

Carroll Insurance Group Limited

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2007



Registered Number: 2774470

Carroll Insurance Group Limited

FINANCIAL STATEMENTS

for the year ended 31 December 2007

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Carroll Insurance Group Limited

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 December 2007.

PRINCIPAL ACTIVITY

The principal activity of the company is that of providing insurance services. The directors consider that the company will continue with its present activity in the foreseeable future.

BUSINESS REVIEW

The performance of the company during the year and its position at the balance sheet date are set out in the attached financial statements.

RESULTS AND DIVIDENDS

The results for the year and the state of the company's affairs are shown in the attached financial statements on pages 4 to 15.

DIRECTORS

The directors of the company at 31 December 2007 were as follows:

P R Carroll

P A Norman

T Harvey (Appointed 24 October 2007)

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITORS

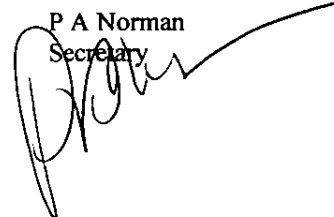
A resolution to re-appoint Baker Tilly UK Audit LLP as auditors will be put to members at the Annual General Meeting.

The directors' report was approved by the Board and signed and authorised for issue on its behalf by:

2 White Lion Court
Cornhill
London EC3V 3NP

Date: 9th December 2008.

P A Norman
Secretary



Carroll Insurance Group Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. 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 requirements of 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF CARROLL INSURANCE GROUP LIMITED

We have audited the financial statements on pages 4 to 15.

This report is made solely to the company's member, 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 member those matters we are required to state to him 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 member as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and 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 are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 31 December 2007 and of its profit for the year then ended and 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.

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP

Registered Auditor

Chartered Accountants

18, Mount Ephraim Road

Tunbridge Wells

Kent TN1 1ED

Date: *9 December 2008*

Carroll Insurance Group Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2007

	<i>Note</i>	2007 £	2006 £
TURNOVER	1(b)	2,105,262	1,950,631
Administrative expenses		(2,324,622)	(1,585,198)
OPERATING (LOSS)/PROFIT	2	(219,360)	365,433
Profit on sale of subsidiary		660,045	-
Interest receivable	3	91,783	43,930
Dividend receivable		848,721	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,381,189	409,363
Taxation	9	23,405	(131,909)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	13	1,404,594	277,454

Details of paid dividends are set out in note 8 to the financial statements.

There were no recognised gains or losses other than the profit for the year.

All activities are classed as continuing.

Carroll Insurance Group Limited

BALANCE SHEET

at 31 December 2007

	Note	2007 £	2006 £
FIXED ASSETS			
Intangible assets	4	618,486	-
Tangible assets	5	50,330	23,279
Investments	6	100	472,433
		<u>668,916</u>	<u>495,712</u>
CURRENT ASSETS			
Debtors	10	3,616,206	2,201,513
Cash at Bank and in Hand		2,425,259	1,354,073
		<u>6,041,465</u>	<u>3,555,586</u>
CREDITORS: amounts falling due within one year	11	<u>(3,574,588)</u>	<u>(2,189,299)</u>
NET CURRENT ASSETS		<u>2,466,877</u>	<u>1,366,287</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,135,793</u>	<u>1,861,999</u>
CAPITAL AND RESERVES			
Called up share capital	12	327,000	327,000
Profit and loss account	13	2,808,793	1,534,999
EQUITY SHAREHOLDER'S FUNDS	14	<u>3,135,793</u>	<u>1,861,999</u>

The financial statements were approved and authorised for issue by the board on 9th December 2008 2008 and signed on its behalf by:



