

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE PERIOD
16 SEPTEMBER 2003 TO 31 DECEMBER 2004
FOR
DAVIS CORPORATE RISKS LTD**



DAVIS CORPORATE RISKS LTD

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FOR THE PERIOD 16 SEPTEMBER 2003 TO 31 DECEMBER 2004**

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DAVIS CORPORATE RISKS LTD

COMPANY INFORMATION
FOR THE PERIOD 16 SEPTEMBER 2003 TO 31 DECEMBER 2004

DIRECTORS:	L G Davis Smart A R C Gardiner K J Hancock I S Richardson H L Davis Flynn M L Turnbull
SECRETARY:	R Proctor
REGISTERED OFFICE:	14 Kings Court Newmarket Suffolk CB8 7SG
REGISTERED NUMBER:	4901317 (England and Wales)
AUDITORS:	Quinneys Registered Auditor Chartered Accountants Bank Chambers Market Place Reepham Norfolk NR10 4JJ
BANKERS:	Barclays Corporate Banking PO Box 885 Mortlock House Vision Park Histon Cambridgeshire CB4 9DE

DAVIS CORPORATE RISKS LTD

REPORT OF THE DIRECTORS FOR THE PERIOD 16 SEPTEMBER 2003 TO 31 DECEMBER 2004

The directors present their report with the financial statements of the company for the period 16 September 2003 to 31 December 2004.

INCORPORATION

The company was incorporated on 16 September 2003 and commenced trading on 1 January 2004.

PRINCIPAL ACTIVITY

The principal activity of the company in the period under review was that of general insurance broker (non life).

REVIEW OF BUSINESS

The results for the period and financial position of the company are as shown in the annexed financial statements.

The company was incorporated as part of the reorganisation of The Davis Group Plc. On 1 January 2004 part of the trade of The Davis Group Plc was hived down to the company, which has taken responsibility for the assets, liabilities and contractual obligations of that part of the business for which it is responsible.

The directors expect strong organic growth from the business.

DIVIDENDS

An interim dividend of £250 per share was paid on 14 December 2004. The directors recommend that no final dividend be paid.

The total distribution of dividends for the period ended 31 December 2004 will be £250,000.

DIRECTORS

The directors during the period under review were:

L G Davis Smart	- appointed 16.9.03
A R C Gardiner	- appointed 21.11.03
K J Hancock	- appointed 21.11.03
I S Richardson	- appointed 21.11.03
H L Davis Flynn	- appointed 21.11.03
M L Turnbull	- appointed 21.11.03

The directors holding office at 31 December 2004 did not hold any beneficial interest in the issued share capital of the company at date of appointment or 31 December 2004.

The interests of the directors in the parent undertaking The Davis Group Plc, are shown in the financial statements of that company.

All the directors, being eligible, offer themselves for election at the forthcoming first Annual General Meeting.

COMPANY'S POLICY ON PAYMENT OF CREDITORS

The company seeks the best possible terms from suppliers appropriate to its business and, in placing orders, gives consideration to quality, price and terms of payment which will be agreed with suppliers when the details of each transaction are settled. The company will continue to honour its contractual and other legal obligations and to pay creditors on the dates agreed in contracts and purchase orders.

At 31 December 2004 the aggregate amount owed to trade creditors, as a proportion of the aggregate amounts invoiced by suppliers to the company during the year then ended, represented an average of 34 days credit.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The company made donations to charity totalling £15,220.

DAVIS CORPORATE RISKS LTD

**REPORT OF THE DIRECTORS
FOR THE PERIOD 16 SEPTEMBER 2003 TO 31 DECEMBER 2004**

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 affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

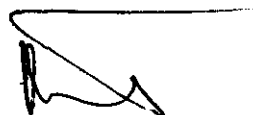
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

AUDITORS

Quinneys have confirmed that they are not seeking reappointment as auditors at the forthcoming annual general meeting. A resolution to appoint Grant Thornton UK LLP as auditors will be proposed at that meeting in accordance with section 385 of the Companies Act.

ON BEHALF OF THE BOARD:



L G Davis Smart - Director

25 April 2005

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
DAVIS CORPORATE RISKS LTD**

We have audited the financial statements of Davis Corporate Risks Ltd for the period ended 31 December 2004 on pages five to thirteen. 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 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

As described on page three the company's directors are responsible for the preparation of 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 Report of the Directors 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Quinneys
Registered Auditor
Chartered Accountants
Bank Chambers
Market Place
Reepham
Norfolk
NR10 4JJ

25 April 2005

DAVIS CORPORATE RISKS LTD

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD 16 SEPTEMBER 2003 TO 31 DECEMBER 2004**

	Notes	£	£
TURNOVER			2,580,834
Acquisitions		<u>2,580,834</u>	
Net operating expenses	2		<u>1,800,777</u>
OPERATING PROFIT	4		780,057
Acquisitions		<u>780,057</u>	
Interest receivable and similar income			<u>46,105</u>
			826,162
Interest payable and similar charges	5		<u>2,700</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			823,462
Tax on profit on ordinary activities	6		<u>265,908</u>
PROFIT FOR THE FINANCIAL PERIOD AFTER TAXATION			557,554
Dividends	7		<u>250,000</u>
RETAINED PROFIT FOR THE PERIOD			<u>307,554</u>

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profit for the current period.

