

Torquil Clark Holdings plc

Report and Financial Statements

Year Ended

31 July 2007

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Torquil Clark Holdings plc

Directors

D T Clark
J H Chapman
J P King (resigned 31/07/07)
S C Platt (resigned 31/07/07)

Secretary and registered office

F K Rea, St Mark's, Chapel Ash, Wolverhampton, West Midlands, WV3 0TZ

Company number

5298056

Auditors

BDO Stoy Hayward LLP, 125 Colmore Row, Birmingham, B3 3SD

Bankers

Royal Bank of Scotland PLC, Colmore Row, Birmingham, B3 2AP

The directors present their report and the audited financial statements for the year ended 31 July 2007

Principal activities

The principal activities of the group are those of Independent Financial Advisors, Discount Investment Brokers and Employee Benefit Consultants. There have been no changes in the group's activities in the year under review.

Results and dividends

The consolidated profit and loss account for the year is set out on page 6. The company paid dividends of £54,000 during the year (2006: nil).

Business review and future developments

The consolidated profit and loss account is set out on page 6 and shows an operating profit of £228,094 (2006: £389,200). Operating profit is after amortisation charges of £455,316 (2006: £422,416).

A review of the business and future prospects are discussed in the Chief Executive's Report on page 3. There have not been any significant changes to the principal activities during the year, and no major changes to the group's principal activities are planned.

There have not been any significant events since the balance sheet date.

Principal risks and uncertainties

The financial services industry is subject to regulation by the Financial Services Authority. The group operates in a strong compliance culture and the risk of breaches in regulatory requirements is minimised.

The group is at risk to downward movements in the stock market. The risk is minimised by continually increasing the proportion of business which is written on an advised basis.

The group has a term loan facility for the purpose of financing acquisitions. The group monitors cash flow as part of its day to day procedures and the Board considers cash flow projections on a regular basis and ensures that appropriate funding is in place as necessary.

Financial Instruments

The group's financial risk management is based upon sound economic objectives and good corporate practice. Operations and working capital requirements are funded out of retained profits.

Charitable donations

During the year the group made charitable donations of £1,789 (2006: £589).

Policy and practice on payment of suppliers

The group policy concerning the payment of suppliers is to agree terms of payment at the start of business with each supplier, and to pay in accordance with the contractual or other legal obligations.

The group's trade creditor figures at 31 July 2007 were equivalent to 19 days (2006: 19 days) based on average daily amounts invoiced by suppliers during the year.

Repurchase of shares

Torquil Clark Holdings plc

J P King and S C Platt resigned as directors during the year and the company repurchased all of their shareholdings 285,714 ordinary shares were purchased for 38 pence per share and £1,000,000 preference shares were purchased for £983,400

Report of the directors for the year ended 31 July 1007 (continued)

Directors and their interests

The directors who held office during the year are given below

Mr D T Clark

Mr J H Chapman

Mr J P King (resigned 31/07/07)

Mr S C Platt (resigned 31/07/07)

The interests of the directors in the share capital of the company are given below

	At 31 July 2007			At 31 July 2006		
	Ordinary shares £1 each	Preference shares of £1 each		Ordinary shares £1 each	Preference shares of £1 each	
		A	B		A	B
Mr D T Clark	500,000	2,000,000	-	500,000	2,000,000	-
Mr J H Chapman	42,856	-	-	42,856	-	-
Mr J P King	-	-	-	142,857	-	500,000
Mr S C Platt	-	-	-	142,857	-	500,000

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 group and of the company and of the profit or loss of the group for that year In preparing these financial statements, the directors are required to

- select suitable accounting policies and 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business

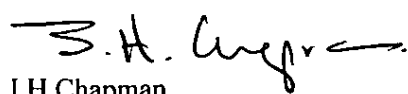
The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the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

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information The directors are not aware of any relevant audit information of which the auditors are unaware

BDO Stoy Hayward LLP have expressed their willingness to continue in office, and a resolution concerning their appointment will be proposed at the next Annual General Meeting

