

COMPANY REGISTRATION NUMBER SC246391

GILES HOLDINGS LIMITED
FINANCIAL STATEMENTS
FOR
31st AUGUST 2004



FRENCH DUNCAN LLP
Chartered Accountants & Registered Auditor
375 West George Street
Glasgow
G2 4LW

GILES HOLDINGS LIMITED

FINANCIAL STATEMENTS

PERIOD FROM 25th MARCH 2003 TO 31st AUGUST 2004

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GILES HOLDINGS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	C M Giles – <i>Chairman & Chief Executive</i> N J Giles D G Gardner D Pentleton
Company secretary	Derek Gardner
Registered office	35 - 47 Bank Street Irvine KA12 0LN
Auditors	French Duncan LLP Chartered Accountants & Registered Auditor 375 West George Street Glasgow G2 4LW
Principal Bankers	Clydesdale Bank Plc Corporate Banking 150 Buchanan Street Glasgow G1 2HL

GILES HOLDINGS LIMITED

THE DIRECTORS' REPORT

PERIOD FROM 25th MARCH 2003 TO 31st AUGUST 2004

The directors present their report and the financial statements of the group for the period from 25th March 2003 to 31st August 2004.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company was incorporated on 25th March 2003.

On incorporation the company's name was Macnewco Ninety Seven Limited, which was changed on 11th July 2003 to Giles Holdings Limited.

The company passed Resolutions on 24th October 2003 to amend the company's issued and authorised share capital and then on 29th October 2003 under a re-organisation it acquired the shares in its subsidiary, Giles Insurance Brokers Limited ("Giles").

The principal activity of the company during the period was that of a holding company. The principal activities of its subsidiary companies were that of insurance brokering and independent financial advisors. The company did not trade in the period.

Giles in the period to 31st August 2004 continued its acquisition programme with the completion of four acquisitions; Hamroy Insurance Development Limited and Hamroy Financial Services Limited in Birmingham, Bundoora Limited and MacFarlane Bruce Limited in Inverness and Maybury & Maybury Limited in Bath. All acquisitions have delivered budgeted turnover and contribution levels.

The progress noted above has continued post August 2004. Turnover growth continues. Glasgow, Birmingham and Ayr offices have been relocated. Giles opened its first office in the City of London and the company is seeking to gain Lloyd's Accreditation in the near future.

The directors are confident that the year to 31st August 2005 will report continued turnover growth and progress towards the company's strategic aim of building a national commercially focused insurance and financial services business.

RESULTS AND DIVIDENDS

The trading results for the period and the group's financial position at the end of the period are shown in the attached financial statements.

The directors have not recommended a dividend.

GILES HOLDINGS LIMITED**THE DIRECTORS' REPORT** *(continued)***PERIOD FROM 25th MARCH 2003 TO 31st AUGUST 2004****THE DIRECTORS AND THEIR INTERESTS IN THE SHARES OF THE COMPANY**

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

		Ordinary Shares of £0.001 each	
		At	At
		31 August 2004	25 March 2003 or later date of appointment
C M Giles	(Appointed 24th October 2003)	700,000	—
N J Giles	(Appointed 24th October 2003)	100,000	—
D Gardner	(Appointed 24th October 2003)	—	—
D Pentleton	(Appointed 24th October 2003)	—	—

P Thomson served as a director from 24th October 2003 to 3rd November 2004.

J H White served as a director from 25th March 2003 to 24th October 2003.

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 group at the end of the period and of the profit or loss for the period then ended.

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

select suitable accounting policies, as described on pages 13 and 14, and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

EMPLOYEE INVOLVEMENT

It is the company policy that there should be effective communication with employees at all levels, on matters which affect their current jobs or future prospects. In achieving this policy, the directors are aware of the need to take account of the practical and commercial considerations of the company, and of the needs of the employees.

GILES HOLDINGS LIMITED

THE DIRECTORS' REPORT *(continued)*

PERIOD FROM 25th MARCH 2003 TO 31st AUGUST 2004

DISABLED EMPLOYEES

The policy of the company with regard to disabled persons is to give full and fair consideration to all applicants for employment and to all employees in relation to promotion. Wherever possible, employees who become disabled during their employment are offered suitable alternative employment.


AUDITORS

French Duncan were appointed auditors in the period. French Duncan have advised us that as of 1st May 2005 they transferred their entire business to French Duncan LLP. Accordingly their existing appointment terminated on 30th April 2005.