P R Carroll
Director

Carroll Insurance Group Limited

CASH FLOW STATEMENT

for the year ended 31 December 2007

	<i>Note</i>	2007 £	2006 £
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	15	(59,563)	(504,109)
RETURNS ON INVESTMENT AND SERVICING OF FINANCE	16a	940,504	43,930
TAXATION		(121,827)	(145,990)
CAPITAL EXPENDITURE			
Purchase of tangible fixed assets		(1,665)	(4,069)
ACQUISITIONS AND DISPOSALS	16b	444,537	-
EQUITY DIVIDENDS PAID	8	(130,800)	(130,800)
INCREASE / (DECREASE) IN CASH	17	<u>1,071,186</u>	<u>(741,038)</u>

for the year ended 31 December 2007

(a) *Basis of accounting*

(b) *Turnover*

(i) brokerage, which is recognised at the later of the issuance of the debit note, the issuance of the cover note, or the inception date of the policy;

Turnover to the USA amounted to £152,000 (2006: £234,000) all other sales were made to the United Kingdom and Ireland.

(c) *Group financial statements*

(d) *Investments*

(e) *Amortisation*

Goodwill over its estimated useful life of five years

(f) *Depreciation*

The rates used are as follows:

Motor vehicles	20% per annum
Office equipment	20% per annum
Office furniture	10% per annum
Computer equipment	33 1/3% per annum
Leasehold improvements	20% per annum

(g) *Foreign currencies*

Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Income has been translated into sterling at average rates of exchange. Differences arising on the translation of such items are dealt with in the profit and loss account.

(h) *Pension costs*

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the period in which they become payable.

(i) *Operating lease rentals*

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

Carroll Insurance Group Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(j) *Deferred taxation*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

2	OPERATING (LOSS)/PROFIT	2007 £	2006 £
	Operating (loss)/ profit is stated after charging/(crediting):-		
	Auditors' remuneration - Baker Tilly UK Audit LLP	9,300	-
	- Baker Tilly	-	6,000
	Depreciation of fixed assets	29,610	12,889
	Amortisation of Goodwill	21,327	-
	Foreign exchange losses/(gains)	(21,579)	15,505
	Operating lease costs - Land & buildings	88,642	-
	- Other	6,142	-
		<u> </u>	<u> </u>
3	INTEREST RECEIVABLE	2007 £	2006 £
	Bank interest receivable	91,783	43,930
		<u> </u>	<u> </u>
4	INTANGIBLE FIXED ASSETS		Goodwill £
	Cost		
	Additions		639,813
	At 31 December 2007		<u>639,813</u>
	Amortisation		
	Charge for the year		21,327
	At 31 December 2007		<u>21,327</u>
	Net book value		
	At 31 December 2007		<u>618,486</u>
	At 31 December 2006		<u>-</u>

In advance of a management buy out of Carroll & Partners Limited which occurred on 11 October 2007, the non-wholesale business and related net assets of that company were acquired by Carroll Insurance Group Limited for the sum of £900,000 resulting in goodwill on acquisition of £639,813 (see note 19 for details).

Carroll Insurance Group Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007

5	TANGIBLE FIXED ASSETS	Motor vehicles £	Office equipment £	Office furniture £	Computer equipment £	Leasehold improve-ments £	Total £
	COST						
	At 1 January 2007	35,195	1,600	6,307	59,694	38,398	141,194
	Additions	-	2,044	36,015	18,602	-	56,661
	At 31 December 2007	35,195	3,644	42,322	78,296	38,398	197,855
	DEPRECIATION						
	At 1 January 2007	23,447	723	3,424	51,923	38,398	117,915
	Charge for the year	11,748	2,921	3,783	11,158	-	29,610
	At 31 December 2007	35,195	3,644	7,207	63,081	38,398	147,525
	NET BOOK VALUE						
	At 31 December 2007	-	-	35,115	15,215	-	50,330
	At 31 December 2006	11,748	877	2,883	7,771	-	23,279

6 FIXED ASSET INVESTMENTS

	2007 £	2006 £
COST		
At 1 January 2007	472,433	472,433
Disposals	(472,333)	-
	100	472,433
At 31 December 2007		

Fixed asset investments represent the company's interests at cost in the following:

Name of Undertaking	Percentage shareholding Ordinary share capital	Net assets at 31 December 2007 £	Profit/(loss) for the year £
Carroll & Carroll Limited	100.00%	937,211	(8,320)
Carroll Foley Lloyd Limited *	60.00%	593,982	156,139

The company marked with an asterisk is held by a subsidiary company. None of the above undertakings are listed.