On behalf of the board



J H Chapman

Chief Executive's Review for the year ended 31 July 2007

I am pleased to report on the consolidated results for Torquil Clark Holdings plc, which show an EBITDA, Earnings before interest, taxation, depreciation and amortisation (together with a deduction for loss of office and associated legal costs) of £1,051k, (2006 £1,052k) Following a period of four major acquisitions in eighteen months it was important that this year was a period of integration and consolidation

Both our Investment Division and Financial Planning Division have continued to prosper as investor confidence continued on the back of rising investment values The funds under management for the group are now in excess of £570m

The Employee Benefits Division continued its consistent performance This was especially pleasing in a year of change, which saw the retirement of our Managing Director, Nigel Lloyd at the end of March 2007 Nigel's contribution to the Employee Benefits Division since we acquired the business has been outstanding and we wish him well in his retirement Nigel has been succeeded by Nigel Murdock, with whom I am looking forward to developing the business from its solid foundation

The change in legislation relating to pension term assurance in December 2006 had a detrimental effect on the performance of our Life Insurance Division Business volumes fell for a period from December to March while we recovered from the change in legislation The volume broking of Life Insurance is a relatively new concept in the UK and it is important that we develop and adapt quickly to changing markets and that we always aspire to exceed our customers expectations of our service The end of the financial year saw the departure of Simon Platt and Jason King, the founders of the life insurance business

The Mortgage Division has seen substantial change over the last eighteen months, but I am confident that we now have the platform on which we can grow a high volume and profitable mortgage business Our main target in the last 12 months was to change the business from a single introductory source to multi-channel introducers We have made considerable progress in this and we are now embarking on a major recruitment drive to increase the number of mortgage advisers

The integration of Lonsdales, the Independent Financial Advisers based in the Lake District has been successful and will prove a valuable template as we add other advisory businesses to the group

We were delighted to achieve the Gold Standard Award for Independent Financial Advice for the third consecutive year This is an unprecedented achievement and is recognition of our commitment to a transparent, ethical and independent service to our clients

I am confident that opportunities exist in the market place for Torquil Clark to advance from the solid platform we have developed over the last three years I would like to thank all our staff for their hard work and commitment in another successful year for the group

To the shareholders of Torquil Clark Holdings plc

We have audited the group and parent company financial statements (the “financial statements”) of Torquil Clark Holdings plc for the year ended 31 July 2007 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors’ responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors’ responsibilities.

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 have been 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group’s and 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 group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's affairs as at 31 July 2007 and of the group's loss for the year then ended,
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 July 2007,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

BDO STOY HAYWARD LLP

Chartered Accountants

Registered Auditors

Birmingham

BDO Stoy Hayward LLP

17 December 2007

Torquil Clark Holdings plc

Consolidated profit and loss account for the year ended 31 July 2007

	Notes	31 July 2007 £	31 July 2006 £
Turnover: group and share of joint venture	1	10,690,337	11,623,966
Less Share of joint venture's turnover		(109,675)	-
		<u>10,580,662</u>	<u>11,623,966</u>
Cost of sales		(1,467,631)	(1,101,888)
Gross profit		<u>9,113,031</u>	<u>10,522,078</u>
Administrative expenses		(8,978,835)	(10,132,878)
Operating profit	2	<u>134,196</u>	<u>389,200</u>
Share of operating profit in joint venture's		93,898	-
Total operating profit		<u>228,094</u>	<u>389,200</u>
Interest receivable and similar charges		120	3,764
Interest payable and similar charges	5	(361,818)	(228,521)
Gain on early settlement of debt	6	16,600	-
(Loss)/profit on ordinary activities before taxation		<u>(117,004)</u>	<u>164,443</u>
Tax on (Loss)/profit on ordinary activities	7	(148,066)	44,739
(Loss)/profit for the financial year		<u>(265,070)</u>	<u>209,182</u>

All amounts relate to continuing activities

There are no recognised gains and losses other than the result for the financial year