The directors have appointed French Duncan LLP as auditors with effect from 1st May 2005 and that appointment will fall to be confirmed at the annual general meeting.

Registered office:
35 - 47 Bank Street
Irvine
KA12 0LN

Signed by order of the directors



D G GARDNER
Company Secretary

Approved by the directors on 8th July 2005

GILES HOLDINGS LIMITED**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
GILES HOLDINGS LIMITED****PERIOD FROM 25th MARCH 2003 TO 31st AUGUST 2004**

We have audited the financial statements on pages 7 to 31 which have been prepared under the historical cost convention and the accounting policies set out on pages 13 and 14.

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 DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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.

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.

GILES HOLDINGS LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
GILES HOLDINGS LIMITED *(continued)***

PERIOD FROM 25th MARCH 2003 TO 31st AUGUST 2004

OPINION

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and group as at 31st August 2004 and of its loss for the period then ended, and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'French Duncan LLP', is written over a horizontal line.

375 West George Street
Glasgow
G2 4LW

FRENCH DUNCAN LLP
Chartered Accountants
& Registered Auditor

8th July 2005

GILES HOLDINGS LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT****PERIOD 25th MARCH 2003 TO 31st AUGUST 2004**

	Note	Period from 25 Mar 03 to 31 Aug 04 £000
TURNOVER	2	11,485
Administrative expenses		11,517
OPERATING LOSS	3	(32)
Interest receivable		79
Interest payable	6	(214)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(167)
Tax on loss on ordinary activities	7	(156)
LOSS FOR THE FINANCIAL PERIOD	8	<u>(323)</u>

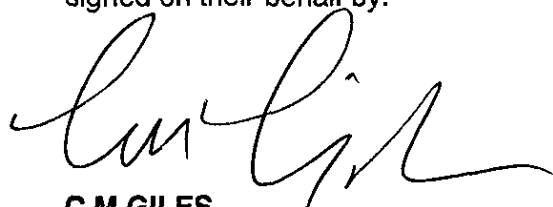
All of the activities of the group are classed as continuing.

The group has no recognised gains or losses other than the results for the period as set out above.

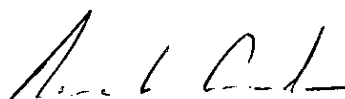
GILES HOLDINGS LIMITED
CONSOLIDATED BALANCE SHEET
PERIOD TO 31st AUGUST 2004

	Note	31 Aug 04 £000
FIXED ASSETS		
Intangible assets	9	13,103
Tangible assets	10	889
		<u>13,992</u>
CURRENT ASSETS		
Debtors	12	6,941
Cash at bank and in hand	13	2,936
		<u>9,877</u>
CREDITORS: Amounts falling due within one year	14	<u>(14,065)</u>
NET CURRENT (LIABILITIES)		<u>(4,188)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>9,804</u>
CREDITORS: Amounts falling due after more than one year	15	<u>(5,025)</u>
		<u>4,779</u>
CAPITAL AND RESERVES		
Called-up share capital	21	1
Share premium account	22	5,081
Other reserves	23	100
Profit and loss account	24	(423)
SHAREHOLDERS' FUNDS	25	<u>4,759</u>
Minority interest		<u>20</u>
		<u>4,779</u>

These financial statements were approved by the directors on the 8th July 2005 and are signed on their behalf by:



C M GILES
 Chairman & Chief Executive

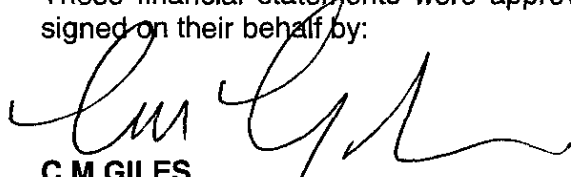


D G GARDNER
 Finance Director

GILES HOLDINGS LIMITED**BALANCE SHEET****PERIOD TO 31st AUGUST 2004**

	Note	31 Aug 04 £000
FIXED ASSETS		
Investments	11	9,240
CREDITORS: Amounts falling due within one year	14	(904)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,336</u>
CREDITORS: Amounts falling due after more than one year	15	(3,339)
		<u>4,997</u>
CAPITAL AND RESERVES		
Called-up equity share capital	21	1
Share premium account	22	5,081
Profit and loss account	24	(85)
SHAREHOLDERS' FUNDS	25	<u>4,997</u>

These financial statements were approved by the directors on the 8th July 2005 and are signed on their behalf by:



