

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

FINANCIAL STATEMENTS

FOR

31ST DECEMBER 2005

Company Registration Number 4582221

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2005

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HARRISON BEAUMONT INSURANCE SERVICES LIMITED

COMPANY INFORMATION

YEAR ENDED 31ST DECEMBER 2005

DIRECTORS

Mr R Proudman

Mr R Williams

SECRETARY

Mr R Proudman

AUDITORS

Finnigan & Co.

39 Lower Brook Street

Ipswich

IP4 1AQ

ACCOUNTANTS

Michael Payne & Co.

Windsor House

103 Whitehall Road

Colchester

CO2 8HA

BANKERS

Bank of Scotland Plc

35 Princes Street

Ipswich

IP1 1AE

REGISTERED OFFICE

Globe House

24 Turret Lane

Ipswich

IP4 1DL

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31ST DECEMBER 2005

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31st December 2005.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £4,156 (2004 – profit of £146,531). The directors do not recommend payment of a final dividend (2004 – nil).

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company's principal activity is that of the provision of insurance brokering services.

The business is being re-focused to concentrate on the sports and leisure sector and through its range of specialist products attracts interest directly from customers and through a network of introducers including specialist clubs and similar organisations and insurance brokers.

We are seeking significant growth for speciality products, in particular activity equipment, adventure travel and European holiday homes. We are particularly pleased to have secured the Hastings Travel account.

The underlying business continues to trade profitably but there has been a considerable investment in a new undertaking coming on stream in 2006.

FUTURE DEVELOPMENTS

The broking market continues to consolidate with securing distribution channels and maintaining relationships with providers key to the success of the business. The ability to acquire business remains undiminished and we anticipate being able to report significant growth in the travel business in the next 12 months.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Preference Shares of £1,000 each		Ordinary Shares of £1 each	
	At 31 December 2005	At 1 January 2005	At 31 December 2005	At 1 January 2005
Mr R Proudman	335	335	1	1
Mr R Williams	<u>50</u>	<u>50</u>	<u>1</u>	<u>1</u>

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31ST DECEMBER 2005

AUDITORS

A resolution to reappoint Finnigan & Co. as auditors will be put to the members at the Annual General Meeting.

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and of the 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; and
- 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.

By order of the board

MR R PROUDMAN
Company Secretary
Date:

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31ST DECEMBER 2005

We have audited the financial statements on page which have been prepared under the historical cost convention and the accounting policies set out on page.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards are set out in the Statement of Directors' Responsibilities on page.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

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.

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS *(continued)*

YEAR ENDED 31ST DECEMBER 2005

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st December 2005 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

39 Lower Brook Street
Ipswich
Suffolk
IP4 1AQ

FINNIGAN & CO
Chartered Certified Accountants
& Registered Auditors

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HARRISON BEAUMONT INSURANCE SERVICES LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31ST DECEMBER 2005

	Note	2005 £	2004 £
TURNOVER		601,410	654,307
Cost of sales		<u>(111,982)</u>	<u>(126,498)</u>
GROSS PROFIT		489,428	527,809
Administrative expenses		<u>(502,407)</u>	<u>(384,884)</u>
OPERATING (LOSS)/ PROFIT	2	(12,979)	142,925
Interest receivable		<u>10,535</u>	<u>14,806</u>
(LOSS)/ PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,444)	157,731
Tax on (loss)/ profit on ordinary activities	5	(1,712)	(11,200)
(LOSS)/ RETAINED PROFIT FOR THE FINANCIAL YEAR		<u>(4,156)</u>	<u>146,531</u>

HARRISON BEAUMONT INSURANCE SERVICES LIMITED**BALANCE SHEET****31ST DECEMBER 2005**

	Note	2005 £	£	2004 £	£
FIXED ASSETS					
Intangible assets	6	89,646		119,914	
Investments	7	651,472		445,872	
Tangible assets	8	7,969		10,625	
		<u>749,087</u>		<u>576,411</u>	
CURRENT ASSETS					
Debtors	9	201,399		124,882	
Cash at bank and in hand		77,534		251,795	
		<u>278,933</u>		<u>376,677</u>	
CREDITORS: Amounts falling due within one year	10	(431,369)		(352,133)	
NET CURRENT ASSETS		<u>(152,436)</u>		<u>24,544</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>596,651</u>		<u>600,955</u>	
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	12	(445)		(593)	
		<u>596,206</u>		<u>600,362</u>	
CAPITAL AND RESERVES					
Called-up equity share capital	13	2		2	
Preference shares	13	385,000		385,000	
Profit and loss account	14	211,204		215,360	
SHAREHOLDERS' FUNDS		<u>596,206</u>		<u>600,362</u>	