The notes on pages 10 to 22 form part of these financial statements

Consolidated balance sheet at 31 July 2007

	Notes	2007 £	2006 £
Fixed assets			
Intangible assets	9	7,768,181	8,223,497
Investment in joint ventures	9	61,414	-
Tangible assets	10	295,278	334,906
Investments		-	500
		<u>8,124,873</u>	<u>8,558,903</u>
Current assets			
Debtors	12	3,827,783	1,496,969
Cash at bank and in hand		60,133	296,856
		<u>3,887,916</u>	<u>1,793,825</u>
Creditors amounts falling due within one year	13	<u>(4,602,165)</u>	<u>(2,155,881)</u>
Net current liabilities		<u>(714,249)</u>	<u>(362,056)</u>
Total assets less current liabilities		7,410,624	8,196,847
Creditors amount falling due after more than one year	14	(6,322,722)	(6,627,811)
Provisions for liabilities and charges	15	(306,552)	(360,016)
Net assets		<u>781,350</u>	<u>1,209,020</u>
Capital and reserves			
Called up share capital	17	1,242,856	1,528,570
Capital redemption reserve	18	1,285,814	100
Share premium account	18	7,144	7,144
Profit and loss account	18	<u>(1,754,464)</u>	<u>(326,794)</u>
Shareholders' funds	19	<u>781,350</u>	<u>1,209,020</u>

The financial statements were approved by the Board of directors and authorised for issue on 6 December 2007



J H Chapman
Director

The notes on pages 10 to 22 form part of these financial statements

Torquil Clark Holdings plc

Company balance sheet at 31 July 2007

	Notes	2007 £	2006 £
Fixed assets			
Investments	11	<u>7,912,695</u>	<u>7,912,695</u>
Current assets			
Debtors	12	<u>2,525,219</u>	<u>784,869</u>
Cash at bank		<u>8,368</u>	<u>-</u>
		<u>2,533,587</u>	<u>784,869</u>
Creditors amounts falling due within one year	13	<u>(1,744,189)</u>	<u>(774,632)</u>
Net current assets		<u>789,398</u>	<u>10,237</u>
Total assets less current assets/(liabilities)		<u>8,702,093</u>	<u>7,922,932</u>
Creditors amount falling due after more than one year	14	<u>(6,316,606)</u>	<u>(6,572,544)</u>
Provision for liabilities and charges	15	<u>(6,004)</u>	<u>-</u>
Net assets		<u>2,379,483</u>	<u>1,350,388</u>
Capital and reserves			
Called up share capital	17	<u>1,042,856</u>	<u>1,328,570</u>
Capital redemption reserve	18	<u>1,285,714</u>	<u>-</u>
Share premium account	18	<u>7,144</u>	<u>7,144</u>
Profit and loss account	18	<u>43,769</u>	<u>14,674</u>
Shareholders' funds	19	<u>2,379,483</u>	<u>1,350,388</u>

The financial statements were approved by the Board of directors and authorised for issue on



J H Chapman
Director

The notes on pages 10 to 22 form part of these financial statements

Consolidated cash flow statement for the year ended 31 July 2007

	Notes	Year ended 31 July 2007 £	£	Year ended 31 July 2006 £	£
Net cash inflow from operating activities	25		372,249		311,232
Returns on investments and servicing of finance					
Interest received		120		3,764	
Interest element of finance lease payments		(9,894)		-	
Dividends received from joint venture		32,484		-	
Bank interest paid		(176,920)		(53,517)	
Preference share interest		(175,004)		(175,002)	
Net cash outflow for returns on investments and servicing of finance			(329,214)		(224,755)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(85,371)		(116,789)	
Net cash outflow for capital expenditure			(85,371)		(116,789)
Acquisitions and disposals					
Purchase of subsidiary undertaking		(384,000)		(355,202)	
Purchase of net assets of Lonsdales		-		(179,902)	
Net cash outflow for acquisitions and disposals			(384,000)		(535,104)
Net cash outflow before management of liquid resources and financing			(426,336)		(565,416)
Equity dividends paid			(54,000)		-
Financing			(480,336)		(565,416)
New loans		1,184,500		1,809,000	
Repayment of loans		(408,358)		(1,010,546)	
New finance leases		-		163,400	
Purchase of ordinary shares		(108,600)		-	
Purchase of preference shares		(983,400)		-	
Repayment of capital element of finance leases		(57,745)		(82,728)	
Net cash (outflow)/inflow from financing			(373,603)		879,126
(Decrease)/increase in cash in the year	26		(853,939)		313,710

The notes on pages 10 to 22 form part of these financial statements

1. Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. A summary of the principal Group accounting policies, which have been applied consistently except as stated, is set out below.