C M GILES
Chairman & Chief Executive



D GARDNER
Financial Director

GILES HOLDINGS LIMITED**CONSOLIDATED CASH FLOW****PERIOD FROM 25th MARCH 2003 TO 31st AUGUST 2004**

		Period from 25 Mar 03 to 31 Aug 04 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES		1,986
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	79	
Interest paid	(111)	
Interest element of hire purchase	(22)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(54)
TAXATION		(218)
CAPITAL EXPENDITURE		
Payments to acquire intangible fixed assets	(1,702)	
Payments to acquire tangible fixed assets	(480)	
Receipts from sale of fixed assets	194	
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		(1,988)
		(274)
ACQUISITIONS AND DISPOSALS		
Purchase of subsidiary undertakings	(302)	
Net cash acquired with acquisitions of subsidiary undertakings	2,796	
NET CASH INFLOW FROM ACQUISITIONS AND DISPOSALS		2,494
CASH INFLOW BEFORE FINANCING		2,220
FINANCING		
Purchase of non equity shares	(100)	
Movements in loan notes	(225)	
Net movement in short term borrowings	196	
Net movement in long term borrowings	214	
Capital element of hire purchase	(151)	
NET CASH INFLOW FROM FINANCING		(66)
INCREASE IN CASH		2,154

GILES HOLDINGS LIMITED**CONSOLIDATED CASH FLOW** *(continued)***PERIOD FROM 25th MARCH 2003 TO 31st AUGUST 2004****RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	Period 25 Mar 03 to 31 Aug 04 £000
Operating loss	(32)
Amortisation	617
Depreciation	176
Loss on disposal of fixed assets	42
Write off of goodwill	94
Decrease in debtors	113
Increase in creditors	976
Net cash inflow from operating activities	1,986

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Period 25 Mar 03 to 31 Aug 04 £000	£000
Decrease in cash in the year	(642)	
Acquisition of subsidiaries	2,796	
	<u>2,154</u>	
Net cash inflow from bank loans	(410)	
Cash outflow in respect of hire purchase	151	
Cash outflow in respect of loan notes	<u>225</u>	
Change in net debt resulting from cash flows		2,120
Bank loans acquired with subsidiaries		(1,705)
New hire purchase contracts		(154)
Hire purchase contracts acquired with subsidiaries		(175)
New loan notes issued in year		<u>(3,933)</u>
Movement in net debt in the period		<u>(3,847)</u>
Net debt at 25th March 2003		-
Net debt at 31st August 2004		(3,847)

GILES HOLDINGS LIMITED**CONSOLIDATED CASH FLOW** *(continued)***PERIOD FROM 25th MARCH 2003 TO 31st AUGUST 2004****ANALYSIS OF CHANGES IN NET DEBT**

	At 25 Mar 03	Cash flows	Acquisitions	Other Changes	At 31 Aug 2004
	£000	£000	£000	£000	£000
Net cash:					
Cash in hand and at bank	—	140	2,796	—	2,936
Overdrafts	—	(782)	—	—	(782)
	<u>—</u>	<u>(642)</u>	<u>2,796</u>	<u>—</u>	<u>2,154</u>
Debt:					
Debt due within 1 year	—	(410)	(336)	214	(532)
Debt due after 1 year	—	—	(1,369)	(214)	(1,583)
Loan Notes	—	225	—	(3,933)	(3,708)
Hire purchase agreements	—	151	(175)	(154)	(178)
	<u>—</u>	<u>(34)</u>	<u>(1,880)</u>	<u>(4,087)</u>	<u>(6,001)</u>
Net debt	<u>—</u>	<u>(676)</u>	<u>916</u>	<u>(4,087)</u>	<u>(3,847)</u>

GILES HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****PERIOD FROM 25th MARCH 2003 TO 31st AUGUST 2004****1. ACCOUNTING POLICIES****Basis of accounting**

The consolidated financial statements have been prepared under the historical cost convention.

Consolidation

The group accounts consolidate the accounts of Giles Holdings Limited and its trading subsidiaries Giles Insurance Brokers Limited and Giles Financial Services Limited made up to 31st August. The company has taken advantage of Section 229(2) of the Companies Act 1985 whereby it has not included in its consolidated accounts the companies acquired by its subsidiaries in the year to 31st August 2004 on the grounds that they are not material for the purpose of giving a true and fair view. No profit and loss account is presented for the Holding Company as provided by Section 230 of the Companies Act 1985.

