

**Company Registration No. 4317421**

**THE FOLGATE PARTNERSHIP LIMITED**

**Report and Financial Statements**

**For the year ended 31 March 2005**



# **THE FOLGATE PARTNERSHIP LIMITED**

## **REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005**

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# **THE FOLGATE PARTNERSHIP LIMITED**

## **REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

P Cullum  
A Homer  
K Maciver  
T Philip

#### **SECRETARY**

T Craton

#### **REGISTERED OFFICE**

Towergate House  
2 County Gate  
Staceys Street  
Maidstone  
Kent  
ME14 1ST

#### **BANKERS**

The Royal Bank of Scotland plc  
62/63 Threadneedle Street  
PO Box 412  
London EC2P 8LA

#### **SOLICITORS**

DLA  
3 Noble Street  
London EC2V 7EE

#### **AUDITORS**

KPMG Audit Plc  
8 Salisbury Square  
London  
EC4Y 8BB

# THE FOLGATE PARTNERSHIP LIMITED

## REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

The directors present their annual report and the audited financial statements for the year ended 31 March 2005.

### PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The consolidated profit and loss account for the year is set out on page 5.

The company's principal activity is to act as the holding company to a group of insurance brokers.

In the year to 31 March 2005 the group has grown rapidly through acquisitions of companies and portfolios of business and this growth has continued into the new financial year. Both the level of business and the year end financial position are satisfactory.

On 27 October 2005, Towergate Partnership Limited ("Towergate") acquired The Folgate Partnership Limited ("FPL"). The acquisition was effected through a Scheme of Arrangement which resulted in all the existing shares of the company being cancelled and the issue of new ordinary shares of 1 penny each to Towergate. As such the authorised nominal capital remains unchanged. Under the terms of the scheme the directors of FPL received shares of Towergate.

Effective from 31 October 2005, most of the FSA authorised intermediary insurance subsidiaries of The Folgate Partnership Limited transferred their business and assets to a fellow subsidiary company of Towergate, Towergate Underwriting Group Limited. These various transactions were completed on the basis of third party valuations and reflect commercial, arms-length terms. The employees and associated costs of FPL transferred to Towergate also effective from 31 October 2005.

Details of post balance sheet events are provided in note 23 to the financial statements.

### DIVIDENDS

The directors do not propose the payment of a dividend (2004: £nil).

### MARKET VALUE OF LAND AND BUILDINGS

In the opinion of the directors, the market value of the land and buildings of the Group is stated at current open market value.

### DIRECTORS AND THEIR INTERESTS

The present membership of the Board is set out on page 1. The directors served throughout the year. The directors' interests in the share capital of the company at the beginning and the end of the year are detailed below. None of the directors had an interest in the share capital of the company or any other group undertaking at any time during the year other than as already noted.

Director	Number of Ordinary B shares at the beginning of the year	Number of Ordinary B shares at the end of the year
P Cullum	290,000	276,000
A Homer	48,000	48,000
K Maciver	46,000	46,000
T Philip	4,000	4,000
J Dodd	2,000	2,000

J Dodd resigned as a director of the company on 1 July 2005, A Graham resigned as a director of the company on 27 October 2005 and B McLaren resigned as a director of the company on 16 January 2006.

# **THE FOLGATE PARTNERSHIP LIMITED**

## **REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005**

### **EMPLOYEES**

The group actively encourages all employees to become involved in group affairs. This is achieved through regular staff meetings and presentations by the directors. Employees are regarded as being key to the group's success, so an appropriate remuneration package is offered which rewards an individual's performance.

The group's policy is to recruit disabled workers for those vacancies that they are able to fill. Once employed, a career plan is developed to ensure that suitable opportunities exist for each disabled person. Employees who become disabled during their working life will be retrained in employment wherever possible and will be given help with any necessary rehabilitation and training. The group is prepared to modify procedures or equipment, wherever practicable, so that full use can be made of an individual's abilities.

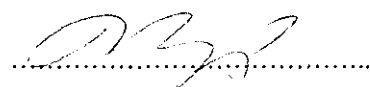
### **POLITICAL AND CHARITABLE DONATIONS**

The company made charitable contributions during the year of £10,000 (2004: £nil).

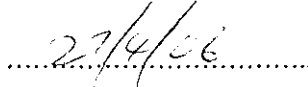
### **AUDITORS**

Deloitte & Touche LLP resigned as auditors on 18 August 2005. KPMG Audit Plc were appointed as auditors on this date and have indicated their willingness to continue in office, and in accordance with the provisions of the Companies Act 1985, it is proposed that they be re-appointed to the company for the ensuing year.

Approved by the Board of Directors and signed on behalf of the Board



Director



Date

### **STATEMENT OF 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 the company and group and of the profit or loss 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 group 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 group and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

# THE FOLGATE PARTNERSHIP LIMITED

## REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

### REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF THE FOLGATE PARTNERSHIP LIMITED

We have audited the financial statements on pages 5 to 35.

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 directors and auditors

The directors are responsible for preparing the director's report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Audit Practices Board and by our profession's ethical guidance.

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 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.

#### Basis of audit opinion

We conducted our audit in accordance with 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.

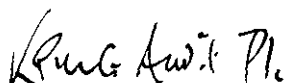
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

#### Equalisation reserves

Our evaluation of the presentation of information in the financial statements has had regard to the statutory requirement for groups including insurance companies to maintain equalisation reserves. The nature of equalisation reserves is set out in note 1 and the amount set aside at the year end is disclosed in notes 13 and 28.

#### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
8 Salisbury Square  
London  
EC4Y 8BB

27 April

2006

# THE FOLGATE PARTNERSHIP LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 March 2005

	Note	From 1 April 2004 to 31 March 2005			From 1 April 2003 to 31 March 2004		
		Continuing £'000	Discontinued £'000	Total £'000	Continuing £'000	Discontinued £'000	Total £'000
<b>TURNOVER</b>	2	81,709	206	81,915	41,132	215	41,347
Administrative expenses		(69,193)	(360)	(69,553)	(37,781)	(77)	(37,858)
Profit / (loss) of Folgate Insurance Company Limited	2	-	(1,611)	(1,611)	-	2,380	2,380
<b>OPERATING PROFIT / (LOSS)</b>	3	<u>12,516</u>	<u>(1,765)</u>	<u>10,751</u>	<u>3,351</u>	<u>2,518</u>	<u>5,869</u>
Profit on disposal of subsidiaries and portfolios of business	6			411			947
Other interest receivable and similar income				1,469			804
Interest payable and similar charges	7			<u>(4,453)</u>			<u>(2,611)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>				<b>8,178</b>			<b>5,009</b>
Tax charge on profit on ordinary activities	8			<u>(2,449)</u>			<u>(767)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>				<b>5,729</b>			<b>4,242</b>
Minority interests - equity				<u>(288)</u>			<u>(107)</u>
<b>PROFIT ATTRIBUTABLE TO SHAREHOLDERS</b>				<b>5,441</b>			<b>4,135</b>
Dividends				<u>-</u>			<u>-</u>
<b>RETAINED PROFIT FOR YEAR / PERIOD</b>	18			<u><b>5,441</b></u>			<u><b>4,135</b></u>

There are no recognised gains or losses for the current year or prior period other than as stated above. Accordingly, no statement of total recognised gains and losses is given.

All operations derive from the continuing activities of the company and its acquisitions in the current year and prior period with the exception of Folgate Insurance Company Limited, which ceased to accept new business and was placed into run-off on 30 June 2002, and a portfolio of business from Folgate Masterplan Limited, which was sold by the company on 31 March 2005. The details of these transactions are outlined in note 9.

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the holding company is not presented as part of these financial statements. The holding company retained profit for the year amounted to £2,805,000 (2004 Loss : £2,696,000).

