

Company Registration No. 04028670 (England and Wales)

ROCKFORD INSURANCE BROKERS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005



ROCKFORD INSURANCE BROKERS LIMITED

COMPANY INFORMATION

Directors	L L Davidson A Hardill J F Daly M C Browne G E Weathers
Secretary	A Hardill
Company number	04028670
Registered office	Rockford House Low Lane Horsforth Leeds LS18 5PU
Auditors	Pierce C.A. Limited Mentor House Ainsworth Street Blackburn Lancashire BB1 6AY
Bankers	Bank of Scotland 19-21 Spring Gardens Manchester M2 1FB
Solicitors	Richmond & Co 105 New Road Side Horsforth Leeds LS18 4 QD

ROCKFORD INSURANCE BROKERS LIMITED

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ROCKFORD INSURANCE BROKERS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

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

Principal activities and review of the business

The principal activity of the company continues to be the provision of insurance services.

During 2005 we have achieved most of our objectives. We have been successful in the recruitment of high calibre professional staff in all divisions within the company and the acquisition of a small local business.

We have been successful in maintaining and growing our strong client bank and at the same time producing a healthy return for our insurers. This balance will provide a platform for our future growth and prosperity for all staff and insurers, which in turn will continue to provide our clients with a professional and caring service.

With the Financial Services Authority making a mark on the industry, we are convinced that the long term future for the industry is secure, and our place within it. We have been visited by the FSA and our systems have survived their rigorous examinations.

Behind the scenes we continue to develop our staff and the internal training assists in ensuring that our professional approach to the business follows through to the service we offer clients. Our high work standards and practices have helped the growth of our business in an insurance market place where rates are continuing to fall. With this work ethos we are creating a platform for long term success.

2006 will see our company grow both organically and through acquisition. This growth will be to the benefit of our clients, not their cost. It is our clients, employees and insurer partners who will mark our success in achieving our goals.

Results and dividends

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

An interim dividend of £355,000 was paid during the year. The directors do not recommend the payment of a final dividend.

Directors

The following directors have held office since 1 January 2005:

L L Davidson
A Hardill
J F Daly
M C Browne
G E Weathers

Directors' interests

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

	Ordinary shares of £ 1 each	
	31 December 2005	1 January 2005
L L Davidson	-	-
A Hardill	-	-
J F Daly	-	-
M C Browne	-	-
G E Weathers	-	-

ROCKFORD INSURANCE BROKERS LIMITED

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

The company is a wholly owned subsidiary of Rockford Group plc. The directors' interests in the share capital of the holding company are shown in the directors' report of that company.

Creditor payment policy

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Pierce C.A. Limited be reappointed as auditors of the company will be put to the Annual General Meeting.

Directors' responsibilities

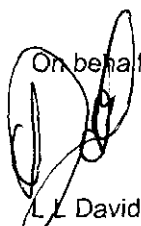
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



L.L. Davidson
Director

15 May 2006

ROCKFORD INSURANCE BROKERS LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ROCKFORD INSURANCE BROKERS LIMITED

We have audited the financial statements of Rockford Insurance Brokers Limited on pages 4 to 13 for the year ended 31 December 2005. 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 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 on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 within it.

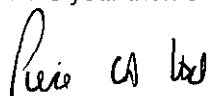
Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view, 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.



Pierce C.A. Limited

22 May 2006

Registered Auditor

Mentor House
Ainsworth Street
Blackburn
Lancashire
BB1 6AY

ROCKFORD INSURANCE BROKERS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £	2004 £
Turnover	2	2,442,891	2,161,549
Cost of sales		(114,651)	(160,928)
Gross profit		2,328,240	2,000,621
Administrative expenses		(1,919,328)	(1,569,202)
Operating profit	3	408,912	431,419
Other interest receivable and similar income	4	24,865	12,719
Interest payable and similar charges	5	(1,310)	(1,745)
Profit on ordinary activities before taxation		432,467	442,393
Tax on profit on ordinary activities	6	(14,041)	(35,487)
Profit on ordinary activities after taxation		418,426	406,906
Dividends	7	(355,000)	(350,000)
Retained profit for the year	15	63,426	56,906

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.

