

Company Registration No. 04028670 (England and Wales)

ROCKFORD INSURANCE BROKERS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

WEDNESDAY



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ROCKFORD INSURANCE BROKERS LIMITED

COMPANY INFORMATION

| | |
|--------------------------|---|
| Directors | L L Davidson A Hardill 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 2006

The directors present their report and financial statements for the year ended 31 December 2006.

Principal activities and review of the business

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

2006 has been a very exciting year for Rockford. During the year we have achieved most of our set objectives. These objectives included the growth of our sales and administration teams, the achievement of our budgets and the development of our relocation plans.

In February 2006 we completed the acquisition of a former local school and obtained planning consent to convert the Victorian building into our new head office. With a scheduled completion date set of June 2007 the additional space will allow our growth in Leeds.

In 2006 we have been successful in maintaining and growing our strong client bank and, at the same time, producing a healthy return for our insurers. With the strengthening of our insurer relationships we have a springboard for further growth in 2007. One of our key objectives for 2007 is to identify and acquire some local businesses in Lancashire and Huddersfield to develop those centres.

Behind the scenes our staff development and training programmes ensure 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.

2007 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.

The company does not actively use financial instruments as part of its financial risk management. The company is not exposed to the usual credit risk and cash flow risk associated with selling on credit. The nature of its financial instruments means the company is not subject to price risk or liquidity risk.

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.

Results and dividends

The results for the year are set out on page 6.

Interim dividends of £596,000 were 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 2006:

L L Davidson

A Hardill

J F Daly

(Resigned 23 June 2006)

M C Browne

G E Weathers

ROCKFORD INSURANCE BROKERS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

Directors' interests

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

| | Ordinary shares of £ 1 each | |
|--------------|-----------------------------|----------------|
| | 31 December 2006 | 1 January 2006 |
| L L Davidson | - | - |
| A Hardill | - | - |
| M C Browne | - | - |
| G E Weathers | - | - |

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.

ROCKFORD INSURANCE BROKERS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

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.

Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



A Hardill

13 March 2007

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 for the year ended 31 December 2006 set out on pages 6 to 15. These financial statements have been prepared under 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 auditors' 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 3 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.

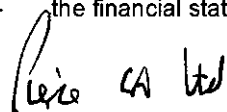
ROCKFORD INSURANCE BROKERS LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF ROCKFORD INSURANCE BROKERS LIMITED

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 2006 and of its profit for the year then ended ;
- the information given in the directors' report is consistent with the financial statements; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.



Pierce C.A. Limited

16 MARCH 2007

Registered Auditor

Mentor House
Ainsworth Street
Blackburn
Lancashire
BB1 6AY

ROCKFORD INSURANCE BROKERS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

| | Notes | 2006 £ | 2005 £ |
|--|-------|------------------|------------------|
| Turnover | 2 | 2,589,607 | 2,442,889 |
| Cost of sales | | (96,034) | (114,651) |
| Gross profit | | 2,493,573 | 2,328,238 |
| Administrative expenses | | (1,759,378) | (1,919,326) |
| Operating profit | 3 | 734,195 | 408,912 |
| Other interest receivable and similar income | 4 | 29,853 | 24,865 |
| Interest payable and similar charges | 5 | (656) | (1,310) |
| Profit on ordinary activities before taxation | | 763,392 | 432,467 |
| Tax on profit on ordinary activities | 6 | (39,058) | (14,041) |
| Profit for the year | 15 | 724,334 | 418,426 |

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 2006

| | Notes | 2006 £ | £ | 2005 £ | £ |
|---|-------|--------------------|---|--------------------|---|
| Fixed assets | | | | | |
| Intangible assets | 8 | 101,884 | | 280,659 | |
| Tangible assets | 9 | 90,488 | | 83,420 | |
| | | <u>192,372</u> | | <u>364,079</u> | |
| Current assets | | | | | |
| Debtors | 10 | 984,461 | | 885,695 | |
| Cash at bank and in hand | | 578,108 | | 722,829 | |
| | | <u>1,562,569</u> | | <u>1,608,524</u> | |
| Creditors: amounts falling due within one year | 11 | <u>(1,170,148)</u> | | <u>(1,516,144)</u> | |
| Net current assets | | <u>392,421</u> | | <u>92,380</u> | |
| Total assets less current liabilities | | <u>584,793</u> | | <u>456,459</u> | |
| Capital and reserves | | | | | |
| Called up share capital | 14 | 200,001 | | 200,001 | |
| Profit and loss account | 15 | 384,792 | | 256,458 | |
| Shareholders' funds | 16 | <u>584,793</u> | | <u>456,459</u> | |

