



HYPERION INSURANCE GROUP LIMITED

FINANCIAL STATEMENTS 2004



HYPERION INSURANCE GROUP LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2004

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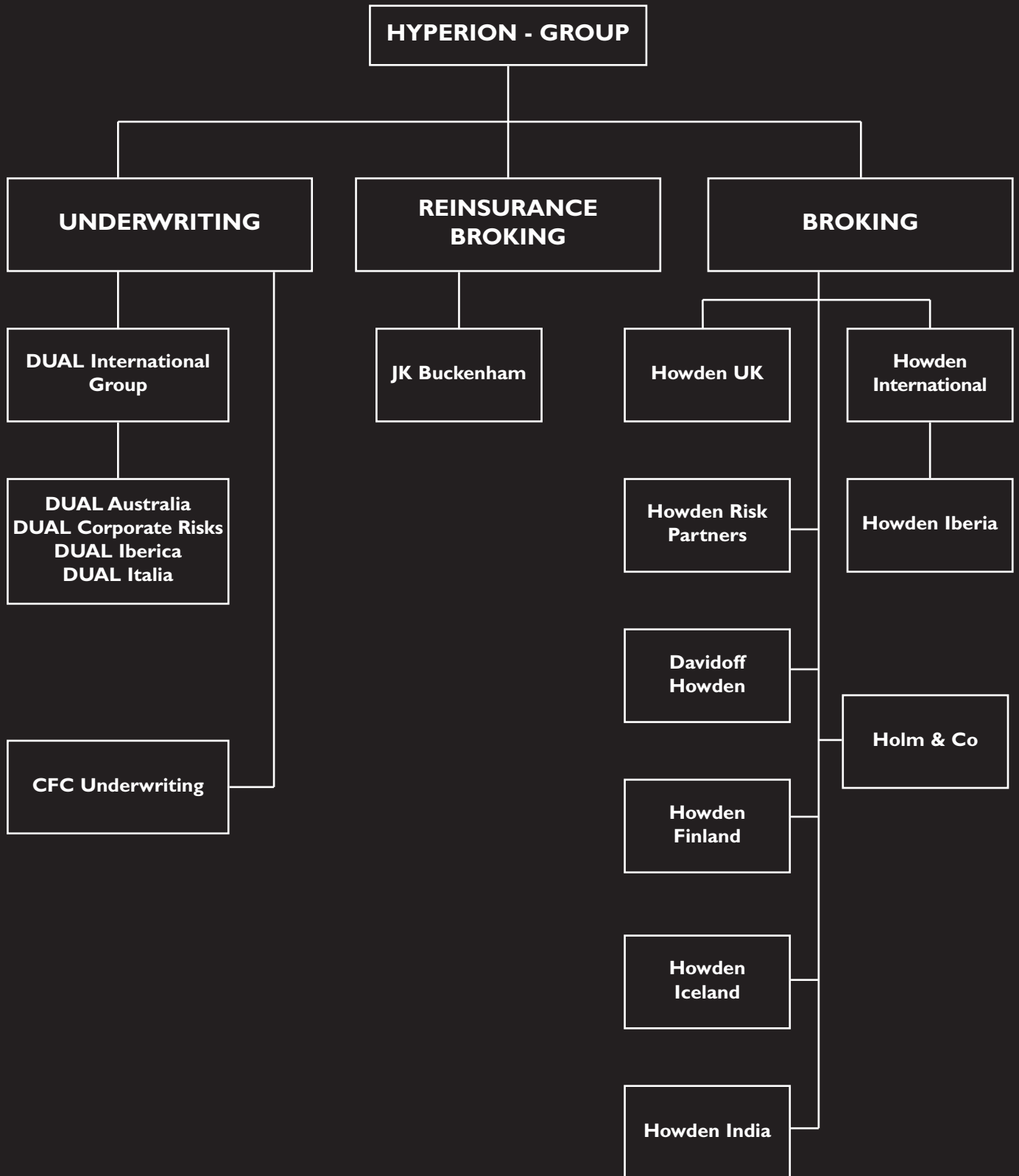
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HYPERION – COMPANY STRUCTURE



CHAIRMAN'S STATEMENT

The tenth year in the life of this Group has been a year of contrasts. Whereas there has been a notable strengthening in the performance of the Group's underwriting operations, adverse market conditions have proved unhelpful to broking results in the context of the tough targets which we have always set ourselves.

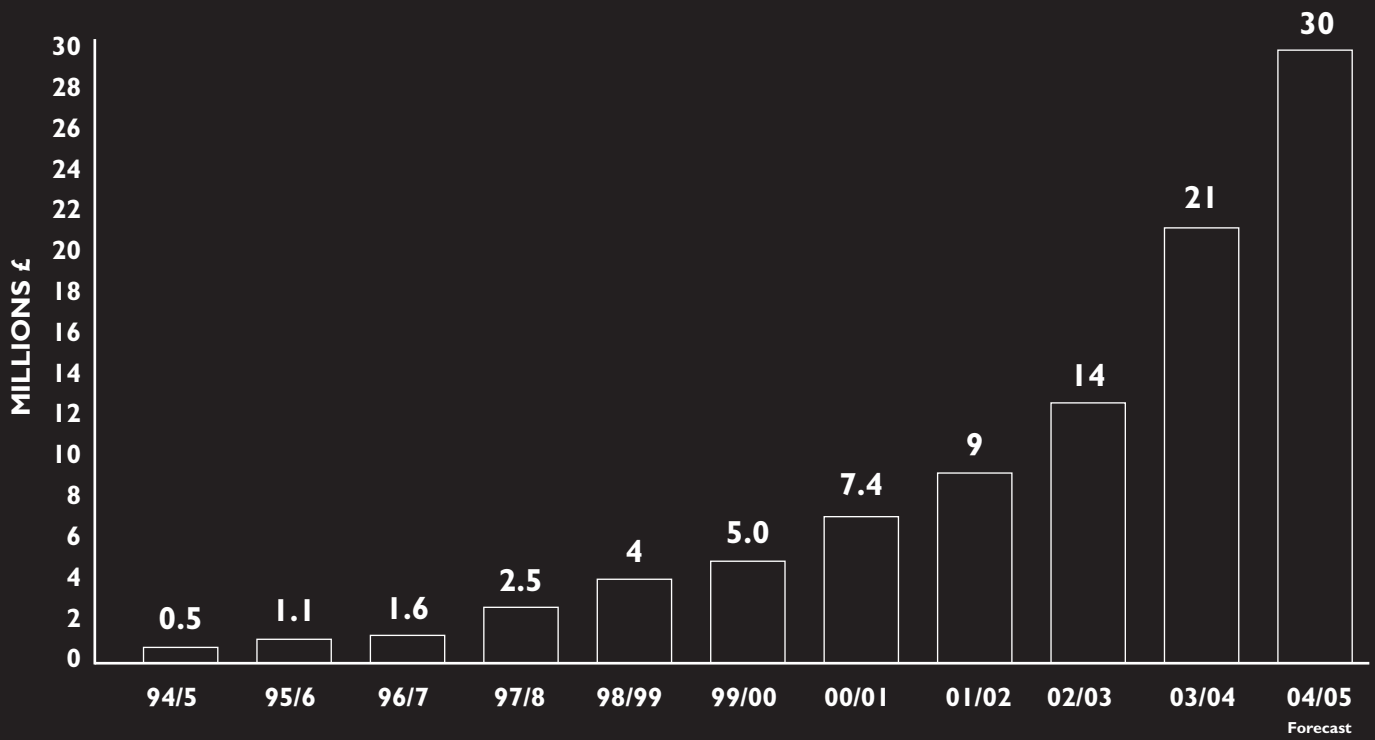
It would, however, be wrong if the difficulties experienced in our tenth year were to overshadow the remarkable growth and achievements of this group in the ten years since its birth in 1994. From small beginnings – a total headcount of 6 crammed into a tiny office in St Dunstan's Hill – we are now a Group employing over 250 people out of 12 offices in 8 territories. First year turnover of less than £500,000 has grown by a staggering 37% per annum compound to its current level. And we are now well-known and respected as specialist brokers and underwriters both domestically and internationally.

