

HAMMOND PROFESSIONAL INDEMNITY CONSULTANTS LIMITED

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HAMMOND PROFESSIONAL INDEMNITY CONSULTANTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2006

The directors present their report and the financial statements of the company for the year ended 30 April 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business;

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors

G Cerone
D Hedgecock

Secretary

LS Field

Registered Office

Beech House, Pinewood Court
Coleshill Road
Marston Green
Birmingham, B37 7HG

Principal Activity

The principal activity of the company throughout the year was that of specialist professional indemnity brokers.

HAMMOND PROFESSIONAL INDEMNITY CONSULTANTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2006 (CONT)

Review of Business and Future Developments

The company has had a disappointing year as the expected increase in income has been slower to materialize and the additional costs to cope with increasing volumes have been incurred already. Nonetheless the basis for the directors views as expressed in the 2005 accounts remain and future increased income and enhanced profitability are expected for 2007.

The business retains a good client base and an established team of consultants that form the basis of future growth, but the directors remain conscious of the need for increased income and profitability in order for the company to remain in compliance with the financial resources requirements of the FSA, its regulatory body. The trading performance of the company is subject to close review and costs are being controlled and in certain cases reduced in order to enhance profitability. The upward pressure of costs remains, but in respect of professional indemnity insurance and salary costs these are under close control and are static or declining. The previous situation regarding claims against the company have also been resolved and these exceptional costs are not likely to arise in the future, which will remove a significant area of cost and uncertainty about the company's affairs.

Results and Dividends

The results of the year's trading and the financial position of the company are shown in the annexed accounts. The company's profit for the year, after taxation, amounted to £1,718 (2005 - £4,279).

The directors recommend that no dividend be paid.

Directors

The present directors are as shown above. All served on the board throughout the year. The company's Articles of Association do not require directors to retire by rotation.

Directors' Interests

The interests of the directors in the shares of the company at the beginning and end of the year, were as follows:

	30 April 2006	1 May 2005
D Hedgecock		
49 Ordinary £1 shares	49	49

The interests of the directors in the shares of related companies at the beginning and end of the year, were as follows:

G Cerone		
The Hammond Group Ltd		
Ordinary shares of £1 each	870	870
Deferred Ordinary Non Voting Shares	49,365	49,365
The Hammond Consultancy Limited		
Cumulative Redeemable shares of £1 each	101,900	101,900

HAMMOND PROFESSIONAL INDEMNITY CONSULTANTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2006 (CONT)

Statement of disclosure of information to auditors

The directors of the company who held office at the date of approval of this Annual Report as set out above each confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

The auditors, Meager Wood Locke & Company, have indicated their willingness to accept re-appointment under Section 385(2) of the Companies Act 1985.

ON BEHALF OF THE BOARD


.....
LS FIELD - SECRETARY

Date: 26th February 2007

Colin D. Meager BSc (Econ), ACA
Christopher B. Locke BA (Econ), ACA

Associates:
Patsy Bond
Kathryn Williams ACA CTA

Chartered Accountants
& Registered Auditors



Meager Wood Locke
& Company

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HAMMOND PROFESSIONAL INDEMNITY CONSULTANTS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HAMMOND PROFESSIONAL INDEMNITY CONSULTANTS LIMITED

We have audited the financial statements of Hammond Professional Indemnity Consultants Limited for the year ended 30 April 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under 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 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments 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.

We have undertaken the audit in accordance with the requirements of APB Ethical Standard - Provisions Available for Smaller Entities, in the circumstances set out in the notes to the financial statements



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Accountants in England and Wales.

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Colin G. Meager BSc (Econ), FCA
Christopher B. Locke BA (Econ), FCA
Associates:
Patsy Bond
Kathryn Williams AOA CTA

Chartered Accountants
& Registered Auditors



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HAMMOND PROFESSIONAL INDEMNITY CONSULTANTS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HAMMOND PROFESSIONAL INDEMNITY CONSULTANTS LIMITED (CONT)

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 April 2006 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

The information given in the directors' report is consistent with the financial statements.


MEAGER WOOD LOCKE & COMPANY
Registered Auditors

Date: 26th February 2007

123 HAGLEY ROAD
EDGBASTON
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B16 8LD



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HAMMOND PROFESSIONAL INDEMNITY CONSULTANTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 APRIL 2006

	Note	2006 £	2005 £
TURNOVER	2	37,368	51,902
Cost of sales		14,249	22,736
		<hr/>	<hr/>
GROSS PROFIT		23,119	29,166
Net operating expenses	3	21,746	24,474
		<hr/>	<hr/>
OPERATING PROFIT	4	1,373	4,692
Other interest receivable and similar income		48	-
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,421	4,692
Tax on profit on ordinary activities	6	(297)	413
		<hr/>	<hr/>
RETAINED PROFIT FOR THE FINANCIAL YEAR		1,718	4,279
		<hr/> <hr/>	<hr/> <hr/>

The company's turnover and expenses all relate to continuing operations.