In preparing these financial statements the group has adopted for the first time FRS 20 "Share based payments", which requires the recognition of share based payments at the date of grant. Further information is provided in note 16.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Torquil Clark Holdings plc and all of its subsidiary undertakings as at 31 July 2007 using the acquisition method of accounting. Where the acquisition method is used, the results of the subsidiary undertakings are included from the date of acquisition.

Turnover

Turnover represents commission and fees received for the provision of investment advice and the sale of life insurance policies.

Depreciation

Depreciation is provided at rates calculated to write off the cost over its expected useful life as follows:

Computer hardware	25% per annum straight line
Computer software	20% per annum straight line
Office equipment	25% per annum reducing balance

Deferred taxation

Deferred tax assets and liabilities are recognised in the financial statements in relation to timing differences which have been originated, but not crystallised by the balance sheet date, and it is probable that a recovery or a liability will occur in the foreseeable future. The group does not discount deferred tax assets and liabilities.

Operating leases

Rentals applicable to operating leases where substantially all the benefits and risks of ownership remain with the lessor are charged to the profit and loss account as incurred. Any benefits received as an incentive to sign an operating lease have been spread over the initial period of the associated lease.

Finance lease

Assets acquired under hire purchase are capitalised as tangible fixed assets and depreciated over their estimated useful lives. Obligations under such agreements are included in creditors, net of the finance charge. The finance charge 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 year.

Investments

Fixed asset investments are stated at cost less provision for impairment in value. Current asset investments are stated at the lower of cost and net realisable value.

1. Accounting policies (*continued*)

Pensions

The group operates a defined contribution pension scheme. The pension cost charged represents contributions payable by the group into individuals' personal pension arrangements.

Goodwill

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life of 20 years. Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial year following acquisition,
- in other periods if events or changes in circumstances indicate that the carrying value of goodwill are undertaken

Joint Ventures

Investments in joint ventures are accounted for using the gross equity method. The company's share of the aggregate gross assets and liabilities underlying the net amount included for the investments are shown on the face of the balance sheet and, in the profit and loss account, the groups share of the joint ventures' turnover is shown separately.

2. Operating profit

	2007 £	2006 £
Operating profit is stated after charging the following		
Depreciation of tangible fixed assets - owned	100,683	100,710
- held under finance lease	24,317	24,647
Amortisation of Goodwill	455,316	422,416
Operating leases - hire of other assets	57,839	47,213
- land and buildings	126,033	95,125
Share based payments	6,004	-
Group - audit services	32,400	33,779
Group - non audit services	35,650	40,780

Included in the group audit fee is an amount of £4,000 in respect of the company.

3. Directors' emoluments

Aggregate emoluments	622,277	684,892
Compensation for loss of office	88,000	-
Pension scheme contributions	31,571	50,053
	<u>741,848</u>	<u>734,945</u>

Retirement benefits are accruing to 3 directors (2006 - 6) under a defined contribution pension scheme.

Notes forming part of the financial statements for the year ended 31 July 2007 (continued)

3. Directors' Emoluments (continued)

Highest paid Director

	2007	2006
	£	£
Aggregate emoluments	137,367	113,918
Pension scheme contributions	6,180	24,803
	<u>143,547</u>	<u>138,721</u>

4. Employee information

	2007	2006
	£	£
Wages and salaries	3,844,164	3,396,126
Social security costs	360,526	305,669
Pension costs	240,101	175,409
	<u>4,444,791</u>	<u>3,877,204</u>
The average number of employees (including directors) during the year was	<u>150</u>	<u>164</u>

5. Interest payable and similar charges

	2007	2006
	£	£
Bank and loan interest	176,920	45,346
Finance lease and hire purchase	9,894	8,171
Preference share interest	175,004	175,004
	<u>361,818</u>	<u>228,521</u>

6. Gain on early settlement of debt

£1,000,000 "B" preference shares were repurchased by the company during the year for £983,400, giving a gain of £16,600

