Cullum Capital Ventures Limited

Directors' report and consolidated financial statements

for the year to 31 December 2008

Registered Number 5587424

Directors' report and consolidated financial statements

Contents

Officers and professional advisers

Directors

PG Cullum
TD Johnson
RM Brown
AC Homer
DW Torrance
I W J Patrick (appointed 1 April 2009)

Secretary

STB Clark

Registered office

2 County Gate
Staceys Street
Maidstone
Kent
ME14 1ST

Auditors

KPMG Audit Plc
8 Salisbury Square
London
EC4Y 8BB

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2008.

Business review & principal activities

The consolidated profit and loss account for the year is set out on page 9. The results for the group show a pre-tax profit of £6,046,752 for the year (prior year: £3,174,411) and turnover of £44,504,637 (prior year: £13,240,235). The group has net assets of £6,352,342 (31 December 2007: £3,021,037). EBITDA – the technical measure by which banks judge underlying performance and ability to service loan interest – increased by 222% to £18.6m in 2008 from £5.8m in 2007.

The growth in turnover and profits are through both organic growth and acquisitions of full or majority interests in ten companies, minority interests in one company and purchasing a further five business portfolios. The gross written premium (GWP) handled by the Group has grown to £169.6m in 2008 (£56.2m for 2007).

The key indicators of our performance are set out in the table below..

	2008	2007
Net Commission and Fees / GWP	20.5%	18.6%
Staff Costs / Income	51.0%	44.2%
EBITDA / Income	41.8%	43.6%
EBITDA / GWP	11.0%	10.3%
Staff Turnover %	21.9%	19.4%

The principal activity of the group is insurance broking and ancillary services. During the year the Group started a credit referencing service for letting agents to complement a credit referencing business acquired last year.

Business Environment

The continuous cycle of 'hard' and 'soft' markets is an inherent risk of the insurance industry. Our industry is beginning to harden and most insurance intermediaries have to work even harder to maintain their profitability as there is greater competition for risks and clients are liquidating / downsizing in the current economic environment.

Most purchasers of brokers have withdrawn from the market this year with very few able to access acquisitions funds. This has seen purchase multiples reduce by nearly 50% in the year.

Directors' report *(continued)*

Strategy

The Group's major strategy is to develop and grow its share of the UK general insurance broking and intermediary market both organically and through acquisition. There is a continuous and growing need amongst owners of insurance intermediaries to consider how best to provide for their own future and that of their staff, and as a result, interest in CCV's investment potential is high.

CCV acquired a further 15 intermediaries and portfolios during the year. CCV also purchased a minority stake in one other company. All acquisitions were traditional general insurance broking operations.

CCV's advantage in this competitive marketplace is its ability to provide a range of deal options from a minority stake to full acquisition, covering management buy-outs, buy-ins and to provide investment capital to develop businesses. Coupled with the Lloyds Banking Group (previously with Bank of Scotland plc) funding facility, this flexibility puts us in a unique position to make large and small acquisitions alike, focusing on quality rather than quantity.

Future outlook

CCV will carry on expanding through acquisition as it continues to be well placed to take advantage of opportunities from vendors looking to sell their business. Further acquisitions of well-run specialist brokers and underwriting agencies are anticipated in 2009 with ten deals completed in 2009.

The insurance market experienced rate reductions in 2008. We are starting to see rate hardening and expect this to continue for the next year. We anticipate the company will continue to perform satisfactorily in this period.

Organic growth is a key element of CCV's development as evidenced by investment in people and training to further the skills of the sales and account handling teams.

Risks and Uncertainties

The Group has a strong emphasis on risk management which endeavours to identify and manage all business risks.

Market

The insurance market is cyclical and the rates charged for cover may rise or fall through the cycle. An extended period of flat or falling rates may impact the Group's income. The Group mitigates this risk by having a very wide client base and range of insurance products, both commercial and personal.

Underwriting Capacity

The Group is reliant on insurers providing products. A withdrawal of products may impact the Group's income. The Group manages this risk by maintaining a close relationship with a number of different insurance partners. In return, the Group focuses on generating profitable returns to its insurers.

Recruitment and retention of talent

People are CCV's most important asset. A significant factor of competitiveness is the ability to attract and retain high quality people. During 2007 the Group set up CCV Trustees Ltd to run as an employee stock ownership plan (ESOP). CCV Trustees Ltd purchased 2% of the total value of the group shareholding. The purpose of this is to distribute to employees a portion of any realised gain in the value of the shares in the Group. Our owner-management culture, competitive remuneration packages and offering all employees a share in the value of the Group provide the necessary tools to enable the Group to attract and retain key staff.

Directors' report *(continued)*

Regulatory environment

CCV's insurance intermediary activities are regulated by the Financial Services Authority (FSA). Changes to regulations, interpretations of existing regulations or failure to obtain the required regulatory approvals could restrict CCV's ability to operate. By maintaining an open relationship with the FSA and having in place a dedicated compliance function, the Group ensures that all relevant regulations are kept under constant review.

Financial

The Group is exposed to interest rate risks arising from its banking facilities which it monitors closely. The turmoil in the global credit markets which started in 2007 and continued through 2008 increased the interest rate risks, particularly in relation to the group's banking facilities and its funding from Lloyds Banking Group (previously with Bank of Scotland plc). The interest rate payable on this debt was affected by the significant fluctuations in LIBOR during the year.

To manage these risks the Group started using derivatives by hedging its interest rate risk with a fixed swap contract in the year and will continue to use such hedging strategies in future.

As almost all of the Group's trading is transacted in sterling, the Group has negligible foreign exchange exposure.

Going concern

The group's acquisition strategy in the short term is dependant upon the availability of its existing bank loan facility and as described in note 27, the terms of this were renegotiated on 28 October 2009. The future medium term growth strategy of the group will depend on the availability of additional acquisition facilities.

In the short term, the business has obligations to repay the existing debt facilities. The directors have considered the current projections of the business in lieu of no further refinancing. The current economic conditions create uncertainty over the ability to meet these obligations; in particular the following matters have been taken into account:

a) The recessionary impact on the number of insurance policies being sold.

b) The ability to pass on rate rises to the insured, which impacts the level of commission due to the business.

c) The extent to which the group can re-engineer commission rates.

The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facility and meet its obligations to repay borrowings under the facility.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Dividend

No dividend was paid during the year (2007: £Nil).

Directors' report *(continued)*

Directors and directors' interests

The directors who held office during the year were as follows:

PG Cullum
TD Johnson
RM Brown
AC Homer
DW Torrance
PJ Snowball (resigned 2 June 2008)

All directors benefit from qualifying third party indemnity provisions in place during the financial period and at the date of this report.