There are no recognised gains or losses other than the profit for the financial year shown above.

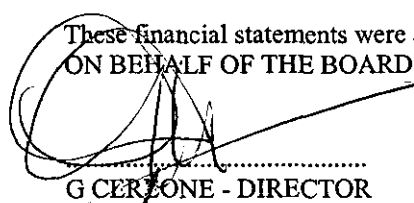
The annexed notes form part of these financial statements.

HAMMOND PROFESSIONAL INDEMNITY CONSULTANTS LIMITED

BALANCE SHEET AT 30 APRIL 2006

	Note	2006 £	2005 £
FIXED ASSETS			
Intangible assets	7	2,345	2,756
Tangible assets	8	696	211
		<u>3,041</u>	<u>2,967</u>
CURRENT ASSETS			
Debtors	9	7,497	11,640
Cash at bank and in hand		12,548	9,032
		<u>20,045</u>	<u>20,672</u>
CREDITORS			
Amounts falling due within one year	10	13,459	15,730
NET CURRENT ASSETS		<u>6,586</u>	<u>4,942</u>
NET ASSETS		<u><u>9,627</u></u>	<u><u>7,909</u></u>
 CAPITAL AND RESERVES			
Called up share capital	11	100	100
Profit and loss account		9,527	7,809
SHAREHOLDERS' FUNDS	12	<u><u>9,627</u></u>	<u><u>7,909</u></u>

These financial statements were approved by the board on 26th February 2007
ON BEHALF OF THE BOARD


G CERONE - DIRECTOR

The annexed notes form part of these financial statements.

HAMMOND PROFESSIONAL INDEMNITY CONSULTANTS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 APRIL 2006

	Note	2006 £	2005 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	16	5,271	4,585
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		48	-
TAXATION		(224)	(413)
CAPITAL EXPENDITURE			
Payments to acquire fixed assets		(1,579)	(3,447)
INCREASE IN CASH	17	<u>3,516</u>	<u>725</u>

The annexed notes form part of these financial statements.

HAMMOND PROFESSIONAL INDEMNITY CONSULTANTS LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 APRIL 2006

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below and have remained unchanged from the previous year, and also have been consistently applied within the same accounts.

The accounts are prepared on a going concern basis, which assumes that the company will return to a substantial level of profitability in order to finance the business and to return to compliance with financial requirements imposed on it by the FSA, its regulatory body.

Basis of Preparation of Financial Statements

The financial statements have been prepared under the historical cost convention.

The effect of events in relation to the year ended 30 April 2006 which occurred before the date of approval of the financial statements by the Board of Directors, have been included in the statements to the extent required to show a true and fair view of the state of affairs at 30 April 2006 and of the results for the year ended on that date.

Depreciation

Depreciation has been computed to write off the cost of tangible fixed assets over their expected useful lives using the following rates:

Plant and machinery - 33 % per annum of cost

Intangible Fixed Assets

Website costs are capitalised and then amortised through the profit and loss account in equal annual instalments over a period of 3 years.

Deferred Taxation

Deferred taxation is provided on the liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences.

2. TURNOVER

The company's turnover represents the value of goods and services supplied to customers during the year.

3. NET OPERATING EXPENSES

	2006 £	2005 £
Distribution costs	78	521
Administrative expenses	21,668	23,953
	<u>21,746</u>	<u>24,474</u>

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2006 £	2005 £
Depreciation and amortisation of owned assets	1,505	480
Auditors' remuneration	2,262	2,157
	<u></u>	<u></u>

HAMMOND PROFESSIONAL INDEMNITY CONSULTANTS LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 APRIL 2006 (CONT)

5. STAFF COSTS

The aggregate payroll costs of these persons were as follows:

	2006 £	2005 £
Wages and salaries	5,509	8,802
	<u>5,509</u>	<u>8,802</u>

6. TAXATION

Analysis of charge in period	2006 £	2005 £
Current tax:		
UK corporation tax on profits of the year	-	521
Adjustments in respect of prior periods	(297)	(108)
	<u>(297)</u>	<u>413</u>
Tax on profit on ordinary activities		
	<u>(297)</u>	<u>413</u>