7. Taxation

	2007	2006
	£	£
Current tax		
United Kingdom corporation tax	126,329	-
Adjustments in respect of prior years	-	(27,292)
	<u>126,329</u>	<u>(27,292)</u>
Deferred tax		
Origination and reversal of timing differences	21,737	(17,447)
	<u>148,066</u>	<u>(44,739)</u>

7. Taxation (continued)

Tax reconciliation	2007 £	2006 £
The factors affecting the tax credit for the year are as follows		
Result for the year	(117,004)	164,443
Tax charge at the standard rate of 30%	(35,101)	49,333
Expenses not deductible	14,636	64,757
Tax losses brought forward	-	(207,824)
Adjustments in respect of prior years	-	(27,292)
Accelerated capital allowances	10,506	13,499
Group relief	-	(8,930)
Change of tax rate	(13,508)	(37,561)
Interest on preference shares	52,501	-
Share of profits in joint venture	(28,169)	-
Gain on purchase of preference shares	(4,980)	-
Short term timing differences	3,718	-
Goodwill adjustment	126,726	126,726
	<u>126,329</u>	<u>(27,292)</u>

8. Interest paid on Preference shares

	2007 £	2006 £
"A" preference shares Paid 3 5p per £1 share	140,004	140,004
"B" preference shares Paid 3 5p per £1 share	35,000	35,000
	<u>175,004</u>	<u>175,004</u>

9. Intangible assets

	Goodwill £
Group	
Cost	
At 1 August 2006	9,106,354
At 31 July 2007	<u>9,106,354</u>
Amortisation	
At 1 August 2006	882,857
Charge for the year	455,316
At 31 July 2007	<u>1,338,173</u>
Net book value	
At 31 July 2007	<u>7,768,181</u>
At 31 July 2006	<u>8,223,497</u>

Notes forming part of the financial statements for the year ended 31 July 2007 (continued)

9. Intangible assets (continued)

Investments in joint ventures

Group and company

	£
Additions	61,414
Balance at 31 July 2007	61,414
Share of net assets	
Current assets	66,242
Current liabilities	(4,828)
	61,414

The investments in joint ventures consist of 50% shareholding in Muras Baker Jones Limited and 50% shareholding in Lonsdales Wealth Planning Limited

10. Tangible fixed assets

	Computer hardware £	Computer software £	Office equipment £	Total £
Cost				
At 1 August 2006	433,936	258,519	330,150	1,022,605
Additions	74,886	86,879	6,106	167,871
Disposals	(58,000)	(52,000)	-	(110,000)
At 31 July 2007	450,822	293,398	336,256	1,080,476
Depreciation				
At 1 August 2006	317,306	162,420	207,973	687,699
Charge for the year	54,936	31,836	38,228	125,000
Depreciation on disposals	(14,498)	(13,003)	-	(27,501)
At 31 July 2007	357,744	181,253	246,201	785,198
Net book value at 31 July 2007	93,078	112,145	90,055	295,278
Net book value at 1 August 2006	116,630	96,099	122,177	334,906

The net book value of tangible fixed assets for the group includes an amount of £97,266 (2006 - £121,583) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £24,317 (2006 - £24,647).

Notes forming part of the financial statements for the year ended 31 July 2007 (continued)

11. Fixed asset investments

Company	Shares in group undertakings	
	2007 £	2006 £
At 1 August 2006	7,912,695	7,390,195
Additions	-	625,000
Acquisition fair value adjustments	-	(102,500)
At 31 July 2007	7,912,695	7,912,695

The company has investments consisting of shares acquired in the following companies

Company	Country of registration or incorporation	Class of share	Principle activity	% held
Life Policies Direct Limited	England and Wales	Ordinary	Insurance broking	100
Inresco Limited	England and Wales	Ordinary	Mortgages	100
T Q Management Services Limited	England and Wales	Ordinary	Management services	100
Torquil Clark Limited	England and Wales	Ordinary	Investment advice	100

The investment in subsidiary undertakings is shown at cost less provision for diminution in value