Looking towards our second decade I see tremendous potential for profitable growth. For example, on the broking front where the UK premium income for Professional Indemnity is £1.7 billion, our share of that market is only 1%! There is a real will to exploit opportunities such as this; we have, after all, recruited teams of insurance practitioners, both brokers and underwriters, whose abilities in their respective fields are second to none – precisely so that we can market our skills and deliver real value to this Group. I am in no doubt that our investment in people will bear fruit.

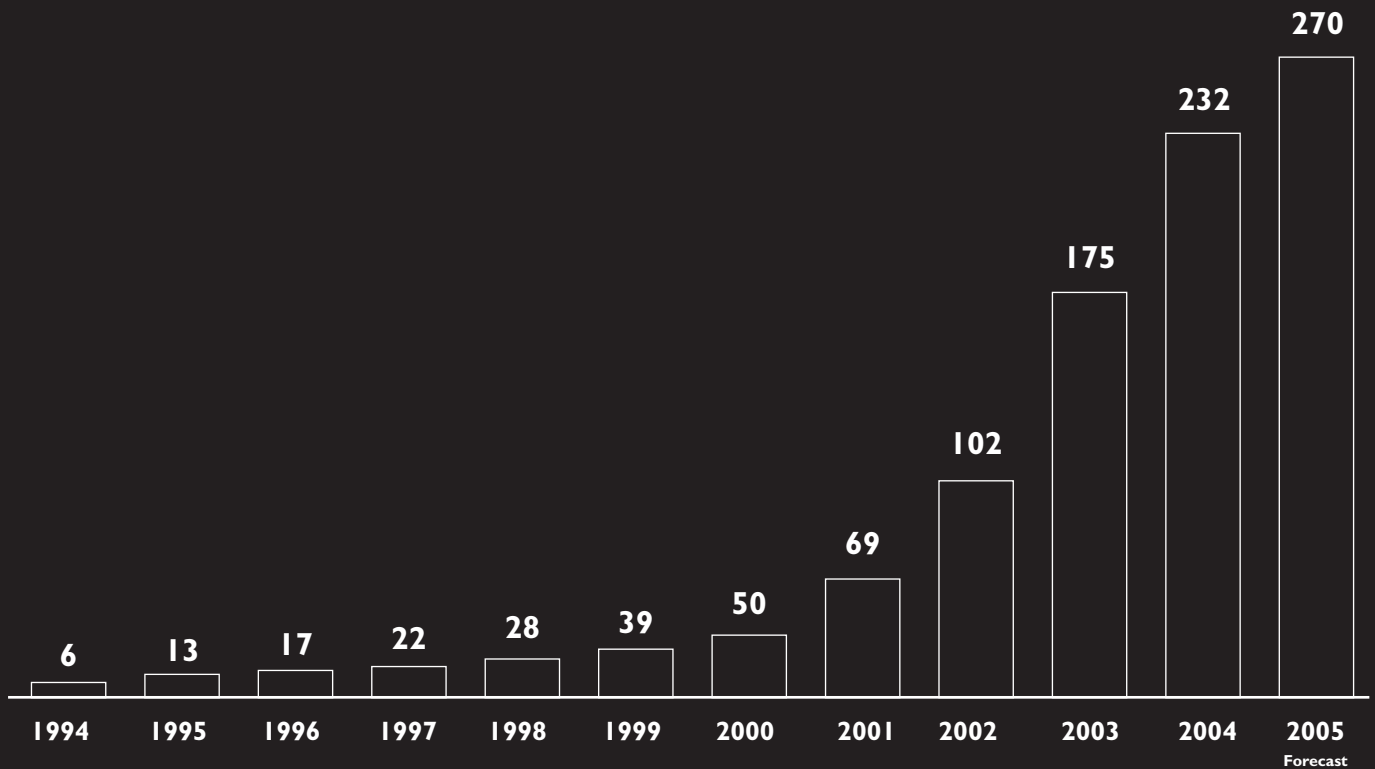
As always, our thanks are due to all who have worked for this Group with such dedication.

RICHARD ELIAS
CHAIRMAN

HYPERION – INCOME



HYPERION – PEOPLE



DIRECTORS' REPORT

The directors submit their report and audited financial statements for the year ended 30 September 2004.

RESULTS AND DIVIDENDS

The profit of the group for the year after taxation amounted to £1,111,450 (2003: £1,643,731). The loss of the company was £167,637 (2003: profit £1,072,958). An interim dividend of £nil (2003: £187,500) to the preferred shareholders is proposed. The directors do not recommend a final dividend (2003: £800,000) to the ordinary shareholders.

The directors consider the results for the year and the current state of the group to be satisfactory. During the year the group experienced adverse market conditions which affected margins and profits. The directors anticipate improved trading results in the current year. The intention during the present financial year is to build and develop the group further. Particular focus is being given to realizing the potential of recent acquisitions. Group management has been strengthened by external recruitment and the positive effects of this are now showing.

A number of further acquisitions are being actively considered, both in the UK and abroad, that would further broaden the scope and increase the scale of the group's business.

The current year has started well and the group is currently trading ahead of expectations and the prior year. The directors expect that this trend will continue and that further progress will be achieved during the current year.

PRINCIPAL ACTIVITY

The principal activity of the company during the year was that of a holding and investment company for a group of insurance intermediaries.

DIRECTORS

The directors who served during the year are listed below:

R J R Elias	Chairman
D P Howden	Chief Executive
S J Crowther	
R Davidoff	
M N Pangborn	
T S Howden	
E H Woolf	
B P Marsh	(appointed as alternate to S J Crowther on 29 June 2004)

Mr R P Horton was appointed Finance Director on 24 November 2004.

Mr L Munoz-Rojas, Ms L F Cable Alexander and Mr A Bragoli resigned as directors on 2 June 2004, 8 June 2004 and 9 September 2004 respectively. Mr A Smith resigned on 31 March 2004.