DAVIS CORPORATE RISKS LTD

**BALANCE SHEET
31 DECEMBER 2004**

	Notes	£	£
FIXED ASSETS			
Tangible assets	8		96,208
CURRENT ASSETS			
Debtors	9	1,891,041	
Cash at bank and in hand		<u>1,161,960</u>	
		3,053,001	
CREDITORS			
Amounts falling due within one year	10	<u>2,832,242</u>	
NET CURRENT ASSETS			<u>220,759</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			316,967
PROVISIONS FOR LIABILITIES AND CHARGES	12		<u>8,413</u>
			<u>308,554</u>
CAPITAL AND RESERVES			
Called up share capital	13		1,000
Profit and loss account	14		<u>307,554</u>
SHAREHOLDERS' FUNDS	17		<u>308,554</u>

ON BEHALF OF THE BOARD:



L G Davis Smart - Director



I S Richardson - Director

Approved by the Board on 25 April 2005

DAVIS CORPORATE RISKS LTD

**CASH FLOW STATEMENT
FOR THE PERIOD 16 SEPTEMBER 2003 TO 31 DECEMBER 2004**

	Notes	£
Net cash inflow from operating activities	1	1,657,398
Returns on investments and servicing of finance	2	39,328
Taxation		(139,000)
Capital expenditure	2	(146,766)
Equity dividends paid		<u>(250,000)</u>
		1,160,960
Financing	2	<u>1,000</u>
Increase in cash in the period		<u><u>1,161,960</u></u>
<hr/>		
Reconciliation of net cash flow to movement in net debt	3	
Increase in cash in the period		<u>1,161,960</u>
Change in net debt resulting from cash flows		<u>1,161,960</u>
Movement in net debt in the period		1,161,960
Net debt at 16 September		<u>-</u>
Net funds at 31 December		<u><u>1,161,960</u></u>

The notes form part of these financial statements

DAVIS CORPORATE RISKS LTD

**NOTES TO THE CASH FLOW STATEMENT
FOR THE PERIOD 16 SEPTEMBER 2003 TO 31 DECEMBER 2004**

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	£
Operating profit	780,057
Depreciation charges	42,982
Loss on disposal of fixed assets	7,576
Increase in debtors	(1,886,964)
Increase in creditors	<u>2,713,747</u>
Net cash inflow from operating activities	<u>1,657,398</u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	£
Returns on investments and servicing of finance	
Interest received	42,028
Interest paid	<u>(2,700)</u>
Net cash inflow for returns on investments and servicing of finance	<u>39,328</u>
 Capital expenditure	
Purchase of tangible fixed assets	(151,866)
Sale of tangible fixed assets	<u>5,100</u>
Net cash outflow for capital expenditure	<u>(146,766)</u>
 Financing	
Share issue	<u>1,000</u>
Net cash inflow from financing	<u>1,000</u>

3. ANALYSIS OF CHANGES IN NET DEBT

	At 16.9.03 £	Cash flow £	At 31.12.04 £
Net cash:			
Cash at bank and in hand	<u>-</u>	<u>1,161,960</u>	<u>1,161,960</u>
	<u>-</u>	<u>1,161,960</u>	<u>1,161,960</u>
 Total	<u>-</u>	<u>1,161,960</u>	<u>1,161,960</u>

The notes form part of these financial statements

DAVIS CORPORATE RISKS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 16 SEPTEMBER 2003 TO 31 DECEMBER 2004

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

Turnover

Turnover represents brokerage and fees which are recognised in the profit and loss account once the contract for cover becomes effective.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Fixtures and fittings	- 33% on cost and 20% on cost
Motor vehicles	- 25% on cost

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the period are charged in the profit and loss account.

Financial Reporting Standard Number 8

Exemption has been taken from related party disclosures on the grounds that the company is a wholly owned subsidiary of The Davis Group Plc and such disclosure is contained within the consolidated financial statements of the group.

Insurance broking assets and liabilities

The company acts as an agent in broking the insurable risks of its clients and generally, is not liable as a principal for premiums due to underwriters or for claims payable to clients.

Notwithstanding the company's legal relationship with clients and underwriters and since in practice premium and claim monies are usually accounted for by insurance intermediaries, it has followed generally accepted accounting practice by showing cash, debtors and creditors relating to insurance business as assets and liabilities of the company itself.