Turnover

Turnover of the group comprises earnings on insurance transactions recognised when policies are established for the insured parties and fees and commissions for financial services transactions received in the year.

Goodwill

Goodwill arising on the acquisition of businesses is amortised over a period of twenty years.

Goodwill arising on consolidation is amortised in the consolidated accounts over a period of twenty years.

Goodwill 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:

Freehold property	- 2% straight line
Office furniture and equipment	- 25% reducing balance
Motor vehicles	- 25% straight line
Computers	- 33 1/3% straight line
Leasehold improvements	- 33 1/3% straight line

GILES HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****PERIOD FROM 25th MARCH 2003 TO 31st AUGUST 2004****1. ACCOUNTING POLICIES** *(continued)***Hire purchase agreements**

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the Profit and Loss Account on a straight line basis.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The group operates several defined contribution pension schemes for employees. The assets of the schemes are held separately from those of the group. The annual contributions payable are charged to the Profit and Loss Account.

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 tax.

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.

Insurance debtors and creditors

Insurance debtors and creditors are shown separately in the Balance Sheet under "Debtors" and "Creditors: Amounts falling due within one year".

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the group.

The group derives all of its turnover from operations in the United Kingdom.

GILES HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****PERIOD FROM 25th MARCH 2003 TO 31st AUGUST 2004****3. OPERATING LOSS**

Operating loss is stated after charging/(crediting):

	Period from 25 Mar 03 to 31 Aug 04 £000
Amortisation	617
Depreciation on owned assets	114
Depreciation on assets held under hire purchase agreements	62
Loss on disposal of assets	42
Auditors' remuneration	
- as auditors	4
Operating lease costs:	
- land and buildings	334
- plant and machinery	23
	<u> </u>

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the group during the financial period amounted to:

	Period from 25 Mar 03 to 31 Aug 04 No.
Administrative staff	291
Directors	4
	<u> </u>
	295
	<u> </u>

The aggregate payroll costs of the above were:

	£000
Wages and salaries	6,422
Social security costs	795
Pension costs	136
	<u> </u>
	7,353
	<u> </u>

GILES HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****PERIOD FROM 25th MARCH 2003 TO 31st AUGUST 2004****5. DIRECTORS' EMOLUMENTS**

The directors' aggregate emoluments in respect of qualifying services were:

	Period from 25 Mar 03 to 31 Aug 04 £000
Emoluments receivable	856
Value of group pension contributions to money purchase schemes	19
	<u>875</u>

Emoluments of highest paid director:

	£000
Total emoluments (excluding pension contributions):	378
Value of group pension contributions to money purchase schemes	7
	<u>385</u>

The number of directors who are accruing benefits under group pension schemes was as follows:

	No.
Money purchase schemes	<u>4</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Period from 25 Mar 03 to 31 Aug 04 £000
Interest payable on bank borrowing	110
Finance charges	22
Loan note interest	81
Other similar charges payable	1
	<u>214</u>

GILES HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****PERIOD FROM 25th MARCH 2003 TO 31st AUGUST 2004****7. TAX ON LOSS ON ORDINARY ACTIVITIES****(a) Taxation**

**Period from
25 Mar 03 to
31 Aug 04
£000**

Current tax:

In respect of the period:

UK Corporation tax based on the results for the
period at 30%

156

Total current tax

156**(b) Factors affecting current tax charge**

The tax assessed on the loss on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 30%.

**Period from
25 Mar 03 to
31 Aug 04
£000**

Loss on ordinary activities before taxation

(167)

Loss on ordinary activities by rate of tax

(50)

Expenses not deductible for tax purposes

244

Capital allowances in advance of depreciation

(29)

Utilisation of losses

1

Effect of marginal relief

(10)

Total current tax (note 7(a))

156**8. LOSS FOR THE FINANCIAL PERIOD**

**Period from
25 Mar 03 to
31 Aug 04
£000**

Dealt with in the accounts of the holding company

(469)

Retained by subsidiary companies

146**(323)**

GILES HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****PERIOD FROM 25th MARCH 2003 TO 31st AUGUST 2004****9. INTANGIBLE FIXED ASSETS****Group****Goodwill**
£000**COST**

At 25th March 2003

—

Assets acquired

4,871

Additions

9,597

Written off in period

(94)

At 31st August 2004**14,374****AMORTISATION**

At 25th March 2003

—

Charge on assets acquired

654

Charge for the period

617

At 31st August 2004**1,271****NET BOOK VALUE****At 31st August 2004****13,103**

At 25th March 2003

—

During the period the company's subsidiaries acquired a number of other companies by purchasing all of the issued share capital of these companies. The directors are of the opinion that the underlying transaction of these acquisitions is that they acquired the book of business of these companies and as such the subsidiary companies incorporated into goodwill additions the amount being the difference between the net assets acquired and the cost of acquiring the shares. The directors are of the opinion that this provides a true and fair view of the transactions. Full details of the acquisitions are included in Note 11.