# THE FOLGATE PARTNERSHIP LIMITED

## CONSOLIDATED AND COMPANY BALANCE SHEETS 31 March 2005

	Note	Group at 31 March 2005 £'000	Group at 31 March 2004 £'000	Company at 31 March 2005 £'000	Company at 31 March 2004 £'000
<b>FIXED ASSETS</b>					
Intangible fixed assets	9	61,948	40,908	-	-
Tangible fixed assets	10	10,297	8,436	5,069	3,314
Investments	11	522	62	14,309	14,264
		<u>72,767</u>	<u>49,406</u>	<u>19,378</u>	<u>17,578</u>
<b>CURRENT ASSETS</b>					
Debtors	12	70,411	49,125	78,717	41,466
Cash at bank and in hand		48,620	39,499	2,636	1,819
		<u>119,031</u>	<u>88,624</u>	<u>81,353</u>	<u>43,285</u>
<b>CREDITORS: amounts falling due within one year</b>	13	<u>(111,798)</u>	<u>(76,315)</u>	<u>(32,617)</u>	<u>(14,529)</u>
<b>NET CURRENT ASSETS</b>		<u>7,233</u>	<u>12,309</u>	<u>48,736</u>	<u>28,756</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>80,000</u>	<u>61,715</u>	<u>68,114</u>	<u>46,334</u>
<b>CREDITORS: amounts falling due after more than one year</b>	14	<u>(59,983)</u>	<u>(46,615)</u>	<u>(72,517)</u>	<u>(53,569)</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	15	<u>(2,618)</u>	<u>(3,430)</u>	<u>(110)</u>	<u>(83)</u>
<b>MINORITY INTERESTS – EQUITY</b>	19	<u>(481)</u>	<u>(193)</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS / (LIABILITIES)</b>		<u>16,918</u>	<u>11,477</u>	<u>(4,513)</u>	<u>(7,318)</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17	411	411	411	411
Share premium account	18	600	600	600	600
Profit and loss account	18	15,907	10,466	(5,524)	(8,329)
<b>EQUITY SHAREHOLDERS' FUNDS / (DEFICIT)</b>	18	<u>16,918</u>	<u>11,477</u>	<u>(4,513)</u>	<u>(7,318)</u>

These financial statements were approved by the Board of Directors on 27 April 2006.

Signed on behalf of the Board of Directors

.....  
Director



# THE FOLGATE PARTNERSHIP LIMITED

## RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS 31 March 2005

	Note	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
<b>PROFIT / (LOSS) ATTRIBUTABLE TO SHAREHOLDERS</b>					
Subsidiary undertakings		3,947	4,451	-	-
Holding company		2,505	(2,696)	2,805	(2,696)
Share of (loss)/profit in Folgate Insurance Company Limited		(1,611)	2,380	-	-
		<u>5,441</u>	<u>4,135</u>	<u>2,805</u>	<u>(2,696)</u>
New shares issued		<u>-</u>	<u>2</u>	<u>-</u>	<u>2</u>
<b>NET ADDITION TO SHAREHOLDERS' FUNDS</b>		<b>5,441</b>	<b>4,137</b>	<b>2,805</b>	<b>(2,694)</b>
<b>OPENING SHAREHOLDERS' FUNDS / (DEFICIT)</b>	18	<u><b>11,477</b></u>	<u>7,340</u>	<u><b>(7,318)</b></u>	<u><b>(4,624)</b></u>
<b>CLOSING SHAREHOLDERS' FUNDS / (DEFICIT)</b>	18	<u><b>16,918</b></u>	<u>11,477</u>	<u><b>(4,513)</b></u>	<u><b>(7,318)</b></u>

# THE FOLGATE PARTNERSHIP LIMITED

## CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2005

	Note	2005 £'000	2004 £'000
<b>Cash flow statement</b>			
Cash flow from operating activities	20	12,763	5,491
Returns on investments and servicing of finance	21	(2,984)	(1,123)
Taxation		17	(1,079)
Capital expenditure and financial investment	21	(4,049)	(4,613)
Acquisitions and disposals	21	<u>(10,918)</u>	<u>(10,302)</u>
Cash inflow / (outflow) before management of liquid resources and financing		(5,171)	(11,626)
Financing	21	<u>14,520</u>	<u>4,104</u>
Increase / (decrease) in cash in the year		<u>9,349</u>	<u>(7,522)</u>
<b>Reconciliation of net cash flow to movement in net debt</b>			
Increase / (decrease) in cash in the year		9,349	(7,522)
Cash inflow from increase in debt and lease financing		<u>(14,520)</u>	<u>(4,104)</u>
Change in net debt resulting from cash flows	22	(5,171)	(11,626)
New deferred consideration	22	(8,300)	(5,302)
Finance leases acquired with subsidiaries	22	(11)	(44)
New finance leases		-	-
Movement in deferred consideration	22	<u>231</u>	<u>-</u>
Movement in net debt in the year		(13,251)	(16,972)
Net debt at the start of the year	22	<u>(5,678)</u>	<u>11,294</u>
Net debt at the end of the year	22	<u>(18,929)</u>	<u>(5,678)</u>

# THE FOLGATE PARTNERSHIP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

### 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with United Kingdom law and applicable accounting standards. The particular accounting policies adopted are described below.

#### **Accounting convention**

The financial statements are prepared under the historical cost convention.

#### **Basis of consolidation and reporting**

The group financial statements comprise the accounts of the company and its subsidiary undertakings as at 31 March 2005. The profits and losses of subsidiary undertakings are consolidated as from the date of acquisition. No separate profit and loss account is presented for the company, as permitted by Section 230 of the Companies Act 1985.

The group financial statements are presented in accordance with Schedule 4A of the Companies Act 1985 despite the fact that the group includes an insurance company for which operating loss, assets and liabilities are significant within the group. The directors of the parent company regard the principal activity of the group to be that of an insurance broker and not an insurance company. The activities of the acquired insurance company were discontinued from 30 June 2002, within three months of the acquisition date.

The group financial statements include Folgate Insurance Company Limited, the insurance company, as at 31 December 2004, being the latest audited accounts for that subsidiary. The accounting reference date of the insurance company has not been aligned with that of the parent company as to do so would have resulted in excessive costs in the insurance company in order to enable it to satisfy the ongoing reporting requirements of the Financial Services Authority in the current year. The accounting reference date will be aligned with that of the parent company as from 31 December 2005.

The results of the insurance company are consolidated by way of equity accounting with the result attributed to the insurance company shown separately within the profit and loss account. The directors consider that to consolidate the results of the insurance company on a line-by-line basis would not result in a fair presentation of the performance of the group as an insurance broker. The results of the insurance company can be seen in the accounts of that company as at 31 December 2004.

Insurance company accounts adopt a form of presentation which is different from that required for insurance brokers, with the insurance company balance sheet generally not distinguishing between current and non-current balances. For the purposes of complying with the presentation requirements of the Companies Act 1985 as it applies to insurance brokers, balances included in the group balance sheet which derive from the insurance company have been classified as current assets and liabilities.

#### **Goodwill**

Positive purchased goodwill arising on acquisitions is capitalised and classified as an asset on the balance sheet. The Companies Act 1985 requires positive goodwill to be amortised to nil over its useful economic life. The company considers that in most cases the goodwill attributable to the acquisitions being made will renew in the normal course of business and, as such, it is appropriate to adopt an estimated useful life in excess of twenty years. Accordingly, the useful life of positive purchased goodwill has been estimated at thirty years. The goodwill is subject to an annual impairment review by reference to the expected future cash flows of the business and written down in value if that review indicates that those future cash flows do not support the carrying value of the goodwill in the balance sheet. At 31 March 2005, regard has been given to the values ascribed in the Scheme of Arrangement effected 27 October 2005 and the divisionalisation effected on 31 October 2005, as further detailed in note 23.

Negative goodwill arising on acquisitions is initially credited to the balance sheet as an offset to positive goodwill and is subsequently released to the profit and loss account as the non-monetary assets are recovered and as the benefit to the group is confirmed. Negative goodwill arising on the purchase of Folgate Insurance Company Limited was amortised in full to the profit and loss account in the year to 31 March 2004.

# THE FOLGATE PARTNERSHIP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

### 1. ACCOUNTING POLICIES (CONTINUED)

#### Turnover

Turnover represents brokerage and fees for services provided. Brokerage is recognised on the inception or renewal date of a risk, with an element of brokerage deferred to match any significant post placement obligations. Profit or volume based commission, which is received periodically, is recognised when the amount can be measured with reasonable certainty, which is typically the earlier of confirmation of the amount with the relevant provider or receipt of cash.

#### Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation which is calculated to write off the cost of such assets over their estimated useful lives. IT development costs are depreciated from the date operational use commences.