ROCKFORD INSURANCE BROKERS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2005

	Notes	2005 £	£	2004 £	£
Fixed assets					
Intangible assets	8	280,659		240,133	
Tangible assets	9	83,420		90,870	
			364,079		331,003
Current assets					
Debtors	10	885,694		895,472	
Cash at bank and in hand		722,830		500,091	
		1,608,524		1,395,563	
Creditors: amounts falling due within one year	11	(1,516,144)		(1,333,533)	
Net current assets			92,380		62,030
Total assets less current liabilities			456,459		393,033
Capital and reserves					
Called up share capital	14	200,001		200,001	
Profit and loss account	15	256,458		193,032	
Shareholders' funds - equity interests	16	456,459		393,033	

The financial statements were approved by the Board on 15 May 2006



L L Davidson
Director

ROCKFORD INSURANCE BROKERS LIMITED

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

1 Accounting policies

1.1 Accounting convention

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

1.3 Turnover

Turnover represents commissions and fees receivable in respect of insurance policies invoiced to third parties.

1.4 Goodwill

Goodwill is stated at cost less accumulated amortisation.

The company has acquired a series of brokerage businesses where the purchase consideration is dependent on the post acquisition renewal commissions generated. Due to the uncertainties involved, the fair value of such contingent consideration cannot be determined precisely at the date of acquisition. In such cases additions to goodwill are only recognised when additional payments become due and payable.

Acquired goodwill is written off in equal annual instalments over its useful economic life not exceeding 20 years.

Once an acquired business has become fully established and the purchase consideration determined with certainty, then the directors perform a goodwill impairment review and make a further assessment of its 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:

Computer Equipment	25% straight line
Fixtures & Fittings	15% straight line

1.6 Leasing and hire purchase commitments

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

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

ROCKFORD INSURANCE BROKERS LIMITED

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

1 Accounting policies (continued)

1.7 Pensions

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

1.8 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.

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 profit	2005	2004
		£	£

Operating profit is stated after charging:

Amortisation of intangible assets	15,054	9,465
Depreciation of tangible assets	34,457	33,971
Operating lease rentals	76,681	66,711
Auditors' remuneration	7,500	6,500

4	Investment income	2005	2004
		£	£

Bank interest	24,865	12,719
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5	Interest payable	2005	2004
		£	£

On bank loans and overdrafts	27	8
On other loans wholly repayable within five years	846	1,114
Hire purchase interest	437	614
On overdue tax	-	9

1,310	1,745
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ROCKFORD INSURANCE BROKERS LIMITED

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

6	Taxation	2005 £	2004 £
	Domestic current year tax		
	U.K. corporation tax	14,041	35,051
	Adjustment for prior years	-	436
		<u>14,041</u>	<u>35,487</u>
	Current tax charge		
		<u>14,041</u>	<u>35,487</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	432,467	442,393
		<u>432,467</u>	<u>442,393</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2004: 23.52%)	82,169	104,051
		<u>82,169</u>	<u>104,051</u>
	Effects of:		
	Non deductible expenses	2,156	1,493
	Depreciation add back	9,407	11,040
	Capital allowances	(4,817)	(6,722)
	Group tax losses utilised	(74,874)	(74,811)
	Adjustments to previous periods	-	436
		<u>(68,128)</u>	<u>(68,564)</u>
	Current tax charge	<u>14,041</u>	<u>35,487</u>
7	Dividends	2005 £	2004 £
	Ordinary interim paid	355,000	350,000
		<u>355,000</u>	<u>350,000</u>

ROCKFORD INSURANCE BROKERS LIMITED

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

8 Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2005	282,163
Additions	55,580
	<hr/>
At 31 December 2005	337,743
	<hr/>
Amortisation	
At 1 January 2005	42,030
Charge for the year	15,054
	<hr/>
At 31 December 2005	57,084
	<hr/>
Net book value	
At 31 December 2005	280,659
	<hr/> <hr/>
At 31 December 2004	240,133
	<hr/> <hr/>