GILES HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****PERIOD FROM 25th MARCH 2003 TO 31st AUGUST 2004****10. TANGIBLE FIXED ASSETS****Group**

	Freehold Property £000	Leasehold Improvements £000	Office Furniture and Equipment £000	Motor Vehicles £000	Equipment £000	Total £000
COST						
At 25 March 2003	—	—	—	—	—	—
Acquired in period	253	88	442	415	623	1,821
Additions	5	21	65	27	551	669
Disposals	(94)	—	(144)	(330)	—	(568)
At 31 August 2004	164	109	363	112	1,174	1,922
DEPRECIATION						
At 25 March 2003	—	—	—	—	—	—
On assets acquired	17	88	332	241	511	1,189
Charge for the period	2	4	7	15	148	176
On disposals	(7)	—	(129)	(196)	—	(332)
At 31 August 2004	12	92	210	60	659	1,033
NET BOOK VALUE						
At 31 August 2004	152	17	153	52	515	889
At 25 March 2003	—	—	—	—	—	—

Hire purchase agreements

Included within the net book value of £889,000 is £219,000 relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £62,000.

GILES HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****PERIOD FROM 25th MARCH 2003 TO 31st AUGUST 2004****11. INVESTMENTS****Company**

	Investment in Subsidiaries £000
COST	
At 25th March 2003	—
Additions	9,240
At 31st August 2004	9,240
NET BOOK VALUE	
At 31st August 2004	9,240
At 25th March 2003	—

At 31st August 2004 the company held the entire issued share capital of the following companies:

Name of Company	County of Registration	Country of Operation	Nature of Business	Aggregate Share Capital and Reserves £000	Profit/(Loss) for the Year £000
Giles Insurance Brokers Limited	Scotland	Scotland & England	Insurance Brokering	1,473	328
Giles Financial Services Limited	Scotland	Scotland & England	Independent Financial Advisors	253	115
Hamroy Insurance Development Limited	England	England	Non Trading	—	—
Hamroy Financial Services Limited	England	England	Non Trading	—	—
Bundoora Limited	Scotland	Scotland	Non Trading	—	(114)
MacFarlane Bruce and Company Limited	Scotland	Scotland	Non Trading	—	(153)
Maybury & Maybury Limited	England	England	Non Trading	—	(43)

GILES HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****PERIOD FROM 25th MARCH 2003 TO 31st AUGUST 2004****11. INVESTMENTS (continued)**

On 29th October 2003 the company acquired the entire issued ordinary share capital of Giles Insurance Brokers Limited a registered in Scotland. As a result of the acquisition of these shares the company also acquired the share capital of all of Giles Insurance Brokers Limited's subsidiaries of these only Giles Financial Services Limited trades.

Analysis of the acquisition is as follows:

Net assets of Giles Insurance Brokers Limited and Giles Financial Services Limited as at 29th October 2003

	Book value	Revaluation Adjustment	Other Adjustments	Fair Value to Group
	£000	£000	£000	£000
Intangible Assets	4,217	—	—	4,217
Tangible Assets	632	—	—	632
Debtors	6,909	—	—	6,909
Cash	2,303	—	—	2,303
Creditors due within one year	(10,368)	—	—	(10,368)
Creditors due after one year	(1,971)	—	—	(1,971)
Minority interests	(120)	—	—	(120)
	<u>1,602</u>	<u>—</u>	<u>—</u>	<u>1,602</u>
Goodwill arising on consolidation				7,638
				<u>9,240</u>

Discharged by:

	£000
Cash	225
Loan notes	3,933
Shares and share premium	5,082
	<u>9,240</u>

	£000
Cash paid	225
Net cash acquired	2,303
	<u>2,078</u>
Loans and finance leases acquired	(1,860)
Cash inflow and borrowings acquired	<u>218</u>

Giles Insurance Brokers Limited and Giles Financial Services Limited made a profit before tax of £443,000 for the period ended 31st August 2004, of which £447,000 arose in the period 1st September 2003 to 29th October 2003.

