

Company Registration No. 04028670 (England and Wales)

ROCKFORD INSURANCE BROKERS LIMITED
(FORMERLY CQ COMMERCIAL LIMITED)
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002



ROCKFORD INSURANCE BROKERS LIMITED
(FORMERLY CQ COMMERCIAL LIMITED)
COMPANY INFORMATION

Directors	L L Davidson A Hardill	(Appointed 8 March 2002) (Appointed 14 March 2002)
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	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
(FORMERLY CQ COMMERCIAL LIMITED)
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ROCKFORD INSURANCE BROKERS LIMITED
(FORMERLY CQ COMMERCIAL LIMITED)
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2002

The directors present their report and financial statements for the year ended 31 December 2002.

Principal activities and review of the business

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

2002 has been an exciting year for the staff and management at Rockford. On 14 March 2002, the current directors completed a management buy-out of the company from the previous owners.

The objective of the buy-out was to form a new management team and create a company that was well funded, structured and managed for the future.

Our key objectives are to work closely with partner insurers in order to provide a first class service to our clients. This in turn will provide a quality client base for our partners.

During 2002 we have achieved most of our objectives. We have been successful in recruiting a top calibre management team, 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 our staff and insurers, which in turn will continue to provide our clients with a professional caring service.

In addition, we have relocated our offices in Leeds and Bacup and refurbished our Trawden office. The relocation costs and the costs of rebuilding the business are one-off costs that have had a significant impact on our 2002 results. We feel, however, that with the capital investment into the business, we have a strong financial framework moving forward.

2003 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 2002:

P R Catterall	(Resigned 14 March 2002)
M J Wills	(Resigned 14 March 2002)
L L Davidson	(Appointed 8 March 2002)
A Hardill	(Appointed 14 March 2002)

Directors' interests

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

	Ordinary shares of £ 1 each	
	31 December 2002	1 January 2002
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.

**ROCKFORD INSURANCE BROKERS LIMITED
(FORMERLY CQ COMMERCIAL LIMITED)
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2002**

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;
- 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



A L Davidson

Director

14 April 2003

**ROCKFORD INSURANCE BROKERS LIMITED
(FORMERLY CQ COMMERCIAL 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 2002. 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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Pierce

14 April 2003

Chartered Accountants
Registered Auditor

3-6 Richmond Terrace
Blackburn
Lancashire
BB1 7AU

ROCKFORD INSURANCE BROKERS LIMITED
(FORMERLY CQ COMMERCIAL LIMITED)
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	2002 £	2001 £
Turnover	2	1,601,624	1,009,854
Cost of sales		(107,750)	(1,790)
Gross profit		1,493,874	1,008,064
Administrative expenses		(1,176,114)	(890,027)
Operating profit	3	317,760	118,037
Management charge from former parent company		(22,569)	-
Profit on ordinary activities before interest		295,191	118,037
Other interest receivable and similar income		14,490	12,740
Interest payable and similar charges	4	(1,420)	-
Profit on ordinary activities before taxation		308,261	130,777
Tax on profit on ordinary activities	5	(8,334)	(35,195)
Profit on ordinary activities after taxation		299,927	95,582
Dividends	6	(240,000)	(152,396)
Retained profit/(loss) for the year	15	59,927	(56,814)


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
(FORMERLY CQ COMMERCIAL LIMITED)
BALANCE SHEET
AS AT 31 DECEMBER 2002