The subsidiary companies are all registered in England and Wales and are engaged in the provision of insurance services.

On 11 October 2007 the company sold its investment in Carroll & Partners Limited for a consideration of £1,325,000. Since the year end Carroll & Carroll Limited has sold its interest in Carroll Foley Lloyd Limited for a consideration in the region of £990,000.

Carroll Insurance Group Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007

7	STAFF COSTS	2007 £	2006 £
	Staff costs during the year were as follows:		
	Wages and salaries	1,354,745	930,936
	Social security costs	144,670	78,183
	Other pension costs	271,673	90,583
		<u>1,771,088</u>	<u>1,099,702</u>
	The average number of persons (including directors) employed by the company during the year was as follows:	Number	Number
	Broking and administration	22	18
		<u>22</u>	<u>18</u>
	DIRECTORS' REMUNERATION	2007 £	2006 £
	Emoluments	90,170	-
	Money purchase pension contributions	202,500	-
	Total emoluments	<u>292,670</u>	<u>-</u>
	The number of directors who accrued benefits under company pension schemes was as follows:		
		2007 No	2006 No
	Money purchase schemes	<u>3</u>	<u>-</u>
8	DIVIDENDS	2007 £	2006 £
	Paid during the year		
	Equity dividends on ordinary shares - 40p per share (2006: 40p per share)	<u>130,800</u>	<u>130,800</u>

Carroll Insurance Group Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007

9	TAXATION	2007 £	2006 £
	United Kingdom corporation tax on the profit on ordinary activities at 30% (2006: 30%)	-	131,909
	Tax refund	(23,405)	-
		<u> </u>	<u> </u>
	Factors affecting the tax charge for the year		
	The tax assessed for the year is higher than the standard rate of corporation tax (30%) as explained below:		
	Profit on ordinary activities before tax	1,381,189	409,363
		<u> </u>	<u> </u>
	Profit on ordinary activities multiplied by the standard rate of corporation tax (30%)	414,357	122,809
	Effects of:		
	Expenses not deductible for tax purposes	5,459	7,412
	Dividends received	(254,616)	-
	Sale of subsidiary	(188,979)	-
	Depreciation in excess of capital allowances	374	1,688
	Trade losses carried back	23,405	-
		<u> </u>	<u> </u>
	Current tax charge for the year	-	131,909
		<u> </u>	<u> </u>
10	DEBTORS	2007 £	2006 £
	Trade debtors	2,926,722	1,696,729
	Amounts owed by subsidiary undertaking	368,858	480,347
	Other debtors	127,238	10,792
	Prepayments and accrued income	112,232	13,645
	Corporation tax	81,156	-
		<u> </u>	<u> </u>
		3,616,206	2,201,513
		<u> </u>	<u> </u>
11	CREDITORS: amounts falling due within one year	2007 £	2006 £
	Trade creditors	2,821,788	1,927,510
	Other creditors	458,191	116,421
	Corporation tax (payments on account)	-	64,076
	Accruals and deferred income	180,440	81,292
	Other taxation & social security	114,169	-
		<u> </u>	<u> </u>
		3,574,588	2,189,299
		<u> </u>	<u> </u>