Employees

The average number of employees during the year has increased from 162 staff to 529. This growth is driven by the acquisitions during the year and the recruitment of staff to support the acquisition process.

The Group actively encourages all employees to become involved in Group affairs. This is achieved through regular staff meetings and presentations by the directors. Employees are regarded as being key to the Group's success, so an appropriate remuneration package is offered which rewards an individual's performance.

The Group's policy is to recruit disabled workers for those vacancies that they are able to fill. Once employed, a career plan is developed to ensure that suitable opportunities exist for each disabled person. Employees who become disabled during their working life will be retrained in employment wherever possible and will be given help with any necessary rehabilitation and training. The Group is prepared to modify procedures or equipment, wherever practicable, so that full use can be made of an individual's abilities.

Political and charitable contributions

The company made charitable contributions during the current year of £800 (2007: £498). Group subsidiaries made charitable donations during the year totalling £4,848 (2007: £1,120).

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year (2007: £nil).

Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

By order of the board

Peter Cullum
Chairman

30 October 2009

Statement of directors' responsibilities in respect of the Directors' report and the financial statements

The directors are responsible for preparing the Directors' 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 UK Accounting Standards.

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 year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK 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 company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Under applicable law the directors are also responsible for preparing a Directors' report that complies with that law.

Independent auditors' report to the members of Cullum Capital Ventures Limited

We have audited the group and parent company financial statements (the 'financial statements') of Cullum Capital Ventures Limited for the year ended 31 December 2008 which comprise the Group Profit and Loss account, the Group and Company Balance Sheets, the Group Cashflow Statement, the Reconciliations of Movements in Shareholders' Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of directors' responsibilities on page 7.

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 judgments 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 financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2008 and of the group's profit for the year then ended;
- 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.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 Salisbury Square
London
EC4Y 8BB

30 October 2009

Consolidated profit and loss account for the year to 31 December 2008

	Note	Continuing Operations £	Acquisitions £	2008 Total £	2007 £
Group Turnover	*1-2*	**24,810,038**	**19,694,599**	**44,504,637**	13,240,235
Administrative expenses	*3-5*	**(18,661,274)**	**(14,267,977)**	**(32,929,251)**	(8,817,933)
Amortisation of goodwill	*3*	**(806,073)**	**(1,878,740)**	**(2,684,813)**	(654,260)
Group operating profit		**5,342,691**	**3,547,882**	**8,890,573**	3,768,042
Share of operating profit in associates				**256,554**	219,328
Total operating profit				**9,147,127**	3,987,370
Other interest receivable and similar income	*6*			**1,016,925**	759,005
Interest payable and similar charges	*7*			**(4,117,300)**	(1,571,964)
Profit on ordinary activities before taxation				**6,046,752**	3,174,411
Tax on profit on ordinary activities	*8*			**(2,649,042)**	(1,278,675)
Profit on ordinary activities after taxation				**3,397,710**	1,895,736
Minority interests	*19*			**(17,010)**	(166,041)
Profit for the year				**3,380,700**	1,729,695

The company has no recognised gains and losses other than the profits and losses shown above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the operating profit on ordinary activities before taxation and the retained profit for the financial year stated above, and their historical cost equivalents.

The notes on pages 14 to 37 form part of these financial statements.

Consolidated balance sheet at 31 December 2008

	Note	2008 £	2008 £	2007 £	2007 £
Fixed assets					
Intangible fixed assets	*9*		**64,772,677**		19,030,246
Tangible fixed assets	*10*		**2,597,583**		397,054
Investments in associates	*11*		**6,265,049**		5,344,044
			73,635,309		24,771,344
Current assets					
Debtors	*12*	**17,205,011**		9,153,132	
Cash at bank and in hand	*24*	**18,271,032**		14,738,880	
		35,476,043		23,892,012	
Creditors: amounts falling due within one year	*13*	**(56,750,490)**		(30,961,099)	
Net current liabilities			**(21,274,447)**		(7,069,087)
Total assets less current liabilities			**52,360,862**		17,702,257
Creditors: amounts falling due after more than one year	*14*		**(45,981,185)**		(14,657,416)
Provisions for liabilities and charges	*15*		**(27,335)**		(23,804)
Net assets			**6,352,342**		3,021,037
Capital and reserves					
Called up share capital	*17*		**1,130,382**		1,130,382
Share premium	*18*		**46,598**		46,598
Profit and loss account	*18*		**5,018,956**		1,638,256
Shareholders' funds			**6,195,936**		2,815,236
Minority interests	*19*		**156,406**		205,801
			6,352,342		3,021,037

The notes on pages 14 to 37 form part of these financial statements.

These financial statements were approved by the board of directors on 30 October 2009 and were signed on its behalf by:

PG Cullum
Chairman

Company balance sheet
at 31 December 2008

	Note	2008 £	2008 £	2007 £	2007 £
Fixed assets					
Tangible fixed assets	*10*		**477,160**		24,268
Investments	*11*		**49,853,613**		24,643,268
			50,330,773		24,667,536
Current assets					
Debtors	*12*	**45,785,409**		7,043,851	
Cash at bank and in hand		**5,247,786**		4,129,349	
		51,033,195		11,173,200	
Creditors: amounts falling due within one year	*13*	**(66,515,914)**		(23,537,358)	
Net current liabilities			**(15,482,719)**		(12,364,158)
Total assets less current liabilities			**34,848,054**		12,303,378
Creditors: amounts falling due after more than one year	*14*		**(45,936,067)**		(14,654,877)
Provisions for liabilities and charges	*15*		**(764)**		(764)
Net (liabilities)/assets			**(11,088,777)**		(2,352,263)
Capital and reserves					
Called up share capital	*17*		**1,130,382**		1,130,382
Share premium	*18*		**46,598**		46,598
Profit and loss account	*18*		**(12,265,757)**		(3,529,243)
Shareholders' funds			**(11,088,777)**		(2,352,263)

The notes on pages 14 to 37 form part of these financial statements.