These financial statements were approved by the directors on the and are signed on their behalf by:

MR R PROUDMAN
Director

HARRISON BEAUMONT INSURANCE SERVICES LIMITED**STATEMENT OF CASH FLOWS****YEAR ENDED 31ST DECEMBER 2005**

	Note	2005 £	£	2004 £	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	15		50,803		77,062
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received			10,535		14,806
TAXATION					
Corporation tax paid			(11,416)		(13,180)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Payments to acquire intangible fixed assets		(18,583)		(51,035)	
Payments to acquire investments		(205,600)		-	
			(224,183)		(51,035)
FINANCING					
Redemption of preference shares			-		(20,000)
(DECREASE)/ INCREASE IN CASH			(174,261)		7,653

The notes on page 8 form part of these financial statements.

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2005

1. ACCOUNTING POLICIES

Basis of preparation

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

Goodwill

Goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life, presumed to be 10 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures & Fittings	-	25% reducing balance basis
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The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2005

1. ACCOUNTING POLICIES (*continued*)

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the group's ordinary activities, stated net of value added tax.

All of the company's turnover is derived from the company's ordinary activities carried out in the United Kingdom.

2. OPERATING PROFIT

Operating profit is stated after charging:

	2005	2004
	£	£
Depreciation of owned fixed assets	2,656	3,551
Impairment of intangible fixed assets	21,893	69,407
Amortisation of intangible fixed assets	8,375	7,211
Operating lease rentals – plant and machinery	<u>3,803</u>	<u>6,046</u>

Auditors' remuneration is paid by the company's ultimate controlling party.

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2005

3. DIRECTORS' EMOLUMENTS

No director's emoluments were paid during the year ended 31 December 2005 or 31 December 2004.

4. STAFF COSTS

	2005	2004
	£	£
Wages and salaries	276,254	245,446
Social security costs	24,099	23,279
Other staff costs	2,409	2,493
	<u>302,762</u>	<u>271,218</u>

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

	2005	2004
	No	No
Administration	4	7
Operations	11	13
	<u>15</u>	<u>20</u>

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2005

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2005		2004	
	£	£	£	£
<i>Current tax</i>				
UK corporation tax on profits of the period	1,844		11,400	
Adjustment in respect of previous periods	16		-	
	<u> </u>		<u> </u>	
Total current tax		1,860		11,400
<i>Deferred tax</i>				
Origination and reversal of timing differences	(148)		(200)	
		<u> </u>		<u> </u>
		(148)		(200)
		<u> </u>		<u> </u>
Taxation on profit on ordinary activities		<u> </u>		<u> </u>
		<u>1,712</u>		<u>11,200</u>

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2005

5. TAX ON PROFIT ON ORDINARY ACTIVITIES *(continued)*

The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2005 £	2004 £
(Loss)/ profit on ordinary activities before tax	<u>(2,444)</u>	<u>157,731</u>
(Loss)/ profit on ordinary activities at the standard rate of corporation tax in the UK of 30%	(733)	47,319
Effects of:		
Expenses not deductible for tax purposes	-	-
Depreciation for period in excess of capital allowances	148	200
Adjustment in respect of previous periods	16	-
Group relief	-	(29,519)
Marginal relief	2,281	(6,600)
Current tax charge for period	<u>1,712</u>	<u>11,400</u>

Factors that may affect future tax charges

As the group becomes more profitable and the company grows, it is expected that the effective rate at which the company pays tax will increase towards the standard rate of corporation tax (currently 30%).

6. INTANGIBLE FIXED ASSETS

	Goodwill £	Total £
COST		
At 1st January 2005	153,082	153,082
Impairment	(21,893)	(21,893)
At 31st December 2005	<u>131,189</u>	<u>131,189</u>
AMORTISATION		
At 1st January 2005	33,168	33,168
Charge for the year	8,375	8,375
At 31st December 2005	<u>41,543</u>	<u>41,543</u>
NET BOOK VALUE		
At 31st December 2005	<u>89,646</u>	<u>89,646</u>
At 1st January 2005	<u>119,914</u>	<u>119,914</u>

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2005

7. INVESTMENTS

	Share Investments £	Total £
COST		
At 1st January 2005	445,872	445,872
Additions	205,600	205,600
At 31st December 2005	<u>651,472</u>	<u>651,472</u>
PROVISIONS		
At 1st January 2005	-	-
Charge for the year	-	-
At 31st December 2005	<u>-</u>	<u>-</u>
NET BOOK VALUE		
At 31st December 2005	<u>651,472</u>	<u>651,472</u>
At 1st January 2005	<u>445,872</u>	<u>445,872</u>

The share investments brought forward relate to 432 ordinary shares, a 32% holding, in R3: Holdings Limited, a company controlled by Mr R Proudman and Mr R Williams. During the year, a further 7 shares were acquired in this company for consideration of £5,500. The shareholding now represents 33% of the issued share capital of R3: Holdings Limited.