Carroll Insurance Group Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007

12	CALLED UP SHARE CAPITAL		2006 and 2007 Allotted, called up and fully paid £
		Authorised £	
	Ordinary shares of £1 each (equity)	500,000	327,000
13	PROFIT AND LOSS ACCOUNT		£
	At 1 January 2007		1,534,999
	Profit for the year		1,404,594
	Dividend paid (note 8)		(130,800)
	At 31 December 2007		2,808,793
14	RECONCILIATION OF SHAREHOLDER'S FUNDS	2007 £	2006 £
	Opening shareholder's funds	1,861,999	1,715,345
	Profit for the financial year	1,404,594	277,455
	Dividend paid	(130,800)	(130,800)
	Closing shareholder's funds	3,135,793	1,861,999
15	RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES	2007 £	2006 £
	Operating (loss)/profit	(219,360)	365,433
	Depreciation	29,610	12,889
	Amortisation	21,327	-
	(Increase)/decrease in debtors	209,290	(347,761)
	Increase / (Decrease) in creditors	(100,430)	(534,670)
	Net cash outflow from operating activities	(59,563)	(504,109)
16a	RETURNS ON INVESTMENT AND SERVICING OF FINANCE	2007 £	2006 £
	Bank interest received	91,783	43,930
	Dividend received from subsidiary	848,721	-
		940,504	43,930
	Net cash inflow for returns on investment and servicing of finance		

Carroll Insurance Group Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007

16b	ACQUISITIONS AND DISPOSALS	2007 £	2006 £
	Purchase of business – net of cash acquired (note 19)	(689,209)	-
	Sale of subsidiary (note 6)	1,133,746	-
	Net cash inflow for acquisitions and disposals	<u>444,537</u>	<u>-</u>
17	ANALYSIS OF NET FUNDS	At 1 January 2007 £	At 31 December 2007 £
	Cash at bank	1,354,073	2,425,259
18	RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS	2007 £	2006 £
	Increase/(Decrease) in cash in the year	1,071,186	(741,038)
	Movement in net funds arising from cash flows	<u>1,071,186</u>	<u>(741,038)</u>
	Movement in net funds in the year	<u>1,071,186</u>	<u>(741,038)</u>
	Net funds at 1 January 2007	1,354,073	2,095,111
	Net funds at 31 December 2007	<u>2,425,259</u>	<u>1,354,073</u>

Carroll Insurance Group Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007

19 PURCHASE OF BUSINESS AND ASSETS

On 11 October 2007 the company acquired the "Retail" business and assets from Carroll & Partners Limited, the details of which were as follows:

	Net book value 2007 £	Fair value adjustment 2007 £	Fair value 2007 £
Net assets acquired:			
Intangible fixed assets	95,247	(93,879)	1,368
Tangible fixed assets	54,996	-	54,996
Debtors	1,542,827	-	1,542,827
Cash at bank and in hand	210,791	-	210,791
Creditors	(715,131)	(375,000)	(1,090,131)
Inter-company balance	(459,664)	-	(459,664)
Goodwill	170,934	468,879	639,813
	<u>900,000</u>	<u>-</u>	<u>900,000</u>

Discharged by:

Cash paid	900,000
	<u>900,000</u>

	2007 £	2006 £
Analysis of the net inflow of cash in respect of the purchase of business		
Cash consideration	(900,000)	-
Cash at bank and in hand acquired	210,791	-
Net flow of cash in respect of the purchase of business	<u>(689,209)</u>	<u>-</u>

20 OPERATING LEASE COMMITMENTS

At 31 December 2007, the company had annual commitments under non-cancellable operating leases as set out below:

	2007 £	Land & Buildings 2006 £	2007 £	Other 2006 £
Operating leases which expire:				
Within one year				
Within 2 to 5 years	223,250	223,250	18,502	18,502
	<u>223,250</u>	<u>223,250</u>	<u>18,502</u>	<u>18,502</u>

Carroll Insurance Group Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007

21 RELATED PARTY TRANSACTIONS

The company's subsidiary Carroll Foley Lloyd Limited places its gross premium income with the company during the year Carroll Foley Lloyd Limited earned a brokerage commission of £50,004 (2006: £73,679) in this respect. The balance at the year end owed by Carroll Foley Lloyd Limited is £68,858 (2006: £16,162).

22 CONTINGENT LIABILITIES

The company may, in the ordinary course of business, be subject to claims resulting from alleged errors and omissions in connection with its business. The company does not expect the outcome of any such claims existing at the balance sheet date, either individually or in the aggregate, to have a material effect on the company's operations or financial position.

23 CONTROLLING PARTY

The company's controlling party is P R Carroll, a director of Carroll Insurance Group Limited.