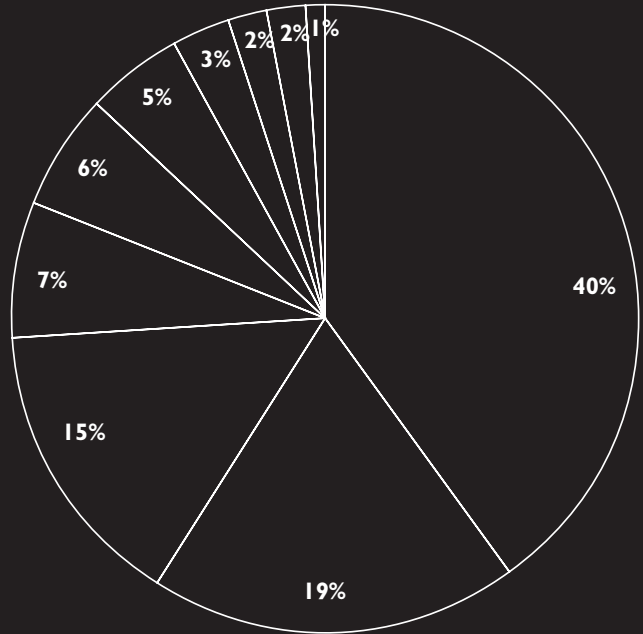
The beneficial interests of the directors in the shares of the Company are as follows:

	30 SEPTEMBER 2004			30 SEPTEMBER 2003		
	ORDINARY SHARES	PREF. CUM ORDINARY SHARES	DEF. 'B' ORDINARY SHARES	ORDINARY SHARES	PREF. CUM ORDINARY SHARES	DEF. 'B' ORDINARY SHARES
R J Elias	15,256	2,569	-	15,256	2,569	-
D P Howden	1,751	259	21,575	1,751	259	21,575
M N Pangborn	251	43	-	251	43	-

Directors' interests in the share capital of other Group Companies are disclosed where applicable in the financial statements of those companies.

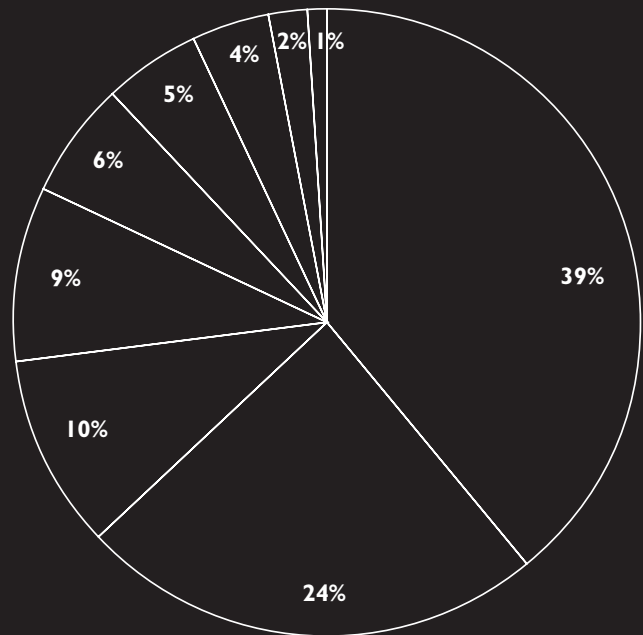
HYPERION INCOME – PRODUCTS BY TYPE

- 40% PROFESSIONAL INDEMNITY
- 19% DIRECTORS & OFFICERS
- 15% FINANCIAL INSTITUTIONS
- 7% REINSURANCE
- 6% INVESTMENT VEHICLES
- 5% GENERAL LIABILITY
- 3% MEDICAL MALPRACTICE
- 2% PROPERTY
- 2% ESURANCE
- 1% OTHER



HYPERION INCOME – TERRITORIES

- 39% UK
- 24% SOUTHERN EUROPE
- 10% NORDIC
- 9% ISRAEL
- 6% INDIA
- 5% AUSTRALIA
- 4% NORTH AMERICA
- 2% LATIN AMERICA
- 1% MIDDLE EAST



DIRECTORS' REPORT (CONTINUED)

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

As stated above, adverse market conditions particularly in the UK put pressure on profit and margins. In spite of these conditions, the group achieved significant top line growth in revenues both organically and through acquisition.

The Group completed a number of major acquisitions during the year, which strengthen the group geographically and broaden its expertise. These are discussed in note 10.

Group turnover increased from £14m, (up from £9m the year before) to £20m for the 2003/2004 year - meaning that in the last two years turnover has doubled. Of this increase, £2.2m arose from acquisitions and the balance was from organic growth. Impressive growth was achieved by the Group's underwriting operations where revenues rose from £3.6m to £6.6m, an increase of 83%.

2003/2004 was an important year in the Group's development. The Group achieved strong growth in revenues, strengthened its management and broadened its business activities through acquisitions and organic growth.

The background to this growth was a difficult market in which both revenues and margins came under pressure. In this context, a number of initiatives were implemented during the year to strengthen the Group's management. Although this has resulted in sound foundation for future development and to manage a substantially larger group, it has in the short term resulted in a disproportionate increase in operating costs, compared to revenue growth. The overall effect is an adverse impact on profitability in this financial year. However, the benefits of these investments will become more apparent in subsequent years.

The Group consolidated its acquisition of Dual Corporate Risks Limited, and now owns 80% of the issued capital of this profitable and fast growing underwriting agency.

Two other significant acquisitions were Holm & Co, a successful insurance broker in Sweden, which consolidates the Group's strength in the Scandinavian market, and JK Buckenham Limited, a reinsurance broker which will form the nucleus around which the Group intends to develop a strong reinsurance presence.

A number of other smaller acquisitions were completed during the year and details of these are set out in note 10.

The total cash cost of acquisitions during the year amounted to £3.3m, and this was financed in part through borrowings of £2.4m from BP Marsh & Partners Limited, a significant Group shareholder. In addition, to provide an adequate level of headroom in terms of day to day operations, an overdraft facility of £1.0m was arranged with The Royal Bank of Scotland plc. Subsequent to the year end this overdraft was restructured into a £2.0m revolving credit facility, with repayments over the period to 2007.

During the first half of 2004/05 the Group saw further strong growth in revenues, which are now running at an annualized rate of £30m. The full year benefit of previous acquisitions is flowing into profit, which is currently ahead of the comparable prior year period.

As a result of this performance, cash generation remains strong, and in the absence of further acquisitions, the directors do not expect to increase net borrowing during the current year.

DIRECTORS' AND OFFICERS LIABILITY INSURANCE

The Company has purchased insurance to cover directors' and officers liability, as permitted by section 310(3)(a) of the Companies Act 1985 (as amended).

TAXATION STATUS

The Company is not a close company within the meaning of the Income and Corporation Taxes Act 1998.

AUDITORS

PKF will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

By order of the board

D P HOWDEN
DIRECTOR

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the company and the group and of the profit and loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the directors' report and other information included in the annual report is prepared in accordance with company law in the United Kingdom.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS YEAR ENDED 30 SEPTEMBER 2004

We have audited the financial statements of Hyperion Insurance Group Limited for the year ended 30 September 2004, which comprise the Consolidated Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement 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 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 Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

OPINION

In our opinion the financial statements give a true and fair view of the state of the Group's and the company's affairs as at 30 September 2004 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**PKF
REGISTERED AUDITORS
LONDON, UK
17 MAY 2005**

CONSOLIDATED PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 SEPTEMBER 2004