These financial statements were approved by the board of directors on **30** October 2009 and were signed on its behalf by:

PG Cullum
Chairman

Consolidated cash flow statement for the year to 31 December 2008

Cash flow statement	Note	2008 £	2007 £
Cash flow from operating activities	22	**3,528,365**	7,185,095
Dividends from associates		**791,118**	-
Returns on investments and servicing of finance	23	**(3,283,955)**	(1,167,879)
Taxation		**(2,177,329)**	(243,687)
Capital expenditure and financial investment	23	**(1,389,639)**	(140,009)
Acquisitions and disposals	23	**(32,695,612)**	(10,970,671)
Cash outflow before management of liquid resources and financing		**(35,227,052)**	(5,337,151)
Financing	23	**38,759,204**	9,521,811
Increase in cash in the year		**3,532,152**	4,184,660

Reconciliation of net cash flow to movement in net funds

	Note	2008 £	2007 £
Increase in cash in the year	24	**3,532,152**	4,184,660
Cash outflow from increase in debt and lease financing	24	**(38,759,204)**	(15,544,176)
Change in net funds resulting from cash flows		**(35,227,052)**	(11,359,516)
Other non-cash changes	24	**(5,205,102)**	-
Finance leases acquired with acquisitions	24	**(100,864)**	(14,259)
Movement in net funds in the year	24	**(40,533,018)**	(11,373,775)
Net funds at the start of the year	24	**(6,104,404)**	5,269,371
Net funds at the end of the year	24	**(46,637,422)**	(6,104,404)

Reconciliation of movements in shareholders' funds for the year to 31 December 2008

	Group Year 2008	Group Year 2007	**Company Year 2008**	Company Year 2007
	£	£	**£**	£
Profit/(Loss) for the financial year	**3,380,700**	1,729,695	**(8,736,514)**	(2,518,743)
New share capital subscribed	-	30,383	-	30,383
Acquisition of own shares held in trust	-	(23,542)	-	-
Net increase in shareholders' funds	**3,380,700**	1,736,536	**(8,736,514)**	(2,488,360)
Opening shareholders' funds	**2,815,236**	1,078,700	**(2,352,263)**	136,097
Closing shareholders' funds	**6,195,936**	2,815,236	**(11,088,777)**	(2,352,263)

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and under historical cost accounting rules.

The group's business activities, together with the factors likely to affect its future development, performance, and position are set out in the Business Review on pages 2 to 6.

The group has considerable financial resources which, are assessed on pages 2 to 6. The group also has long term relationships with a number of customers and insurance companies. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the directors report and consolidated financial statements.

The financial statements of Cullum Capital Ventures Limited have been drawn up on a going concern basis, on the basis that the directors of the company have considered resources within the group available to the company; and having taking these into consideration, the directors believe the company has the resources to continue in operational existence for the foreseeable future. The directors believe the continued expansion of CCV will be achieved through the continued support and further utilisation of the funding agreement with Lloyds Banking Group (previously with Bank of Scotland plc) and any further loan facilities obtained in the future.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2008. The acquisition method of accounting has been adopted. Under this method, the results of the subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

An associate is an undertaking in which the Group has a long term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence. The Group's share of the profits less losses of associates is included in the consolidated profit and loss account and its interest in their net assets (other than goodwill) is included in investments in the consolidated balance sheet.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on acquisition is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. This is taken as twenty years.

Notes

(forming part of the financial statements)

1 Accounting policies *(continued)*

Investments

In the company's financial statements, investments in subsidiary undertakings are stated at the lower of cost and net realisable value.

Tangible fixed assets and depreciation

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Fixtures, fittings and equipment	–	25% per annum
Computer software	–	25% per annum
Computer hardware	–	25% per annum
Motor vehicles	–	25% per annum
Leasehold improvements	–	over the period of the lease

Leases

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

Post retirement benefits

The Group operates a number of defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting year.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all material timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover comprises net commission receivable on business incepting up to the year end. To the extent that the group is contractually obliged to provide services after this date, a suitable proportion of income is deferred and recognised over the life of the relevant contracts to ensure that the revenue appropriately reflects the cost of fulfilment of these obligations. Credit referencing income is recognised immediately following the provision of the service. Profit commission is recognised when notified which is earlier of receipt or confirmation.

Marketing contributions are received in advance of premium being written on behalf of the insurers. The income is deferred and then recognised in line with the volume of premium written or when it is guaranteed as non-refundable.

The deferred marketing contribution income as at 31 December 2007 included an element of non refundable marketing contribution income. During the year the company released this non refundable income to the profit and loss account. The effect of this was to increase turnover for the year. The remaining deferred marketing contribution income continues to be earned in line with volume of premium written but at a lower percentage rate. This is a change in estimation technique and does not constitute a change in accounting policy.

Notes

(forming part of the financial statements)

1 Accounting policies *(continued)*

Own shares held by CCV Trustees Ltd

CCV Trustees Ltd was incorporated in 2007 to be run as an employee stock ownership plan (ESOP). Transactions of the Company-sponsored employee stock ownership plan trust are treated as being those of the Company and are therefore reflected in the parent company and group financial statements. In particular, the trust's purchases of shares in the Company are debited directly to equity.

Cash and Liquid resources

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash, government securities and investments in money market managed funds).

Insurance transactions, client money and insurer money

The group records on its balance sheet amounts due to and from clients and insurers, and money held on behalf of clients and insurers in relation to the insurance transactions that the company handles on behalf of those parties. In accordance with the requirements of the Financial Services Authority, client money is held in bank accounts governed by Trust Deeds established for the benefit of such clients. Insurer money is held in accordance with the agreements in place between the insurer and the company. Amounts held in trust cannot be called upon on insolvency of the company, however interest received on all of these cash balances is recognised and reflected as revenue in these financial statements as the company has the right to such interest in accordance with the terms of business agreed with clients and insurers. The cash at bank balances presented in these financial statements represent the aggregation of the money held for the benefit of the company, client and insurers.

2 Turnover

Segmental analysis:

	2008 Turnover £	2007 Turnover £
By activity		
Insurance Broking	**41,956,050**	12,820,460
Credit Referencing	**2,548,587**	419,775
	44,504,637	13,240,235

Included within brokerage is marketing contribution income of £7,207,828 recognised during the year (2007: £2,361,515)

	2008 Turnover £	2007 Turnover £
By geographical market		
United Kingdom	**43,070,167**	13,240,235
Channel Islands	**1,434,470**	-
	44,504,637	13,240,235

3 Profit on ordinary activities before taxation

		Year 2008 £	Year 2007 £
Profit on ordinary activities before taxation is stated after charging:			
Depreciation and other amounts written off tangible fixed assets:			
	- owned	**574,918**	100,227
	- leased	**55,667**	6,792
Operating leases	- land and buildings	**759,770**	148,886
	- other	**101,739**	1,604
Amortisation of goodwill		**2,684,813**	654,260
(Loss) / Profit on disposal of fixed assets		**(477)**	5,792
Costs relating to office closures		**211,571**	-
Transaction costs relating to financing		**269,709**	269,709
Auditors' Remuneration:			
	- Audit of these financial statements	**23,190**	19,325
	- Audit of financial statements of subsidiaries	**262,500**	88,938
	- Other services pursuant to legislation	**90,628**	27,000
	- All other services	**291,839**	-