	Notes	2002		2001	
		£	£	£	£
Fixed assets					
Intangible assets	7	209,219		274,367	
Tangible assets	8	101,956		64,418	
		<u>311,175</u>		<u>338,785</u>	
Current assets					
Debtors	9	848,797	1,097,238		
Cash at bank and in hand		282,728	484,415		
		<u>1,131,525</u>	<u>1,581,653</u>		
Creditors: amounts falling due within one year	10	<u>(1,144,837)</u>	<u>(1,917,688)</u>		
Net current liabilities		<u>(13,312)</u>		<u>(336,035)</u>	
Total assets less current liabilities		<u>297,863</u>		<u>2,750</u>	
Creditors: amounts falling due after more than one year	11	<u>(35,186)</u>		<u>-</u>	
		<u>262,677</u>		<u>2,750</u>	
Capital and reserves					
Called up share capital	14	200,001		1	
Profit and loss account	15	62,676		2,749	
Shareholders' funds - equity interests	16	<u>262,677</u>		<u>2,750</u>	

The financial statements were approved by the Board on 14 April 2003


J. L. Davidson
Director


A. Hardill
Director

ROCKFORD INSURANCE BROKERS LIMITED
(FORMERLY CQ COMMERCIAL LIMITED)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002

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 Turnover

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

1.3 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.

1.4 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

1.5 Leasing

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

1.6 Pensions

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

1.7 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.

ROCKFORD INSURANCE BROKERS LIMITED
(FORMERLY CQ COMMERCIAL LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2002

3	Operating profit	2002	2001
		£	£
	Operating profit is stated after charging:		
	Amortisation of intangible assets	9,442	9,028
	Depreciation of tangible assets	21,679	11,084
	Loss on disposal of tangible assets	2,648	-
	Operating lease rentals	55,422	46,788
	Auditors' remuneration	5,000	5,000
		<u> </u>	<u> </u>
4	Interest payable	2002	2001
		£	£
	On bank loans and overdrafts	1,420	-
		<u> </u>	<u> </u>
5	Taxation	2002	2001
		£	£
	Domestic current year tax		
	U.K. corporation tax	16,096	35,800
	Adjustment for prior years	(7,762)	(605)
		<u> </u>	<u> </u>
	Current tax charge	8,334	35,195
		<u> </u>	<u> </u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	308,261	130,777
		<u> </u>	<u> </u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.92% (2001 : 25.77%)	61,406	33,701
		<u> </u>	<u> </u>
	Effects of:		
	Non deductible expenses	2,308	2,112
	Depreciation add back	6,726	5,183
	Capital allowances	(6,943)	(5,196)
	Tax losses utilised	(47,401)	-
	Adjustments to previous periods	(7,762)	(605)
		<u> </u>	<u> </u>
		(53,072)	1,494
		<u> </u>	<u> </u>
	Current tax charge	8,334	35,195
		<u> </u>	<u> </u>

The standard rate of corporation tax represents the effective rate of tax payable by the company upon the results.

ROCKFORD INSURANCE BROKERS LIMITED
(FORMERLY CQ COMMERCIAL LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2002

6	Dividends	2002 £	2001 £
	Ordinary interim paid	240,000	152,396
7 Intangible fixed assets			Goodwill £
	Cost		
	At 1 January 2002		285,966
	Revision of initial estimates		(55,706)
	At 31 December 2002		230,260
	Amortisation		
	At 1 January 2002		11,599
	Charge for the year		9,442
	At 31 December 2002		21,041
	Net book value		
	At 31 December 2002		209,219
	At 31 December 2001		274,367

ROCKFORD INSURANCE BROKERS LIMITED
(FORMERLY CQ COMMERCIAL LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2002

8 Tangible fixed assets

	Computer Equipment £	Fixtures & Fittings £	Total £
Cost			
At 1 January 2002	42,172	36,564	78,736
Additions	16,063	45,802	61,865
Disposals	-	(3,676)	(3,676)
At 31 December 2002	58,235	78,690	136,925
Depreciation			
At 1 January 2002	6,902	7,416	14,318
On disposals	-	(1,028)	(1,028)
Charge for the year	12,987	8,692	21,679
At 31 December 2002	19,889	15,080	34,969
Net book value			
At 31 December 2002	38,346	63,610	101,956
At 31 December 2001	35,270	29,148	64,418