	NOTE	2004 CONTINUING OPERATIONS £	2004 ACQUISITIONS £	2004 TOTAL £	2003 TOTAL £
TOTAL TURNOVER	2	18,027,474	2,267,337	20,294,811	14,136,641
Fiduciary investment income		383,006	-	383,006	301,403
Other income		-	52,504	52,504	-
TOTAL OPERATING INCOME		18,410,480	2,319,841	20,730,321	14,438,044
ADMINISTRATIVE EXPENSES					
Normal		15,903,649	2,143,855	18,047,504	11,552,922
Exceptional	3	421,505	-	421,505	-
TOTAL ADMINISTRATIVE EXPENSES		16,325,154	2,143,855	18,469,009	11,552,922
OPERATING PROFIT BEFORE EXCEPTIONAL ADMINISTRATIVE EXPENSES		2,506,831	175,986	2,682,817	2,885,122
OPERATING PROFIT AFTER EXCEPTIONAL ADMINISTRATIVE EXPENSES	3	2,085,326	175,986	2,261,312	2,885,122
Share of operating loss of associated undertakings				(43,459)	-
Exceptional item				-	(234,669)
Non fiduciary investment income				41,680	263,574
Interest payable and similar charges	7			(183,263)	(8,751)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION				2,076,270	2,905,276
Taxation	8			(964,820)	(1,261,545)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION				1,111,450	1,643,731
MINORITY INTERESTS					
Equity				(391,557)	(198,223)
Non equity				(574,063)	(442,777)
TOTAL MINORITY INTERESTS				(965,620)	(641,000)
PROFIT FOR THE FINANCIAL YEAR				145,830	1,002,731
Dividends	9			-	(987,500)
RETAINED PROFIT FOR THE FINANCIAL YEAR				145,830	15,231
The full entitlement to dividends of the holders of the preference shares cannot be met, as the Company has insufficient distributable reserves. The following appropriation is disclosed in accordance with Financial Reporting Standard 4.					
Appropriation in respect of non-equity shares				(200,000)	-
(LOSS)/PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS				(54,170)	15,231

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

YEAR ENDED 30 SEPTEMBER 2004

	2004 £	2003 £
Profit for the financial year	145,830	1,002,731
Currency translation differences on foreign currency net investments	(18,151)	18,982
	127,679	1,021,713

The notes on pages 13 to 28 form part of these financial statements.

CONSOLIDATED AND COMPANY BALANCE SHEETS

AS AT 30 SEPTEMBER 2004

	NOTE	2004 GROUP £	2004 COMPANY £	2003 GROUP £	2003 COMPANY £
FIXED ASSETS					
Intangible	10	4,106,335	-	614,647	-
Tangible	11	1,300,513	534,175	798,155	327,736
Investments in subsidiaries	12	-	5,458,746	-	2,557,476
Investment in associated undertakings	13	88,034	-	-	-
		5,494,882	5,992,921	1,412,802	2,885,212
CURRENT ASSETS					
Debtors	14	63,575,301	3,324,578	51,334,598	1,756,798
Cash at bank and in hand	15	24,518,754	-	17,194,686	100,989
		88,094,055	3,324,578	68,529,284	1,857,787
CREDITORS:					
Amounts falling due within one year	16	(86,358,940)	(3,505,388)	(66,568,439)	(1,480,251)
NET CURRENT ASSETS/(LIABILITIES)		1,735,115	(180,810)	1,960,845	377,536
TOTAL ASSETS LESS CURRENT LIABILITIES		7,229,997	5,812,111	3,373,647	3,262,748
CREDITORS:					
Amounts falling due after more than one year	17	(2,866,769)	(2,717,000)	(161,723)	-
NET ASSETS		4,363,228	3,095,111	3,211,924	3,262,748
CAPITAL AND RESERVES					
Called up share capital	19	219,382	219,382	219,382	219,382
Share premium account	20	2,822,255	2,822,255	2,822,255	2,822,255
Profit and loss account	20	(4,158)	53,474	(131,837)	221,111
SHAREHOLDERS' FUNDS (including non equity interest)	21	3,037,479	3,095,111	2,909,800	3,262,748
Minority Interests		1,325,749	-	302,124	-
CAPITAL EMPLOYED		4,363,228	3,095,111	3,211,924	3,262,748

The notes on pages 13 to 28 form part of these financial statements.

The financial statements were approved by the Board on 12 May 2005.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS
D P HOWDEN

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 30 SEPTEMBER 2004

	NOTE	2004 TOTAL £	2003 TOTAL £
RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit after exceptional administrative expenses		2,261,312	2,885,122
Depreciation		561,604	390,958
Exceptional item		-	(234,669)
Amortisation of goodwill		204,749	314,166
Loss on disposal of fixed assets		276,698	6,143
(Increase)/decrease in debtors		(10,637,387)	(1,715,590)
Increase/(decrease) in creditors		19,123,723	(5,132,472)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		11,790,699	(3,486,342)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	25A	(969,029)	210,114
TAXATION		(1,743,214)	(289,773)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	25A	(1,347,735)	(432,714)
NET CASH (OUTFLOW)/INFLOW FROM ACQUISITIONS AND DISPOSALS	25A	(2,769,719)	6,280,431
EQUITY DIVIDENDS PAID		(787,500)	(387,500)
CASH INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		4,173,502	1,894,216
FINANCING	25A	2,226,596	(79,335)
INCREASE IN CASH		6,400,098	1,814,881
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
INCREASE IN CASH IN THE PERIOD	25B	6,400,098	1,814,881
Cash (inflow) / outflow from debt and lease financing		(2,226,596)	79,335
CHANGE IN NET FUNDS ARISING FROM CASH FLOWS		4,173,502	1,894,216
Issue of loan notes		367,000	-
MOVEMENT IN NET FUNDS IN THE PERIOD		4,540,502	1,894,216
NET FUNDS AT 1 OCTOBER		16,926,512	15,032,296
NET FUNDS AT 30 SEPTEMBER		21,467,014	16,926,512

HYPERION INSURANCE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2004

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2004

I. ACCOUNTING POLICIES

(a) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

(b) BASIS OF CONSOLIDATION

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings for the year ended 30 September 2004 using the acquisition method. The results of acquired businesses are consolidated from the date on which effective control passes to the Group.

As permitted by section 230 of the Companies Act 1985 no separate profit and loss account has been provided for Hyperion Insurance Group Limited.

Associated undertakings are accounted for using the net equity method.

(c) TURNOVER

Turnover represents brokerage and commission, which is credited to income on the inception date of the risk, or the date of issue of the prime documents by the Group, whichever is the later, except where there are material instalments, in which case the brokerage is booked on the due date of the instalment.

Adjustments to brokerage arising from premium additions or reductions are taken into account as and when they are known and booked.

Profit commission is booked when the amounts due can be estimated with a reasonable degree of certainty.

(d) TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Short leasehold improvements	Over the outstanding lease period
Furniture, fixtures and fittings	10% - 15%
Computer hardware	20% - 25%
Computer software	33%
Motor Vehicles	25%

(e) GOODWILL

Goodwill, being the difference between the fair values of the net assets acquired and consideration paid, is capitalised and amortised on a straight line basis over its expected useful life, with a maximum period of 20 years.

(f) INVESTMENTS

Investments in subsidiary and associated undertakings are carried at cost less any provision for impairment.

(g) FINANCE AND OPERATING LEASES

Assets acquired under finance leases or hire purchase are treated as tangible fixed assets and depreciation is provided accordingly. The present value of future rentals is shown as a liability and the interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the capital balance outstanding.

Operating leases are charged in the profit and loss account on a straight-line basis over the lease term.

(h) PENSIONS

The Group operates a defined contribution scheme and the pension charge in the profit and loss account represents the amounts payable by the Group to the fund in respect of the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2004

I. ACCOUNTING POLICIES - continued

(i) FOREIGN CURRENCY

The results of the foreign subsidiaries have been translated using the average of monthly exchange rates. Assets and liabilities of foreign subsidiary undertakings are translated into sterling at the rates of exchange ruling on the balance sheet dates. Exchange differences which arise from translation of the opening net investment in foreign subsidiary undertakings are taken to reserves. All other differences are taken to the profit and loss account.

Transactions denominated in foreign currencies are translated to sterling at the exchange rates ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the rates ruling at the balance sheet date. Exchange differences arising are dealt with through the profit and loss account.