Notes *(continued)*

4 Remuneration of directors

	Year 2008	Year 2007
Total remuneration of all directors	**£**	£
Directors' emoluments	**4,222,225**	557,875
Company contributions to money purchase pension schemes	**32,364**	31,337
	4,254,589	589,212
Remuneration of the highest paid director	**£**	£
Directors' emoluments	**3,203,198**	331,825
Company contributions to money purchase pension schemes	**-**	24,333
	3,203,198	356,158

	Number of Directors Year 2008	Number of directors Year 2007
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**2**	2

All directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Notes *(continued)*

5 Staff numbers and costs

The average number of persons employed by the company during the year, analysed by category, was as follows:

	Number of employees		Number of employees	
	Year 2008 Group	Year 2007 Group	**Year 2008 Company**	Year 2007 Company
Administration	**128**	40	**16**	10
Brokerage	**297**	104	**-**	-
Referencing	**56**	-	**-**	-
Management	**48**	18	**12**	3
Total	**529**	162	**28**	13

The aggregate payroll costs, including directors, were as follows:

	Year 2008 Group £	Year 2007 Group £
Wages and salaries	**19,934,622**	5,048,689
Social security costs	**2,080,544**	589,022
Other pension costs	**673,227**	211,169
	22,688,393	5,848,880

6 Other interest receivable and similar income

	Year 2008 Group £	Year 2007 Group £
Bank interest	**840,024**	616,218
Other	**176,901**	142,787
	1,016,925	759,005

Notes *(continued)*

7 Interest payable

	Year 2008	Year 2007
	Group	Group
	£	£
Bank interest	**3,959,655**	1,518,480
Other	**157,645**	53,484
	4,117,300	1,571,964

8 Taxation

Analysis of charge in year	Year 2008	Year 2007
	£	£
UK corporation tax	**2,591,900**	1,206,068
Share of associates' current tax	**72,493**	65,798
Total current tax	**2,664,393**	1,271,866
Deferred tax (see note 15)	**(15,351)**	6,809
Tax on profit on ordinary activities	**2,649,042**	1,278,675

The current tax charge for the year is higher (prior year: higher) than the standard rate of corporation tax in the UK (28.5%, prior year: 30%). The differences are explained below.

	Year 2008	Year 2007
	£	£
Current tax reconciliation		
Profit on ordinary activities before taxation	**6,046,752**	3,174,411
Current tax at 28.5% (2007: 30%)	**1,723,324**	952,323
Effects of:		
Adjustments relating to prior periods	**13,004**	48,863
Expenses not deductible for tax purposes	**561,663**	65,090
Amortisation	**280,239**	196,278
Depreciation in excess of capital allowances	**12,505**	10,835
Increased tax rates in subsidiaries acquired	**18,996**	-
Profit on disposal of fixed assets	**(478)**	(1,523)
Roll over relief on profit on disposal of property	**5,000**	-
Non-taxable income	**50,140**	-
Total current tax charge (see above)	**2,664,393**	1,271,866

Notes *(continued)*

8 Taxation (continued)

Factors affecting future tax charges:

Future tax charges may be affected by the degree to which amortisation of goodwill is not allowable for tax purposes.

9 Intangible fixed assets

	Group Goodwill
Cost	**£**
At 1 January 2008	19,801,422
Additions	50,269,322
Reduction in deferred consideration	(1,404,562)
Reduction in consideration for prior period acquisitions	(437,516)
At 31 December 2008	**68,228,666**
Amortisation	
At 1 January 2008	771,176
Charge for year	2,684,813
At 31 December 2008	**3,455,989**
Net book value	
At 31 December 2008	**64,772,677**
At 31 December 2007	19,030,246

All Goodwill arising on acquisition is amortised over a 20 year period.

The reduction in consideration for prior period acquisitions relates to a reduction in the original consideration paid to purchase several businesses from the original vendor, Towergate Underwriting Group Limited ("TUGL"), to which the company is related by way of common control.

The reduction in deferred consideration represents the difference between the amounts of deferred consideration payable as, previously estimated by the Directors, and the amounts actually paid or expected to be paid.

10 Tangible fixed assets

Group	Leasehold improvements	Computer hardware	Computer software	Fixtures & fittings	Freehold Property	Furniture & equipment	Motor vehicles	Total
	£	£	£	£	£	£	£	£
Cost								
At 1 January 2008	15,021	162,983	58,897	80,237	-	144,474	66,237	527,849
Transfers on acquisitions	5,622	281,982	690,905	153,587	38,298	36,771	75,845	1,283,010
Additions	52,315	907,708	446,682	89,552	-	206,379	12,694	1,715,330
Disposals	-	(155,143)	-	(11,941)	-	(11,821)	(82,863)	(261,768)
At 31 December 2008	**72,958**	**1,197,530**	**1,196,484**	**311,435**	**38,298**	**375,803**	**71,913**	**3,264,421**
Depreciation								
At 1 January 2008	2,850	27,662	35,294	7,348	-	32,523	25,118	130,795
Depreciation on disposal	-	(71,906)	-	-	-	(1,442)	(21,194)	(94,542)
Charge for year	8,469	291,483	113,623	34,553	4,257	146,462	31,738	630,585
At 31 December 2008	**11,319**	**247,239**	**148,917**	**41,901**	**4,257**	**177,543**	**35,662**	**666,838**
Net book value								
At 31 December 2008	**61,639**	**950,291**	**1,047,567**	**269,534**	**34,041**	**198,260**	**36,251**	**2,597,583**
At 31 December 2007	12,171	135,321	23,603	72,889	-	111,951	41,119	397,054

Included in the total net book value of motor vehicles and equipment is £161,633 (2007: £17,310) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £55,667 (2007: £6,791).