Approved by the Board and authorised for issue on 13 March 2007


Z L Davidson
Director

ROCKFORD INSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

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 |
| Motor vehicles | 25% reducing balance |

1.6 Leasing and hire purchase commitments

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

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 2006

1 Accounting policies (continued)

1.7 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

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 | 2006 £ | 2005 £ |
|---|-------------------|-------------------|
| Operating profit is stated after charging: | | |
| Amortisation of intangible assets | 17,930 | 15,054 |
| Depreciation of tangible assets | 35,879 | 34,457 |
| Operating lease rentals | | |
| - Plant and machinery | 10,819 | 16,055 |
| - Other assets | 61,407 | 60,626 |
| Auditors' remuneration | 6,463 | 7,500 |
| and after crediting: | | |
| Profit on disposal of intangible assets | (188,081) | - |
| | <u> </u> | <u> </u> |
| 4 Investment income | 2006 £ | 2005 £ |
| Bank interest | 29,853 | 24,865 |
| | <u> </u> | <u> </u> |
| 5 Interest payable | 2006 £ | 2005 £ |
| On bank loans and overdrafts | 43 | 27 |
| On other loans wholly repayable within five years | - | 846 |
| Hire purchase interest | 613 | 437 |
| | <u> </u> | <u> </u> |
| | 656 | 1,310 |
| | <u> </u> | <u> </u> |

ROCKFORD INSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

| 6 | Taxation | 2006 £ | 2005 £ |
|---|---|-------------------|-------------------|
| | Domestic current year tax | | |
| | U.K. corporation tax | 39,058 | 14,041 |
| | Current tax charge | <u>39,058</u> | <u>14,041</u> |
| | Factors affecting the tax charge for the year | | |
| | Profit on ordinary activities before taxation | <u>763,392</u> | <u>432,467</u> |
| | Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2005 - 19.00%) | <u>145,044</u> | <u>82,169</u> |
| | Effects of: | | |
| | Non deductible expenses | 5,533 | 2,156 |
| | Depreciation add back | 6,817 | 9,407 |
| | Capital allowances | (5,865) | (4,817) |
| | Group tax losses utilised | (88,101) | (74,874) |
| | Non-chargeable disposal | (35,735) | - |
| | Other tax adjustments | 11,365 | - |
| | | <u>(105,986)</u> | <u>(68,128)</u> |
| | Current tax charge | <u>39,058</u> | <u>14,041</u> |
| 7 | Dividends | 2006 £ | 2005 £ |
| | Ordinary interim paid | <u>596,000</u> | <u>355,000</u> |

ROCKFORD INSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

8 Intangible fixed assets

| | Goodwill £ |
|---------------------------|----------------|
| Cost | |
| At 1 January 2006 | 337,743 |
| Additions | 51,074 |
| Disposals | (282,163) |
| At 31 December 2006 | <u>106,654</u> |
| Amortisation | |
| At 1 January 2006 | 57,084 |
| Amortisation on disposals | (70,244) |
| Charge for the year | 17,930 |
| At 31 December 2006 | <u>4,770</u> |
| Net book value | |
| At 31 December 2006 | <u>101,884</u> |
| At 31 December 2005 | <u>280,659</u> |