During the year, an investment of £200,100 was made in Axiom Underwriting Agency Limited, a newly formed subsidiary of Harrison Beaumont Insurance Services Limited. This represents 100% of the issued share capital of Axiom Underwriting Agency Limited.

8. TANGIBLE FIXED ASSETS

	Fixtures & Fittings £	Total £
COST		
At 1st January and 31st December 2005	<u>20,000</u>	<u>20,000</u>
DEPRECIATION		
At 1st January 2005	9,375	9,375
Charge for the year	2,656	2,656
At 31st December 2005	<u>12,031</u>	<u>12,031</u>
NET BOOK VALUE		
At 31st December 2005	<u>7,969</u>	<u>7,969</u>
At 1st January 2005	<u>10,625</u>	<u>10,625</u>

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2005

9. DEBTORS

	2005	2004
	£	£
Trade debtors	10,192	29,646
Other debtors	189,620	94,022
Prepayments and accrued income	1,587	1,214
	<u>201,399</u>	<u>124,882</u>

10. CREDITORS: Amounts falling due within one year

	2005	2004
	£	£
Trade creditors	102,980	272,529
Corporation tax	1,844	11,400
Other taxes and social security costs	10,446	6,240
Other creditors	-	40,476
Accruals and deferred income	316,099	21,488
	<u>431,369</u>	<u>352,133</u>

11. OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS

Annual commitments under non-cancellable operating leases are as follows:

	2005	Other	2004
	£		£
Operating leases which expire:			
Within one year	196		2,700
In two to five years	3,173		-
In over five years	-		-
	<u>3,369</u>		<u>2,700</u>

12. DEFERRED TAXATION

	2005	2004
	£	£
The movement in the deferred taxation provision during the period was:		
Provision brought forward	593	793
Profit and loss account movement arising during the period	(148)	(200)
Provision carried forward	<u>445</u>	<u>593</u>

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2005

12. DEFERRED TAXATION (continued)

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2005 £	2004 £
Excess of taxation allowances over depreciation on fixed assets	445	593
	<u>445</u>	<u>593</u>

13. SHARE CAPITAL

Authorised share capital:

	2005 £	2004 £
1,000 Ordinary shares of £1 each	1,000	1,000
405 Preference shares of £1,000 each	405,000	405,000
	<u>406,000</u>	<u>406,000</u>

Allotted, called up and fully paid:

	2005		2004	
	No	£	No	£
Ordinary shares of £1 each	2	2	2	2
Preference shares of £1,000 each	385	385,000	385	385,000
	<u>387</u>	<u>385,002</u>	<u>387</u>	<u>385,002</u>

The preference shares are redeemable on demand from the company at any time after 1 January 2004. They carry no dividend rights.

The preference shares carry no votes at meetings, and on a winding up of the company, the preference shareholders have a right to receive, in preference to any payments to the ordinary shareholders, £1,000 per share. The shares rank pari passu in all other respects.

14. RESERVES

	Profit and loss account £
At 1 January 2005	215,360
Loss for the period	(4,156)
At 31 December 2005	<u>211,204</u>

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2005

15. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating (loss)/ profit to net cash inflow from operating activities

	2005	2004
	£	£
Operating (loss)/ profit	(12,979)	142,925
Depreciation	2,656	3,551
Amortisation	8,375	7,211
Goodwill impairment	21,893	-
(Increase) in debtors	(76,517)	(58,126)
Increase/(Decrease) in creditors	107,375	(18,499)
Net cash inflow from operating activities	<u>50,803</u>	<u>77,062</u>

(b) Analysis of net funds

	At 1 January 2005	Cash flow	Other non-cash movement s	At 31 December 2005
	£	£	£	£
Cash at bank and in hand	<u>251,795</u>	<u>(174,261)</u>	<u>-</u>	<u>77,534</u>

(c) Reconciliation of net cash flow to movement in net funds

	2005	2004
	£	£
(Decrease)/ Increase in cash	(174,261)	7,653
Change in net debt resulting from cash flows	(174,261)	7,653
Other	-	-
Movement in net debt	(174,261)	7,653
Net funds at 1 st January 2005	251,795	244,142
Net funds at 31 st December 2005	<u>77,534</u>	<u>251,795</u>

16. RELATED PARTY TRANSACTIONS

At the period end the company was owed £84,688 (2004 - £66,812) from R3: Holdings Limited a company in which the directors have a controlling interest. This amount relates to funds provided for working capital requirements. This amount is included with in other debtors.