GILES HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****PERIOD FROM 25th MARCH 2003 TO 31st AUGUST 2004****11. INVESTMENTS (continued)**

The summarised profit and loss accounts for the period from 1st September 2003 to the effective date of acquisition is as follows:

	£000
Turnover	2,150
Operating profit	452
Profit before taxation	447
Taxation	150
Profit for period ended 29th October 2003	297

On 9th February 2004 the company's subsidiary Giles Insurance Brokers Limited acquired the entire issued share capital of Hamroy Insurance Development Limited, a company registered in England. As from the date of acquisition Hamroy Insurance Development Services Limited ceased to trade and as from that date the assets and liabilities of the company were hived up into the accounts of Giles Insurance Brokers Limited. The investment in the subsidiary was subsequently written off. On 1st February 2005 Hamroy Insurance Development Limited was formally dissolved.

Analysis of the acquisition is as follows:

Net assets as at 9th February 2004

	Book value	Revaluation	Other	Fair Value to
	£000	Adjustment	Adjustments	Group
	£000	£000	£000	£000
Bank and Cash	221	—	—	221
Creditors due within one year	(221)	—	—	(221)
	—	—	—	—
Goodwill arising on acquisition				540
				540
Discharged by:				£000
Cash				540
Cash paid				540
Net cash acquired				221
Cash outflow				319

GILES HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****PERIOD FROM 25th MARCH 2003 TO 31st AUGUST 2004****11. INVESTMENTS (continued)**

On the same date the company's other subsidiary Giles Financial Services Limited acquired the entire issued share capital of Hamroy Financial Services Limited, a company registered in England. As from the date of acquisition Hamroy Financial Services Limited ceased to trade and as from that date the assets and liabilities of the company were hived up into the accounts of Giles Financial Services Limited. The investment in the subsidiary was subsequently written off. On 18th January 2005 Hamroy Financial Services Limited was formally dissolved.

Analysis of the acquisition is as follows:

Net assets as at 9th February 2004

	Book value	Revaluation	Other	Fair Value to
	£000	Adjustment	Adjustments	Group
	£000	£000	£000	£000
Tangible Assets	21	—	—	21
Bank and Cash	24	—	—	24
Creditors due within one year	(26)	—	—	(26)
	<u>19</u>	<u>—</u>	<u>—</u>	<u>19</u>
Goodwill arising on acquisition				210
				<u>229</u>
Discharged by:				£000
Cash				<u>229</u>
				£000
Cash paid				229
Net cash acquired				24
Cash outflow				<u>205</u>

Accounts for the period between Hamroy Insurance Development Limited and Hamroy Financial Services Limited old accounting period and the date the shares were acquired by Giles Insurance Brokers Limited or Giles Financial Services Limited were not prepared prior to the dissolution of the companies. The accounting records are no longer available to allow these accounts to be produced.

GILES HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****PERIOD FROM 25th MARCH 2003 TO 31st AUGUST 2004****11. INVESTMENTS (continued)**

On 5th May 2004 the company's subsidiary Giles Insurance Brokers Limited acquired the entire issued share capital of Bundoora Limited and its subsidiary MacFarlane Bruce Limited, both companies being registered in Scotland. As from the date of acquisition both companies ceased to trade and as from that date the assets and liabilities of the companies were hived up into the accounts of Giles Insurance Brokers Limited. The investment in these subsidiaries were subsequently written off.

Analysis of the acquisition is as follows:

Net assets as at 5th May 2004

	Book value £000	Revaluation Adjustment £000	Other Adjustments £000	Fair Value to Group £000
Tangible Assets	14	—	—	14
Debtors	120	—	—	120
Cash	207	—	—	207
Creditors due within one year	(292)	—	—	(292)
	<u>49</u>	<u>—</u>	<u>—</u>	<u>49</u>
Goodwill arising on acquisition				601
				<u>650</u>

Discharged by:

	£000
Cash	<u>650</u>
	£000
Cash paid	650
Net cash acquired	<u>207</u>
	443
Loans and finance leases acquired	<u>20</u>
Cash outflow and borrowings acquired	<u>463</u>

Bundoora Limited and MacFarlane Bruce Limited made a loss before tax of £271,000 for the period ended 31st August 2004, all of which arose in the period 1st January 2004 to 5th May 2004.

