

Company Registration No. 04380883 (England and Wales)

ROCKFORD GROUP PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2003



ROCKFORD GROUP PLC

DIRECTORS AND ADVISERS

Directors	L L Davidson A Hardill
Secretary	L L Davidson
Company number	04380883
Registered office	Rockford House Low Lane Horsforth Leeds LS18 5PU
Registered auditors	Pierce 3-6 Richmond Terrace Blackburn Lancashire BB1 7AU
Bankers	Bank of Scotland 19-21 Spring Gardens Manchester M2 1FB
Solicitors	Richmond & Co 105 New Road Side Horsforth Leeds LS18 4 QD

ROCKFORD GROUP PLC

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ROCKFORD GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003

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

Directors

The following directors have held office since 1 January 2003:

L L Davidson
A Hardill

Principal activities and review of the business

The principal activity of the group was that of commercial insurance brokers.

Rockford Group has had another successful year, launching its financial services company and also investing in a risk management team.

The board feels that in order to maintain the success of the Group, it is important that we constantly upgrade our resources to ensure that we can offer an all-round professional service to our clients.

With the recruitment of additional quality professionals to our existing team we continue to expand our client base throughout Yorkshire and Lancashire, which has been assisted by the opening of our new office in Huddersfield.

2004 will see the Group grow both organically and through acquisition. This growth will be to the benefit of our clients, employees and insurer partners who will mark our success in achieving our goals.

Results and dividends

The consolidated profit and loss account for the year is set out on page 4.

Directors' interests

The directors' interests in the shares of the company and other group companies were as stated below:

Rockford Group plc

	Ordinary shares of £ 1 each	
	31 December 2003	1 January 2003
L L Davidson	50,000	50,000
A Hardill	50,000	50,000

Rockford Insurance Brokers Limited

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

Rockford Financial Services Ltd

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

ROCKFORD GROUP PLC

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

Auditors

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

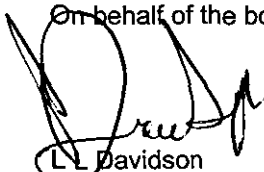
Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group 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 company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



L.L. Davidson

Director

5 May 2004

ROCKFORD GROUP PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ROCKFORD GROUP PLC

We have audited the financial statements of Rockford Group Plc on pages 4 to 21 for the year ended 31 December 2003. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of 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

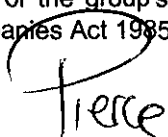
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates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

Pierce



5 May 2004

Chartered Accountants
Registered Auditor

3-6 Richmond Terrace
Blackburn
Lancashire
BB1 7AU

ROCKFORD GROUP PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

		2003	2002
	Notes	£	as restated £
Turnover	2	1,976,940	1,572,421
Cost of sales		(157,050)	(107,750)
Gross profit		1,819,890	1,464,671
Administrative expenses		(1,635,979)	(1,447,541)
Operating profit	3	183,911	17,130
Exceptional items	3	<u>79,241</u>	<u>-</u>
		79,241	-
Profit on ordinary activities before interest		263,152	17,130
Other interest receivable and similar income		7,410	14,490
Interest payable and similar charges	4	<u>(10,216)</u>	<u>(14,162)</u>
Profit on ordinary activities before taxation		260,346	17,458
Tax on profit on ordinary activities	5	<u>(83,290)</u>	<u>(591)</u>
Profit on ordinary activities after taxation		177,056	16,867
Loss attributable to former parent company		-	38,487
Profit for the financial year	6	<u>177,056</u>	<u>55,354</u>

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

ROCKFORD GROUP PLC

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

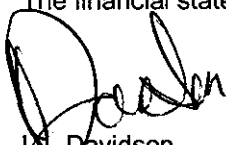
	2003 £	2002 £
Profit for the financial year	177,056	16,867
Prior year adjustment	22,144	-
	<hr/>	<hr/>
Total gains and losses recognised since last financial statements	<u>154,912</u>	<u>16,867</u>