(j) DEFERRED TAXATION

Deferred taxation is provided on material timing differences between the incidence of income and expenditure for taxation and accounts purposes using the full provision basis in accordance with the provisions set out in Financial Reporting Standard No. 19 "Deferred Tax". Deferred tax assets are only recognised to the extent that they are considered recoverable against future taxable profits.

(k) INSURANCE INTERMEDIARY ASSETS AND LIABILITIES

Insurance brokers usually act as agents in placing the insurable risks of their clients with insurers and as such, generally, are not liable as principals for the amounts arising from such transactions. Notwithstanding these legal relationships, debtors and creditors arising from insurance broking transactions are shown as assets and liabilities. This recognises that the insurance broker is entitled to retain the investment income on any cash flows arising from these transactions.

Debtors and creditors arising from a transaction between a client and insurers (e.g. a premium or a claim) are recorded simultaneously. Consequently, there is a high level of correlation between the totals reported in respect of insurance broking debtors and insurance broking creditors.

The position of the insurance broker as an agent means that generally the credit risk is borne by the principals. There can be circumstances where the insurance broker acquires credit risk – through statute, or through the act or omission of the insurance broker or one of the principals. There is much legal uncertainty surrounding the circumstances and the extent of such exposure and consequently they cannot be evaluated. However, the total of insurance broking debtors appearing in the balance sheet is not an indication of credit risk.

It is normal practice for insurance brokers to settle accounts with other intermediaries, clients, insurers and market settlement bureaux on a net basis. Thus, large changes in both insurance broking debtors and creditors can result from comparatively small cash settlement. For this reason, the totals of insurance broking debtors give no indication of future cash flows.

The legal status of this practice of net settlement is uncertain and in the event of insolvency it is generally abandoned. Financial Reporting Standard No. 5 "Reporting the substance of transactions" requires that the offset of assets and liabilities should be recognised in the financial statements where, and only where, the offset would survive the insolvency of the other party. Accordingly, only such offsets have been recognised in calculating insurance broking debtors and creditors.

2. TURNOVER

Turnover is analysed by geographical markets as follows:

	2004 GROUP £	2003 GROUP £
Brokerage and commissions from the UK and EU	14,371,569	10,477,449
Brokerage and commissions from outside the EU	5,923,242	3,659,192
	20,294,811	14,136,641

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2004 GROUP £	2003 GROUP £
DEPRECIATION OF TANGIBLE FIXED ASSETS		
- Owned by the group	561,604	390,958
AMORTISATION OF GOODWILL	204,749	314,166
LOSS ON DISPOSAL OF FIXED ASSETS	276,698	6,143
AUDITORS' REMUNERATION		
- Audit fees	205,651	151,374
- Non-audit services	51,448	34,920
OPERATING LEASE RENTALS		
- Equipment	28,937	20,745
- Land and buildings	856,134	504,608
LOSS/(GAIN) ON FOREIGN CURRENCY EXCHANGE	16,615	(445,606)
EXCEPTIONAL ADMINISTRATIVE EXPENSES:		
Costs of an abortive computer development	326,805	-
Redundancy costs	94,700	-
	421,505	-

The 2004 audit fees include £62,780 relating to prior years and the 2004 fees for non-audit services include £30,225 relating to prior years. In addition to the above the auditors received fees of £15,049 relating to the acquisition of subsidiary undertakings which have been capitalised as part of the cost of acquisition.

The 2003 comparative figures include the following amounts in respect of activities discontinued in that year: Turnover £221,020; Fiduciary investment income £1,851; Administrative expenses £404,755; Operating Loss £181,884.

4. EXCEPTIONAL ITEM

The Exceptional Item of £234,669 in 2003 relates to the write off of the Group's investment in Promed Argentina SA.

5. DIRECTORS' EMOLUMENTS AND BENEFITS

	2004 GROUP £	2003 GROUP £
Directors' emoluments	959,438	950,654
Pension contributions	131,531	116,937
Other benefits	13,018	-
Compensation for loss of office	65,000	-
	1,168,987	1,067,591
Highest paid director's emoluments	219,299	240,676
Pension contributions	38,800	30,543
	NO.	NO.
Directors accruing benefits under personal pension schemes	6	6

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004

6. STAFF COSTS

Staff costs, including directors' emoluments, were as follows:

	2004 GROUP £	2003 GROUP £
Wages and salaries	9,261,941	5,707,016
Social security costs	1,184,704	634,542
Pension contributions	714,616	317,955
	11,161,261	6,659,513

The average monthly number of employees, including directors, during the year was:

Directors and senior management	41	29
Insurance broking	85	56
Administration	118	78
	244	163

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2004 GROUP £	2003 GROUP £
Bank loans and overdrafts	21,221	4,100
Finance charges under finance leases and hire purchase contracts	1,201	876
Interest payable on other loans	130,821	-
Other interest	30,020	3,775
	183,263	8,751

8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

8a: The tax charge comprises:

	2004 GROUP £	2003 GROUP £
CURRENT TAX		
UK corporation tax on profits for the period	603,195	806,284
Group's share of associates tax charge	7	-
Adjustments in respect of previous periods	25,525	40,504
Overseas tax	369,955	371,287
Total current tax (note 8b)	998,682	1,218,075
DEFERRED TAX		
Origination and reversal of timing differences	(36,548)	43,470
Adjustments in respect of previous periods	2,686	-
Total deferred tax (note 18)	(33,862)	43,470
TAX ON PROFIT ON ORDINARY ACTIVITIES	964,820	1,261,545

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004

8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

8b: Factors affecting the tax charge for the year:

	2004 GROUP £	2003 GROUP £
The tax assessed for the year is higher than the standard rate of corporation tax (30%) due to the following reasons:		
Profit on ordinary activities before tax	2,076,270	2,905,276
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK (30%)	622,881	871,583
EFFECTS OF:		
Expenses not deductible for taxation purposes	187,562	156,886
Non taxable income	(49,987)	-
Depreciation in the year less than capital allowances	(25,160)	1,870
Increase in general provisions	4,802	36,090
Overseas tax in excess of UK tax	11,907	53,047
Amortisation of goodwill including adjustments on consolidation	21,968	94,383
Losses carried forward	224,157	97,364
Losses utilised	(23,540)	(133,652)
Adjustments to tax charge in respect of previous periods	25,525	40,504
Marginal rate of tax	(1,433)	-
CURRENT TAX CHARGE FOR THE YEAR (note 8a)	998,682	1,218,075

9. DIVIDENDS

	2004 GROUP £	2003 GROUP £
Amounts payable by holding company		
- preferred ordinary dividend	-	187,500
- ordinary dividend	-	800,000
	-	987,500

10. INTANGIBLE FIXED ASSETS

GROUP

	POSITIVE GOODWILL £	NEGATIVE GOODWILL £	TOTAL £
COST			
At 1 October 2003	1,903,778	(572,658)	1,331,120
Additions	3,696,437	-	3,696,437
Transfer in the year	(517,321)	517,321	-
At 30 September 2004	5,082,894	(55,337)	5,027,557
AMORTISATION			
At 1 October 2003	764,371	(47,898)	716,473
Provided for the year	204,749	-	204,749
At 30 September 2004	969,120	(47,898)	921,222
NET BOOK AMOUNT			
At 30 September 2004	4,113,774	(7,439)	4,106,335
At 30 September 2003	1,139,407	(542,760)	614,647

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004**

10. INTANGIBLE FIXED ASSETS – continued

With effect from 1 January 2004 the company acquired a controlling interest (81%) in Holm & Co AB, an insurance broking agency registered in Sweden. The consideration was SEK 21,950,000 (Sterling equivalent: £1,621,932) with £1,000,479 settled in cash on completion with £286,894 payable during 2005 and the balance payable on the second anniversary of completion. The further consideration payable of £621,453 has been accrued in these financial statements. Including legal and related expenses, the total cost of acquisition amounted to £1,722,029. The following results were disclosed for the year ended 31 December 2003: Turnover – SEK 22,620,657 (Sterling equivalent: £1,753,540); Operating expenses – SEK 5,348,140 (Sterling equivalent: £414,585); Profit before taxation – SEK 5,548,859 (Sterling equivalent: £430,144); Profit after taxation – SEK 3,380,878 (Sterling equivalent: £262,085).