Notes *(continued)*

10 Tangible fixed assets (continued)

Company	**Computer hardware**	**Computer software**	**Fixtures and fittings**	**Total**
Cost	**£**	**£**	**£**	**£**
At 1 January 2008	13,611	13,015	4,246	30,872
Additions	376,488	119,767	28,714	524,969
At 31 December 2008	**390,099**	**132,782**	**32,960**	**555,841**
Depreciation				
At 1 January 2008	2,741	2,819	1,044	6,604
Charge for year	51,766	16,843	3,468	72,077
At 31 December 2008	**54,507**	**19,662**	**4,512**	**78,681**
Net book value				
At 31 December 2008	**335,592**	**113,120**	**28,448**	**477,160**
At 31 December 2007	10,870	10,196	3,202	24,268

Notes *(continued)*

11 Investments

	Interests in associated undertakings £
Group	
Cost	
At beginning of year	5,344,044
Additions	1,372,181
At end of year	6,716,225
Share of post acquisition reserves	
At beginning of year	153,530
Retained profits less losses	186,411
Dividends Received	(791,117)
At end of year	(451,176)
Net book value	
At 31 December 2008	**6,265,049**
At 31 December 2007	5,344,044

	Shares in Group undertakings £	Participating interests £	Total £
Company			
Cost at 1 January 2008	19,306,566	5,336,702	24,643,268
Additions	26,276,207	1,374,531	27,650,738
Reduction in deferred consideration	(1,404,562)	-	(1,404,562)
Impairment of investments hived up	(1,035,831)	-	(1,035,831)
Net book value			
At 31 December 2008	**43,142,380**	**6,711,233**	**49,853,613**
At 31 December 2007	19,306,566	5,336,702	24,643,268

During the year several of the company's subsidiary undertakings transferred their brokerage business together with the underlying assets and liabilities to fellow subsidiary undertakings within the group headed by the company. Accordingly the investments in these companies have been impaired to their recoverable amounts.

The reduction in deferred consideration represents the difference between the amounts of deferred consideration payable as, previously estimated by the Directors, and the amounts actually paid or expected to be paid.

The net book value of participating interests comprises of interests in associates only.

Notes ***(continued)***

11 Fixed asset investments *(continued)*

The undertakings in which the Group's interest at the year end is more than 20% and are actively trading are as follows:

	Country of Incorporation	**Principle activity**
CCV Risk Solutions Limited	England	Insurance broking
Roundcroft Limited	England	Holding Company
Richard V Wallis & Co Limited *	England	Insurance broking
Moffatt & Co Limited	England	Insurance broking
Fenton Insurance Solutions Limited (85% owned)	England	Insurance broking
Oyster Property Insurance Specialists Limited (67% owned)	England	Insurance broking
Milburn Insurance Services Limited	England	Insurance broking
Arthur Marsh & Son Limited (95.564% owned)	England	Insurance broking
Smith and Pinching General Insurance Services Limited (30% owned)	England	Insurance broking
Crawford Davis Insurance Consultants Limited	England	Insurance broking
Managing Agents Reference Assistance Services Limited (85% owned)	England	Credit referencing & Insurance broking
Morgan Law (Holdings) Limited (40% owned)	England	Holding company
Morgan Law Limited (40% owned)*	England	Insurance broking
Chorlton Cloughley Group Limited (91.6%)*	England	Insurance broking
CCG Financial Services Limited (91.6%)*	England	Insurance broking and financial advice
Berkeley Alexander Limited	England	Insurance broking
Protectagroup Acquisitions Limited (93.4%)	England	Holding company
Protectagroup Limited (93.4%)*	England	Insurance broking
Culver Insurance Brokers Limited (93.4%)* (name changed to Protectagroup (CIB) Limited on 05/02/09)	England	Insurance broking
HLI (UK) Limited *	England	Insurance broking
Four Counties Insurance Brokers Limited (95%)*	England	Insurance broking
Cox Lee and Company Limited	England	Insurance broking
Capital and County Insurance Brokers Limited (30%)	England	Insurance broking
Moray Firth Insurance Brokers Limited (90%)	Scotland	Insurance broking
CCV Trustees Limited	England	Trust

Except where indicated, 100% of the voting rights are held directly or indirectly by Cullum Capital Ventures Limited.
* (denotes indirect holding).

Notes *(continued)*

11 Fixed asset investments *(continued)*

Interests in associate undertakings

The group has interests in associate undertakings where the share holding is greater than 20%. The unaudited financial results for these entities, to 31 December 2008, are as follows:

Group	Smith and Pinching General Insurance Services Limited		Morgan Law (Holdings) Limited		Capital and County Insurance Brokers Limited
	2008	**2007**	**2008**	**2007**	**2008**
	£	**£**	**£**	**£**	**£**
Turnover	**3,684,947**	2,047,897	**3,038,310**	541,552	**561,350**
Profit before taxation	**604,316**	279,040	**837,197**	149,609	**54,077**
Taxation	**(169,208)**	(83,712)	**(234,415)**	(44,883)	**(15,142)**
Profit after tax	**435,108**	195,328	**602,782**	104,726	**38,935**

	Smith and Pinching General Insurance Services Limited		Morgan Law (Holdings) Limited		Capital and County Insurance Brokers Limited
	as at 31 December 2008	as at 31 December 2007	**as at 31 December 2008**	as at 31 December 2007	**as at 31 December 2008**
	£	£	**£**	£	**£**
Fixed assets	**417,378**	409,476	**200,301**	290,730	**1,843,707**
Current assets	**1,396,424**	1,291,692	**3,339,511**	3,743,215	**810,611**
Liabilities due within one year	**(941,091)**	(1,008,887)	**(3,096,077)**	(3,073,713)	**(299,028)**
Liabilities due after one year	**-**	-	**(5,000)**	(90,000)	**(193,380)**
Net assets	**872,711**	692,281	**438,735**	870,232	**2,161,910**

Notes *(continued)*

12 Debtors

	Group 2008 £	Group 2007 £	**Company 2008 £**	Company 2007 £
Insurance debtors	**15,678,736**	8,209,526	**-**	-
Other debtors	**495,023**	20,037	**117,814**	2,043,827
Prepayments and accrued income	**781,340**	342,395	**187,230**	48,089
Amounts due from associates	**249,912**	581,174	**249,912**	581,174
Amounts owed by group undertakings	**-**	-	**45,230,453**	4,370,761
	17,205,011	9,153,132	**45,785,409**	7,043,851

13 Creditors: amounts falling due within one year

	Group 2008 £	Group 2007 £	**Company 2008 £**	Company 2007 £
Obligations under finance leases and hire purchase contracts	**31,946**	10,318	**-**	-
Insurance and trade creditors	**22,856,445**	9,495,687	**-**	-
Amounts owed to group undertakings	**-**	-	**42,934,618**	6,104,171
Corporation tax	**2,333,831**	1,532,694	**-**	-
Other taxation and social security	**563,533**	348,255	**70,887**	62,181
Other creditors	**3,623,572**	2,271,903	**381,729**	1,785,211
Accruals	**3,559,532**	1,296,032	**863,464**	799,994
Deferred consideration*	**7,062,348**	5,473,966	**4,252,277**	4,456,331
Bank Loan*	**11,121,384**	701,584	**11,121,384**	701,584
Loan Notes*	**702,741**	-	**637,500**	-
Deferred income	**4,895,158**	9,830,660	**6,254,055**	9,627,886
	56,750,490	30,961,099	**66,515,914**	23,537,358