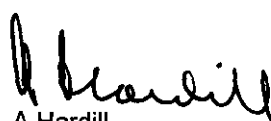
ROCKFORD GROUP PLC

BALANCE SHEETS AS AT 31 DECEMBER 2003

		Group		Company	
		2003	2002	2003	2002
		as restated			
	Notes	£	£	£	£
Fixed assets					
Intangible assets	7	477,050	468,388	-	-
Tangible assets	8	109,373	101,956	14,437	-
Investments	9	-	-	389,077	389,075
		<u>586,423</u>	<u>570,344</u>	<u>403,514</u>	<u>389,075</u>
Current assets					
Debtors	10	734,169	830,324	111,775	1,008
Cash at bank and in hand		447,397	332,929	-	50,200
		<u>1,181,566</u>	<u>1,163,253</u>	<u>111,775</u>	<u>51,208</u>
Creditors: amounts falling due within one year	11	(1,303,702)	(1,382,057)	(247,165)	(185,862)
Net current liabilities		<u>(122,136)</u>	<u>(218,804)</u>	<u>(135,390)</u>	<u>(134,654)</u>
Total assets less current liabilities		<u>464,287</u>	<u>351,540</u>	<u>268,124</u>	<u>254,421</u>
Creditors: amounts falling due after more than one year	12	(131,877)	(196,186)	(115,628)	(161,000)
		<u>332,410</u>	<u>155,354</u>	<u>152,496</u>	<u>93,421</u>
Capital and reserves					
Called up share capital	14	100,000	100,000	100,000	100,000
Profit and loss account	15	232,410	55,354	52,496	(6,579)
Shareholders' funds - equity interests	16	<u>332,410</u>	<u>155,354</u>	<u>152,496</u>	<u>93,421</u>

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


D.L. Davidson
Director


A Hardill
Director

ROCKFORD GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

	2003		2002	
	£	£	£	£
Net cash inflow/(outflow) from operating activities		296,254		241,370
Returns on investments and servicing of finance				
Interest received	7,410		14,490	
Interest paid	(10,216)		(14,162)	
Net cash (outflow)/inflow for returns on investments and servicing of finance		(2,806)		328
Taxation		(13,825)		(23,472)
Capital expenditure				
Payments to acquire intangible assets	(5,200)		(91,279)	
Payments to acquire tangible assets	(29,846)		(61,865)	
Receipts from sales of tangible assets	500		-	
Net cash outflow for capital expenditure		(34,546)		(153,144)
Acquisitions and disposals				
Purchase of subsidiary undertakings (net of cash acquired)	-		(235,801)	
Net cash outflow for acquisitions and disposals		-		(235,801)
Net cash inflow/(outflow) before management of liquid resources and financing		245,077		(170,719)
Financing				
Issue of ordinary share capital	-		100,000	
New long term bank loan	114,051		158,000	
Other new long term loans	-		75,500	
Other new short term loans	55,949		51,000	
Repayment of long term bank loan	(167,260)		(31,500)	
Repayment of other long term loans	(18,937)		(5,814)	
Repayment of other short term loans	(42,000)		-	
Capital element of hire purchase contracts	(2,063)		-	
Net cash (outflow)/inflow from financing		(60,260)		347,186
Increase/(decrease) in cash in the year		184,817		176,467

ROCKFORD GROUP PLC

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

1	Reconciliation of operating profit to net cash inflow from operating activities	2003		2002	
		£		£	
	Operating profit	183,911		17,130	
	Loss attributable to former parent company	-		38,487	
	Depreciation of tangible assets	36,885		21,679	
	Amortisation of intangible assets	25,279		18,243	
	Profit/(loss) on disposal of tangible assets	(106)		2,648	
	Decrease in debtors	186,398		67,015	
	Decrease in creditors within one year	(136,113)		76,168	
	Net cash inflow from operating activities	296,254		241,370	
2	Analysis of net funds/(debt)	1 January 2003		31 December 2003	
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	332,929	114,468	-	447,397
	Bank overdrafts	(156,462)	70,349	-	(86,113)
		<u>176,467</u>	<u>184,817</u>	<u>-</u>	<u>361,284</u>
	Finance leases	-	2,063	(14,850)	(12,787)
	Debts falling due within one year	(51,000)	(13,949)	-	(64,949)
	Debts falling due after one year	(196,186)	72,146	-	(124,040)
		<u>(247,186)</u>	<u>60,260</u>	<u>-</u>	<u>(201,776)</u>
	Net (debt)/funds	(70,719)	245,077	(14,850)	159,508
3	Reconciliation of net cash flow to movement in net debt	2003		2002	
		£		£	
	Increase/(decrease) in cash in the year	184,817		(223,657)	
	Cash outflow/(inflow) from decrease/(increase) in debt	60,260		(247,186)	
	Change in net debt resulting from cash flows	<u>245,077</u>		<u>(470,843)</u>	
	New finance lease	(14,850)		-	
	Movement in net funds/(debt) in the year	230,227		(470,843)	
	Opening net (debt)/funds	(70,719)		400,124	
	Closing net funds/(debt)	159,508		(70,719)	

ROCKFORD GROUP PLC

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

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 December 2003. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

However, as Rockford Insurance Brokers Limited was acquired on 14 March 2002, the comparative consolidated profit and loss account for the period ended 31 December 2002 includes the results of the subsidiary for the year ended 31 December 2002 and the estimated pre-acquisition loss of £38,487 for the period to 14 March 2002 attributable to the former parent company has been removed from the consolidated profit and loss account as a single figure. The sales and administrative expenses for the period to 14 March 2002 have been estimated as £163,195 and £201,682 respectively.

