in the United Kingdom.

During the year, the company disposed of 64 "A" ordinary shares and 29 "B" Ordinary shares in Ultimate Insurance Solutions Limited. Following the disposal of "A" ordinary and "B" ordinary shares the remaining shareholding in Ultimate Insurance Solutions Limited of £171 has been redesignated as an associated undertaking.

As part of an acquisition agreement in respect of Thornside Limited were various put and call options relating to the acquisition of the remaining ordinary share capital by BDML Group Limited. The put option has various conditions attached to it, which must be satisfied before BDML Group Limited is required to acquire further shares. The options are exercisable in stages, with a final date for exercise of June 2006 at a price calculated on an agreed basis. During the year, the company acquired 30 ordinary shares in Thornside Limited when the time frame of this agreement was accelerated. In addition BDML Group Limited has granted an option which would require it to acquire the remaining 10% of the share capital of Thornside Limited at a price calculated on an agreed basis.

BDML GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

15. INVESTMENTS *(continued)*

All of the above subsidiary and associated undertakings have been included in the consolidated financial statements from the date of acquisition and or disposal.

The company's other investments relate to a small shareholding in a company registered in the United Kingdom, these shares have no voting rights, and a small shareholding in a company registered on the commercial register of the Chamber and Commerce and Industry for Gooiland (Hilversum) in the Netherlands. The value of these investments have been impaired in previous years.

GROUP	Associated undertaking £000	Unlisted investment £000
Cost or valuation		
At 1 January 2004 and 31 December 2004	-	217
Share of net assets		
At 1 January 2004	-	-
Additions	32	-
At 31 December 2004	32	-
Impairment in value		
At 1 January 2004	-	217
Provision in the year	-	-
At 31 December 2004	-	217
Total		
At 31 December 2004	32	-
At 31 December 2003	-	-

16. REINSURANCE

Prior to its acquisition by the company, Sabre Insurance Company Limited effected an unlimited aggregate excess of loss reinsurance policy with Norwich Union Insurance Limited, the effect of which is to limit the exposure of Sabre Insurance Company Limited to any possible deterioration in reserves for claims occurring in 2001 and prior years. This reinsurance policy also protects Sabre Insurance Company Limited against any reinsurance bad debts in respect of these claims.

If the development of the 2001 and prior years is favourable and the aggregate losses fall below the attachment point of the reinsurance contract, there is an obligation in respect of this contract to pay an additional reinsurance premium to Norwich Union Insurance Limited.

BDML GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

17. INSURANCE DEBTORS SUBJECT TO A SECURITISATION AGREEMENT

In October 2003, BDML Connect Limited entered into an agreement to securitise customer receivables which derive from the provision of instalment credit facilities to insurance customers of the company. During the year BDML Connect Limited entered into a further securitisation agreement relating to another business stream.

BDML Connect Limited sells the receivables, with no immediate impact on the profit and loss account, for cash to a third party that takes on the rights and responsibilities of the asset. The terms of the agreement under which this takes place includes provisions that the purchaser has no recourse to BDML Connect Limited. The company is not obliged to support any losses, nor does it intend to.

Principal and interest is repayable from the customer receivables. At 31 December 2004 the amount of customer receivables covered by this agreement was £24,372,263 (2003 - £11,941,766) raising funds of £20,767,341 (2003 - £10,687,883) and this is shown on the balance sheet using linked presentation.

There exists a charge over the company's assets, but limited to the amount of collections made by BDML Connect Limited on behalf of the purchaser of the receivables. The total value of these collections as at 31 December 2004 was £3,082,980 (2003 - £947,760).

