



Report & Accounts | 2006

Company Information

Directors **A A M Pinsent** (Chairman – Non-Executive)
 R P Hodson (Chief Executive)
 J N Herdman (Managing Director)
 J M May (Non-Executive)
 S A Shaw (Finance Director)
 A L Spearman (Acquisitions Director)

Secretary **S B Benev**

Company number 04901418

Registered office 9 South Parade, WAKEFIELD, West Yorkshire, WF1 1LR

Auditors **Mazars LLP, 24 Bevis Marks, LONDON, EC3A 7NR**

Bankers **Barclays Bank plc, PO Box 39, 1 Wood Street, WAKEFIELD, West Yorkshire, WF1 2EA**
Lloyds TSB Bank plc, 4th Floor, 25 Gresham Street, LONDON, EC2V 7HN

Solicitors **Dundas & Wilson, Saltire Court, 20 Castle Terrace, EDINBURGH, EH1 2EN**

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Chairman's Report

A A M Pinsent - Chairman

I am pleased to be able to report another very successful year in Oval's development, with the completion and integration of six acquisitions and continued strong performance from our established businesses.



We continue to seek opportunities to acquire insurance broking and financial services businesses which will complement Oval's established business, broaden our capabilities and extend our geographic reach.

The acquisition of Lochain Patrick Insurance Brokers in June 2005, a leading marine insurance specialist in London, renamed Oval International, brought with it improved access to Lloyd's and the London market for our clients.

The acquisition of John Eke in the South West, completed in October significantly enhanced our national coverage and strengthened our management team.

We further strengthened our position in the Midlands with the acquisition of Williams and Williams Insurance Broking and Financial Services business in December, and of Malyon Lestrangle and CWB in February 2006. In April 2006 we further enhanced our business in the North with the acquisition of the general insurance business of Sheafmoor in Sheffield.

These acquisitions, coupled with the growth in Oval's underlying business, have increased Oval's annualised turnover to £56 million, with insurance broking revenues contributing approximately 80% of income and financial services contributing the balance.

We have secured a significant amount of new funding during the year and the resources are therefore in place to support Oval's development for the foreseeable future. A number of further acquisitions are at an advanced stage. These will enable us to continue to grow the business, improve our placing power for our clients, secure economies of scale and offer excellent development opportunities for our people.

Our strategy remains unchanged. We are focused on building a professional broking Group, with the emphasis on the corporate and commercial market, providing full risk management services for our current and potential clients.

We aim to recruit and retain clients through a professional approach and the highest standards of customer service.

We will continue to develop and strengthen our management team and this, coupled with targeted, quality acquisitions, will contribute to the future growth of the business.

In the two and a half year since its inception, the Oval name has become a national brand, known and respected in our chosen markets. Our success in creating the business and developing the Oval concept is not only reflected in our success in recruiting and retaining clients, but also in the strength of our insurer relationships. Our scale and our strong relationships with clients and insurers are now allowing Oval to work with insurers to develop unique products tailored to the needs of our clients.

To support our growth and development several changes have been made to our senior management team. I would like to welcome Jeff Herdman, Managing Director, and Simon Shaw, Finance Director to the Board. Stephen Bright left Oval in February and I would like

to thank him for his contribution during the past two years. Ben Thomson and Tony Hambro have also stepped down from the Board as Non-Executive Directors and they deserve special thanks for their important role in the creation of Oval. The Group is also most grateful to Lochie Spearman who will shortly be leaving Oval having significantly assisted the acquisition strategy of the Group since the beginning.

Having been privileged to be your Chairman since the inception of Oval in November 2003, I have decided to stand down from this role in October, remaining on the Oval Board, but concentrating on my role with Oval International. I am delighted to announce that Oliver Stocken has agreed to succeed me and he will be a great asset to the Group in our further development.

Oliver has a most distinguished business career and was formerly Group Finance Director of Barclays Bank plc. Amongst other roles he was a Non-Executive Director of The Rank Group plc and of Pilkington plc. His current roles include being a Non-Executive Director of Standard Chartered plc and GUS plc and Deputy Chairman of 3i Group plc.



He is Honorary Treasurer of Marylebone Cricket Club and Chairman of the Board of Trustees of The National History Museum.

Oval has made enormous progress since the acquisition of R P Hodson in 2003. I am proud of what we have achieved and recognise that this is the result of hard work of all our staff across the business and the senior management team, under the leadership of Phillip Hodson. I would like to take this opportunity to express my sincere thanks to everyone involved and also for the support that our investors and advisers have provided.

I look forward to another successful year in Oval's development in 2006/07.

Antony Pinsent
Chairman

Chief Executive Officer's Review

Phillip Hodson - Chief Executive Officer



To understand where we have got to now, it is worthwhile casting a brief glance backwards for a glimpse of the great distance we have covered over the past twelve months. We started the 2005/06 financial year in a strong position, but we knew it was early days for the Oval Group.

