

Company Registration No. 04028670 (England and Wales)

**ROCKFORD INSURANCE BROKERS LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2004**



# ROCKFORD INSURANCE BROKERS LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	L L Davidson A Hardill J Daly (Appointed 17 December 2004) M Browne (Appointed 17 December 2004) G Weathers (Appointed 17 December 2004)
<b>Secretary</b>	A Hardill
<b>Company number</b>	04028670
<b>Registered office</b>	Rockford House Low Lane Horsforth Leeds LS18 5PU
<b>Auditors</b>	Pierce C.A. Limited Mentor House Ainsworth Street Blackburn Lancashire BB1 6AY
<b>Bankers</b>	Bank of Scotland 19-21 Spring Gardens Manchester M2 1FB
<b>Solicitors</b>	Richmond & Co 105 New Road Side Horsforth Leeds LS18 4 QD

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# ROCKFORD INSURANCE BROKERS LIMITED

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# ROCKFORD INSURANCE BROKERS LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2004

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

### Principal activities and review of the business

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

During 2004 we have achieved most of our objectives. We have been successful in the recruitment of high calibre professional staff, especially in our new office in Huddersfield.

We were delighted when Mark Browne, James Daly and Gail Weathers joined our board in December. At that time Mark and James invested in the group to become shareholders, which shows our commitment to our staff and the future.

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 completion of our authorisation by the Financial Services Authority and the achievement of Investors in People award we have had many behind the scenes successes. This provides a platform for our success moving forward. The Financial Services Authority will ensure that we offer a professional service and the Investors in People award shows that we look after the people who help us achieve that standard.

2005 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 2004:

L L Davidson	
A Hardill	
J Daly	(Appointed 17 December 2004)
M Browne	(Appointed 17 December 2004)
G Weathers	(Appointed 17 December 2004)

### Directors' interests

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

	Ordinary shares of £ 1 each	
	31 December 2004	1 January 2004
L L Davidson	-	-
A Hardill	-	-
J Daly	-	-
M Browne	-	-
G 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.

# ROCKFORD INSURANCE BROKERS LIMITED

## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

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### **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**

The Auditors, Pierce Chartered Accountants, incorporated into Pierce C.A. Limited on 1 June 2004. The partnership resigned on 31 May 2004 and the limited company was appointed as succeeding 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.

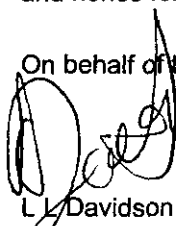
### **Directors' responsibilities**

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**

27 May 2005

# 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 14 for the year ended 31 December 2004. 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 2004 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



27 May 2005

Registered Auditor

Mentor House  
Ainsworth Street  
Blackburn  
Lancashire  
BB1 6AY

# ROCKFORD INSURANCE BROKERS LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £	2003 £
Turnover	2	2,161,549	1,976,940
Cost of sales		(160,928)	(157,050)
<b>Gross profit</b>		2,000,621	1,819,890
Administrative expenses		(1,569,202)	(1,317,050)
<b>Operating profit</b>	3	431,419	502,840
Exceptional items		-	79,241
		-	79,241
<b>Profit on ordinary activities before interest</b>		431,419	582,081
Other interest receivable and similar income	4	12,719	7,017
Interest payable and similar charges	5	(1,745)	(1,519)
<b>Profit on ordinary activities before taxation</b>		442,393	587,579
Tax on profit on ordinary activities	6	(35,488)	(83,290)
<b>Profit on ordinary activities after taxation</b>		406,905	504,289
Dividends	7	(350,000)	(360,000)
<b>Retained profit for the year</b>	16	56,905	144,289

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 2004

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	2004 £	2003 £
Profit for the financial year	406,905	504,289
Prior year adjustment	-	(70,839)
	<hr/>	<hr/>
Total gains and losses recognised since last financial statements	<u>406,905</u>	<u>433,450</u>

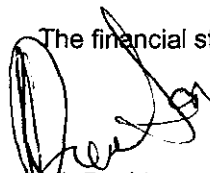


# ROCKFORD INSURANCE BROKERS LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2004

	Notes	2004 £	£	2003 £	£
<b>Fixed assets</b>					
Intangible assets	8	240,133		231,280	
Tangible assets	9	90,870		94,936	
		<u>331,003</u>		<u>326,216</u>	
<b>Current assets</b>					
Debtors	10	895,472	721,927		
Cash at bank and in hand		500,091	446,528		
		<u>1,395,563</u>	<u>1,168,455</u>		
<b>Creditors: amounts falling due within one year</b>	11	<u>(1,333,534)</u>	<u>(1,142,295)</u>		
<b>Net current assets</b>		<u>62,029</u>		<u>26,160</u>	
<b>Total assets less current liabilities</b>		<u>393,032</u>		<u>352,376</u>	
<b>Creditors: amounts falling due after more than one year</b>	12	<u>-</u>	<u>(16,249)</u>		
		<u>393,032</u>	<u>336,127</u>		
<b>Capital and reserves</b>					
Called up share capital	15	200,001	200,001		
Profit and loss account	16	193,031	136,126		
<b>Shareholders' funds - equity interests</b>	17	<u>393,032</u>	<u>336,127</u>		

The financial statements were approved by the Board on 27 May 2005

  
L.L. Davidson  
Director

  
A Hardill  
Director

# ROCKFORD INSURANCE BROKERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

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### 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 2004

### 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	2004 £	2003 £
Operating profit is stated after charging:		
Amortisation of intangible assets	9,465	11,880
Depreciation of tangible assets	33,971	34,822
Operating lease rentals	66,711	72,209
Auditors' remuneration	6,500	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 sale of goodwill, which has no significant effect on the continuing activities.