12. Debtors

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Commission debtors	857,501	899,164	-	-
VAT recoverable	120,718	60,774	-	-
Other debtors	141,195	179,741	-	-
Prepayments and accrued income	141,233	162,977	694	-
Advertising prepayments	194,945	194,313	-	-
Amounts owed by group undertakings	2,372,191	-	2,524,525	784,869
	3,827,783	1,496,969	2,525,219	784,869

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment

All amounts shown under debtors fall due for payment within one year

Within other debtors are directors' loan accounts of £40,000 in respect of D Clark and £2,667 in respect of J Chapman, which are outstanding at the end of the year. The maximum amount outstanding during the year was £40,000 in respect of D Clark and £4,000 in respect of J Chapman

Notes forming part of the financial statements for the year ended 31 July 2007 (continued)

13. Creditors: amounts falling due within one year

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Commission payable and rebateable	1,092	108,815	-	-
Bank loans and overdraft – secured (note 20)	617,216	361,798	569,634	299,534
Trade creditors	385,698	461,414	31,836	18,212
Hire purchase	49,150	47,850	-	-
Other taxes and social security	170,430	102,759	-	-
VAT	19,642	30,755	19,642	968
Amounts due to group undertaking	2,370,482	-	832,677	-
Amounts due to joint venture	8,185	-	-	-
Accruals and deferred income	471,048	383,730	42,400	32,918
Other creditors	136,850	235,760	-	-
Corporation tax	124,372	-	-	-
Deferred consideration	248,000	423,000	248,000	423,000
	4,602,165	2,155,881	1,744,189	774,632

The deferred consideration is made up of £228,000 due to Lonsdales Limited payable by way of 12 monthly instalments amounting to £19,000 per month, and £20,000 due to Westbury Limited payable by way of 4 weekly instalments of £5,000

14. Creditors: amounts falling due after one year

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Deferred consideration	38,000	247,000	38,000	247,000
Bank loans – secured (note 20)	2,278,606	1,325,544	2,278,606	1,325,544
Hire purchase	6,116	55,267	-	-
4,000,000 £1 “A” preference shares	4,000,000	4,000,000	4,000,000	4,000,000
1,000,000 £1 “B” preference shares	-	1,000,000	-	1,000,000
	6,322,722	6,627,811	6,316,606	6,572,544

The deferred consideration of £38,000 due to Lonsdales Limited is payable by way of 2 monthly instalments amounting to £19,000 per month

Both types of preference shares pay a fixed 3 5% cash dividend per annum

These preference shares carry no redemption date

Notes forming part of the financial statements for the year ended 31 July 2007 (continued)

14. Creditors: amounts falling due after one year (continued)

Analysis of creditors due after more than one year

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Between one and two years	613,825	645,069	750,757	589,802
Between year two and five	1,708,907	982,742	1,565,849	982,742
Due after more than 5 years	4,000,000	5,000,000	4,000,000	5,000,000
	<u>6,322,732</u>	<u>6,627,811</u>	<u>6,316,606</u>	<u>6,572,544</u>

15. Provision for liabilities and charges

	Deferred taxation	Share based payments	Commission clawbacks	Total
			£	£
Group				
At 1 August 2006	5,475	-	354,541	360,016
Movement in provision	21,737	6,004	(81,205)	(53,464)
At 31 July 2007	<u>27,212</u>	<u>6,004</u>	<u>273,336</u>	<u>306,552</u>
Company				
At 1 August 2006		-		
Movement in provision		6,004		
At 31 July 2007		<u>6,004</u>		

The clawback provision relates to insurance policies which are cancelled within a 48 month period. If policies are cancelled within this period the insurance company claims back a time apportioned amount of the original commission paid. The calculation has been based on statistical data of the amount of commission that has previously been clawed back.

16. Share based payments

Torquil Clark Holdings plc operates two share based remuneration schemes for employees, a long term incentive scheme which is now closed to new entrants, and an Enterprise Management Incentive Scheme for executive directors and certain senior management. Under both schemes the options will only vest on the sale of the company and the only vesting condition is that the individual remains an employee of the group unless they are made redundant.