1.4 Turnover

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

1.5 Goodwill

Goodwill is the difference between the amount paid on the acquisition of the business and the aggregate fair value of its separable net assets.

Acquired goodwill is written off in equal annual instalments over its useful economic life not exceeding 20 years.

The subsidiary 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.

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.

1.6 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:

Plant and machinery	25 % straight line
Fixtures, fittings & equipment	15% straight line
Motor vehicles	25% Reducing balance

ROCKFORD GROUP PLC

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

1 Accounting policies

(continued)

1.7 Leasing

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.

1.8 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.9 Pensions

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

1.10 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 group for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating profit

	2003 £	2002 £
Operating profit is stated after charging:		
Depreciation of intangible assets	25,279	18,243
Depreciation of tangible assets	36,885	21,679
Loss on disposal of tangible assets	-	2,648
Operating lease rentals	91,214	71,757
Auditors' remuneration	7,938	8,000
and after crediting:		
Profit on disposal of tangible assets	(106)	-

The exceptional credit of £79,241 in the year ended 31 December 2003 is the profit on the sale of goodwill, which has no significant effect on the continuing activities.

ROCKFORD GROUP PLC

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

4	Interest payable	2003 £	2002 £
	On bank loans and overdrafts	4,837	4,837
	On other loans wholly repayable within 5 years	4,078	9,325
	Lease finance charges	1,111	-
	On overdue tax	190	-
		<u>10,216</u>	<u>14,162</u>
5	Taxation	£	£
	Domestic current year tax		
	U.K. corporation tax	83,190	8,353
	Adjustment for prior years	100	(7,762)
	Current tax charge	<u>83,290</u>	<u>591</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	<u>260,346</u>	<u>17,458</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.10% (2002: 19.92%)	<u>73,157</u>	<u>3,478</u>
	Effects of:		
	Non deductible expenses	3,616	2,308
	Depreciation add back	16,346	6,726
	Capital allowances	(9,735)	(6,943)
	Adjustments to previous periods	100	(7,762)
	Chargeable disposals	21,193	-
	Other tax adjustments	(21,387)	2,784
		<u>10,133</u>	<u>(2,887)</u>
	Current tax charge	<u>83,290</u>	<u>591</u>

ROCKFORD GROUP PLC

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

6 Profit/(loss) for the financial year

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The profit/(loss) for the financial year is made up as follows:

	2003 £	2002 £
Holding company's profit/(loss) for the financial year	59,075	(6,579)

7 Intangible fixed assets Group

	Goodwill £
Cost	
At 1 January 2003	498,230
Additions	37,200
Disposals	(3,615)
At 31 December 2003	531,815
Amortisation	
At 1 January 2003	29,842
Amortisation on disposals	(356)
Charge for the year	25,279
At 31 December 2003	54,765
Net book value	
At 31 December 2003	477,050
At 31 December 2002	468,388

ROCKFORD GROUP PLC

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

8 Tangible fixed assets Group

	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2003	58,235	78,690	-	136,925
Additions	12,193	16,003	16,500	44,696
Disposals	(700)	-	-	(700)
At 31 December 2003	69,728	94,693	16,500	180,921
Depreciation				
At 1 January 2003	19,889	15,080	-	34,969
On disposals	(306)	-	-	(306)
Charge for the year	20,863	13,959	2,063	36,885
At 31 December 2003	40,446	29,039	2,063	71,548
Net book value				
At 31 December 2003	29,282	65,654	14,437	109,373
At 31 December 2002	38,346	63,610	-	101,956

Included above are assets held under finance leases or hire purchase contracts as follows:

	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Net book values				
At 31 December 2003	-	-	14,437	14,437
Depreciation charge for the year				
31 December 2003	-	-	2,063	2,063