18. OTHER DEBTORS

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Other trade debtors	5,636	17,962	-	-
Amounts due from group undertakings	-	-	626	318
Other debtors	2,765	360	2,000	29
Prepayments and accrued income	-	-	43	33
	<u>8,401</u>	<u>18,322</u>	<u>2,669</u>	<u>380</u>

BDML GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

19. TANGIBLE FIXED ASSETS – GROUP

	Motor Vehicles £000	Office Equipment £000	IT Equipment £000	Fixtures & Fittings £000	Total £000
COST					
At 1 January 2004	26	776	2,770	700	4,272
Sold with subsidiary	-	-	(13)	(2)	(15)
Additions	29	156	246	175	606
Disposals	(26)	-	(768)	(115)	(909)
At 31 December 2004	<u>29</u>	<u>932</u>	<u>2,235</u>	<u>758</u>	<u>3,954</u>
DEPRECIATION					
At 1 January 2004	25	429	2,357	537	3,348
Sold with subsidiary	-	-	(2)	-	(2)
Charge for the year	8	111	140	71	330
On disposals	(26)	-	(768)	(113)	(907)
At 31 December 2004	<u>7</u>	<u>540</u>	<u>1,727</u>	<u>495</u>	<u>2,769</u>
NET BOOK VALUE					
At 31 December 2004	<u>22</u>	<u>392</u>	<u>508</u>	<u>263</u>	<u>1,185</u>
At 31 December 2003	<u>1</u>	<u>347</u>	<u>413</u>	<u>163</u>	<u>924</u>

Hire purchase agreements

Included within the net book value of £1,184,905 is £22,119 (2003 - £970) relating to assets held under hire agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £8,251 (2003 - £8,580).

20. OTHER PREPAYMENTS AND ACCRUED INCOME

Included within other prepayments and accrued income is an amount of £nil (2003 - £139,916) due after more than one year.

BDML GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

21. SHARE CAPITAL

Authorised, share capital:

	2004 £000	2003 £000
Ordinary shares of £1 each	<u>415</u>	<u>415</u>

Allotted, called up and fully paid:

	2004 £000	2003 £000
Ordinary share capital brought forward	415	415
Purchase of own equity shares	(141)	-
	<u>274</u>	<u>415</u>

During the year the company purchased 141,236 ordinary shares from Stephen J Lockwood & Company LLC for a consideration of £17,015,000. As a result the issued share capital decreased from £415,400 to £274,164.

22. OTHER RESERVES

	Capital redemption reserve £'000	Profit and loss account £000
Group		
At 1 January 2004	-	25,511
Profit for the year	-	10,144
Purchase of own shares	141	(17,015)
At 31 December 2004	<u>141</u>	<u>18,640</u>
Company		
At 1 January 2004	-	7,826
Profit for the year	-	10,124
Purchase of own shares	141	(17,015)
At 31 December 2004	<u>141</u>	<u>935</u>

23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group		Company	
	2004 £000	2003 £000	2004 £0000	2003 £000
Opening shareholders' funds	25,926	17,824	8,241	2,426
Profit for the year	10,144	8,087	10,124	5,800
New ordinary share capital subscribed	-	15	-	15
Purchase of own shares	(17,015)	-	(17,015)	-
Closing shareholders' funds	<u>19,055</u>	<u>25,926</u>	<u>1,350</u>	<u>8,241</u>

BDML GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

24 DEFERRED TAXATION

The movement on the deferred taxation provision during the year was:

	2004 £000	2003 £000
Provision brought forward	9	18
Increase/(decrease) in provision	36	(9)
Provision carried forward	<u>45</u>	<u>9</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

Group	Provided		Unprovided	
	2004 £000	2003 £000	2004 £000	2003 £000
Accelerated capital allowances	167	9	-	(3)
Tax losses	-	-	(2)	(68)
Other timing differences	(12)	-	(97)	(85)
	<u>45</u>	<u>9</u>	<u>(99)</u>	<u>(156)</u>
Company	Provided		Unprovided	
	2004 £000	2003 £000	2004 £000	2003 £000
Tax losses	<u>-</u>	<u>-</u>	<u>(97)</u>	<u>(68)</u>

BDML GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2004****25 OTHER CREDITORS: Amounts falling due within one year**

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£0000	£000
Bank loans and overdrafts	3,462	2,500	3,330	1,720
Bank overdraft in respect of premium financing activities	-	10,000	-	-
Other loans	-	2,250	-	2,250
Other insurer balances	13,271	7,440	-	-
Amounts owed to group undertakings	-	-	1,151	2,703
Other taxation and social security	968	953	24	-
Other creditors	2,738	1,125	182	326
Corporation tax	2,432	1,868	-	-
Dividends payable	-	1	-	1
Accruals and deferred income	-	-	1,372	1,170
Hire purchase	-	-	-	-
	<u>22,874</u>	<u>26,137</u>	<u>6,059</u>	<u>8,170</u>

Bank borrowings are secured by fixed and floating charges over the assets of the companies to which they relate.