9 Tangible fixed assets

	Computer Equipment £	Fixtures & Fittings £	Total £
Cost			
At 1 January 2005	105,553	88,773	194,326
Additions	16,176	10,831	27,007
	<hr/>	<hr/>	<hr/>
At 31 December 2005	121,729	99,604	221,333
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2005	65,022	38,434	103,456
Charge for the year	20,188	14,269	34,457
	<hr/>	<hr/>	<hr/>
At 31 December 2005	85,210	52,703	137,913
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2005	36,519	46,901	83,420
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2004	40,531	50,339	90,870
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

ROCKFORD INSURANCE BROKERS LIMITED

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

10 Debtors	2005 £	2004 £
Trade debtors	590,230	565,158
Amounts owed by fellow subsidiary undertakings	4,026	14,328
Other debtors	208,832	238,951
Prepayments and accrued income	82,606	77,035
	<u>885,694</u>	<u>895,472</u>

11 Creditors: amounts falling due within one year	2005 £	2004 £
Trade creditors	1,046,382	851,356
Amounts owed to parent and fellow subsidiary undertakings	139,375	297,333
Corporation tax	33,050	101,395
Other taxes and social security costs	37,596	30,098
Accruals and deferred income	259,741	53,351
	<u>1,516,144</u>	<u>1,333,533</u>

12 Provisions for liabilities and charges

In the opinion of the directors no provision is required for deferred taxation.

13 Pension costs

Defined contribution

The company operates two defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds.

	2005 £	2004 £
Contributions payable by the company for the year	<u>38,644</u>	<u>32,769</u>

ROCKFORD INSURANCE BROKERS LIMITED

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

14 Share capital	2005	2004
	£	£
Authorised		
200,001 Ordinary shares of £1 each	200,001	200,001
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
200,001 Ordinary shares of £1 each	200,001	200,001
	<u> </u>	<u> </u>
15 Statement of movements on profit and loss account		Profit and loss account £
Balance at 1 January 2005		193,032
Retained profit for the year		63,426
		<u> </u>
Balance at 31 December 2005		256,458
		<u> </u>
16 Reconciliation of movements in shareholders' funds	2005	2004
	£	£
Profit for the financial year	418,426	406,906
Dividends	(355,000)	(350,000)
	<u> </u>	<u> </u>
Net addition to shareholders' funds	63,426	56,906
Opening shareholders' funds	393,033	336,127
	<u> </u>	<u> </u>
Closing shareholders' funds	456,459	393,033
	<u> </u>	<u> </u>

17 Contingent liabilities

Bank of Scotland plc holds an unlimited cross guarantee between Rockford Group plc, Rockford Financial Services Limited and Rockford Insurance Brokers Limited supported by mortgage debentures over the assets of those companies.

At 31 December 2005, the total bank loans and overdrafts secured by this arrangement amounted to £150,000 (2004 - £237,909).

During the year the company purchased the goodwill of an insurance brokers business. Under the terms of the purchase agreement further sums may be payable by the company for a period of three years from acquisition based upon the renewal commissions generated.

ROCKFORD INSURANCE BROKERS LIMITED

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

18 Financial commitments

At 31 December 2005 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings			Other
	2005	2004	2005	2004
	£	£	£	£
Expiry date:				
Within one year	-	-	4,548	8,450
Between two and five years	-	-	4,062	9,184
In over five years	25,747	25,747	-	-
	<u>25,747</u>	<u>25,747</u>	<u>8,610</u>	<u>17,634</u>

In addition, the company occupies office premises at Leeds under an informal arrangement with Rockford Group plc, the parent company responsible for the leases.

19 Directors' emoluments

	2005	2004
	£	£
Emoluments for qualifying services	<u>172,693</u>	<u>-</u>

20 Employees

Number of employees

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

	2005	2004
	Number	Number
Management and Administration	<u>47</u>	<u>43</u>

Employment costs

	£	£
Wages and salaries	1,268,470	1,004,273
Other pension costs	<u>38,644</u>	<u>32,769</u>
	<u>1,307,114</u>	<u>1,037,042</u>

ROCKFORD INSURANCE BROKERS LIMITED

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

21 Control

The ultimate parent company is Rockford Group plc, a company registered in England and Wales.

The company is under the control of L L Davidson and A Hardill, directors, who own 80% of the issued share capital of Rockford Group plc.

22 Related party transactions

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

In the opinion of the directors there are no other material transactions with related parties which require disclosure under FRS 8.