9 Tangible fixed assets

| | Computer Equipment £ | Fixtures & Fittings £ | Motor vehicles £ | Total £ |
|-----------------------|----------------------------|-----------------------------|------------------------|----------------|
| Cost | | | | |
| At 1 January 2006 | 121,729 | 99,604 | - | 221,333 |
| Additions | 11,798 | 24,544 | 6,605 | 42,947 |
| At 31 December 2006 | <u>133,527</u> | <u>124,148</u> | <u>6,605</u> | <u>264,280</u> |
| Depreciation | | | | |
| At 1 January 2006 | 85,210 | 52,703 | - | 137,913 |
| Charge for the year | 16,704 | 17,799 | 1,376 | 35,879 |
| At 31 December 2006 | <u>101,914</u> | <u>70,502</u> | <u>1,376</u> | <u>173,792</u> |
| Net book value | | | | |
| At 31 December 2006 | <u>31,613</u> | <u>53,646</u> | <u>5,229</u> | <u>90,488</u> |
| At 31 December 2005 | <u>36,519</u> | <u>46,901</u> | <u>-</u> | <u>83,420</u> |

ROCKFORD INSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

| 10 Debtors | 2006 £ | 2005 £ |
|---|----------------|----------------|
| Trade debtors | 632,224 | 590,230 |
| Amounts owed by parent and fellow subsidiary undertakings | 28,135 | 4,027 |
| Other debtors | 248,216 | 208,832 |
| Prepayments and accrued income | 75,886 | 82,606 |
| | <u>984,461</u> | <u>885,695</u> |

| 11 Creditors: amounts falling due within one year | 2006 £ | 2005 £ |
|---|------------------|------------------|
| Trade creditors | 927,082 | 1,046,382 |
| Amounts owed to parent and fellow subsidiary undertakings | - | 139,375 |
| Corporation tax | 38,699 | 33,050 |
| Other taxes and social security costs | 34,201 | 37,596 |
| Accruals and deferred income | 170,166 | 259,741 |
| | <u>1,170,148</u> | <u>1,516,144</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.

| | 2006 £ | 2005 £ |
|---|---------------|---------------|
| Contributions payable by the company for the year | <u>42,604</u> | <u>38,643</u> |

ROCKFORD INSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

| | | |
|--|-------------------|--|
| 14 Share capital | 2006 | 2005 |
| | £ | £ |
| 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 2006 | | 256,458 |
| Profit for the year | | 724,334 |
| Dividends paid | | (596,000) |
| | | <u> </u> |
| Balance at 31 December 2006 | | 384,792 |
| | | <u> </u> |
| 16 Reconciliation of movements in shareholders' funds | 2006 | 2005 |
| | £ | £ |
| Profit for the financial year | 724,334 | 418,426 |
| Dividends | (596,000) | (355,000) |
| | <u> </u> | <u> </u> |
| Net addition to shareholders' funds | 128,334 | 63,426 |
| Opening shareholders' funds | 456,459 | 393,033 |
| | <u> </u> | <u> </u> |
| Closing shareholders' funds | 584,793 | 456,459 |
| | <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 2006, the total bank loans and overdrafts secured by this arrangement amounted to £342,682 (2005 - £150,000).

During the year to 31 December 2005 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 2006

18 Financial commitments

At 31 December 2006 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2007:

| | Land and buildings | | | Other |
|--------------------------------|--------------------|---------------|--------------|--------------|
| | 2006 | 2005 | 2006 | 2005 |
| | £ | £ | £ | £ |
| Operating leases which expire: | | | | |
| Within one year | - | - | 3,169 | 4,548 |
| Between two and five years | - | - | 865 | 4,062 |
| In over five years | 25,747 | 25,747 | - | - |
| | <u>25,747</u> | <u>25,747</u> | <u>4,034</u> | <u>8,610</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

| | 2006 | 2005 |
|------------------------------------|----------------|----------------|
| | £ | £ |
| Emoluments for qualifying services | <u>186,212</u> | <u>172,693</u> |

Included in directors remuneration is an amount of £20,000 paid to a former director as compensation for loss of office.

20 Employees

Number of employees

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

| | 2006 | 2005 |
|-------------------------------|-----------|-----------|
| | Number | Number |
| Management and Administration | <u>48</u> | <u>47</u> |

Employment costs

| | 2006 | 2005 |
|---------------------|------------------|------------------|
| | £ | £ |
| Wages and salaries | 1,316,462 | 1,268,470 |
| Other pension costs | 42,604 | 38,643 |
| | <u>1,359,066</u> | <u>1,307,113</u> |

ROCKFORD INSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

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 all of the issued voting 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.

At 31 December 2006 the company was owed £75,569 by Alleon Properties Limited, a company under common control.

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