26 OTHER CREDITORS: Amounts falling due after more than one year

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£0000	£000
Bank loans	13,326	2,000	13,326	2,000
Hire purchase	15	-	-	-
	<u>13,341</u>	<u>2,000</u>	<u>13,326</u>	<u>2,000</u>

27 ACCRUALS AND DEFERRED INCOME

	2004	2003
GROUP	£000	£000
Accruals falling due within one year	7,135	5,085
Accruals falling due after more than one year	50	129
Total accruals and deferred income	<u>7,185</u>	<u>5,214</u>

BDML GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

28 COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

GROUP	2004 £000	2003 £000
Amounts payable within 1 year	5	-
Amounts payable between 1 and 2 years	5	-
Amounts payable between 3 and 5 years	10	-
	<u>20</u>	<u>-</u>

29 CAPITAL INSTRUMENTS

Loans are repayable as follows:

	Group		Company	
	2004 £000	2003 £000	2004 £0000	2003 £000
In one year or less, or on demand	3,330	3,970	3,330	3,970
Between one and two years	3,330	400	3,330	400
Between two and five years	9,996	1,200	9,996	1,200
In five years or more	-	400	-	400
	<u>16,656</u>	<u>5,970</u>	<u>16,656</u>	<u>5,970</u>

The above liabilities are in respect of a bank loan, which is secured over the assets of the company. The loan is repayable over a 5 year period, from 30 June 2005 to 31 December 2009, and bears interest of 2% over LIBOR.

30. RELATED PARTY TRANSACTIONS

The following transactions occurred between group companies and the following related parties:

Stephen J Lockwood & Company LLC

The company has been charged consultancy fees totalling £139,207 (2003 - £211,241) by Stephen J Lockwood & Company LLC, a company controlled by S Lockwood, a director of the company until 27 July 2004. As at 31 December 2004 £nil was due from the group (2003 - £263,541).

Ultimate Insurance Solutions Limited

During the period since disposal of the subsidiary undertaking, BDML Connect Limited made sales of £58,250, and received £401,460 commission from Ultimate Insurance Solutions Limited, an associated company. BDML Connect Limited also made purchases of £534,622 from Ultimate Insurance Solutions Limited during the period. At the year end a balance of £92,860 was owed to Ultimate Insurance Solutions Limited, and £172,283 was owed from Ultimate Insurance Solutions Limited.

During the period, Ultimate Insurance Solutions Limited made sales of £1,875 to Thornside Limited. At the year end a balance of £nil remained outstanding.

BDML GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

30. RELATED PARTY TRANSACTIONS *(continued)*

The company has taken advantage of the exemption not to disclose any transactions with entities that are part of BDML Group Limited group which qualify as related parties, due to the preparation of consolidated financial statements by the company.

31. ULTIMATE CONTROLLING PARTY

In the opinion of the directors there is no one controlling party.

32. ACQUISITION OF BUSINESS

In October 2004 the group acquired the trade and certain assets of an insurance intermediary business. Consideration is contingent on renewals generated by this business over the next twelve months. The directors have estimated the consideration to be £650,000.

In calculating the goodwill arising on acquisition, provisional estimates of the consideration and fair value of net assets acquired have been assessed and adjusted from book value where appropriate. These adjustments are summarised in the following table.

	Book value £	Fair value £
Tangible fixed assets	7,675	7,675
Consideration		650,000
Acquisition costs		90,599
Goodwill		<u>732,924</u>