14 Creditors: amounts falling due after one year

	Group 2008 £	Group 2007 £	**Company 2008 £**	Company 2007 £
Bank loans *^	**44,485,537**	13,330,087	**44,485,537**	13,330,087
Obligations under finance lease and hire purchase contracts	**45,118**	2,539	**-**	-
Deferred consideration*	**1,450,530**	1,324,790	**1,450,530**	1,324,790
	45,981,185	14,657,416	**45,936,067**	14,654,877

Notes *(continued)*

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

Analysis of debt

At 31 December: Being those items in notes 13 and 14 marked by *	**Group 2008 £**	Group 2007 £	**Company 2008 £**	Company 2007 £
Within one year	**19,159,688**	6,255,280	**16,284,376**	5,237,645
Between one year and two years	**12,845,129**	4,450,046	**12,845,129**	4,450,046
In the third to fifth years	**34,183,796**	9,375,767	**34,183,796**	9,375,767
Over five years	**-**	2,343,941	**-**	2,343,941
	66,188,613	22,425,034	**63,313,301**	21,407,399
Less capitalised loan costs	**(1,366,073)**	(1,594,607)	**(1,366,073)**	(1,594,607)
	64,822,540	20,830,427	**61,947,228**	19,812,792

^A term loan of £56,972,994 has been drawn from a facility of £81,000,000, which was used to finance acquisitions. The loan is repayable in instalments. Interest was originally charged between LIBOR + 2.5% and LIBOR + 3.5% on the used loan dependent on leverage and on the unused balance at the rate of 0.75% per annum.

On 28 October 2009 the group entered into a revised bank loan facility agreement with Lloyds Banking Group (previously with Bank of Scotland plc) which altered some of the above terms. Further details are provided in note 27.

The maturity of obligations under finance leases and hire purchase contracts is as follows:

At 31 December:	**Group 2008 £**	Group 2007 £
Within one year	**58,206**	12,745
In the second to fifth years	**21,065**	2,805
Over five years	**-**	-
	79,271	15,550
Less future finance charges	**(2,207)**	(2,693)
	77,064	12,857

Notes *(continued)*

15 Provisions for liabilities and charges

Deferred tax	Group £	Company £
Provision at 1 January 2008	23,804	764
Deferred tax on acquisitions	18,882	-
Effects of increase in tax rate	(2,846)	-
Charge to profit and loss account in the year	(12,505)	-
Provision at 31 December 2008	**27,335**	**764**

The deferred tax provision relates to the timing differences between accumulated depreciation, amortisation and capital allowances.

16 Acquisitions

The following acquisitions were made in the year:

	Goodwill £	Date of acquisition
Chorlton Cloughley Group Limited	2,079,701	23/01/2008
Berkeley Alexander Limited	2,247,999	13/03/2008
Protectagroup Holdings Limited	18,746,618	28/03/2008
Culver Insurance Brokers Limited	4,014,639	28/07/2008
(name changed to Protectagroup (CIB) Limited on 5 February 2009)		
HLI (UK) Limited	3,205,611	01/04/2008
Four Counties Finance Limited & Four Counties Insurance Brokers Limited	2,375,700	03/04/2008
Cox Lee and Company Limited	2,732,330	22/04/2008
Moray Firth Insurance Brokers Limited	1,042,639	31/10/2008
Insurancemeans Limited	522,491	03/04/2008
Camouse Insurance Services Limited	398,523	07/10/2008
Portfolio acquisitions consisting of:		
CCV Underwriting Sports and Leisure	5,094,050	01/01/2008
CCV Southampton	4,412,311	01/02/2008
TRS Cardiff	1,360,000	01/04/2008
CCV Jersey	1,636,710	18/04/2008
CCV Guernsey	400,000	20/06/2008
Total	**50,269,322**	

All goodwill arising on acquisition is amortised over a twenty year period.

Deferred consideration, where applicable, is payable based upon the performance of the acquired business for the 24 month period subsequent to acquisition. These sums have been provided for in full representing management's best estimate of the acquisition cost.

Notes *(continued)*

16 Acquisitions (continued)

	Chorlton Cloughley Group Limited	Berkeley Alexander Limited	Protectagroup Holdings Limited	Culver Insurance Brokers Limited	HLI (UK) Limited	Cox Lee and Company Limited	Four Counties Finance Limited & Four Counties Insurance Brokers Limited	Other Acquisitions	Portfolio Acquisitions	Total
	£	£	£	£	£	£	£	£	£	£
Fixed assets										
Tangible assets	25,284	67,711	966,966	31,553	60,207	57,564	29,767	43,958	-	**1,283,010**
Debtors	698,158	245,797	3,167,992	3,324,313	1,106,524	609,231	904,971	53,316	-	**10,110,302**
Cash	607,519	310,961	1,337,647	1,278,878	462,627	827,876	560,235	605,373	-	**5,991,116**
Total assets	1,330,961	624,469	5,472,605	4,634,744	1,629,358	1,494,671	1,494,973	702,647	-	**17,384,428**
Creditors	899,805	611,725	12,343,115	4,277,410	1,690,847	1,294,703	1,581,525	844,730	-	**23,543,860**
Provisions for liabilities and charges	21,461	-	-	-	-	42,142	-	-	-	**63,603**
Net assets / (Liabs) Acquired	409,695	12,744	(6,870,510)	357,334	(61,489)	157,826	(86,552)	(142,083)	-	**(6,223,035)**
Goodwill	2,079,700	2,110,924	18,746,616	4,014,640	3,205,611	2,732,329	2,375,701	1,963,653	13,040,148	**50,269,322**
Consideration	2,489,395	2,123,668	11,876,106	4,371,974	3,144,122	2,890,155	2,289,149	1,821,570	13,040,148	**44,046,287**
Satisfied by:										
Initial consideration	1,886,614	1,265,211	9,036,273	4,280,433	2,428,452	2,271,254	1,353,123	1,428,216	12,887,003	**36,836,579**
Deferred consideration	586,802	842,000	2,802,000	-	600,000	600,000	876,358	383,200	137,076	**6,827,436**
	2,473,416	2,107,211	11,838,273	4,280,433	3,028,452	2,871,254	2,229,481	1,811,416	13,024,079	**43,664,015**
Expenses on acquisition	15,979	16,457	37,833	91,541	115,670	18,901	59,668	10,154	16,069	**382,272**
	2,489,395	2,123,668	11,876,106	4,371,974	3,144,122	2,890,155	2,289,149	1,821,570	13,040,148	**44,046,287**

Notes *(continued)*

16 Acquisitions (continued)

Un-audited profit and loss accounts for financial year to date of acquisition.