The principal rates of depreciation are as follows:

Property & leasehold improvements	Life of lease
Furniture & equipment	10-33% straight line
Motor vehicles	25-33% straight line
Computer equipment	10-25% straight line
IT software, development & licences	12.5-25% straight line

#### Leased assets

Assets acquired under finance lease are capitalised in the balance sheet and depreciated over their useful lives. The capital elements of the outstanding future lease obligations are shown in creditors, while the interest elements are charged to the profit and loss account over the period of the lease to produce a constant rate of charge on the balance of capital repayments outstanding. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

#### Subsidiary undertakings

Investments in subsidiary undertakings are stated in the balance sheet of the company at cost less any provision for impairment in value.

#### Investments

Investments are stated in the balance sheet at cost less any provision for impairment in value.

#### Insurance broking debtors and creditors

Under the provisions of Financial Reporting Standard 5 "Reporting the Substance of Transactions", trade debtors and creditors arising from insurance broking transactions are presented gross.

#### Pension costs

With the exception of Folgate Insurance Company Limited (note 16) the group's contributions to a defined contribution scheme are charged to the profit and loss account as incurred. In respect of the defined benefit section of the Folgate Insurance Company Limited pension scheme, contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

#### Deferred taxation

In accordance with Financial Reporting Standard 19, deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

# THE FOLGATE PARTNERSHIP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

### 1. ACCOUNTING POLICIES (CONTINUED)

#### **Provisions for liabilities and charges**

As required by Financial Reporting Standard 12, provisions for liabilities and charges have been shown gross of any monies recoverable under the group's insurance policies.

#### **Foreign currencies**

Revenues and expenses transacted in foreign currencies are translated into sterling at the rate of exchange ruling at the date the transaction occurred. Monetary assets and liabilities are translated at rates ruling at the balance sheet date. All exchange differences arising from the settlement of trading transactions are included in the profit and loss account.

*Policies related to the insurance and investment balances of Folgate Insurance Company Limited at and for the years to 31 December 2003 and 31 December 2004 as consolidated into the group financial statements:*

#### **Premiums**

Premiums are first accounted for in the year in which the risk commences. Provision has been made for pipeline premiums and policies which are likely to lapse before the end of the financial year.

#### **Provision for unearned premiums**

The proportion of premiums written relating to periods of risk after the end of the financial year is deferred to the following year by setting up a provision for unearned premiums. The provision has been accounted for on either a monthly pro rata basis or according to the number of days on risk.

#### **Claims**

Claims costs include all claims and claims settlement expense payments made in respect of the financial year, the movement in provisions for outstanding claims, claims incurred but not reported and settlement expenses, net of salvage and subrogation recoveries.

#### **Claims outstanding**

Outstanding claims comprise provisions for the estimated cost of settling all claims incurred up to but not paid at the balance sheet date whether reported or not, together with related claims handling expenses. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques. The main assumption underlying these techniques is that past claims development experience can be used to project ultimate claims cost, and then allowance is made for changes in the nature of the business, the type of data available and other relevant changes, in order that the estimate represents the most likely outcome taking into account the uncertainties involved. Provisions are calculated allowing for reinsurance recoveries and a separate asset is recorded for the reinsurers' share, having regard to collectability. Where applicable, prudent estimates are made for salvage and subrogation recoveries, which are shown in the balance sheet as assets.

#### **Deferred acquisition costs**

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

#### **Equalisation provision**

Equalisation provisions have been established in accordance with the requirements of chapter 6 of the FSA's Interim Prudential Sourcebook for Insurers, and included as the equalisation provision within creditors (note 13).

# THE FOLGATE PARTNERSHIP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

### 1. ACCOUNTING POLICIES (CONTINUED)

#### Investments

Fixed interest bearing securities are stated in the balance sheet at cost less the redemption provision. The redemption provision is the difference between purchase price and par and is amortised over the period from purchase until redemption. Other investments are stated at market value.

#### Investment income, expenses and charges

Investment income is accounted for on a receivable basis and interest is accrued up to the balance sheet date. Realised gains and losses represent the difference between net sales proceeds and purchase price or latest carrying value for investments carried at amortised cost.

### 2. TURNOVER AND SEGMENTAL ANALYSIS

Turnover represents retained brokerage and fees receivable and is derived from continuing activity in the United Kingdom with the exception of the activities of Folgate Insurance Company Limited and a portfolio of business in Folgate Masterplan Limited (sold 31 March 2005). In the prior year the discontinued business also included the sale of SMg Professional Risks Limited, a portfolio of business from Folgate Sharp Risk Solutions Limited and a portfolio of business from Folgate London Market Limited.

The group operates primarily as an insurance broker, however the profit on ordinary activities before taxation and net assets include the results and balance sheet of the insurance company (note 1). Turnover, profit on ordinary activities before taxation and net assets can be analysed as follows:

Group	2005	2004
Turnover	£'000	£'000
Acquisitions and continuing activities:		
Insurance broking	81,709	41,132
Discontinued activities:		
Insurance broking	206	215
Insurance company (note 28)	-	-
	<u>81,915</u>	<u>41,347</u>
Group	2005	2004
Profit on ordinary activities before taxation	£'000	£'000
Acquisitions and continuing activities:		
Insurance broking	9,838	2,491
Discontinued activities:		
Insurance broking	(49)	138
Insurance company	(1,611)	2,380
	<u>8,178</u>	<u>5,009</u>

# THE FOLGATE PARTNERSHIP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2005

### 2. TURNOVER AND SEGMENTAL ANALYSIS (CONTINUED)

Group	2005	2004
Net assets	£'000	£'000
<b>Acquisitions and continuing activities:</b>		
Insurance broking	5,880	(660)
<b>Discontinued activities:</b>		
Insurance broking	-	-
Insurance company	11,033	12,137
	<u>16,918</u>	<u>11,477</u>

### 3. OPERATING PROFIT

	Group 2005 £'000	Group 2004 £'000
<b>Operating profit is stated after charging / (crediting):</b>		
Auditors' remuneration for audit	702	496
Goodwill amortisation (note 9)	1,965	1,030
Amortisation of loan set-up costs	-	259
Share of operating (profit) / loss of Folgate Insurance Company Limited	611	(2,380)
Depreciation on owned assets	2,626	1,315
Depreciation on assets held under finance lease	48	166
Loss on disposal of fixed assets	(33)	3
Operating lease rentals - land & buildings	3,442	1,640
Operating lease rentals - other	202	439
	<u>          </u>	<u>          </u>

The share of operating profit of Folgate Insurance Company Limited includes amounts in respect of depreciation on owned assets £71,000 (2004: £101,000), auditors' remuneration for audit £41,000 (2004: £37,000), loss on disposal of fixed assets £nil (2004: £nil) and operating lease rentals £167,000 (2004: £235,000) that are also disclosed within the totals under these headings in this note.

### 4. DIRECTORS' REMUNERATION

	Group 2005 £'000	Group 2004 £'000
<b>Total remuneration of all directors:</b>		
Aggregate emoluments	2,737	1,824
Company pension contributions to money purchase schemes	98	94
	<u>          </u>	<u>          </u>
<b>Remuneration of the highest paid director:</b>		
Aggregate emoluments	1,070	670
Company pension contributions to money purchase schemes	22	22
	<u>          </u>	<u>          </u>

During the year 5 (2004: 5) directors received benefits by way of pension contributions to money purchase schemes.

# THE FOLGATE PARTNERSHIP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

### 5. STAFF COSTS AND OTHER INFORMATION

	Group 2005 £'000	Group 2004 £'000
Staff costs including directors' remuneration:		
Wages and salaries	35,870	20,572
Social security costs	3,833	2,088
Other pension costs	1,687	1,058
	<u>41,390</u>	<u>23,718</u>
Average monthly number of persons employed (including directors):	<u>1,380</u>	<u>723</u>

Included in staff costs and other information are staff costs of £448,000 (2004: £1,000,000) and average monthly employees of 18 (2004: 26) in relation to Folgate Insurance Company Limited.

