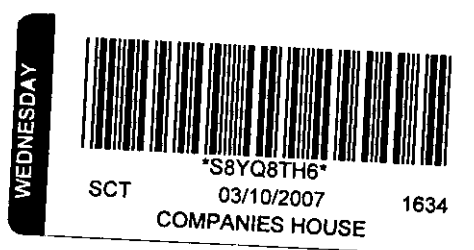


GILES HOLDINGS LIMITED

Report and Financial Statements

Year ended 31 August 2006



GILES HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS 2006

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GILES HOLDINGS LIMITED

OFFICERS AND PRINCIPAL ADVISERS

DIRECTORS

C M Giles
D G Gardner

SECRETARY

D G Gardner

REGISTERED OFFICE

Floor 7
Spectrum House
55 Blythwood Street
Glasgow
G2 7AT

INDEPENDENT AUDITORS

Deloitte & Touche LLP
Glasgow

BANKERS

Clydesdale Bank plc
150 Buchanan Street
Glasgow
G1 2HL

SOLICITORS

Dundas & Wilson LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EN

GILES HOLDINGS LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the company for the year ended 31 August 2006

REVIEW OF BUSINESS

The principal activity of the company during the year was that of a holding company. The principal activity of the subsidiary companies is insurance broking.

During the period a direct subsidiary of the company, Giles Insurance Brokers Limited, acquired the entire share capital of MCIS Holdings Limited.

During the period the entire share capital of the company was purchased by Quillco 227 Limited, a subsidiary of Quillco 226 Limited, a company incorporated in Scotland.

RESULTS AND DIVIDENDS

The company did not trade in the current or preceding financial year. The results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The loss for the year was £58,000 (2005: Loss of £218,000).

The directors have not recommended the payment of a dividend (2005: nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The company is exposed to a number of financial risks including market risk, regulatory risk and credit risk as a result of the trading of its subsidiary companies during the period.

Market Risk

The subsidiary companies were affected in the period by the insurance market cycle. The subsidiary companies tackled this risk by developing new business initiatives and through ongoing supplier negotiations. A further market risk is the strengthening of the supply base. The subsidiary companies ensured the supply base was appropriate by regular monitoring and assessment of insurer credit ratings.

Regulatory Risk

The regulatory environment is set by the Financial Services Authority ("FSA"). The subsidiary companies operated a fully resourced compliance department reporting directly to the Group Chief Executive.

Credit Risk

Credit risk was negated by the company ensuring that it receives cash in respect of premiums from clients before paying these premiums to insurers.

Liquidity Risk

Liquidity risk is addressed on a group basis by ensuring sufficient appropriate funding is in place to pay liabilities as they fall due.

DIRECTORS

The directors who served the company during the year were as follows:

C M Giles

D G Gardner

N Giles

D Pentleton

(resigned 10 July 2006)

(resigned 1 December 2005)

GILES HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

AUDITORS

French Duncan LLP resigned as auditor on 29 June 2006. Deloitte and Touche LLP were subsequently appointed to fill the vacancy.

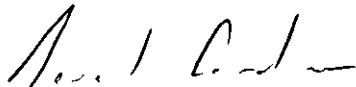
In the case of each of the persons who are directors of the company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware, and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte & Touche LLP expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed by order of the Board



D G Gardner
Company Secretary

17 September 2007

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 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,
- 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 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GILES HOLDINGS LIMITED

We have audited the financial statements of Giles Holdings Limited for the year ended 31 August 2006 which comprise the profit and loss account and balance sheet and the related notes 1 to 16. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and 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 company's circumstances, consistently applied and adequately disclosed.