7. INTANGIBLE FIXED ASSETS

	Website costs £
Cost	
At 1 May 2005	3,200
Additions	979
	<u>4,179</u>
At 30 April 2006	
Amortisation	
At 1 May 2005	444
Charge for the year	1,390
	<u>1,834</u>
At 30 April 2006	
Net book value	
At 30 April 2006	2,345
	<u>2,345</u>
At 30 April 2005	2,756
	<u>2,756</u>

The development of the company's website is capitalised and written off over a period of three years to reflect its estimated useful life to the company

HAMMOND PROFESSIONAL INDEMNITY CONSULTANTS LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 APRIL 2006 (CONT)

8. TANGIBLE FIXED ASSETS

	Plant and machinery £
Cost	
At 1 May 2005	247
Additions	600
	<hr/>
At 30 April 2006	847
	<hr/>
Depreciation	
At 1 May 2005	36
Charge for the year	115
	<hr/>
At 30 April 2006	151
	<hr/>
Net book value	
At 30 April 2006	696
	<hr/>
	<hr/>
At 30 April 2005	211
	<hr/>
	<hr/>

9. DEBTORS

Receivable within one year:

	2006 £	2005 £
Trade debtors	6,018	9,361
Prepayments and accrued income	1,479	2,279
	<hr/>	<hr/>
	7,497	11,640
	<hr/>	<hr/>

10. CREDITORS - AMOUNTS DUE WITHIN ONE YEAR

	2006 £	2005 £
Trade creditors	11,266	12,415
Amounts owed to group undertakings	488	488
Other creditors	505	1,306
Corporation tax payable	-	521
Accruals and deferred income	1,200	1,000
	<hr/>	<hr/>
	13,459	15,730
	<hr/>	<hr/>

HAMMOND PROFESSIONAL INDEMNITY CONSULTANTS LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 APRIL 2006 (CONT)

11. SHARE CAPITAL

	2006 £	2005 £
Authorised 100 ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>
Allotted, called up and fully paid 100 ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £	2005 £
Profit for the financial year	1,718	4,279
Opening shareholders' funds	7,909	3,630
	<u> </u>	<u> </u>
Closing shareholders' funds	9,627	7,909
	<u> </u>	<u> </u>

13. PROFIT AND LOSS ACCOUNT

	2006 £
At 1 May 2005	7,809
Profit for the financial year	1,718
	<u> </u>
At 30 April 2006	9,527
	<u> </u>

14. TRANSACTIONS WITH DIRECTORS

Transactions with Directors

The company paid D Hedgecock Ltd, a company controlled by D Hedgecock, one of the directors, £14,259 (2005 – £22,736) in respect of commission charges during the year.

15. CONTROLLING PARTY

The company is controlled by the director's D Hedgecock and G Cerone.

The ultimate controlling party is it's parent company The Hammond Group Limited, which own 51% of the company's share capital.

HAMMOND PROFESSIONAL INDEMNITY CONSULTANTS LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 APRIL 2006 (CONT)

16. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2006 £	2005 £
Operating profit	1,373	4,692
Depreciation charge	1,505	480
Decrease/(increase) in debtors	4,143	(10,515)
(Decrease)/increase in creditors	(1,750)	9,928
Net cash inflow/outflow from operating activities	<u>5,271</u>	<u>4,585</u>

17. ANALYSIS OF NET FUNDS

	2005 £	Cash flow £	Other changes £	2006 £
Cash at bank and in hand	<u>9,032</u>	<u>3,516</u>	<u>-</u>	<u>12,548</u>

18. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2006 £	2005 £
Increase in cash in the year	<u>3,516</u>	<u>1,016</u>
Movement in net funds in the year	<u>3,516</u>	<u>725</u>
Net funds at 1 May 2005	<u>9,032</u>	<u>8,307</u>
Net funds at 30 April 2006	<u>12,548</u>	<u>9,032</u>

19. PARENT UNDERTAKINGS

The ultimate parent company is The Hammond Group Limited, a company registered in Great Britain.

20. AUDITORS

In common with many other businesses of our size and nature we use our auditors to prepare and submit returns to the tax authorities and assist with the preparation of the financial statements.

Registered no. 2514072

HAMMOND FINANCIAL SERVICES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2006

**MEAGER WOOD LOCKE & COMPANY
123 HAGLEY ROAD
EDGBASTON
BIRMINGHAM
B16 8LD**

WEDNESDAY



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28/02/2007

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COMPANIES HOUSE