	Number	Weighted average exercise price 2007 £
Outstanding at the beginning of the year	35,630	0.38
Granted during the year	200,000	0.38
Outstanding at the end of the year	<u>235,630</u>	

Notes forming part of the financial statements for the year ended 31 July 2007 (continued)

16. Share based payments (continued)

FRS 20 "Share based payment" requires the recognition of share based payments at fair value at the date of grant

On adoption of FRS 20 the group has made an assessment of the fair value of the options granted since 7 November 2002 Using the Black Scholes valuation method the fair value of the options outstanding at the beginning of the year was not material

The options granted during the year had an exercise price of 38p, the option price is also 38p

The following information is relevant in the determination of the fair value of options granted during the year under the share option schemes operated by Torquil Clark Holdings plc

	2007
Share options	
Option pricing model used	Black Scholes
Weighted average share price at grant date (pence)	38
Exercise price (pence)	38
Weighted average contractual life (years)	3
Expected volatility	25%
Expected dividend growth rate	Nil
Risk free interest rate	5.0%

The share based remuneration expense is £18,014 spread over 3 years

17. Share capital

	2007 £	2006 £
Group		
Authorised share capital		
2,428,570 £1 ordinary shares	2,428,570	2,428,570
200,000 £1 preference shares	200,000	200,000
	<u>2,628,570</u>	<u>2,628,570</u>
Allotted and called up		
1,042,856 £1 ordinary shares	1,042,856	1,328,570
200,000 £1 preference shares	200,000	200,000
	<u>1,242,856</u>	<u>1,528,570</u>
Company		
Authorised share capital:		
2,428,570 £1 ordinary shares	2,428,570	2,428,570
	<u>2,428,570</u>	<u>2,428,570</u>
Allotted and called up		
1,042,856 £1 ordinary shares	1,042,856	1,328,570
	<u>1,042,856</u>	<u>1,328,570</u>

The company has in issue the following share options issued under the Torquil Clark Holdings plc Approved Executive Share Option scheme

Date of issue	Exercise price	Exercise term	Number
Year ended 31 July 2000	£1 30	Between 3 and 10 years	2,650
Year ended 31 July 2001	£1 60	Between 3 and 10 years	16,693
Year ended 31 July 2002	£1 60	Between 3 and 10 years	40,375
Year ended 31 July 2003	£3 56	Between 3 and 10 years	18,181
Year ended 31 July 2004	£2 20	Between 3 and 10 years	21,500
Year ended 31 July 2007	£0 38	Between 3 and 10 years	200,000

18. Reserves

	Share Premium account £	Capital Redemption Reserve £	Profit and Loss account £	Total £
Group				
Balance at 1 August 2006	7,144	100	(326,794)	(319,550)
Loss for year	-	-	(265,070)	(265,070)
Dividends	-	-	(54,000)	(54,000)
Purchase of own shares	-	1,285,714	(1,108,600)	177,114
At 31 July 2007	7,144	1,285,814	(1,754,464)	(461,506)
Company				
Balance at 1 August 2006	7,144	-	14,674	21,818
Profit for the year	-	-	1,177,695	1,177,695
Dividends	-	-	(40,000)	(40,000)
Purchase of own shares	-	1,285,714	(1,108,600)	177,114
At 31 July 2007	7,144	1,285,714	43,769	1,336,627

On 31 July 2007 the company purchased the ordinary shares and preference shares owned by JP King and SC Platt. They each owned 142,857 ordinary shares which were bought by the company for 38 pence per share. They each owned 500,000 preference shares which were acquired for £491,700.

19. Reconciliation of movements in shareholders funds

	2007 £	2006 £
Group		
Nominal value of ordinary shares purchased	(285,714)	
Capital redemption reserve	1,285,714	
Preference shares reclassified	(1,000,000)	
Purchase of own shares through reserves	(108,600)	
Profit/(loss) for the financial year	(265,070)	209,181
Dividends	(54,000)	-
	<hr/>	<hr/>
Net additions to shareholders' fund	(427,670)	209,181
Opening shareholders'	1,209,020	999,839
	<hr/>	<hr/>
Closing shareholders' funds	781,350	1,209,020
	<hr/>	<hr/>
	2007 £	2006 £
Company		
Nominal value of ordinary shares purchased	(285,714)	-
Capital redemption reserve	1,285,714	-
Profit/(loss) for the financial year	1,177,695	12,143
Dividends	(40,000)	
Preference shares reclassified	(1,000,000)	
Purchase of own shares through reserves	(108,600)	
	<hr/>	<hr/>
Net additions to total shareholders' fund	1,029,095	12,143
Opening shareholders' funds as previously stated	1,350,388	1,338,245
	<hr/>	<hr/>
Closing shareholders' funds	2,379,483	1,350,388
	<hr/>	<hr/>