The initial participating interest of DCR Holdings Limited (formerly Dual Corporate Risks Limited) was acquired in March 2003. In October 2003 the group acquired 80% of the ordinary shares in the company for a cash consideration of £849,488. Including legal and related expenses, the total cost of acquisition amounted to £871,534.

On 24 June 2004 the Group acquired 90% of the issued share capital of Insurance and Risk Solutions Limited (“I&RS”) for a cash consideration of £325,000. Including legal and related expenses, the total cost of acquisition amounted to £332,853. The company has entered into an option agreement to acquire the remaining shares at a price dependent on future performance. The directors do not consider that any further consideration payable will be material. The profit after taxation of I&RS for the year ended 29 February 2004 was £176,294. The profit for the period from 1 March 2004 to acquisition was not material.

During the year the Group acquired 76.8% of Dual Australia Pty Limited, a company incorporated in the year.

During April 2004, the company acquired a controlling interest (51%) in J.K. Buckenham Limited (“JKB”), a reinsurance broking company, registered in England. The consideration was £867,000 with £500,000 settled in cash on completion and the balance being financed by the issue of loan notes. After legal and related expenses the total cost of acquisition amounted to £992,492. The loan notes are unsecured, fall due for repayment on 1 October 2006 and bear interest at 2% over LIBOR. The company has entered into an option agreement to purchase additional shares at a price dependant upon future performance. The directors do not consider that any further consideration payable will be material. The profit after taxation of JKB for the year ended 31 December 2003 was £15,978. The profit for the three months to March 2004 was £750.

The net assets acquired and the considerations are as follows:

	HOLM & CO £	JK BUCKENHAM LIMITED £	I & RS§ LIMITED £	DCR HOLDINGS LIMITED £	DUAL AUSTRALIA PTY LTD £	TOTAL £
Intangible fixed assets	-	-	-	(411,407)	-	(411,407)
Tangible fixed assets	45,175	127,837	9,392	50,117	-	232,521
Bank and cash balances	56,459	9,715	317,535	3,832,134	106,476	4,322,319
Other current assets	578,807	647,259	295,031	2,639,884	-	4,160,981
Current liabilities	(578,384)	(272,426)	(409,291)	(5,865,306)	-	(7,125,407)
Long-term liabilities	-	-	-	(197,870)	-	(197,870)
	102,057	512,385	212,667	47,552	106,476	981,137
Interest already held by group companies	-	-	-	(24,252)	-	(24,252)
Minority interest	(19,390)	(272,118)	(21,266)	(9,510)	(24,702)	(346,986)
	82,667	240,267	191,401	13,790	81,774	609,899
Cash consideration	1,000,479	500,000	325,000	849,488	93,125	2,768,092
Legal and related expenses	100,097	125,492	7,853	22,046	-	255,488
Loan notes	-	367,000	-	-	-	367,000
Further consideration	621,453	-	-	-	-	621,453
Total consideration	1,722,029	992,492	332,853	871,534	93,125	4,012,033
Goodwill	1,639,362	752,225	141,452	857,744	11,351	3,402,134

Additional legal costs in respect of Global Insurance Services Limited giving rise to additional goodwill of:	18,436
Acquisition of book of business by Davidoff Howden Insurance Brokers Limited giving rise to additional goodwill of:	189,479
Establishment of Howden Mauritius Limited, an intermediate holding company.	86,388

3,696,437

No adjustments for fair values were required.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004

II. TANGIBLE FIXED ASSETS

GROUP

	SHORT LEASEHOLD IMPROVEMENTS £	MOTOR VEHICLES £	FIXTURES FITTINGS & EQUIPMENT £	TOTAL £
COST				
At 1 October 2003	161,695	15,291	2,057,831	2,234,817
Additions	48,073	-	1,110,183	1,158,256
Acquisition of subsidiary undertakings	37,156	46,599	98,649	182,404
Disposals	-	(15,291)	(367,891)	(383,182)
AT 30 SEPTEMBER 2004	246,924	46,599	2,898,772	3,192,295
DEPRECIATION				
At 1 October 2003	145,911	15,291	1,275,460	1,436,662
Provided for the year	26,455	9,613	525,536	561,604
Disposals	-	(15,291)	(91,193)	(106,484)
AT 30 SEPTEMBER 2004	172,366	9,613	1,709,803	1,891,782
NET BOOK AMOUNT				
AT 30 SEPTEMBER 2004	74,558	36,986	1,188,969	1,300,513
AT 1 OCTOBER 2003	15,784	-	782,371	798,155

The net book amount of fixtures, fittings and equipment above includes £nil (2003 - £nil) in respect of assets held under finance leases or hire purchase contracts.

COMPANY

	SHORT LEASEHOLD IMPROVEMENTS £	FIXTURES FITTINGS & EQUIPMENT £	TOTAL £
COST			
At 1 October 2003	-	891,641	891,641
Additions	22,500	707,286	729,786
Disposals	-	(335,677)	(335,677)
AT 30 SEPTEMBER 2004	22,500	1,263,250	1,285,750
DEPRECIATION			
At 1 October 2003	-	563,905	563,905
Charge for the year	9,375	254,856	264,231
Disposals	-	(76,561)	(76,561)
AT 30 SEPTEMBER 2004	9,375	742,200	751,575
NET BOOK AMOUNT			
AT 30 SEPTEMBER 2004	13,125	521,050	534,175
AT 1 OCTOBER 2003	-	327,736	327,736

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004

12. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

COMPANY

	£
At 1 October 2003	2,557,476
Additions at cost	2,901,270
AT 30 SEPTEMBER 2004	5,458,746

The group's principal operating subsidiaries are as follows:

NAME OF COMPANY	COUNTRY OF INCORPORATION	PROPORTION OF ORDINARY SHARES HELD BY COMPANY %	PROPORTION OF ORDINARY SHARES HELD BY SUBSIDIARY %	NATURE OF BUSINESS
Howden Insurance Brokers Limited	England	100		Insurance broking
Dual International Limited	England	90		Intermediate holding Insurance underwriting agency
Insurance & Risk Solutions Limited	England	90		Insurance broking
CFC Underwriting Limited	England	64		Intermediate holding company/Insurance underwriting agency
Global Insurance Services Limited	England	51		Intermediate holding company/Insurance broking
J K Buckenham Limited	England	51		Reinsurance broking
Holm & Co	Sweden	81		Insurance broking
Dual Iberica Riesgos Profesionales S.A.	Spain		68	Insurance underwriting agency
Dual Italia SpA	Italy		72	Insurance underwriting agency
Dual Corporate Risks Limited	England		80	Insurance underwriting agency
Dual Australia Pty Limited	Australia		76	Insurance underwriting agency
Howden Insurance Brokers Oy	Finland		70	Insurance broking
Davidoff Howden Insurance Brokers Limited	Israel		51	Insurance broking
Howden Iberia S.A.	Spain		100	Insurance broking

All subsidiaries are included in the Group consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004

13. INVESTMENTS IN ASSOCIATED UNDERTAKINGS

A 26% participating interest in Howden India Private Limited was acquired in January 2004. A wholly owned subsidiary, Howden Insurance Brokers Limited, established, in conjunction with local partners, an Insurance broking company in India. The initial capital investment amounted to £131,500, which was subscribed in cash for ordinary shares in Howden India Private Limited.