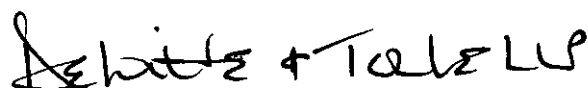
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GILES HOLDINGS LIMITED (CONTINUED)


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 as at 31 August 2006 and of its loss 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



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Glasgow
United Kingdom

 September 2007

GILES HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 August 2006

	Note	2006 £'000	2005 £'000
Administrative expenses			(147)
OPERATING LOSS	2		(147)
Interest receivable			
Interest payable and similar charges	4	(58)	(71)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(58)	(218)
Tax on loss on ordinary activities	5		
RETAINED LOSS FOR THE FINANCIAL YEAR		(58)	(218)

All of the activities of the company are classed as continuing

There are no recognised gains or losses for the current or prior year other than as stated in the profit and loss account
Accordingly, no statement of total recognised gains and losses has been presented

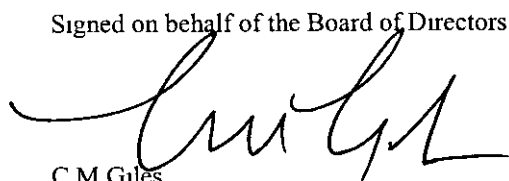
GILES HOLDINGS LIMITED

BALANCE SHEET At 31 August 2006

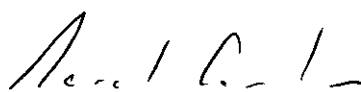
	Note	2006 £'000	2005 £'000
FIXED ASSETS			
Investments	6	20,640	9,240
CREDITORS: amounts falling due within one year	7	<u>(15,919)</u>	<u>(1,601)</u>
NET CURRENT LIABILITIES		<u>(15,919)</u>	<u>(1,601)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,721</u>	<u>7,639</u>
CREDITORS: amounts falling due after more than one year	8	<u></u>	<u>(2,860)</u>
TOTAL ASSETS LESS TOTAL LIABILITIES		<u>4,721</u>	<u>4,779</u>
CAPITAL AND RESERVES			
Called up share capital	10	1	1
Other reserves	11	5,081	5,081
Profit and loss account	12	<u>(361)</u>	<u>(303)</u>
SHAREHOLDERS' FUNDS	13	<u>4,721</u>	<u>4,779</u>

These financial statements were approved by the Board of Directors on 17 September 2007

Signed on behalf of the Board of Directors



C M Giles
Chairman & Chief Executive



D G Gardner
Finance Director

GILES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2006

1. ACCOUNTING POLICIES

Basis of accounting

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

Consolidation

The company was, at the end of the year, a wholly owned subsidiary of another company incorporated in the EEA and in accordance with Section 228 of the Companies Act 1985, is not required to produce, and has not published, consolidated accounts

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard ("FRS") No 1 "Cash Flow Statements (Revised 1996)" from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement

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 the balance sheet date that will result in an obligation to pay more, or a right to pay less tax, in the future

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

2. OPERATING LOSS

	2006 £'000	2005 £'000
Operating loss is stated after charging.		
Provision against bad debts		142
Audit Fee		5

The total remuneration payable, excluding VAT, to its auditors, Deloitte & Touche LLP, in respect of the audit of these accounts is £4,000, and in respect of the preparation of the tax computation is £1,000. These costs have been borne and paid for by Giles Insurance Brokers Limited, a subsidiary company

3. DIRECTORS AND EMPLOYEES

Directors Emoluments

The members of the Board of Directors are listed on page 1 of these financial statements. The directors are remunerated by Giles Insurance Brokers Limited, a subsidiary of Giles Holdings Limited. Details of their emoluments are given in the financial statements of Giles Insurance Brokers Limited. The directors do not consider it practical to allocate the percentage of their remuneration to Giles Holdings Limited.

Employees

There are no administrative staff employed directly by Giles Holdings Limited

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £'000	2005 £'000
Loan note interest	58	71

GILES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 August 2006

5. TAXATION ON ORDINARY ACTIVITIES

a) Analysis of charge in the year

	2006 £'000	2005 £'000
Current tax		
UK Corporation tax based on the results for the year at 30% (2005 – 30%)		
Total current tax		

b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2005 – 30%)

	2006 £'000	2005 £'000
Loss on ordinary activities before taxation	(58)	(218)
Loss on ordinary activities by rate of tax	(17)	(65)
Expenses not deductible for tax purposes		44
Movement in short term timing differences		17
Tax losses not utilised in the period	15	
Group relief surrendered		
Group relief	2	4
Total current tax (note 5(a))		

6 INVESTMENTS

Company

	Investments in subsidiaries £'000
COST	
At 1 September 2005	9,240
Additions	11,400
At 31 August 2006	20,640
NET BOOK VALUE	
At 31 August 2006	20,640
At 31 August 2005	9,240