4 Investment income	2004 £	2003 £
Bank interest	12,719	7,017

5 Interest payable	2004 £	2003 £
On bank loans and overdrafts	8	563
On other loans wholly repayable within five years	1,114	-
Hire purchase interest	614	766
On overdue tax	9	190
	1,745	1,519

# ROCKFORD INSURANCE BROKERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

6	Taxation	2004 £	2003 £
	<b>Domestic current year tax</b>		
	U.K. corporation tax	35,052	83,190
	Adjustment for prior years	436	100
	<b>Current tax charge</b>	<u>35,488</u>	<u>83,290</u>
	<b>Factors affecting the tax charge for the year</b>		
	Profit on ordinary activities before taxation	<u>442,393</u>	<u>587,579</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 23.52% (2003: 28.10%)	<u>104,051</u>	<u>165,110</u>
	Effects of:		
	Non deductible expenses	1,493	2,368
	Depreciation add back	11,040	13,093
	Capital allowances	(6,721)	(9,165)
	Group tax losses utilised	(74,811)	(86,714)
	Adjustments to previous periods	436	100
	Chargeable disposals	-	21,193
	Other tax adjustments	-	(22,695)
		<u>(68,563)</u>	<u>(81,820)</u>
	<b>Current tax charge</b>	<u>35,488</u>	<u>83,290</u>
7	<b>Dividends</b>	<b>2004 £</b>	<b>2003 £</b>
	Ordinary interim paid	<u>350,000</u>	<u>360,000</u>

# ROCKFORD INSURANCE BROKERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

### 8 Intangible fixed assets

	Goodwill £
<b>Cost</b>	
At 1 January 2004	263,845
Additions	18,318
	<hr/>
At 31 December 2004	282,163
	<hr/>
<b>Amortisation</b>	
At 1 January 2004	32,565
Charge for the year	9,465
	<hr/>
At 31 December 2004	42,030
	<hr/>
<b>Net book value</b>	
At 31 December 2004	240,133
	<hr/>
At 31 December 2003	231,280
	<hr/>

### 9 Tangible fixed assets

	Computer Equipment £	Fixtures & Fittings £	Total £
<b>Cost</b>			
At 1 January 2004	82,384	82,037	164,421
Additions	23,169	6,736	29,905
	<hr/>	<hr/>	<hr/>
At 31 December 2004	105,553	88,773	194,326
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 January 2004	44,016	25,469	69,485
Charge for the year	21,006	12,965	33,971
	<hr/>	<hr/>	<hr/>
At 31 December 2004	65,022	38,434	103,456
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 December 2004	40,531	50,339	90,870
	<hr/>	<hr/>	<hr/>
At 31 December 2003	29,282	65,654	94,936
	<hr/>	<hr/>	<hr/>

# ROCKFORD INSURANCE BROKERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

10 Debtors	2004 £	2003 £
Trade debtors	565,158	471,938
Amounts owed by fellow subsidiary undertakings	14,328	3,993
Corporation tax	-	17,282
Other debtors	238,951	185,219
Prepayments and accrued income	77,035	43,495
	<u>895,472</u>	<u>721,927</u>
11 Creditors: amounts falling due within one year	2004 £	2003 £
Trade creditors	851,356	764,874
Amounts owed to parent and fellow subsidiary undertakings	297,333	87,826
Corporation tax	101,396	89,495
Other taxes and social security costs	30,098	21,708
Other creditors	-	122,859
Accruals and deferred income	53,351	55,533
	<u>1,333,534</u>	<u>1,142,295</u>
Debt due in one year or less	<u>-</u>	<u>9,000</u>
12 Creditors: amounts falling due after more than one year	2004 £	2003 £
Other loans	<u>-</u>	<u>16,249</u>
<b>Analysis of loans</b>		
Wholly repayable within five years	<u>-</u>	<u>25,249</u>
	-	25,249
Included in current liabilities	<u>-</u>	<u>(9,000)</u>
	-	16,249
<b>Loan maturity analysis</b>		
In more than one year but not more than two years	-	11,000
In more than two years but not more than five years	-	5,249

# ROCKFORD INSURANCE BROKERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

### 13 Provisions for liabilities and charges

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

### 14 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.

	2004 £	2003 £
Contributions payable by the company for the year	32,769	25,327

### 15 Share capital

	2004 £	2003 £
<b>Authorised</b>		
200,001 Ordinary shares of £1 each	200,001	200,001
<b>Allotted, called up and fully paid</b>		
200,001 Ordinary shares of £1 each	200,001	200,001

### 16 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2004	136,126
Retained profit for the year	56,905
Balance at 31 December 2004	193,031

# ROCKFORD INSURANCE BROKERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

17 Reconciliation of movements in shareholders' funds	2004 £	2003 £
Profit for the financial year	406,905	504,289
Dividends	(350,000)	(360,000)
Net addition to shareholders' funds	56,905	144,289
Opening shareholders' funds	336,127	191,838
Closing shareholders' funds	393,032	336,127

### 18 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 2004, the total bank loans and overdrafts secured by this arrangement amounted to £237,909 (2003 - £215,353)

### 19 Financial commitments

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2004 £	2003 £	2004 £	2003 £
Expiry date:				
Within one year	-	-	8,450	-
Between two and five years	-	-	9,184	14,514
In over five years	25,747	25,747	-	-
	25,747	25,747	17,634	14,514

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



# ROCKFORD INSURANCE BROKERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

### 20 Employees

#### Number of employees

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

	2004 Number	2003 Number
Management and Administration	43	40
Employment costs		
	£	£
Wages and salaries	1,004,273	828,946
Other pension costs	32,769	25,327
	1,037,042	854,273

### 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.