The group's share of results and net assets are as follows:

	HOWDEN INDIA PRIVATE LIMITED £
Turnover	23,154
(Loss) on ordinary activities before tax	(43,459)
Taxation	(7)
(LOSS) ON ORDINARY ACTIVITIES AFTER TAX	(43,466)
Fixed assets	31,829
Current assets	64,929
Current Liabilities	(8,724)
NET ASSETS	88,034
At 1 October 2003	-
Share of (loss) after tax arising in the year	(43,466)
Initial capital investment	131,500
AT 30 SEPTEMBER 2004	88,034

14. DEBTORS

	2004 GROUP £	2004 COMPANY £	2003 GROUP £	2003 COMPANY £
Insurance debtors	61,538,952	-	50,079,000	-
Deferred tax recoverable (note 18)	106,876	67,409	73,014	3,897
Tax recoverable	48,357	-	-	-
Other debtors	1,207,651	51,339	944,505	306,044
Prepayments and accrued income	673,465	101,389	238,079	14,610
Amount due from group undertakings	-	2,651,086	-	978,892
Loan due from group undertakings	-	453,355	-	453,355
	63,575,301	3,324,578	51,334,598	1,756,798

The loan due from group undertakings comprises a loan made to a subsidiary company, CFC Underwriting Limited. The company received a part repayment of £128,500 on 14 February 2005. The loan is unsecured, interest free and is subordinated to the interests of other creditors.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004

15. CASH AND BANK BALANCES

	2004 GROUP £	2004 COMPANY £	2003 GROUP £	2003 COMPANY £
Insurance balances	21,830,593	-	16,027,633	-
Other cash balances	2,688,161	-	1,167,053	100,989
	24,518,754	-	17,194,686	100,989

The use of insurance balances is restricted in accordance with the regulations governing those accounts.

16. CREDITORS (DUE WITHIN ONE YEAR)

	2004 GROUP £	2004 COMPANY £	2003 GROUP £	2003 COMPANY £
AMOUNTS FALLING DUE WITHIN ONE YEAR				
Bank overdraft (secured)	927,095	864,514	3,125	-
Loans owed to third parties	34,500	-	117,619	-
Insurance creditors	80,631,248	-	61,504,012	-
Corporation tax	439,121	2,885	1,135,303	95,272
Other taxation and social security	786,100	-	321,712	-
Proposed dividends	200,000	200,000	987,500	987,500
Dividends payable to minority shareholders	30,000	-	499,206	-
Net obligations under finance leases and hire purchase contracts -	-	-	5,785	-
Other creditors	1,664,230	776,664	762,917	112,419
Accruals and deferred income	1,646,646	276,923	1,231,260	269,532
Amount owed to group companies	-	1,384,402	-	15,528
	86,358,940	3,505,388	66,568,439	1,480,251

The bank overdraft is secured by means of a debenture over the company's assets and bears interest at 2.00% over base rate.

The loan amounting to £34,500 was repaid on 14 February 2005.

17. CREDITORS (DUE AFTER ONE YEAR)

	2004 GROUP £	2004 COMPANY £	2003 GROUP £	2003 COMPANY £
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR				
Loans owed to third parties	2,457,145	2,350,000	141,645	-
Unsecured loan notes (note 10)	367,000	367,000	-	-
Other	42,624	-	20,078	-
	2,866,769	2,717,000	161,723	-

The loans include £2,350,000 (2003 - £nil) owed to B P Marsh & Partners Limited and £107,145 (2003 - £141,645) owed by a subsidiary company to a minority shareholder. The latter loan is unsecured, interest free and is subordinated to the interests of other creditors.

The loan from B P Marsh & Partners Limited is secured by a debenture over the assets of the Company and bears interest at 10%. There are no fixed repayment terms and the loan is not repayable until after 30 April 2006.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004

18. PROVISION FOR DEFERRED TAX

	2004 GROUP £	2004 COMPANY £	2003 GROUP £	2003 COMPANY £
Depreciation in excess of capital allowances	(25,938)	(23,926)	5,791	(12,255)
Pension accruals	12,207	2,501	12,248	11,076
Losses carried forward	83,757	83,757	22,969	-
Other short term timing differences	36,850	5,077	32,006	5,076
DEFERRED TAX ASSET (note 14)	106,876	67,409	73,014	3,897
Asset at start of period	73,014	3,897	116,484	5,391
Deferred tax (charge)/credit in profit and loss account for period (note 8A)	33,862	63,512	(43,470)	23,360
Transfer of assets to group company	-	-	-	(24,854)
ASSET AT END OF PERIOD (note 14)	106,876	67,409	73,014	3,897

The recoverability of tax losses is dependent on there being sufficient future taxable profits. Current forecasts support the recoverability of this asset.

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The group has capital losses of £182,000 (2003 - £170,580) available to carry forward for offset against future capital gains.

The group has eligible unrelieved foreign tax of £52,205 (2003 - £28,252) available to carry forward for offset against any tax arising on future overseas group dividends.

The group has trade losses of approximately £1,052,000 (2003 - £464,000) for offset against future income, subject to certain restrictions.

19. CALLED UP SHARE CAPITAL

	NUMBER	2004 COMPANY £	NUMBER	2003 COMPANY £
AUTHORISED				
Ordinary shares of £1 each	150,673	150,673	150,673	150,673
Preferred cumulative ordinary shares of £1 each	46,918	46,918	46,918	46,918
'A' ordinary redeemable shares of £1 each	21,575	21,575	21,575	21,575
Deferred 'B' ordinary shares of £1 each	21,575	21,575	21,575	21,575
	240,741	240,741	240,741	240,741
ALLOTTED, ISSUED AND FULLY PAID				
Ordinary shares of £1 each	150,673	150,673	150,673	150,673
Preferred cumulative ordinary shares of £1 each	46,918	46,918	46,918	46,918
'A' ordinary redeemable shares of £1 each	21,575	21,575	21,575	21,575
	219,166	219,166	219,166	219,166
ALLOTTED, ISSUED AND PART PAID				
Deferred 'B' ordinary shares of £1 each	21,575	216	21,575	216
	240,741	219,382	240,741	219,382

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004

19. CALLED UP SHARE CAPITAL - continued

The classes of shares have the following rights:

1) Preferred cumulative ordinary shares of £1 each:

The shares carry a dividend of 7.5% up to and including the year ended 30 September 2003 and 8% thereafter, based on nominal value and premium paid up. The voting rights of the Preferred shares rank equally with the Ordinary shares in all respects. The Preferred shares carry no right to convert to Ordinary shares.

2) "A" ordinary redeemable shares of £1 each:

The shares carry a dividend of 7.5 % up to and including the year ended 30 September 2003 and 8% thereafter, based on nominal value and premium paid up. The "A" shares carry no voting rights, unless any dividends remain unpaid, in which case the shares rank equally in all respects with the Ordinary shares and the Preferred shares. The shares may be redeemed at the request of the holders of such shares.