### 6. PROFIT ON DISPOSAL

	Group 2005 £'000	Group 2004 £'000
Profit on disposal of subsidiaries and portfolios of business (note 9)	<u>411</u>	<u>947</u>

### 7. INTEREST PAYABLE AND SIMILAR CHARGES

	Group 2005 £'000	Group 2004 £'000
Bank interest and charges	143	175
Loan interest	4,287	2,403
Finance lease interest	23	33
	<u>4,453</u>	<u>2,611</u>



# THE FOLGATE PARTNERSHIP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

### 8. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	Group 2005 £'000	Group 2004 £'000
UK corporation tax	(69)	-
<b>UK corporation tax on profit on ordinary activities for the year / period</b>	<b>(69)</b>	<b>-</b>
Deferred taxation (note 15)	2,518	767
<b>Tax charge on profit on ordinary activities</b>	<b>2,449</b>	<b>767</b>

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 30%. The actual tax charge for the current year is different from the standard rate for the reasons set out below:

	Group 2005 £'000	Group 2004 £'000
<b>Profit on ordinary activities before tax</b>	<b>8,178</b>	<b>5,009</b>
Corporation tax on profit on ordinary activities at standard rate (2004: 30%)	2,453	1,503
<b>Factors affecting the charge for the year / period:</b>		
Expenses not deductible for tax purposes	(238)	328
Capital allowances excess of depreciation	57	(47)
Chargeable gains	66	-
Indexation allowance on capital disposals	(12)	(24)
Losses utilised	(3,278)	(1,769)
Goodwill amortised and negative goodwill released	590	(811)
Profit on disposal of subsidiaries and portfolios	74	532
Other tax adjustments	4	288
Pension provisions	215	-
<b>UK corporation tax on profit on ordinary activities for the year / period</b>	<b>(69)</b>	<b>-</b>

# THE FOLGATE PARTNERSHIP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

### 9. INTANGIBLE FIXED ASSETS

	<b>Group £'000</b>
<b>Goodwill</b>	
<b>Cost</b>	
At 1 April 2004	30,340
Positive goodwill from additions (note 11)	24,054
Adjustment to previously acquired goodwill	(231)
Disposals	(846)
<b>At 31 March 2005</b>	<b>53,317</b>
<b>Accumulated amortisation</b>	
At 1 April 2004	(10,568)
Charge for the year	1,965
Disposals	(28)
<b>At 31 March 2005</b>	<b>(8,631)</b>
<b>Net book value</b>	
At 1 April 2004	40,908
<b>At 31 March 2005</b>	<b>61,948</b>

On 31 March 2005 Folgate Masterplan Limited, a subsidiary of The Folgate Partnership Limited, disposed of a portfolio of business to RWA Compliance Services Limited. The disposal proceeds of £104,916 can be analysed as follows:

	<b>£'000</b>
<b>Assets disposed of:</b>	
<b>Net assets</b>	-
Profit on disposal	105
<b>Net sales proceeds</b>	<b>105</b>
<b>Satisfied by:</b>	
Cash	67
Deferred consideration	38
	<b>105</b>

Deferred Consideration is payable based upon the performance of the business for the 12 months subsequent to disposal. Deferred Consideration receivable amounting to £30,000 has not been recognised in the balance sheet due to its contingent nature.

# THE FOLGATE PARTNERSHIP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2005

### 10. TANGIBLE FIXED ASSETS

Group	Property & leasehold improvements £'000	Motor vehicles £'000	Furniture & equipment £'000	Computer equipment £'000	IT software, development & licences £'000	Total £'000
<b>Cost</b>						
At 1 April 2004	2,464	534	1,414	4,797	4,321	13,530
Additions	336	509	536	1,663	1,841	4,885
Transfers	(141)	-	75	66	-	-
Companies acquired	-	312	330	169	-	811
Disposals	(245)	(690)	(493)	(666)	-	(2,094)
<b>At 31 March 2005</b>	<b>2,414</b>	<b>665</b>	<b>1,862</b>	<b>6,029</b>	<b>6,162</b>	<b>17,132</b>
<b>Accumulated depreciation</b>						
At 1 April 2004	249	171	672	3,228	774	5,094
Transfers	(7)	-	55	(48)	-	-
Companies acquired	-	4	210	22	-	236
Elimination on disposal	(30)	(348)	(239)	(626)	-	(1,243)
Charge for the year	199	305	294	950	1,000	2,748
<b>At 31 March 2005</b>	<b>411</b>	<b>132</b>	<b>992</b>	<b>3,526</b>	<b>1,774</b>	<b>6,835</b>
<b>Net book value</b>						
At 1 April 2004	2,215	363	742	1,569	3,547	8,436
<b>At 31 March 2005</b>	<b>2,003</b>	<b>533</b>	<b>870</b>	<b>2,503</b>	<b>4,388</b>	<b>10,297</b>

Company	Property & leasehold improvements £'000	Motor vehicles £'000	Furniture & equipment £'000	Computer equipment £'000	IT software, development & licences £'000	Total £'000
<b>Cost</b>						
At 1 April 2004	219	-	123	1,174	2,241	3,757
Additions	-	-	135	994	1,839	2,968
Disposals	-	-	-	(6)	-	(6)
<b>At 31 March 2005</b>	<b>219</b>	<b>-</b>	<b>258</b>	<b>2,162</b>	<b>4,080</b>	<b>6,719</b>
<b>Accumulated depreciation</b>						
At 1 April 2004	19	-	21	215	188	443
Elimination on disposal	-	-	-	(2)	-	(2)
Charge for the year	14	-	37	418	740	1,209
<b>At 31 March 2005</b>	<b>33</b>	<b>-</b>	<b>58</b>	<b>631</b>	<b>928</b>	<b>1,650</b>
<b>Net book value</b>						
At 1 April 2004	200	-	102	959	2,053	3,314
<b>At 31 March 2005</b>	<b>186</b>	<b>-</b>	<b>200</b>	<b>1,531</b>	<b>3,152</b>	<b>5,069</b>

# THE FOLGATE PARTNERSHIP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

### 10. TANGIBLE FIXED ASSETS (CONTINUED)

The net book value and depreciation charge in relation to tangible fixed assets held under finance lease is as follows:

Group	NBV 2005 £'000	Depreciation 2005 £'000	NBV 2004 £'000	Depreciation 2004 £'000
Motor vehicles	42	39	175	118
Furniture & equipment	6	12	25	21
Computer equipment	-	-	27	27
	<u>48</u>	<u>51</u>	<u>227</u>	<u>166</u>

### 11. INVESTMENTS

<b>Unlisted and other investments:</b>	<b>Group £'000</b>
At 1 April 2004	62
Other investments acquired	460
<b>Cost as at 31 March 2005</b>	<b><u>522</u></b>
<b>Subsidiary undertakings:</b>	<b>Company £'000</b>
<b>Cost</b>	
At 1 April 2004	14,264
Investment in Folgate Trustees Limited	45
<b>At 31 March 2005</b>	<b><u>14,309</u></b>
<b>Amounts provided</b>	
At 1 April 2004	-
<b>At 31 March 2005</b>	<b><u>-</u></b>
<b>Net book value</b>	
At 1 April 2004	14,264
<b>At 31 March 2005</b>	<b><u>14,309</u></b>

The directors consider the following companies, all of which are incorporated in Great Britain and registered in England and Wales, to be subsidiary undertakings of the company at 31 March 2005. Unless otherwise shown, the capital of each company is wholly owned and is in ordinary shares. Where a company is not wholly owned, the percentage of the ordinary share capital owned is shown in brackets. The date of acquisition or incorporation is shown for all subsidiaries acquired in the year ended 31 March 2005.