	Chorlton Cloughley Group Limited	Berkeley Alexander Limited	Protectagroup Holdings Limited	Culver Insurance Brokers Limited	HLI (UK) Limited	Four Counties Insurance Brokers Limited	Four Counties Finance Limited	Cox Lee and Company Limited
To date of Acquisition	**Period**	**Period**	**Period**	**Period**	**Period**	**Period**	**Period**	**Period**
from	01-Apr-07	01-Nov-07	06-Apr-07	01-Jan-08	01-Jul-07	01-Jan-07	01-Jan-07	01-Sep-07
to	22-Jan-08	13-Mar-08	17-May-08	30-Jun-08	31-Mar-08	03-Apr-08	03-Apr-08	22-Apr-08
	£	£	£	£	£	£		
Turnover	1,141,051	720,832	9,680,700	779,150	1,019,121	374,271	54,596	722,159
Expenses	(872,463)	(757,616)	(10,249,259)	(763,882)	(893,462)	(320,218)	(8,928)	(651,624)
Operating profit	268,588	(36,784)	(568,559)	15,268	125,659	54,053	45,668	70,535
Profit/(loss) on ordinary activities before taxation	302,318	(31,266)	(674,650)	6,039	127,806	63,494	35,243	84,772
Tax on profit on ordinary activities	(93,829)	-	-	-	(49,935)	(26,316)	(8,395)	(18,286)
Profit/(loss) on ordinary activities after taxation	208,489	(31,266)	(674,650)	6,039	77,871	37,178	26,848	66,486
Profit/(loss) for the period	208,489	(31,266)	(674,650)	6,039	77,871	37,178	26,848	66,486
Prior	**Year**	**Year**	**Period**	**Year**	**Year**	**Year**	**Year**	**Year**
from	01-Apr-06	01-Nov-06	01-Nov-05	01-Jan-07	01-Jul-06	01-Dec-06	01-Dec-06	01-Sep-06
to	31-Mar-07	31-Oct-07	06-Apr-07	31-Dec-07	30-Jun-07	30-Nov-07	30-Nov-07	31-Aug-07
	£	£	£	£	£	£	£	£
Profit on ordinary activities before taxation	86,164	140,088	(142,455)	38,059	41,263	43,709	97,180	161,995
Profit/(loss) for the year / period	58,352	140,088	(142,455)	38,059	41,263	43,709	74,094	124,672

Notes *(continued)*

17 Called up share capital

At 31 December:	2008	2007
	£	£
Authorised		
1,107,460 Ordinary A shares of £1 each	**1,107,460**	1,107,460
30,030 Ordinary B shares of £1 each	**30,030**	30,030
10,010 Ordinary C shares of £1 each	**10,010**	10,010
	1,147,500	1,147,500
Allotted, called up and fully paid		
1,090,342 Ordinary A shares of £1 each	**1,090,342**	1,090,342
30,030 Ordinary B shares of £1 each	**30,030**	30,030
10,010 Ordinary C shares of £1 each	**10,010**	10,010
	1,130,382	1,130,382

A, B and C ordinary shares have the same rights to distribution of profits, capital and voting rights.

18 Reserves

Group	**Share premium account**	**Profit and loss account**
	£	£
At 1 January 2008	46,598	1,638,256
Profit for the year	-	3,380,700
At 31 December 2008	**46,598**	**5,018,956**

Company	**Share premium account**	**Profit and loss account**
	£	£
At 1 January 2008	46,598	(3,529,243)
Loss for the year	-	(8,736,514)
At 31 December 2008	**46,598**	**(12,265,757)**

Notes *(continued)*

19 Minority interests

	Group
	£
At 1 January 2008	205,801
New acquisitions in the year	(2,395)
Increase in subsidiary shareholding	801
Retained profit for the year	17,010
Dividends paid to minority interests	(64,811)
At 31 December 2008	**156,406**

20 Pension scheme

The Group operates defined contribution pension schemes. The pension cost charge for the year represents contributions payable by the group to the fund and amounted to £673,227 (2007: £211,169). At the year end outstanding contributions were £60,230 (31 December 2007:£20,095).

21 Operating leases

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

	Land and buildings 2008	**Other 2008**	**Total 2008**	Land and buildings 2007	Other 2007	Total 2007
Group	**£**	**£**	**£**	£	£	£
Operating leases which expire:						
Within one year	**120,162**	**33,531**	**153,693**	2,028	-	2,028
In the second to fifth year	**378,640**	**27,640**	**406,280**	55,808	1,604	57,412
Over five years	**930,388**	**8,124**	**938,512**	91,050	-	91,050
	1,429,190	**69,295**	**1,498,485**	148,886	1,604	150,490

Company
The company does not have any non-cancellable operating leases.

22 Reconciliation of operating profit to operating cashflows

Group	**Total 2008**	Total 2007
	£	£
Operating profit	**9,147,127**	3,987,370
Depreciation and amortisation charges	**3,156,458**	761,279
Loss / (Profit) on the sale of fixed assets	**477**	(5,792)
(Increase)/ Decrease in debtors	**(8,094,165)**	315,691
(Decrease) / Increase in creditors	**(681,532)**	2,126,547
Net cash inflow from operating activities	**3,528,365**	7,185,095

Notes *(continued)*

23 Analysis of cash flows

	2008	2008	2007	2007
	£	£	£	£
Returns on investment and servicing of finance				
Interest received	1,024,293		759,005	
Interest paid	(4,237,429)		(1,302,255)	
Dividends paid to minority shareholders in subsidiary undertaking	(64,811)		-	
Interest element of finance lease rental payments	(6,008)		(4,629)	
Fees relating to financing	-		(620,000)	
		(3,283,955)		(1,167,879)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(1,502,711)		(148,009)	
Proceeds from sale of fixed assets	113,072		8,000	
		(1,389,639)		(140,009)
Acquisitions and disposals				
Purchase of subsidiary undertakings	(37,314,547)		(9,632,325)	
Purchase of businesses	-		(1,154,700)	
Net cash received on acquisitions of subsidiaries	5,991,116		3,616,061	
Purchase of interest in associates'	(1,372,181)		(3,799,707)	
		(32,695,612)		(10,970,671)
Financing				
Net receipt of loans	44,800,000		10,650,000	
Payment of deferred consideration	(2,518,539)		(640,760)	
Repayments of loan capital	(3,454,450)		(474,048)	
Loan facility arrangement fees	(40,000)		-	
Issue of ordinary share capital	-		30,383	
Acquisition of own shares held in trust	-		(23,542)	
Receipt of directors loans	8,850		-	
Capital element of finance lease rental payments	(36,657)		(20,222)	
		38,759,204		9,521,811