3) Deferred "B" ordinary shares of £1 each:

After redemption of all of the "A" shares, the "B" shares carry a dividend of 7.5% up to and including the year ended 30 September 2003 and 8% thereafter, based on nominal value and premium paid up. The voting rights of the "B" shares rank equally with the Ordinary shares in all respects, unless the holders of "A" shares are entitled to vote, as described above. The "B" shares carry no right to convert share options to Ordinary shares.

SHARE OPTIONS

On 5 December 2001 the company issued 7,533 share options to subscribe for the company's shares to certain executives of subsidiary companies. 2,200 options have been granted and these are exercisable at a price of £22 per share between 5 December 2004 and 5 December 2011.

On 10 February 2003 a further 1,625 share options to subscribe for shares in the company were granted to certain executives of subsidiary companies. However 500 share options lapsed during 2004. The remainder are exercisable at a price of £28 per share between 10 February 2006 and 10th February 2013.

20. RESERVES

	EQUITY SHARES £	NON-EQUITY SHARES £	TOTAL £
GROUP			
PROFIT AND LOSS ACCOUNT			
Balance at 1 October 2003	(131,837)	-	(131,837)
Currency translation differences on net foreign currency investments	(18,151)	-	(18,151)
Retained profit for the period	(54,170)	200,000	145,830
BALANCE AT 30 SEPTEMBER 2004	(204,158)	200,000	(4,158)
SHARE PREMIUM ACCOUNT			
Balance at 1 October 2003	390,748	2,431,507	2,822,255
Movement in the year	-	-	-
BALANCE AT 30 SEPTEMBER 2004	390,748	2,431,507	2,822,255
COMPANY			
PROFIT AND LOSS ACCOUNT			
Balance at 1 October 2003	221,111	-	221,111
Retained profit for the period	(367,637)	200,000	(167,637)
BALANCE AT 30 SEPTEMBER 2004	(146,526)	200,000	53,474
Share premium account			
Balance at 1 October 2003	390,748	2,431,507	2,822,255
Movement in the year	-	-	-
BALANCE AT 30 SEPTEMBER 2004	390,748	2,431,507	2,822,255

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004

21. SHAREHOLDERS' FUNDS

	2004 GROUP £	2004 COMPANY £	2003 GROUP £	2003 COMPANY £
Profit/(loss) for the period	145,830	(167,637)	1,002,731	1,072,958
Dividends	-	-	(987,500)	(987,500)
	145,830	(167,637)	15,231	85,458
Other recognised gains and losses in the year	(18,151)	-	18,982	-
Net addition to shareholders' funds	127,679	(167,637)	34,213	85,458
Opening shareholders' funds	2,909,800	3,262,748	2,875,587	3,177,290
CLOSING SHAREHOLDERS' FUNDS	3,037,479	3,095,111	2,909,800	3,262,748
Equity interests	337,263	394,895	409,584	762,532
Non-equity interests	2,700,216	2,700,216	2,500,216	2,500,216
	3,037,479	3,095,111	2,909,800	3,262,748

22. OPERATING LEASES

At 30 September 2004 the group had annual commitments under operating leases as follows:

	LAND AND BUILDINGS		2004 £	OTHER 2003 £
	2004 £	2003 £		
EXPIRY DATE:				
Within 1 year	836,863	97,212	6,014	-
Between 2 and 5 years	184,985	44,798	15,842	44,464
In more than 5 years	56,700	415,604	-	-

23. PENSION COSTS

The group operates a defined contribution pension scheme, the assets of which are held separately from those of the group in an independently administered fund. The pension cost for the year is shown in note 6.

24. RELATED PARTY TRANSACTIONS

The Company is exempt from disclosing related party transactions with group companies in which 90% of the shares are owned and which are included in the group consolidated financial statements.

The Group had the following transactions with related parties during the year:

	2004 £	2003 £
AMOUNT RECEIVED/EXPENSED IN THE YEAR		
Brokerage received from Davidoff Insurance Brokers Limited	10,777	119,268
Brokerage received from Somerville Insurance Services Limited	23,252	32,833
Brokerage Received from BP Marsh & Partners Limited	4,493	4,812
Commission payable to Davidoff Insurance Brokers Limited	-	179,499
Fees paid to BP Marsh & Partners Limited	227,985	81,184
Amounts paid to Somerville Insurance Services Limited	15,493	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004

24. RELATED PARTY TRANSACTIONS (continued)

	2004 £	2003 £
AMOUNTS RECEIVABLE/PAYABLE AT THE END OF THE YEAR		
Amount due from Davidoff Insurance Brokers Limited	38,187	1,118,615
Amount due to Davidoff Insurance Brokers Limited	147,225	1,700,631
Amount due from Somerville Insurance Services Limited	-	9,114
Amount due to Somerville Insurance Services Limited	-	18,488
Amount due from B P Marsh & Partners Limited (included in insurance debtors and creditors above)	-	4,812
B P Marsh & Partners Limited fees payable	38,610	14,688
B P Marsh & Partners Limited loan	2,350,000	-

Mr R Davidoff, a Director of this Company, is also a Director of Davidoff Insurance Brokers.

BP Marsh & Partners Limited owned 27.96% of the Company at the end of the year. Mr B P Marsh and Mr S J Crowther, Directors of this company, are also Directors of B P Marsh & Partners Limited

Mr R J R Elias, a Director of this Company, was a Director of Somerville Insurance Brokers Limited, until 22 January 2004.

25. NOTES TO THE CASH FLOW STATEMENT

	2004 £	2003 £
(A) ANALYSIS OF CASH FLOW FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT		
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	41,680	263,574
Interest paid	(182,062)	(7,875)
Interest element of finance lease rentals	(1,201)	(876)
Dividend paid to minority interests	(827,446)	(44,709)
	(969,029)	210,114
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Payments to acquire tangible fixed assets	(1,158,256)	(441,134)
Payments to acquire intangible fixed assets	(189,479)	-
Sale of tangible fixed assets	-	8,420
	(1,347,735)	(432,714)
ACQUISITIONS AND DISPOSALS		
Purchase of subsidiary undertakings (note 10) (net of cash and cash equivalents)	(2,638,219)	6,280,431
Purchase of associated undertaking	(131,500)	-
	(2,769,719)	6,280,431
FINANCING		
Debt due within one year: repayment of unsecured loans	-	(62,733)
Drawdown of loans from third parties	2,350,000	-
Repayments of loans to third parties	(117,619)	-
Capital element of finance lease rental payments	(5,785)	(16,602)
	2,226,596	(79,335)

The acquisitions contributed £2,049 to interest paid and £1,405,113 to the operating cash flow of the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004

25. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

	1 OCTOBER 2003 £	CASH FLOWS £	NON CASH CHANGES £	30 SEPTEMBER 2004 £
(B) ANALYSIS OF NET FUNDS				
Cash in hand and at bank	17,194,686	7,324,068	-	24,518,754
Bank overdrafts	(3,125)	(923,970)	-	(927,095)
	17,191,561	6,400,098	-	23,591,659
Debt due within one year	(117,619)	117,619	(34,500)	(34,500)
Debt due after one year	(141,645)	(2,350,000)	34,500	(2,457,145)
Finance leases	(5,785)	5,785		-
Loan notes	-	-	367,000	367,000
TOTAL	16,926,512	4,173,502	367,000	21,467,014



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