# THE FOLGATE PARTNERSHIP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2005

### 11. INVESTMENTS (CONTINUED)

Subsidiary undertaking	Date of acquisition or incorporation	Principal activity
The Folgate Broker Partnership Limited		Intermediary holding company
The Folgate Underwriting Agency Limited		Underwriting agency
The Folgate Network Partnership Limited		Insurance marketing ceased trading
The Folgate Underwriting Services Limited		Service company
Folgate Underwriting Management Specialty Limited		Insurance broking
Folgate Risk Solutions (Telford) Limited		Insurance broking
Folgate Insurance Services (Telford) Limited		Claims handling & driver training
Folgate Risk Solutions (Halifax) Limited		Intermediary holding company
Folgate Trinity Risk Solutions Limited		Insurance broking
Folgate Insurance Company Limited		Insurance company
Folgate Broker Alliance Limited		Insurance broking
Folgate Trustees Limited		Trustee company
Smithson Mason Group Limited		Intermediary holding company
Smithson Mason Limited		Insurance broking
RBR Holdings Limited		Intermediary holding company
RBR Insurance Brokers Limited		Insurance broking ceased trading
Bervale Mead Insurance Brokers Limited		Insurance broking ceased trading
Folgate Risk Solutions (Milton Keynes) Limited		Insurance broking
Clarke Cooper & Company Limited		Insurance broking ceased trading
Pallett & Collins (General Insurance Services) Limited		Intermediary holding company
Pallett & Collins (Commercial) Limited		Insurance broking
DP Rogers Insurance Holdings Limited		Intermediary holding company
DPR Commercial Insurance Brokers Limited		Insurance broking ceased trading
DPR Trustees Limited		Trustee company
Duncan Pocock (Holdings) Limited (92.5%)		Intermediary holding company
Folgate Risk Solutions (Oxted) Limited (92.5%)		Insurance broking
Willett & Ross Limited		Insurance broking
Devonshire Wilson Risk Solutions Limited		Insurance broking
Byas Mosley Risk Solutions Limited		Insurance broking
Byas Mosley UK Limited		Insurance broking ceased trading
Folgate London Market Limited		Insurance broking
Folgate Sharp Risk Solutions Limited		Insurance broking
Folgate Risk Solutions (Kent) Limited		Insurance broking
Peel Thompson Fletcher Limited		Insurance broking ceased trading
Peter Hill Risk Solutions Limited		Insurance broking
Peter Hill Credit & Financial Risks Limited		Dormant
Peter Hill Independent Financial Advisors Limited		Dormant
Crossways Insurance Brokers Limited		Insurance broking ceased trading
Folgate Risk Solutions (Maidstone) Limited		Insurance broking
Folgate Risk Solutions (Newcastle) Limited		Insurance broking
The Eastchester Group Limited (92.5%)		Intermediary holding company
Eastchester Underwriting Limited (92.5%)		Insurance broking
Folgate Warren Hill Risk Solutions Limited (92.5%)		Insurance broking
Broadstone Insurance Services (General) Limited		Insurance broking
Folgate Masterplan Limited		Insurance marketing
Folgate Compliance Limited		Insurance compliance services
Folgate Underwriting Partnership Limited		Intermediary holding company
Adams Tingle Risks Solutions Limited	29 July 2004	Insurance broking
Business Sure Direct Limited	13 July 2004	Dormant
Officesure Direct Limited	13 July 2004	Dormant
Property Sure Direct Limited	13 July 2004	Dormant
Shopsure Direct Limited	13 July 2004	Dormant

# THE FOLGATE PARTNERSHIP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

Subsidiary undertaking	Date of acquisition or incorporation	Principal activity
Towergate London Market Limited	8 October 2004	Insurance broking
FG Watts Risk Solutions Limited	13 July 2004	Insurance broking
Folgate (HHHB) Limited	13 April 2004	Insurance broking
Folgate Edgar Hamilton Services Limited	8 October 2004	Insurance broking service company
Parkstone Insurance Bureau Limited	31 October 2004	Insurance broking
Risk Management Surveys Limited	2 September 2004	Provision of surveys
Tait Conisbee Seymour Insurance Brokers Limited	31 March 2005	Insurance broking

The assets and liabilities acquired in the year, and any adjustments to assets and liabilities purchased in prior periods, are disclosed in below.

	Adams Tingle Risk Solutions Limited £'000	FG Watts Risk Solutions Limited £'000	Folgate (HHHB) Limited £'000	Parkstone Insurance Bureau Limited £'000	Sterling Hamilton Wright Limited £'000	FG Watts Partnership £'000	Walmsley Baker £'000	Small Acquisitions £'000	Adjustments £'000	Total £'000
Investments	5								3	8
Tangible fixed assets	44		413	16			20		81	574
Insurance Debtors	810	107		182	12,546					13,645
Other Debtors	1,022	22		6					17	1,067
Prepayments	72	19		3						94
Cash at bank	1,786	568		154	5,745					8,253
Insurance Creditors	(1,432)	(204)		(275)	(16,756)					(18,667)
Taxation	(99)	(41)		(27)						(167)
Other taxes	(40)			(6)						(46)
Finance Leases				(11)						(11)
Other creditors		(79)			(842)					(921)
Accruals	(40)	(42)		(33)						(115)
Deferred taxation	(11)			(2)						(13)
Other										-
Net assets	2,117	350	413	7	693	-	20	-	101	3,701
Goodwill on acquisition	3,036	937	11,002	573	4,300	2,730	1,139	266	71	24,054
Total cost	5,153	1,287	11,415	580	4,993	2,730	1,159	266	172	27,755
Cash	3,917	860	7,238	344	4,033	1,635	695	196	136	19,054
Deferred Consideration	1,200	335	4,012	224	900	1,095	464	70	-	8,300
	5,117	1,195	11,250	568	4,933	2,730	1,159	266	136	27,354
Expenses	36	92	165	12	60	-	-	-	36	401
	5,153	1,287	11,415	580	4,993	2,730	1,159	266	172	27,755

# THE FOLGATE PARTNERSHIP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

Fair value adjustments for acquisitions reflect the valuation applied to goodwill and certain fixed assets in the balance sheets of subsidiaries for the purposes of determining the acquisition price, and provisions made for deferred income under Financial Reporting Standard 5 in the balance sheets of acquired subsidiaries.

Deferred consideration, where applicable, is payable based upon the performance of the acquired business for the 24 months subsequent to acquisition. These sums have been provided in full.

### 12. DEBTORS: AMOUNTS DUE WITHIN ONE YEAR

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Insurance debtors	58,432	37,788	-	-
Amounts due from subsidiary undertakings	-	-	73,546	39,637
Reinsurers' share of technical provisions	1,043	2,039	-	-
Other debtors	4,638	2,142	3,016	629
Deferred tax asset	1,203	3,931	-	-
Corporation tax recoverable	-	144	-	9
Prepayments and accrued income	5,095	3,081	2,155	1,191
	<b>70,411</b>	<b>49,125</b>	<b>78,717</b>	<b>41,466</b>

The deferred tax asset is expected to be recoverable against anticipated future profits of the group, the timing of which is not entirely predictable. As such, recovery of the deferred tax asset may extend beyond one year. The movement on the deferred tax asset in the year is £2,728,000 (2004: £719,000) and £nil (2004: £719,000) has been charged to the profit and loss account and £2,728,000 (2004: £nil) has been transferred to the deferred tax provision account in the balance sheet. The deferred tax asset at the balance sheet date can be further analysed as follows:

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Short-term timing differences	528	626	-	-
Accelerated capital allowances	130	159	-	-
Losses and other deductions	545	3,146	-	-
	<b>1,203</b>	<b>3,931</b>	<b>-</b>	<b>-</b>

# THE FOLGATE PARTNERSHIP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

### 13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Other loans and overdrafts	3,986	1,597	3,950	1,560
Amounts owed to credit institutions	-	239	-	-
Deferred consideration	7,932	7,724	-	-
Insurance and trade creditors	77,571	49,589	385	352
Amounts owed to subsidiary undertakings	-	-	23,192	9,606
Obligations under finance leases	35	120	-	-
Corporation tax payable	181	170	-	63
Other taxes and social security	1,124	1,119	-	22
Other creditors, accruals and deferred income	14,320	9,978	5,090	2,926
Provisions for unearned premiums	-	-	-	-
Claims outstanding	4,255	5,294	-	-
Equalisation provision	2,394	485	-	-
	<u>111,798</u>	<u>76,315</u>	<u>32,617</u>	<u>14,529</u>

Equalisation provisions exist in the balance sheet of Folgate Insurance Company Limited at 31 December 2004 and 31 December 2003 in accordance with the requirements of the Insurance Companies (Reserves) Regulations 1996. These provisions, which are in addition to the amounts required to meet the anticipated ultimate cost of settlement of outstanding claims at the balance sheet date, are required by the Companies Act 1985 to be included in the consolidated balance sheet notwithstanding that they do not represent liabilities at the balance sheet date. The requirement to include the equalisation provision overrides the requirement of the Companies Act 1985 to make fair value adjustments relating to acquired assets and liabilities, whereby the fair value of the equalisation provisions would have been reduced to nil for the purposes of calculating goodwill. The equalisation provisions have the effect of reducing shareholders' funds by £2,394,000 at 31 March 2005 (£2,880,000 at 31 March 2004).