Notes *(continued)*

24 Analysis of net funds

	At 1 January 2008	Cash flow	Acquisitions	Other non-cash changes	Total change	At 31 December 2008
	£	£	£	£	£	£
Cash at bank and in hand	14,738,880	(2,458,964)	5,991,116	-	3,532,152	18,271,032
	14,738,880	(2,458,964)	5,991,116	-	3,532,152	18,271,032
Finance leases	(12,857)	36,657	(100,864)	-	(64,207)	(77,064)
Debt due within one year	(6,175,550)	(7,784,371)	-	(4,935,402)	(12,719,773)	(18,895,323)
Debt due after one year	(14,654,877)	(31,011,490)	-	(269,700)	(31,281,190)	(45,936,067)
	(20,843,284)	(38,759,204)	(100,864)	(5,205,102)	(44,065,170)	(64,908,454)
Total	(6,104,404)	(41,218,168)	5,890,252	(5,205,102)	(40,533,018)	(46,637,422)

Cash at bank includes £10,970,274 (2007: £4,393,815) which constitutes client money and is not available to pay the general debts of the group.

Notes *(continued)*

25 Related party disclosures

Cullum Capital Ventures Ltd conducted business, on an arms length basis, with Towergate Underwriting Group Limited, a company in which Mr PG Cullum currently has a significant interest. The total of commission receivable from Towergate Underwriting Group was £6,162,925 (2007: £1,701,651) and non insurance related receipts were £NIL (2007:£nil). Insurance creditors payable at the year end were £5,194,993 (31 December 2007: £2,551,185).

During the year Towergate Partnership Limited settled to third party suppliers incidental expenses on behalf of the Group. During the year Cullum Capital Ventures Limited was charged £3,489,840 (2007: £3,229,147) by Towergate Partnership Limited relating to these disbursements. The creditor payable at the end of the year was £154,202 (2007: £1,706,517).

Cullum Capital Ventures Limited conducted business, on an arms length basis, with Open GI Limited, a company in which Mr PG Cullum currently has a significant interest. During the year the group purchased software from Open GI Limited. The total amount invoiced by Open GI Limited was £339,115. Amounts owed to Open GI Limited at the year end totalled £nil. (2007: £nil)

Cullum Capital Ventures Limited made short term loans, on a commercial basis, to Paymentshield Limited, a company in which Mr PG Cullum currently has a significant interest. The interest received on these loans was £176,339 (2007: £76,875) and transaction costs of £nil (2007: £42,500) were incurred. The amount outstanding at the end of the year was £nil (2007:£2,006,219).

During the year Cullum Capital Ventures Limited paid discretionary bonuses to several directors of Towergate Partnership Limited and/or Towergate Underwriting Group Limited. Amounts paid during the year totalled £135,000 (2007: £nil). The amounts outstanding at the year end were £nil (2007: £nil).

Mr PG Cullum currently has a significant interest in Broker Continuity Planning Limited, a company that provides disaster recover facilities. During the year Broker Continuity Planning Limited has charged £NIL (2007:£23,133) on commercial terms.

During the year Mr TD Johnson loaned a sum of £8,850 to the company. Mr TD Johnson did not receive any interest in respect of this loan during the year. At the end of the year £8,850 was outstanding in respect of this loan.

26 Controlling party

Mr PG Cullum, the Chairman, is the controlling party by virtue of his controlling interest in the share capital of Cullum Capital Ventures Limited.

27 Post Balance Sheet Event

On 28 October 2009 the group entered into a revised bank loan facility agreement with Lloyds Banking Group (previously with Bank of Scotland plc). This was a result of negotiations which took place after the balance sheet date.

Under the revised agreement the repayment schedule was altered so that the group will now repay 50% (£5,697,299) less on the instalments due in 2009 and 25% less (£2,848,650) on the instalments due in 2010. The original financial covenants were also amended for measurement periods to 31 December 2010.

The interest charged on the loan has been increased by a margin of up to 0.75% for the remainder of the facility. An additional interest charge of 1% has been levied on all outstanding debt as at 30 June 2009 and is payable in instalments to 30 June 2010.

28 Contingent assets and liabilities

a) Bank guarantee

A guarantee and debenture have been granted over the shares and the assets of the Company in favour of Lloyds Banking Group (previously with Bank of Scotland Plc), under the terms of which all monies due or which may become due from the company, or other group companies listed below, to Lloyds Banking Group are guaranteed. The amount due by the group companies at 31 December 2008 was £56,972,994, (2007: £15,626,278). Further details of the aggregate liabilities due by group companies to Lloyds Banking Group are set out in the financial statements of the parent company. The group companies involved include principally:

Cullum Capital Ventures Limited
CCV Risk Solutions Limited
Roundcroft Limited
Richard V Wallis & Co Limited
Moffatt & Co Limited
Fenton Insurance Solutions Limited
Milburn Insurance Services Limited
Arthur Marsh & Son Limited
Knowmaster Limited
Managing Agents Reference Assistance Services Limited
Oyster Property Insurance Specialists Limited
Dawson Pennington & Company Limited
Berkeley Alexander Limited
Protectagroup Holdings limited
Protectagroup Acquisitions Limited
Hodge Insurance Brokers Limited
Protectagroup Limited
Protectagroup Club Card Limited
Four Counties Finance Limited
Four Counties Insurance Brokers Limited
Cox Lee & Co Limited
Chorlton Cloughley Group Limited
CCG Financial Services Limited
Culver Insurance Brokers Limited
CCV Letting Agents Solutions Limited

b) Marketing contributions

The Group has received payments from a number of business partners with whom its regulated subsidiaries trade. These advances represent part of the commissions and other income forecast to be due to those subsidiaries over the next three years as a result of their normal trading activities. These payments may be adjusted in either parties' favour based on the actual levels of business over the three year period.

As the business only takes these advances to income as they are earned, any future liabilities remain provided for on the balance sheet.

c) Errors and omissions

In the normal course of business, the company may receive claims in respect of errors and omissions. No material adverse financial impact is expected to arise from these claims.

d) Contingent consideration

During the year the company purchased the Sports and Leisure Underwriting portfolio from Towergate Underwriting Group Limited ("TUGL"). If Cullum Capital Ventures Limited or CCV Risk Solutions Limited is listed or sold then an additional amount of consideration may be payable for the "Sports and Leisure" portfolio. In light of current market conditions the Directors feel it is better to consider a range of estimates for this amount. Using valuation multiples in the range of 6-8 times EBITDA the Directors estimate the amount payable to TUGL would be in the region of £Nil to £680,000.