20. Secured liabilities

The company is a participant in a group loan arrangement, under which each member of the group has provided an unlimited guarantee together with an all assets debenture. Joint and several personal guarantees have been given of £250,000 from D T Clark and £350,000 from J H Chapman. At the period end the liabilities covered by the guarantees totalled £2,848,240 (2006 1,625,078).

21. Results of the holding company

As permitted by Section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The profit for the year of the company before dividends was £1,177,695 (2006 - £187,147).

Notes forming part of the financial statements for the year ended 31 July 2007 (continued)

22. Commitments under operating leases

At 31 July 2007, the company had annual commitments under non-cancellable operating leases expiring as follows

	Equipment		Motor vehicles		Land and buildings	
	2007	2006	2007	2006	2007	2006
	£	£	£	£	£	£
Within one year	-	39,061	-	7,390	-	-
Between two and five years	64,283	29,860	32,408	6,188	-	113,500
Over five years	-	-	-	-	125,000	-
	<u>64,283</u>	<u>68,921</u>	<u>32,408</u>	<u>13,578</u>	<u>125,000</u>	<u>113,500</u>

23. Pension and similar obligations

The group operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from the company in an independently administered fund. The company contributes the regular cost of providing benefits for its employees to the scheme. The pension cost charge for the year was £240,101 (2006-£200,212). Outstanding contributions of £17,069 (2006 - £10,274) at the year end are shown in the balance sheet within other creditors under note 13.

24. Ultimate controlling party

In the opinion of the directors the ultimate controlling parties are considered to be D T Clark and J Clark who hold 95.9% (2006 75.2%) of the ordinary shares in the ultimate parent company.

25. Reconciliation of operating profit to net cash inflow from operating activities

	2007	2006
	£	£
Operating profit	228,094	389,200
Depreciation of tangible fixed assets	125,000	124,491
Amortisation of goodwill	455,319	422,416
(Increase)/decrease in debtors	(2,330,814)	(77,783)
Increase(decrease) in creditors	1,811,334	(547,092)
Share of profit in joint venture	(93,898)	-
Gain on sale of ordinary shares	177,214	-
Net cash inflow from operating activities	<u>372,249</u>	<u>311,232</u>

Notes forming part of the financial statements for the year ended 31 July 2007 (continued)

26. Analysis of net funds

	At 1 August		Other non-cash items	At 31 July
	2006 £	Cash flow £		2007 £
Cash at bank and in hand	296,856	(236,723)		60,133
Bank Overdrafts	-	(617,216)		(617,216)
	<u>296,856</u>	<u>(853,939)</u>		<u>(557,083)</u>
Debt due within one year	(361,798)	(255,418)		(617,216)
Debt due after one year	(6,572,544)	255,938		(6,316,606)
Finance leases	(103,117)	47,851		(55,266)
		<u>48,371</u>		
Total	<u>(6,740,603)</u>	<u>(805,568)</u>	<u>-</u>	<u>(7,546,171)</u>

27. Reconciliation of net cashflow to movement in net debt

	2007 £	2006 £
Increase/(decrease) in cash in the year	(853,939)	313,710
Movement in net funds in the year		
Opening net funds/(deficit)	<u>296,856</u>	<u>(16,854)</u>
Closing net (deficit)/funds	<u>(557,083)</u>	<u>296,856</u>

28. Major non-cash transactions

In accordance with the accounting policy for current assets investments the non cash movement reflects in part the profit earned as a result of the valuation of certain current asset investments

29. Related party transactions

The company has taken advantage of the exemption conferred by Financial Reporting Standards 8 "Related party disclosures" not to disclose transactions with members of the group headed by Torquil Clark Holdings plc on the grounds that at least 90% of the voting rights is the company are controlled within that group and the company is included in consolidated financial statements