### 14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Bank loans	48,084	31,130	48,084	31,130
Other loans	3,294	2,039	3,293	2,039
Deferred consideration	4,200	2,265	-	-
Amounts owed to subsidiary undertakings	-	-	21,140	20,400
Obligations under finance leases	18	63	-	-
Claims outstanding	4,387	8,723	-	-
Equalisation provision	-	2,395	-	-
	<u>59,983</u>	<u>46,615</u>	<u>72,517</u>	<u>53,569</u>



# THE FOLGATE PARTNERSHIP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

### 14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED)

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
<b>Bank loans are repayable as follows:</b>				
Between one and two years	7,000	5,000	7,000	5,000
Between two and five years	42,000	27,000	42,000	27,000
	<u>49,000</u>	<u>32,000</u>	<u>49,000</u>	<u>32,000</u>
Less: un-amortised loan set-up costs	(916)	(870)	(916)	(870)
	<u>48,084</u>	<u>31,130</u>	<u>48,084</u>	<u>31,130</u>

Bank loan set-up costs are being amortised over the period of the loan tranche to which they relate.

Details of the security provided in relation to the company's loan with The Royal Bank of Scotland plc can be found in the directors' report.

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
<b>Other loans and overdrafts are repayable as follows:</b>				
Within one year	3,986	1,597	3,950	1,560
Between one and two years	2,459	1,500	2,458	1,500
Between two and five years	835	541	835	541
	<u>7,280</u>	<u>3,638</u>	<u>7,243</u>	<u>3,601</u>
Less: un-amortised loan set-up costs	-	(2)	-	(2)
	<u>7,280</u>	<u>3,636</u>	<u>7,243</u>	<u>3,599</u>

Included in other loans and overdrafts repayable within one year are overdrafts of £36,000 (2004: £25,000) repayable on demand. Included in other loans and overdrafts due within one year is £533,000 owed to directors of the company (2004: £60,000 due after more than one year).

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
<b>Obligations under finance leases are repayable as follows:</b>				
Within one year	35	120	-	-
Between one and two years	18	63	-	-
	<u>53</u>	<u>183</u>	<u>-</u>	<u>-</u>

Finance lease creditors are secured on the assets to which they relate.

# THE FOLGATE PARTNERSHIP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2005

### 15. PROVISIONS FOR LIABILITIES AND CHARGES

	Group £'000	Company £'000
Deferred tax provision at 1 April 2004	169	83
Deferred tax provisions acquired	15	-
Transferred from deferred tax asset	(2,728)	-
Transferred from other debtors	(44)	-
Charge to profit and loss account in the year	2,518	27
<b>Deferred tax provision at 31 March 2005</b>	<b>(70)</b>	<b>110</b>
E&O provision at 1 April 2004	73	-
Provision no longer required	(73)	-
<b>E&amp;O provision at 31 March 2005</b>	<b>-</b>	<b>-</b>
Pension scheme provision at 1 April 2004	3,188	-
Payment in the year	(1,500)	-
Charge to profit and loss account in the year (note 16)	1,000	-
<b>Pension scheme provision at 31 March 2005</b>	<b>2,688</b>	<b>-</b>
Total provision for liabilities and charges at 1 April 2004	3,430	83
<b>Total provision for liabilities and charges at 31 March 2005</b>	<b>2,618</b>	<b>110</b>

The deferred tax liability at 31 March 2005 can be further analysed as follows:

	Group £'000	Company £'000
Accelerated capital allowances	238	-
Short-term timing differences	(308)	-
<b>Deferred tax provision at 31 March 2005</b>	<b>(70)</b>	<b>-</b>

The deferred tax provision for the group at 1 April 2004 arises from the origination and reversal of timing differences.

# THE FOLGATE PARTNERSHIP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

### 16. FOLGATE INSURANCE COMPANY LIMITED PENSION COSTS

Folgate Insurance Company Limited, together with its former parent company, Wuestenrot and Wuertembergische AG, operated a pension scheme in respect of qualifying staff employed by the group within the UK which provided both benefits based on final pensionable salary and benefits based on the value of contributions. During the year to 31 December 2002, Folgate Insurance Company Limited gave notice of cessation of contributions to the scheme (effective 4 August 2002) and accordingly the scheme was put into wind-up by the Trustees. The assets of the scheme are held in a separate trust fund called the Folgate Insurance Company Limited Pension and Life Assurance Scheme. The principal assets of the scheme were transferred to Legal & General Assurance Society Limited during the year ended 31 December 2004 to secure benefits on wind-up. The Trust retains a beneficial interest in these assets until the wind up has been completed and benefits are assigned to members.

During 2003, a single contribution of £1,067,000 was made to the scheme by Wuestenrot and Wuertembergische AG in accordance with contractual obligations. During 2004, a single contribution of £1,500,000 was made to the scheme by the Company on account of its ultimate liability under the requirements of S75 Pensions Act 1995. The Scheme Actuary calculated the deficit as at 31<sup>st</sup> December 2003 at an amount of £1,950,000 and this amount, less the payment on account referred to above, is provided within the balance sheet under other provisions and charges. This amount assumes a valuation date of 11<sup>th</sup> June 2003 when the market value of the scheme's assets was £8,700,000.

The Company and the trustees have entered into a compromise agreement in respect of additional contributions demanded by the Trustees. The agreement required the Company to contribute an additional £862,500 to the pension scheme. The agreement also covers the approach to be followed in respect of equalisation of benefits and resulted in a further Company contribution to the scheme of around £275,000. The combined amount of £1,137,500, which is additional to the S75 liability referred to above, has been provided by the company, net of additional contributions made in respect of these liabilities.

The assets of the defined contribution section of the Scheme are held separately from those of the Company in an independently administered fund and the assets are managed by Baring Asset Management under Trustee guidelines. The pension cost attributable to Folgate Insurance Company Limited in respect of members of this fund represents allocated contributions payable by the Company to the fund and amounted to £nil (2003 Nil). During 2004, an agreement was made with Scottish Equitable plc to transfer the assets and liabilities of the defined contribution section of the Scheme.

With effect from 1 August 2002 a Group Personal Pension Plan providing benefits based on the value of contributions has been made available to all staff. This plan is managed and administered by Axa UK Limited. Allocated contributions payable by Folgate Insurance Company Limited to the plan amounted to £19,000 (2003: £27,000) in the year to 31 December 2004.

The new Accounting Standard FRS 17 when implemented in full will require immediate recognition in the balance sheet of the net surplus or deficit in the final salary section of the scheme calculated as at the balance sheet date. The new standard requires the assets to be measured at their market value at that date and the liabilities to be discounted at the rate of return available at the balance sheet date on high quality corporate bonds. The last valuation was carried out as at 31<sup>st</sup> December 2003. A valuation as at 31<sup>st</sup> December 2004 was not performed as the wind-up of the pension scheme is nearing completion. In the circumstances, it is the Directors' opinion that the assumptions and disclosures in respect of 2003 remain appropriate.

Subsequent to 31 March 2005, the trustees to the scheme have delivered to the company the final contribution demand under Section 75 of the Pensions Act 1995. As such, the final liability of the company in respect of the pension scheme will relate to the S75 contribution demand and not to the scheme deficit as determined under FRS 17. The company does not agree the amount of the contribution demand presented by the trustees and is in dispute with the trustees accordingly. Further details in respect of this contingent liability are disclosed later in this note.

# THE FOLGATE PARTNERSHIP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2005

### 16. FOLGATE INSURANCE COMPANY PENSION COSTS (CONTINUED)

The main assumptions made in arriving at the FRS 17 valuation as at 31 December were:

	As at 31 December 2004 %	As at 31 December 2003 %	As at 31 December 2002 %
Rate of increase in salaries	N/A	N/A	N/A
Rate of increase in pension payments	3.50	3.50	3.25
Rate of increase in deferred pensions	2.80	2.80	2.30
Inflation assumption	2.80	2.80	2.30
Discount rate	5.50	5.50	5.50

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

	As at 31 December 2004 £'000	As at 31 December 2003 £'000	As at 31 December 2002 £'000
<b>Value of assets of the final salary section of the scheme and expected rate of return at 31 December</b>			
Value of the assets (bonds & cash)	10,200	8,500	7,600
Expected rate of return	4.5%	4.5%	4.0%

	Year to 31 December 2004 £'000	Year to 31 December 2003 £'000
<b>Movement in deficit during the year</b>		
Deficit in scheme at the beginning of the year	(3,000)	(2,486)
Current service cost	-	-
Contributions	1,300	1,067
Net return on assets / (interest cost)	(106)	(216)
Actuarial (loss) / profit	342	(1,365)
<b>Deficit in scheme at the end of the year</b>	<b>(1,464)</b>	<b>(3,000)</b>