GILES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 August 2006

6. INVESTMENTS (CONTINUED)

At 31 August 2006 the company held the entire issued share capital of the following companies

Name of Company	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business	Aggregate share capital and reserves £'000	Profit/(loss) for the year £'000
Giles Insurance Brokers Limited	Scotland	Ordinary shares	100%	Insurance Brokers	11,618	(1,544)
MCIS Holdings Limited	England	Ordinary shares	100%	Holding company		(87)
MCIS Limited	England	Ordinary shares	100%	Non trading	2,900	2,364
BJK Insurance Brokers Limited	England	Ordinary shares	100%	Non trading	1,800	1,481
Maybury & Maybury Limited	England	Ordinary shares	100%	Non trading		6
Giles Plus Services Limited	Scotland	Ordinary shares	100%	Insurance consultants	(161)	(19)
Giles Project Risks Limited	Scotland	Ordinary shares	100%	Non trading		

7. CREDITORS: amounts falling due within one year

	2006 £'000	2005 £'000
Loan notes		450
Amounts owed to group companies	15,915	1,147
Accruals and deferred income	4	4
	<u>15,919</u>	<u>1,601</u>

During the year to 31 August 2006, the group restructured and the loan notes were redeemed

8 CREDITORS: amounts falling due after more than one year

	2006 £	2005 £
Loan Notes		2,708
Accruals and Deferred Income		152
		<u>2,860</u>

During the year to 31 August 2006, the group restructured and the loan notes were redeemed

9. RELATED PARTY TRANSACTIONS

The company is a subsidiary of Quillco 226 Limited. The company has taken advantage of the exemptions available to subsidiary undertakings in FRS 8 "Related Party Disclosures" not to report transactions with other group companies on the basis that consolidated financial statements are available for the ultimate parent company.

GILES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 August 2006

10. SHARE CAPITAL

Authorised share capital:

	2006 £'000	2005 £'000
10,000,000 ordinary shares of £0.001 each	10	10

Allotted, called up and fully paid:

	2006		2005	
	No. (000s)	£'000	No. (000s)	£'000
Ordinary shares of £0.001 each	1,000	1	1,000	1

11. SHARE PREMIUM ACCOUNT

	2006 £'000	2005 £'000
Balance brought forward	5,801	5,801
	5,801	5,801

12. PROFIT AND LOSS ACCOUNT

	2006 £'000	2005 £'000
Balance brought forward	(303)	(85)
Retained loss for the financial year	(58)	(218)
Balance carried forward	(361)	(303)

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £'000	2005 £'000
Loss for the financial year	(58)	(218)
Opening shareholders' equity funds	4,779	4,997
Closing shareholders' equity funds	4,721	4,779

14. CONTINGENT LIABILITIES AND COMMITMENTS

During the year the company guaranteed by a floating charge on its net assets all sums and obligations which may be due by Quilco 227 Ltd, another group company, to its bankers. This includes, but is not limited to, a loan of £18,400,000 taken out in the year. The loan comprises two facilities. Facility A for £10,000,000 and Facility B for £8,400,000. Facility A is due to be repaid at termination date on 31 August 2011. Facility B is due to be repaid in equal quarterly amounts of £300,000 commencing on 31 May 2007 with repayment in full on 28 February 2014. The total liability of Quilco 227 Ltd at the year end was £18,400,000.

GILES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 August 2006

15. POST BALANCE SHEET EVENTS

Post year end a direct subsidiary, Giles Insurance Brokers Limited, completed the further corporate acquisitions of Calvert Glover & Co Limited, Miller Insurance Services Limited, Kerwin Smith & Co Limited, PDT Insurance Consultants Limited, Mill Hall Insurance Consultants Limited and has also purchased the trade of Richmond Insurance Brokers Limited

16. PARENT COMPANY AND ULTIMATE HOLDING COMPANY

The company is a direct subsidiary of Quillco 227 Limited which in turn is a wholly owned subsidiary of Quillco 226 Limited, a company incorporated in Scotland. A copy of the consolidated financial statements is available from the registered office noted on page 1