2. ANALYSIS OF OPERATIONS

	Continuing £	2004 Acquisitions £	Total £
Net operating expenses:			
Staff costs (see note 3)	-	1,255,500	1,255,500
Depreciation	-	50,558	50,558
Other operating charges	-	494,719	494,719
	<u>-</u>	<u>1,800,777</u>	<u>1,800,777</u>

DAVIS CORPORATE RISKS LTD

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE PERIOD 16 SEPTEMBER 2003 TO 31 DECEMBER 2004

3. STAFF COSTS

	£
Wages and salaries	1,095,043
Social security costs	111,669
Other pension costs	48,788
	<u>1,255,500</u>

The average monthly number of employees during the period was as follows:

Account executives (including directors)	35
Administration (including directors)	11
	<u>46</u>

4. OPERATING PROFIT

The operating profit is stated after charging:

	£
Depreciation - owned assets	42,982
Loss on disposal of fixed assets	7,576
Auditors remuneration	9,751
Operating lease rentals - property	<u>79,508</u>
Directors' emoluments	150,864
Directors' pension contributions to money purchase schemes	<u>9,392</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>2</u>
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5. INTEREST PAYABLE AND SIMILAR CHARGES

	£
Interest to parent company	<u>2,700</u>

6. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the period was as follows:

	£
Current tax:	
UK corporation tax	257,495
Deferred tax	<u>8,413</u>
Tax on profit on ordinary activities	<u>265,908</u>

UK corporation tax has been charged at 30%.

DAVIS CORPORATE RISKS LTD

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 16 SEPTEMBER 2003 TO 31 DECEMBER 2004**

6. TAXATION - continued

Factors affecting the tax charge

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	£
Profit on ordinary activities before tax	<u>823,462</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	247,039
Effects of:	
Depreciation in excess of capital allowances	5,187
Expenses not allowable for tax purposes	6,492
Interest receivable	<u>(1,223)</u>
Current tax charge	<u>257,495</u>

7. DIVIDENDS

	£
Equity shares:	
Interim	<u>250,000</u>

8. TANGIBLE FIXED ASSETS

	Improvements to property £	Fixtures and fittings £	Motor vehicles £	Totals £
COST				
Additions	3,143	28,957	18,550	50,650
Disposals	(5,469)	-	(31,490)	(36,959)
Hive down from parent	<u>5,469</u>	<u>130,088</u>	<u>51,505</u>	<u>187,062</u>
At 31 December 2004	<u>3,143</u>	<u>159,045</u>	<u>38,565</u>	<u>200,753</u>
DEPRECIATION				
Charge for period	262	33,160	9,560	42,982
Eliminated on disposal	(2,280)	-	(22,003)	(24,283)
Hive down from parent	<u>2,280</u>	<u>55,012</u>	<u>28,554</u>	<u>85,846</u>
At 31 December 2004	<u>262</u>	<u>88,172</u>	<u>16,111</u>	<u>104,545</u>
NET BOOK VALUE				
At 31 December 2004	<u>2,881</u>	<u>70,873</u>	<u>22,454</u>	<u>96,208</u>

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	£
Trade debtors	1,752,096
Other debtors	100,843
Prepayments	<u>38,102</u>
	<u>1,891,041</u>

DAVIS CORPORATE RISKS LTD

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 16 SEPTEMBER 2003 TO 31 DECEMBER 2004**

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	£
Trade creditors	47,188
Tax	118,495
Social security and other taxes	39,280
Other creditors	25,380
Insurance company creditors	2,476,591
Amounts due to group companies	39,095
Accrued expenses	<u>86,213</u>
	<u><u>2,832,242</u></u>

11. OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year:

	Land and buildings
	£
Expiring:	
Within one year	70,500
Between one and five years	<u>10,575</u>
	<u><u>81,075</u></u>

12. PROVISION FOR LIABILITIES AND CHARGES

	£
Deferred tax	
Accelerated capital allowances	<u>8,413</u>
	Deferred tax
	£
Profit and loss account	<u>8,413</u>
Balance at 31 December 2004	<u><u>8,413</u></u>

13. CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid:

Number:	Class:	Nominal value:	£
1,000	Ordinary	£1	<u><u>1,000</u></u>

The following shares were allotted and fully paid for cash at par during the period:

1,000 Ordinary shares of £1 each

Share capital has been issued to form a capital base for the company.

DAVIS CORPORATE RISKS LTD

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 16 SEPTEMBER 2003 TO 31 DECEMBER 2004**

14. RESERVES

	Profit and loss account £
Retained profit for the period	<u>307,554</u>
At 31 December 2004	<u>307,554</u>

15. ULTIMATE PARENT COMPANY

The ultimate parent company is The Davis Group Plc, a company incorporated in England and Wales. Copies of the parent company's accounts may be obtained from the registered office, being 14 Kings Court, Newmarket, Suffolk, CB8 7SG.

16. RELATED PARTY DISCLOSURES

The company operates under the day to day control of the board of directors however the ultimate controlling party is the director L G Davis Smart.

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£
Profit for the financial period	557,554
Dividends	<u>(250,000)</u>
	307,554
Issue of share capital	<u>1,000</u>
Net addition to shareholders' funds	308,554
Opening shareholders' funds	<u>-</u>
Closing shareholders' funds	<u>308,554</u>
Equity interests	<u>308,554</u>

18. INSURANCE BROKING CASH

Monies held in insurance bank accounts (as defined by the General Insurance Standards Council) as shown in the balance sheet amounted to £1,128,957.

19. ACQUISITIONS

On 1 January 2004 the parent company transferred the trade to the company for nil consideration. In addition tangible fixed assets at a net book value of £101,216 and sufficient working capital were hived down by way of a control account.