	Year to 31 December 2004 £'000	Year to 31 December 2003 £'000
<b>Analysis of net return on pension scheme</b>		
Expected return on pension scheme assets	412	340
Interest on pension liabilities	(518)	(556)
<b>Net return</b>	<b>(106)</b>	<b>(216)</b>

# THE FOLGATE PARTNERSHIP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

### 16. FOLGATE INSURANCE COMPANY PENSION COSTS (CONTINUED)

	Year to 31 December 2004 £'000	Year to 31 December 2003 £'000
<b>Analysis of amount recognised in statement of total recognised gains and losses</b>		
Actual return less expected return on assets	342	(265)
Experience gains on liabilities	-	-
Changes in assumptions	-	(1,100)
<b>Actuarial (loss) / gain recognised</b>	<b>342</b>	<b>(1,365)</b>
	Year to 31 December 2004 £'000	Year to 31 December 2003 £'000
<b>History of experience gains and losses</b>		
Difference between expected and actual return on scheme assets:	342	(265)
(percentage of scheme assets)	3%	3%
Experience gains on scheme liabilities:	-	-
(percentage of scheme liabilities)	-	-
Total amount recognised in statement of total recognised gains and losses:	342	(265)
(percentage of scheme liabilities)	3%	3%

#### Contingent liability in respect of the pension scheme

In December 2005, the trustees to the pension scheme submitted a request for payment of amounts due under S75 of the Pensions Act 1995. The request for payment is approximately £4.6 million. The provision carried by the Group in respect of further payments was £825,000. The deficit in the current provisions was £3.8 million. The company has requested from the trustees the detailed calculations to support the significant increase in the S75 payment request and such calculations have not yet been received. Additionally, the company has taken legal and actuarial advice in respect of the basis of calculation which has been applied by the actuarial firm advising the trustees.

On the basis of the advice that has been received by the company, in the opinion of the directors the significant increase in the S75 payment request is not appropriate. Further, the directors are satisfied, on the basis of advice received, that it is more likely than not that any dispute would be resolved in favour of the company and not the trustees. In respect of this development, the directors have included an additional provision of £1 million in the company's accounts to protect against any costs that may be incurred in concluding this matter.

# THE FOLGATE PARTNERSHIP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2005

### 17. CALLED UP SHARE CAPITAL

	2005 ‘000 shares	2005 £’000	2004 ‘000 shares	2004 £’000
<b>Authorised:</b>				
Ordinary A shares of 1p each	785	8	785	8
Ordinary B shares of £1 each	400	400	400	400
Deferred shares of 1p each	269	3	269	3
	<u>1,454</u>	<u>411</u>	<u>1,454</u>	<u>411</u>
<b>Called up, allotted and fully paid:</b>				
Ordinary A shares of 1p each	785	8	785	8
Ordinary B shares of £1 each	400	400	400	400
Deferred shares of 1p each	269	3	269	3
	<u>1,454</u>	<u>411</u>	<u>1,454</u>	<u>411</u>

The ordinary A shares are designated as voting (49.99%) and non-voting (50.01%). Those ordinary A shares designated as voting and all the ordinary B shares carry voting rights. The ordinary A shares and ordinary B shares participate equally in dividends and capital subject to the entitlement of ordinary A shares being limited in each case to a maximum of 49.99% of the total amount distributed, with the remainder being distributed to the holders of ordinary B shares. Holders of deferred shares do not qualify for any dividend or distribution, are not entitled to vote and on a return of capital rank after the ordinary shares.

On 27 June 2004, 74,106 deferred shares of 1p each were issued at par for cash.

On 27 June 2004, 100,440 ordinary A shares of 1p each were issued at par for cash.

On 13 April 2005, 57,963 deferred shares of 1p each were issued at par for cash.

On 13 April 2005, 107,744 ordinary A shares of 1p each were issued at par for cash.

On 27 October 2005, Towergate Partnership Limited (“Towergate”) acquired The Folgate Partnership Limited (“FPL”). The acquisition was effected through a Scheme of Arrangement which resulted in all the existing shares of the company being cancelled and the issue of new ordinary shares of 1 penny each to Towergate. As such the authorised nominal capital remains unchanged.

### 18. RESERVES

<b>Group</b>	<b>Share capital called up and fully paid £’000</b>	<b>Share premium account £’000</b>	<b>Profit and loss reserve £’000</b>	<b>Equity share- holders’ funds £’000</b>
At 1 April 2004	411	600	10,466	11,477
Retained profit for the year	-	-	5,441	6,141
<b>At 31 March 2005</b>	<u><b>411</b></u>	<u><b>600</b></u>	<u><b>15,907</b></u>	<u><b>17,618</b></u>
<b>Company</b>				
At 1 April 2004	411	600	(8,329)	(7,318)
Retained profit / (loss) for the year	-	-	2,805	2,805
<b>At 31 March 2005</b>	<u><b>411</b></u>	<u><b>600</b></u>	<u><b>(5,524)</b></u>	<u><b>(4,513)</b></u>

# THE FOLGATE PARTNERSHIP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2005

### 19. MINORITY INTERESTS

	Group 2005 £'000	Group 2004 £'000
At beginning of year	193	43
Share of profit for year	288	107
Acquisition of minority	-	43
At end of year	481	193

### 20. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	Total 2005 £'000	Total 2004 £'000
Operating profit	10,751	5,869
Depreciation and amortisation charges	2,746	1,480
Loss / (profit) on sale of fixed assets	(33)	2
Amortisation of goodwill	1,965	1,030
Amortisation of loan set-up costs	-	259
(Increase) / decrease in debtors	(8,809)	(1,019)
Increase in creditors and provisions	6,143	(2,130)
Net cash inflow from operating activities	12,763	5,491

# THE FOLGATE PARTNERSHIP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2005

### 21. ANALYSIS OF CASH FLOWS

	2005 £'000	2005 £'000	2004 £'000	2004 £'000
<b>Returns on investment and servicing of finance</b>				
Interest received	1,469		804	
Interest paid	(4,430)		(1,890)	
Interest element of finance lease rental payments	(23)		(33)	
Interest on loan stock and convertible loan notes	-		(4)	
		<u>(2,984)</u>		<u>(1,123)</u>
<b>Capital expenditure and financial investment</b>				
Purchase of tangible fixed assets	(4,885)		(5,106)	
Expenditure on investments not completed at balance sheet date	-		(5)	
Sale of fixed assets	836		496	
Sale of investments	-		2	
		<u>(4,049)</u>		<u>(4,613)</u>
<b>Acquisitions and disposals</b>				
Purchase of subsidiary undertakings	(19,455)		(23,905)	
Purchase of investment	(452)		-	
Sale of subsidiary undertakings	-		6,189	
Sale of portfolios	735			
Net cash received on acquisitions of subsidiaries	8,282		7,878	
Net cash disposed on sales of subsidiaries	-		(464)	
		<u>(10,918)</u>		<u>(10,302)</u>
<b>Financing</b>				
New long term loans	17,000		10,536	
Loan set up costs	-		(97)	
Repayment of loans	473		(2,794)	
Repayment of deferred consideration	(5,926)		(5,208)	
Net receipt of advance commission	3,114		2,002	
Increase / (decrease) in shareholders' loans				
Repayment of preference shares				
Repayment of loan stock				
Capital element of finance lease rental payments	(141)		(337)	
Issue of ordinary share capital			2	
		<u>14,520</u>		<u>4,104</u>



# THE FOLGATE PARTNERSHIP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

### 22. ANALYSIS OF NET DEBT

	At beginning of year £'000	Cash flow £'000	Acquisitions £'000	Other non- cash changes £'000	At end of year £'000
Cash at bank and in hand	39,499	9,121			48,620
Overdrafts	(25)	(11)			(36)
Amounts owed to credit institutions	(239)	239			-
	<u>39,235</u>	<u>9,349</u>	<u>-</u>	<u>-</u>	<u>48,584</u>
Finance leases	(183)	141	(11)	-	(53)
Debt due within one year	(9,296)	(14,661)	(8,300)	20,375	(11,882)
Debt due after one year	<u>(35,434)</u>	<u>-</u>	<u>-</u>	<u>(20,144)</u>	<u>(55,578)</u>
	<u>(44,913)</u>	<u>(14,520)</u>	<u>(8,311)</u>	<u>231</u>	<u>(67,513)</u>
<b>Total</b>	<b><u>(5,678)</u></b>	<b><u>(5,171)</u></b>	<b><u>(8,311)</u></b>	<b><u>231</u></b>	<b><u>(18,929)</u></b>

### 23. POST BALANCE SHEET EVENTS

Since 31 March 2005 the following non-adjusting post balance sheet events have occurred.