ROCKFORD GROUP PLC

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

8 Tangible fixed assets (continued) Company

	Motor vehicles £
Cost	
At 1 January 2003	-
Additions	16,500
	<hr/>
At 31 December 2003	16,500
	<hr/>
Depreciation	
At 1 January 2003	-
Charge for the year	2,063
	<hr/>
At 31 December 2003	2,063
	<hr/>
Net book value	
At 31 December 2003	14,437
	<hr/> <hr/>

Included above are assets held under finance leases or hire purchase contracts as follows:

	Motor vehicles £
Net book values	
At 31 December 2003	14,437
	<hr/> <hr/>
Depreciation charge for the year	
31 December 2003	2,063
	<hr/> <hr/>

ROCKFORD GROUP PLC

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

9 Fixed asset investments Company

	Shares in group undertakings £
Cost	
At 1 January 2003	389,075
Additions	2
	<hr/>
At 31 December 2003	389,077
	<hr/>
At 31 December 2002	389,075
	<hr/>

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held %
Subsidiary undertakings			
Rockford Insurance Brokers Limited	England & Wales	Ordinary	100
Rockford Financial Services Limited	England & Wales	Ordinary	100
Rockford Underwriting Services Limited	England & Wales	Ordinary	100
Rockford Risk Management Limited	England & Wales	Ordinary	100

The principal activity of these undertakings for the last relevant financial year was as follows:

	Principal activity
Rockford Insurance Brokers Limited	Insurance brokers
Rockford Financial Services Limited	Provision of independent financial advice
Rockford Underwriting Services Limited	Dormant
Rockford Risk Management Limited	Dormant

ROCKFORD GROUP PLC

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

10 Debtors

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Trade debtors	471,938	750,003	-	-
Amounts owed by group undertakings	-	-	95,540	-
Corporation tax	17,282	9,539	-	-
Other debtors	200,219	47,120	15,000	-
Prepayments and accrued income	44,730	23,662	1,235	1,008
	<u>734,169</u>	<u>830,324</u>	<u>111,775</u>	<u>1,008</u>

11 Creditors : amounts falling due within one year

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Bank loans and overdrafts	142,062	198,462	142,062	127,710
Net obligations under finance lease and hire purchase contracts	4,950	-	4,950	-
Trade creditors	773,532	957,630	8,499	9,306
Amounts owed to group undertakings	-	-	-	29,020
Corporation tax	89,495	12,287	-	-
Taxes and social security costs	23,617	27,671	-	8,274
Directors current accounts	88,716	26,552	88,716	11,552
Other creditors	122,859	140,657	-	-
Accruals and deferred income	58,471	18,798	2,938	-
	<u>1,303,702</u>	<u>1,382,057</u>	<u>247,165</u>	<u>185,862</u>
Debt due in one year or less	<u>64,949</u>	<u>51,000</u>	<u>55,949</u>	<u>42,000</u>

ROCKFORD GROUP PLC

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

12 Creditors : amounts falling due after more than one year

	Group 2003 £	2002 £	Company 2003 £	2002 £
Bank loans	73,291	126,500	73,291	126,500
Other loans	50,749	69,686	34,500	34,500
Net obligations under finance leases and hire purchase agreements	7,837	-	7,837	-
	<u>131,877</u>	<u>196,186</u>	<u>115,628</u>	<u>161,000</u>
Analysis of loans				
Wholly repayable within five years	188,989	247,186	163,740	203,000
Included in current liabilities	(64,949)	(51,000)	(55,949)	(42,000)
	<u>124,040</u>	<u>196,186</u>	<u>107,791</u>	<u>161,000</u>
Loan maturity analysis				
In more than one year but not more than two years	69,811	54,000	58,811	42,000
In more than two years but not more than five years	54,229	142,186	48,980	119,000
	<u>124,040</u>	<u>196,186</u>	<u>107,791</u>	<u>161,000</u>
Net obligations under finance leases and hire purchase contracts				
Repayable within one year	5,538	-	5,538	-
Repayable between one and five years	8,366	-	8,366	-
	<u>13,904</u>	<u>-</u>	<u>13,904</u>	<u>-</u>
Finance charges and interest allocated to future accounting periods	(1,117)	-	(1,117)	-
	<u>12,787</u>	<u>-</u>	<u>12,787</u>	<u>-</u>
Included in liabilities falling due within one year	(4,950)	-	(4,950)	-
	<u>7,837</u>	<u>-</u>	<u>7,837</u>	<u>-</u>

Net obligations under finance lease and hire purchase contracts are secured by fixed charges on the assets concerned.

Bank loans and overdrafts amounting to £215,353 (2002: £324,962) are secured over certain group assets as explained in note 17.

