

Company Registration No. 04028670 (England and Wales)

ROCKFORD INSURANCE BROKERS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003



ROCKFORD INSURANCE BROKERS LIMITED

COMPANY INFORMATION

Directors	L L Davidson A Hardill
Secretary	A Hardill
Company number	04028670
Registered office	Rockford House Low Lane Horsforth Leeds LS18 5PU
Auditors	Pierce 3-6 Richmond Terrace Blackburn Lancashire BB1 7AU
Bankers	Bank of Scotland 19-21 Spring Gardens Manchester M2 1FB National Westminster Bank plc 35 King William Street Blackburn Lancashire BB1 7DL
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 2003

The directors present their report and financial statements for the year ended 31 December 2003.

Principal activities and review of the business

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

During 2003 we have achieved most of our objectives.

We have been successful in the recruitment of high calibre professional brokers, the launch of our new office in Huddersfield and also a Risk Management team. These additional areas to our business, together with our Parent company's launch of a Financial Service Company mean we can offer a complete client service.

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 provide our clients with a professional and caring service.

A significant commitment in 2003 has been the preparation for Financial Services Authority authorisation, which will have a major impact on the industry from 1 January 2005. Compliance will be a positive step for our industry and we are delighted to be in position where we have taken the initiative and are looking forward to the benefit it brings.

2004 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.

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

Directors

The following directors have held office since 1 January 2003:

L L Davidson
A Hardill

Directors' interests

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

	Ordinary shares of £ 1 each	
	31 December 2003	1 January 2003
L L Davidson	-	-
A Hardill	-	-

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.

ROCKFORD INSURANCE BROKERS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

Auditors

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

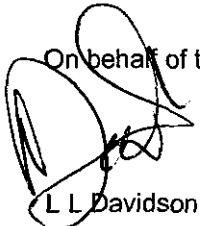
Directors' responsibilities

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 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

5 May 2004

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 15 for the year ended 31 December 2003. 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.

Our responsibility is 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 company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 of the state of the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Pierce

5 May 2004

Chartered Accountants

Registered Auditor

3-6 Richmond Terrace
Blackburn
Lancashire
BB1 7AU

ROCKFORD INSURANCE BROKERS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

		2003	2002
	Notes	£	as restated £
Turnover	2	1,976,940	1,566,201
Cost of sales		(157,050)	(107,750)
Gross profit		1,819,890	1,458,451
Administrative expenses		(1,317,050)	(1,176,114)
Operating profit	3	502,840	282,337
Exceptional items		79,241	(22,569)
		<u>79,241</u>	<u>(22,569)</u>
Profit on ordinary activities before interest		582,081	259,768
Other interest receivable and similar income		7,017	14,490
Interest payable and similar charges	4	(1,519)	(1,420)
Profit on ordinary activities before taxation		587,579	272,838
Tax on profit on ordinary activities	5	(83,290)	(591)
Profit on ordinary activities after taxation		504,289	272,247
Dividends	6	(360,000)	(240,000)
Retained profit for the year	15	144,289	32,247

The profit and loss account has been prepared on the basis that all operations are continuing operations.

ROCKFORD INSURANCE BROKERS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2003

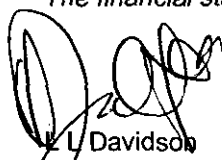
	2003 £	2002 £
Profit for the financial year	504,289	272,247
Prior year adjustment	(70,839)	-
	<hr/>	<hr/>
Total gains and losses recognised since last financial statements	<u>433,450</u>	<u>272,247</u>

ROCKFORD INSURANCE BROKERS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2003

		2003		2002 as restated	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	7		231,280		209,219
Tangible assets	8		94,936		101,956
			<u>326,216</u>		<u>311,175</u>
Current assets					
Debtors	9	721,927		858,336	
Cash at bank and in hand		446,528		282,728	
		<u>1,168,455</u>		<u>1,141,064</u>	
Creditors: amounts falling due within one year	10	<u>(1,142,295)</u>		<u>(1,225,215)</u>	
Net current assets/(liabilities)			<u>26,160</u>		<u>(84,151)</u>
Total assets less current liabilities			<u>352,376</u>		<u>227,024</u>
Creditors: amounts falling due after more than one year	11		<u>(16,249)</u>		<u>(35,186)</u>
			<u>336,127</u>		<u>191,838</u>
Capital and reserves					
Called up share capital	14		200,001		200,001
Profit and loss account	15		136,126		(8,163)
Shareholders' funds - equity interests	16		<u>336,127</u>		<u>191,838</u>

The financial statements were approved by the Board on 5 May 2004


L L Davidson
Director


A Hardill
Director

ROCKFORD INSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

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

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. Therefore, acquired goodwill includes the directors reasonable estimate of the purchase consideration payable. The initial estimate is revised as further and more certain information becomes available.

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.

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.

ROCKFORD INSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

1 Accounting policies (continued)

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	2003 £	2002 £
Operating profit is stated after charging:		
Amortisation of intangible assets	11,880	9,442
Depreciation of tangible assets	34,822	21,679
Loss on disposal of tangible assets	-	2,648
Operating lease rentals	72,209	55,422
Auditors' remuneration	5,000	5,000
and after crediting:		
Profit on disposal of tangible assets	(106)	-

The exceptional credit of £79,241 in the year ended 31 December 2003 is the profit on the sale of goodwill, which has no significant effect on the continuing activities. The exceptional charge of £22,569 in the year ended 31 December 2002 is the management charge from a former parent company.