On 27 October 2005, Towergate Partnership Limited ("Towergate") acquired The Folgate Partnership Limited ("FPL"). The acquisition was effected through a Scheme of Arrangement which resulted in all the existing shares of the company being cancelled and the issue of new ordinary shares of 1 penny each to Towergate. As such the authorised nominal capital remains unchanged. Under the terms of the scheme the directors of FPL received shares of Towergate.

Effective from 31 October 2005, most of the FSA authorised intermediary insurance subsidiaries of The Folgate Partnership Limited transferred their business and assets to a fellow subsidiary company of Towergate, Towergate Underwriting Group Limited. These various transactions were completed on the basis of third party valuations and reflect commercial, arms-length terms. The employees and associated costs of FPL transferred to Towergate also effective from 31 October 2005.

### 24. RELATED PARTY TRANSACTIONS

P Cullum, the Chairman of The Folgate Partnership Limited, has a controlling interest in Towergate Partnership Limited (Towergate). All transactions between group companies and Towergate during the year have been negotiated on an arm's length basis, including the acquisition of The Folgate Partnership Limited subsequent to the year end, and details of substantial transactions can be found within the financial statements of the individual group companies.

### 25. CAPITAL COMMITMENTS

Amounts authorised but not yet contracted for amounted to £nil for the group (2004: £827,000) and £nil for the company (2004: £827,000).

# THE FOLGATE PARTNERSHIP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2005

### 26. FINANCIAL COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

	Land & buildings	Other	Land & buildings	Other
Group	2005	2005	2004	2004
	£'000	£'000	£'000	£'000
Operating leases which expire within one year	712	37	477	41
In two to five years	618	591	230	374
In over five years	1,350	-	1,265	-
	<u>2,680</u>	<u>629</u>	<u>1,972</u>	<u>415</u>
<b>Company</b>				
Operating leases which expire within one year	-	-	-	-
In two to five years	-	193	-	193
In over five years	262	-	262	-
	<u>262</u>	<u>193</u>	<u>262</u>	<u>193</u>

### 27. CONTROLLING PARTY

Mr PG Cullum, the Chairman, is the controlling party, by virtue of his controlling interest in the share capital of The Folgate Partnership Limited. Following the acquisition of The Folgate Partnership Limited by Towergate Partnership Limited (note 23) Mr PG Cullum remains the controlling party by virtue of his controlling interest in the share capital of Towergate Partnership Limited.

# THE FOLGATE PARTNERSHIP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

### 28. EXTRACTS FROM FOLGATE INSURANCE COMPANY LIMITED FINANCIAL STATEMENTS AT 31 DECEMBER 2004

	Year to 31 December 2004 £'000	Year to 31 December 2003 £'000
<b>PROFIT AND LOSS ACCOUNT - TECHNICAL ACCOUNT</b>		
<b>Earned premiums, net of reinsurance</b>		
Gross premiums written	(12)	(122)
Outward reinsurance premiums	(14)	443
	<u>(26)</u>	<u>321</u>
Change in the gross provision for unearned premiums	-	4,101
Change in the provision for unearned premiums, reinsurers' share	-	(2,213)
	<u>-</u>	<u>1,888</u>
<b>Earned premiums, net of reinsurance</b>	<b>(26)</b>	<b>2,209</b>
<b>Allocated investment return, transferred from non-technical account</b>	<b>506</b>	<b>1,219</b>
<b>Claims incurred, net of reinsurance</b>		
Claims paid, gross amount	(5,362)	(15,442)
Claims paid, reinsurers' share	949	4,644
	<u>(4,413)</u>	<u>(10,798)</u>
Change in provision for claims, gross amount	6,200	15,819
Change in provision for claims, reinsurers' share	(996)	(3,341)
	<u>5,204</u>	<u>12,478</u>
<b>Claims incurred, net of reinsurance</b>	<b>791</b>	<b>1,680</b>
<b>Net operating expenses</b>	<b>(3,033)</b>	<b>(3,808)</b>
<b>Change in equalisation provision</b>	<b>486</b>	<b>692</b>
<b>Balance of the technical account for general business</b>	<b>(1,276)</b>	<b>1,992</b>
<b>PROFIT AND LOSS ACCOUNT - NON-TECHNICAL ACCOUNT</b>		
Investment income	2,584	2,823
Investment expenses and charges	(359)	(559)
Investment return transferred to the technical account	(506)	(1,219)
Other income	50	-
	<u>493</u>	<u>3,037</u>
<b>Profit / (loss) on ordinary activities before tax</b>	<b>493</b>	<b>3,037</b>
Tax on profit on ordinary activities	(168)	4,483
	<u>(168)</u>	<u>4,483</u>
<b>Profit for the financial year after tax and transferred to profit and loss reserves</b>	<b>325</b>	<b>7,520</b>

# THE FOLGATE PARTNERSHIP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

### 28. EXTRACTS FROM FOLGATE INSURANCE COMPANY LIMITED FINANCIAL STATEMENTS AT 31 DECEMBER 2004 (CONTINUED)

<b>BALANCE SHEET</b>	<b>As at 31 December 2004 £'000</b>	<b>As at 31 December 2003 £'000</b>
<b>ASSETS</b>		
<b>Investments</b>		
Other financial investments	29,702	25,297
<b>Reinsurers' share of technical provisions</b>		
Claims outstanding	1,043	2,039
	<u>1,043</u>	<u>2,039</u>
<b>Debtors</b>		
Debtors arising out of direct insurance operations	30	94
Debtors arising out of reinsurance operations	273	988
Other debtors	6	554
	<u>309</u>	<u>1,636</u>
<b>Other assets</b>		
Tangible fixed assets	913	959
Cash at bank and in hand	4,335	13,388
	<u>5,248</u>	<u>14,347</u>
<b>Prepayments and accrued income</b>		
Accrued interest and rent	1,522	1,353
Tax recoverable	3,792	3,931
	<u>5,314</u>	<u>5,284</u>
<b>Total assets</b>	<u><u>41,616</u></u>	<u><u>48,603</u></u>

# THE FOLGATE PARTNERSHIP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

### 28. EXTRACTS FROM FOLGATE INSURANCE COMPANY LIMITED FINANCIAL STATEMENTS AT 31 DECEMBER 2004 (CONTINUED)

	As at 31 December 2004 £'000	As at 31 December 2003 £'000
<b>LIABILITIES</b>		
<b>Capital and reserves</b>		
Called up share capital	22,500	22,500
Share premium account	15,814	15,814
Profit and loss account	(9,838)	(10,163)
<b>Shareholders' funds attributable to equity interests</b>	<b>28,476</b>	<b>28,151</b>
<b>Technical provisions</b>		
Claims outstanding	8,642	14,842
Equalisation provision	2,394	2,880
	<b>11,036</b>	<b>17,722</b>
<b>Provisions for other risks and charges</b>		
Provisions for pensions and similar obligations	1,688	1,975
Other provisions	72	112
	<b>1,760</b>	<b>2,087</b>
<b>Creditors</b>		
Creditors arising out of direct insurance operations	25	42
Creditors arising out of reinsurance operations	21	21
Amounts owed to credit institutions	-	239
Other creditors including taxation and social security	298	133
	<b>344</b>	<b>435</b>
<b>Accruals and deferred income</b>	<b>-</b>	<b>208</b>
<b>Total liabilities</b>	<b>41,616</b>	<b>48,603</b>

Unless otherwise stated below, Folgate Insurance Company Limited assets and liabilities are shown separately or under the same named headings in notes 10 to 15 to the financial statements. The exceptions are as follows:

Investments and cash at bank and in hand net of balances due from group undertakings are disclosed as cash at bank and in hand.

Debtors arising out of direct insurance and reinsurance operations are included in insurance and trade debtors. Other debtors include £nil (2004: £537,000) due from group companies which is eliminated on consolidation.

Accrued interest and rent are included in prepayments and accrued income in note 12. All other asset balances are included in other debtors.

Creditors arising out of direct insurance and reinsurance operations are included in insurance and trade creditors. Other creditors include £298,000 (2004: £83,000) due to group companies which is eliminated on consolidation.

Other provisions and accruals and deferred income are included in other creditors and accruals.

Other consolidation adjustments to assets and liabilities arise from the elimination of intercompany transactions.