ROCKFORD GROUP PLC

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

13 Pension costs

Defined contribution

The company operates two defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds.

	2003 £	2002 £
Contributions payable by the company for the year	37,327	41,492

14 Share capital

	2003 £	2002 £
Authorised		
100,000 Ordinary shares of each	100,000	100,000
Allotted, called up and fully paid		
100,000 Ordinary shares of each	100,000	100,000

15 Statement of movements on profit and loss account Group

	Profit and loss account £
Balance at 1 January 2003	77,498
Prior year adjustment	(22,144)
Balance at 1 January 2003 as restated	55,354
Retained profit for the year	177,056
Balance at 31 December 2003	232,410

Company

	Profit and loss account £
Balance at 1 January 2003	(6,579)
Retained profit for the year	59,075
Balance at 31 December 2003	52,496

ROCKFORD GROUP PLC

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

16 Reconciliation of movements in shareholders' funds	2003	2002
Group	£	£
Profit for the financial year	177,056	55,354
Proceeds from issue of shares	-	100,000
Net addition to shareholders' funds	177,056	155,354
Opening shareholders' funds	155,354	-
Closing shareholders' funds	332,410	155,354

Opening shareholders' funds were originally £177,498 before deducting prior year adjustments of £22,144.

The prior year adjustment of £22,144 is in respect of Rockford Insurance Brokers Limited, the wholly owned subsidiary acquired on 14 March 2002. The correction of fundamental accounting errors associated with the insurance broking system of £88,121 less the tax credit of £17,282 has been recorded as a prior year adjustment of £70,839 in the financial statements of Rockford Insurance Brokers Limited for the year ended 31 December 2003. £22,144 of the prior year adjustment relates to the post acquisition period from 14 March 2002 to 31 December 2002 and £48,695 of the prior year adjustment relates to the pre acquisition period, which has resulted in additional acquisition goodwill on consolidation of £48,695.

Company	2003	2002
	£	£
Profit/(Loss) for the financial year	59,075	(6,579)
Proceeds from issue of shares	-	100,000
Net addition to shareholders' funds	59,075	93,421
Opening shareholders' funds	93,421	-
Closing shareholders' funds	152,496	93,421

17 Contingent liabilities

Group

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

At 31 December 2003, the bank loans and overdrafts secured by this arrangement amounted to £215,353 (2002: £324,962).

Company

The company has provided a cross guarantee in respect of bank borrowings in favour of its subsidiary undertaking, Rockford Insurance Brokers Limited. There were no bank borrowings by the subsidiary at the financial year end.

ROCKFORD GROUP PLC

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

18 Financial commitments

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

	Land and buildings		Other	
	2003	2002	2003	2002
	£	£	£	£
Expiry date:				
Within one year	-	-	14,254	6,567
Between two and five years	-	-	14,514	19,008
In over five years	63,747	54,000	-	-
	<u>63,747</u>	<u>54,000</u>	<u>28,768</u>	<u>25,575</u>

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

	Land and buildings		Other	
	2003	2002	2003	2002
	£	£	£	£
Expiry date:				
Within one year	-	-	14,254	-
Between two and five years	-	-	-	19,008
In over five years	38,000	38,000	-	-
	<u>38,000</u>	<u>38,000</u>	<u>14,254</u>	<u>19,008</u>

19 Directors' emoluments

	2003	2002
	£	£
Emoluments for qualifying services	209,599	182,775
Company pension contributions to money purchase schemes	12,000	8,849
	<u>221,599</u>	<u>191,624</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 2 (2002- 2).

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	127,664	114,324
Company pension contributions to money purchase schemes	6,000	4,425
	<u>133,664</u>	<u>118,749</u>

ROCKFORD GROUP PLC

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

20 Employees

Number of employees

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

	2003 Number	2002 Number
Management and administration	40	38

Employment costs

	£	£
Wages and salaries	1,013,052	871,500
Social security costs	25,391	16,617
Other pension costs	37,327	41,492
	1,075,770	929,609

21 Control

The company is under the control of LL Davidson and A Hardill, the directors, by virtue of their shareholdings.

22 Related party transactions

Group

At 31 December 2003, the directors' loans to the company were £88,716 (2002: £11,552) due within one year and £34,500 (2002: £34,500) due after more than one year. At 31 December 2003, the directors' loans to the subsidiary, Rockford Insurance Brokers Limited, were £nil (2002: £15,000).

The company leases premises from the directors' small self administered pension scheme, the annual rent payable being £6,000.

Company

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 company.

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