4 Interest payable	2003 £	2002 £
On bank loans and overdrafts	563	1,420
Hire purchase interest	766	-
On overdue tax	190	-
	1,519	1,420

ROCKFORD INSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

5	Taxation	2003	2002
		£	£
	Domestic current year tax		
	U.K. corporation tax	83,190	8,353
	Adjustment for prior years	100	(7,762)
		<u> </u>	<u> </u>
	Current tax charge	83,290	591
		<u> </u>	<u> </u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	587,579	272,838
		<u> </u>	<u> </u>
	<i>Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.10% (2002: 19.92%)</i>		
		165,110	54,349
		<u> </u>	<u> </u>
	Effects of:		
	Non deductible expenses	2,368	2,308
	Depreciation add back	13,093	6,726
	Capital allowances	(9,165)	(6,943)
	Group tax losses utilised	(86,714)	(47,401)
	Adjustments to previous periods	100	(7,762)
	Chargeable disposals	21,193	-
	Other tax adjustments	(22,695)	(686)
		<u> </u>	<u> </u>
		(81,820)	(53,758)
		<u> </u>	<u> </u>
	Current tax charge	83,290	591
		<u> </u>	<u> </u>
6	Dividends	2003	2002
		£	£
	Ordinary interim paid	360,000	240,000
		<u> </u>	<u> </u>

ROCKFORD INSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

7 Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2003	230,260
Additions	37,200
Disposals	(3,615)
	<hr/>
At 31 December 2003	263,845
	<hr/>
Amortisation	
At 1 January 2003	21,041
Amortisation on disposals	(356)
Charge for the year	11,880
	<hr/>
At 31 December 2003	32,565
	<hr/>
Net book value	
At 31 December 2003	231,280
	<hr/> <hr/>
At 31 December 2002	209,219
	<hr/> <hr/>

8 Tangible fixed assets

	Computer Equipment £	Fixtures & Fittings £	Total £
Cost			
At 1 January 2003	58,235	78,690	136,925
Additions	12,193	16,003	28,196
Disposals	(700)	-	(700)
	<hr/>	<hr/>	<hr/>
At 31 December 2003	69,728	94,693	164,421
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2003	19,889	15,080	34,969
On disposals	(306)	-	(306)
Charge for the year	20,863	13,959	34,822
	<hr/>	<hr/>	<hr/>
At 31 December 2003	40,446	29,039	69,485
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2003	29,282	65,654	94,936
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2002	38,346	63,610	101,956
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

ROCKFORD INSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

9 Debtors	2003 £	2002 £
Trade debtors	471,938	750,003
Amounts owed by fellow subsidiary undertakings	3,993	29,020
Corporation tax	17,282	9,539
Other debtors	185,219	47,120
Prepayments and accrued income	43,495	22,654
	<u>721,927</u>	<u>858,336</u>
10 Creditors: amounts falling due within one year	2003 £	2002 £
Bank loans and overdrafts	-	70,752
Trade creditors	764,874	948,324
Amounts owed to parent and fellow subsidiary undertakings	87,826	-
Corporation tax	89,495	12,287
Other taxes and social security costs	21,708	19,397
Directors' current accounts	-	15,000
Other creditors	122,859	140,657
Accruals and deferred income	55,533	18,798
	<u>1,142,295</u>	<u>1,225,215</u>
Debt due in one year or less	<u>9,000</u>	<u>9,000</u>

ROCKFORD INSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

11 Creditors: amounts falling due after more than one year	2003 £	2002 £
Other loans	16,249	35,186
Analysis of loans		
Wholly repayable within five years	25,249	44,186
	25,249	44,186
Included in current liabilities	(9,000)	(9,000)
	16,249	35,186
Loan maturity analysis		
In more than one year but not more than two years	11,000	12,000
In more than two years but not more than five years	5,249	23,186

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.

	2003 £	2002 £
Contributions payable by the company for the year	25,327	32,643

14 Share capital

Authorised

200,001 Ordinary shares of £1 each

Allotted, called up and fully paid

200,001 Ordinary shares of £1 each

	2003 £	2002 £
200,001 Ordinary shares of £1 each	200,001	200,001
200,001 Ordinary shares of £1 each	200,001	200,001

ROCKFORD INSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

15 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2003 as previously reported	62,676
Prior year adjustment	(70,839)
Balance at 1 January 2003 as restated	(8,163)
Retained profit for the year	144,289
Balance at 31 December 2003	136,126

16 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Profit for the financial year	504,289	272,247
Dividends	(360,000)	(240,000)
	144,289	32,247
Proceeds from issue of shares	-	200,000
Net addition to shareholders' funds	144,289	232,247
Opening shareholders' funds	191,838	(40,409)
Closing shareholders' funds	336,127	191,838

Opening shareholders' funds were originally £262,677 before deducting prior year adjustments of £70,839.

The prior year adjustment of £70,839 is due to the correction of fundamental accounting errors associated with the insurance broking system of £88,121 less the tax credit of £17,282.

17 Contingent liabilities

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

At 31 December 2003, the total bank loans and overdrafts secured by this arrangement amounted to £215,353.

ROCKFORD INSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

18 Financial commitments

At 31 December 2003 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings			
	2003	2002	2003	Other 2002
	£	£	£	£
Expiry date:				
Within one year	-	-	-	6,567
Between two and five years	-	-	14,514	-
In over five years	25,747	16,000	-	-
	<u>25,747</u>	<u>16,000</u>	<u>14,514</u>	<u>6,567</u>

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

19 Employees

Number of employees

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

	2003 Number	2002 Number
Management and Administration	<u>40</u>	<u>38</u>

Employment costs

	£	£
Wages and salaries	828,946	713,211
Other pension costs	<u>25,327</u>	<u>32,643</u>
	<u>854,273</u>	<u>745,854</u>

20 Control

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

The company is under the control of the directors, who own 100% of the issued share capital of Rockford Group plc.

ROCKFORD INSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

21 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.