9 Debtors

	2002 £	2001 £
Trade debtors	750,003	1,025,549
Amounts owed by parent company	29,020	-
Other debtors	47,120	48,591
Prepayments and accrued income	22,654	23,098
	848,797	1,097,238

ROCKFORD INSURANCE BROKERS LIMITED
(FORMERLY CQ COMMERCIAL LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2002

10 Creditors: amounts falling due within one year	2002	2001
	£	£
Bank loans and overdrafts	70,752	84,291
Trade creditors	860,203	1,272,416
Amounts owed to former parent and fellow subsidiary undertakings	-	312,724
Corporation tax	20,030	35,168
Other taxes and social security costs	19,397	18,210
Directors' current accounts	15,000	-
Other creditors	140,657	166,985
Accruals and deferred income	18,798	27,894
	<u>1,144,837</u>	<u>1,917,688</u>
Debt due in one year or less	<u>9,000</u>	<u>-</u>

The bank overdraft is secured by a fixed and floating charge over the current and future assets of the company.

11 Creditors: amounts falling due after more than one year	2002	2001
	£	£
Other loans	<u>35,186</u>	<u>-</u>
Analysis of loans		
Wholly repayable within five years	<u>44,186</u>	<u>-</u>
	44,186	-
Included in current liabilities	<u>(9,000)</u>	<u>-</u>
	<u>35,186</u>	<u>-</u>
Loan maturity analysis		
In more than one year but not more than two years	12,000	-
In more than two years but not more than five years	<u>23,186</u>	<u>-</u>

12 Provisions for liabilities and charges

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

ROCKFORD INSURANCE BROKERS LIMITED
(FORMERLY CQ COMMERCIAL LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2002

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.

	2002 £	2001 £
Contributions payable by the company for the year	32,643	21,306

14 Share capital

	2002 £	2001 £
Authorised		
200,001 Ordinary shares of £ 1 each	200,001	1,000
Allotted, called up and fully paid		
200,001 Ordinary shares of £ 1 each	200,001	1

On 14 March 2002 the authorised share capital of the company was increased by the creation of 199,001 ordinary shares of £1 each, subsequent to which 200,000 ordinary shares of £1 were allotted and fully paid at par for cash consideration.

15 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2002	2,749
Retained profit for the year	59,927
Balance at 31 December 2002	62,676

ROCKFORD INSURANCE BROKERS LIMITED
(FORMERLY CQ COMMERCIAL LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2002

16 Reconciliation of movements in shareholders' funds	2002	2001
	£	£
Profit for the financial year	299,927	95,582
Dividends	(240,000)	(152,396)
	<u>59,927</u>	<u>(56,814)</u>
Proceeds from issue of shares	200,000	-
	<u>259,927</u>	<u>(56,814)</u>
Net addition to/(depletion in) shareholders' funds	259,927	(56,814)
Opening shareholders' funds	2,750	59,564
	<u>262,677</u>	<u>2,750</u>
Closing shareholders' funds	<u>262,677</u>	<u>2,750</u>

17 Contingent liabilities

NatWest Bank 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 and a charge over parent company credit bank balances of £50,000.

At 31 December 2002, the total bank loans and overdrafts secured by this arrangement amounted to £324,962.

18 Financial commitments

At 31 December 2002 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings			Other
	2002	2001	2002	2001
	£	£	£	£
Expiry date:				
Within one year	-	-	6,567	-
Between two and five years	-	-	-	8,928
In over five years	16,000	-	-	-
	<u>16,000</u>	<u>-</u>	<u>6,567</u>	<u>8,928</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.

ROCKFORD INSURANCE BROKERS LIMITED
(FORMERLY CQ COMMERCIAL LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2002

19 Employees

Number of employees

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

	2002 Number	2001 Number
Management and Administration	38	29

Employment costs

	£	£
Wages and salaries	713,211	555,403
Other pension costs	32,643	21,306
	745,854	576,709

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.

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.