GILES HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****PERIOD FROM 25th MARCH 2003 TO 31st AUGUST 2004****11. INVESTMENTS (continued)**

The summarised profit and loss accounts for the period from 1st January 2004 to the effective date of acquisition is as follows:

	£000
Turnover	140
	<hr/>
Operating loss	(270)
	<hr/>
Loss before taxation	(271)
Taxation	4
	<hr/>
Loss for the period ended 5th May 2004	(267)
	<hr/>

On 30th July 2004 the company's subsidiary Giles Insurance Brokers Limited acquired the entire issued share capital of Maybury & Maybury Limited, a company registered in England. As from the date of acquisition Maybury & Maybury Limited ceased to trade and as from that date the assets and liabilities of the company were hived up into Giles Insurance Brokers Limited. The investment in the subsidiary was subsequently written off.

Analysis of the acquisition is as follows:

Net assets as at 30th July 2004

	Book value	Revaluation	Other	Fair Value to
	£000	Adjustment	Adjustments	Group
	£000	£000	£000	£000
Debtors	26	—	—	26
Cash	41	—	—	41
Creditors due within one year	(57)	—	—	(57)
	<hr/> 10	<hr/> —	<hr/> —	<hr/> 10
Goodwill arising on acquisition				380
				<hr/> 390
				<hr/>

Discharged by:

	£000
Cash	390
	<hr/>
	£000
Cash paid	390
Net cash acquired	41
	<hr/>
Cash outflow	349
	<hr/>

GILES HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****PERIOD FROM 25th MARCH 2003 TO 31st AUGUST 2004****11. INVESTMENTS** *(continued)*

Maybury & Maybury Limited made a profit before tax of £21,000 for the period ended 31st August 2004, all of which arose in the period 1st March 2004 to 30th July 2004.

The summarised profit and loss accounts for the period from 1st March 2004 to the effective date of acquisition is as follows:

	£000
Turnover	<u>71</u>
Operating profit	<u>19</u>
Profit before taxation	21
Taxation	<u>6</u>
Profit for the period ended 30th July 2004	<u>15</u>

12. DEBTORS

	Group 31 August 2004 £000	Company 31 August 2004 £000
Trade debtors	6,651	—
Other debtors	104	—
Prepayments and accrued income	186	—
	<u>6,941</u>	<u>—</u>

13. CASH AT BANK AND IN HAND

	Group 31 August 2004 £000	Company 31 August 2004 £000
Insurance bank accounts	2,913	—
Current account	22	—
Petty cash	1	—
	<u>2,936</u>	<u>—</u>

GILES HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****PERIOD FROM 25th MARCH 2003 TO 31st AUGUST 2004****14. CREDITORS: Amounts falling due within one year**

	Group	Company
	31 August 2004	31 August 2004
	£000	£000
Bank loans and overdrafts	1,314	—
Insurer creditors	9,563	—
Trade creditors	236	—
Corporation tax	329	—
Loan notes	450	450
Amounts owed to group undertakings	—	450
Other taxation and social security	326	—
Hire purchase agreements	75	—
Other creditors	632	—
Accruals and deferred income	1,140	4
	<u>14,065</u>	<u>904</u>

The following liabilities disclosed under creditors falling due within one year are secured by the group:

	Group
	31 August 2004
	£000
Bank loans and overdrafts	<u>1,314</u>

The bank loan is secured by a legal charge in favour of the Clydesdale Bank plc over the freehold property at 14 Stourbridge Road, Halesowen. The company has also granted a floating charge over all of the assets of the company in favour of its bankers.

There are also cross guarantees between the company and Giles Insurance Brokers Limited and Giles Financial Services Limited.

The loan notes are repayable over 10 years with the final redemption date being 31st October 2013. Interest is at a fixed rate of 2.5% per annum and is payable at the earlier of the final redemption date or one month after all the loan notes are redeemed.

GILES HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****PERIOD FROM 25th MARCH 2003 TO 31st AUGUST 2004****15. CREDITORS: Amount falling due after more than one year**

	Group	Company
	31 August 2004	31 August 2004
	£000	£000
Bank loans and overdrafts	1,583	—
Loan notes	3,258	3,258
Hire purchase agreements	103	—
Accruals	81	81
	<u>5,025</u>	<u>3,339</u>

The following liabilities disclosed under creditors falling due after more than one year are secured by the group:

	Group
	31 August 2004
	£000
Bank loans and overdrafts	<u>1,583</u>

Bank loans are repayable over 5 - 7 years with the company having the option to repay the loans earlier. Interest is at 1.5% - 1.7% over LIBOR.

16. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	Group
	31 August 2004
	£000
Amounts payable within 1 year	84
Amounts payable between 2 to 5 years	114
	<u>198</u>
Less interest and finance charges relating to future periods	<u>(20)</u>
	<u>178</u>

Hire purchase agreements are analysed as follows:

Current obligations	75
Non-current obligations	103
	<u>178</u>

GILES HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****PERIOD FROM 25th MARCH 2003 TO 31st AUGUST 2004****17. PENSIONS**

The group operates several contributory pension schemes. They are defined contribution schemes and contributions are charged in the Profit and Loss Account as they accrue. The charge for the period was £136,000. The unpaid contributions outstanding at the period end, included in Other Creditors are £17,000.

18. COMMITMENTS UNDER OPERATING LEASES

At 31st August 2004 the group had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings £000	Other Items £000
Operating leases which expire:		
Within 1 year	128	—
Within 2 to 5 years	98	28
After more than 5 years	175	—
	<u>401</u>	<u>28</u>

19. RELATED PARTY TRANSACTIONS

During the period the group rented properties from M E Giles, father of C M Giles and N J Giles. The rent paid for these properties in the period was £28,000.

20. TRANSACTIONS WITH THE DIRECTORS

During the period company directors C M Giles and N J Giles had maximum overdrawn loan accounts of £75,000 and £76,000 respectively. No interest was payable on these overdrawn balances. At the period end there were no overdrawn loan accounts.

The group rents properties at Irvine from C M Giles and N J Giles. The rent paid by the group for these properties was £56,000.

21. SHARE CAPITAL**Authorised share capital:**

	31 August 2004 £000
10,000,000 Ordinary shares of £0.001 each	10

Allotted, called up and fully paid:

	No	£000
Ordinary shares of £0.001 each	<u>1,000,000</u>	<u>1</u>

GILES HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****PERIOD FROM 25th MARCH 2003 TO 31st AUGUST 2004****21. SHARE CAPITAL *(continued)***

On 24th October 2003 the company passed an Ordinary Resolution to subdivide the initial subscription of 2 Ordinary Shares of £1 into 2,000 Ordinary Shares of £0.001 and also to subdivide the remaining 998 authorised but unissued Ordinary Shares of £1 into 998,000 Ordinary Shares of £0.001.

Also on 24th October 2003 the company passed another Ordinary Resolution to increase the authorised share capital to £10,000 by the creation of 9,000,000 new Ordinary Shares of £0.001. These shares will have the same rights and privileges conferred on the holders of the existing ordinary shares.

Also on 24th October 2003 the company passed another Ordinary Resolution giving the directors general and unconditional authorisation to allot the unissued share capital at anytime during the period of five years from the date of this Resolution.

On 29th October 2003 the company issued 1,000,000 Ordinary Shares of £0.001 to shareholders as part of the consideration to the shareholders of Giles Insurance Brokers Limited for the purchase of their shares in that company.

22. SHARE PREMIUM ACCOUNT

	Group and Company 31 August 04 £000
Premium on shares issued in the period	5,081
Balance carried forward	<u>5,081</u>

23. OTHER RESERVES**Capital Redemption Reserve**

	Group 31 August 04 £000
Transfer from Profit and Loss Account	100
Balance carried forward	<u>100</u>

GILES HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****PERIOD FROM 25th MARCH 2003 TO 31st AUGUST 2004****24. PROFIT AND LOSS ACCOUNT****Group**

	31 August 04
	£000
Retained loss for the financial period	(323)
Transfer to capital redemption reserve	(100)
Balance carried forward	<u>(423)</u>

Company

	31 August 04
	£000
Retained loss for the financial period	(85)
Balance carried forward	<u>(85)</u>

25. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**Group**

	31 August 04
	£000
	£000
Loss for the financial period	(323)
New equity share capital subscribed	1
Premium on new share capital subscribed	<u>5,081</u>
	5,082
Net addition to funds	<u>4,759</u>
Closing shareholders' equity funds	<u>4,759</u>

Company

	31 August 04
	£000
	£000
Loss for the financial period	(85)
New equity share capital subscribed	1
Premium on new share capital subscribed	<u>5,081</u>
	5,082
Net addition to funds	<u>4,997</u>
Closing shareholders' equity funds	<u>4,997</u>