Turnover

(£m per annum)



Turnover increased from £34.0 million to £47.3 million. Acquisitions contributed £8.9 million of this increase, with Oval's established businesses contributing the balance.

EBITDA

(£m per annum)



EBITDA for the year ended 31 May 2006 was £9.8 million, 63% higher than the £6.0 million achieved in the previous year.

Hitting our stride

We were only a year and a half into our journey. It was – and still is – a journey with a clear destination: becoming a leading national insurance broking, risk management and financial advisory group in the UK, and building a successful, profitable business along the way.

But these things cannot be achieved unless foremost attention is paid to clients and staff.

By the end of May 2005, we had achieved great things. More and more companies and individuals were turning to us for professional advice. In turn, we were offering them a growing number of services and areas of expertise. Oval consisted of five

companies, and a Group culture was taking shape. The financial numbers spoke for themselves: they were two years ahead of plan.

Nevertheless, there were unanswered questions about the year ahead. How would the soft market affect us? Could we maintain our growth momentum, given our strict criteria about the people we wanted? Could we continue to maintain a culture that was genuinely centred on our clients first without threatening the goodwill of our staff? Could we really integrate insurance broking and financial services to become a true composite organisation?

The challenges were still there.

81%

Operating profit increased by 81% from £2.5 million to £4.4 million and profit before tax increased by 100% from £2.0 million to £4.0 million.



Outstanding performance

So what did we achieve in the 2005/06 financial year?

First, the numbers. Oval put in a very creditable performance – in spite of difficult markets. On the insurance broking side, we increased annual gross written premium to £255 million. Group revenues grew from £34 million to £47 million. On an annualised basis – taking account of companies bought during the year – group revenues now exceed £56 million.

Perhaps more significantly, EBITDA before one-off costs increased by 63% to £9.8 million – an outstanding achievement.

Both the balance sheet and cash flow are strong. During the year, we agreed a committed facility of £53 million with Barclays and Lloyd's TSB for future acquisitions.

Clients and staff first

We have made this financial progress because we have put clients and staff first. It is this care and attention for them that is the very bedrock of our business. It has kept clients loyal to us. What is more, it is also what attracts potential acquisitions to Oval.

However, we have continued to be as selective as ever. Since we started out we have brought together some of the strongest and best quality firms of their type. Another six joined us during the financial year, and we are currently talking to seven more.

I am pleased to report that because we continue to put clients first, our team are as proud of what they do as they ever were. The result? Morale across the group remains very high. All our acquisitions and new recruits have integrated well into the Oval framework and brand. However, a team is only as good as its leadership, so I would like to pay particular tribute to the work of our Group Managing Director, Jeff Herdman. Jeff has spent a vast amount of time and has driven thousands of miles in pursuit of talking to new and old faces about our culture and strategy.

Jeff's appointment to the Main Board in May coincided with the scrapping of the separate insurance broking and financial services operating boards. It had always been the Main Board's intention to unify the two divisions and run the Group with a single management structure. This is being done across the regions. Because we are breaking down the traditional boundaries between financial and insurance advice, our clients are enjoying the benefits of comprehensive advice under one roof.



Chief Executive Officer's Review - continued

No. of employees



The average number of employees within the group has increased, both via acquisitions and organic growth, from 513 during the year ended 31 May 2005, to 595 this year, with headcount ending the year at 684.

Turnover per head (£ per annum)



Turnover per head increased from £66,356 in 2005 to £79,565 in 2006, indicating an improved deployment of resources.

Strong focus

There was more restructuring during the year – to define more precisely our offer to clients. We segmented our business into three parts – Corporate / Mid Corporate, SME and Private Clients – and recruited new segment heads to make sure each distinct offer was right for clients and consistent across the Group. They are now responsible for finding the best people to deliver our service and for choosing the right suppliers, such as insurers and technology providers.

As an example of how this works, in the SME division, where we fully understand the challenges these clients face, we have developed some unique products with Allianz Cornhill Insurance plc. No other broker has access to them. This strong focus on client needs means suppliers are taking us seriously and delivering the products we and our clients request. We are continuing to develop these relationships.

I would like to thank all our staff, who have worked tirelessly over the past 30 months to build and improve the Oval brand. We are becoming a strong and proud company, and have achieved a lot in a short time.

But we must also look to the future. We have big plans and big ideas. We are still a relatively young company, and we are only just hitting our stride. We can deliver more – for our clients and for ourselves. The year ahead is already shaping up to be an exciting time for Oval. I very much look forward to reporting back to you on Oval's progress in 12 months' time.

Phillip Hodson
Chief Executive Officer



Attracting the Best

As Oval grows, so does its services and areas of expertise. They are spread around the country, but easily accessible across the group. Ultimately, its aim is to offer clients a Total Risk Management package. It is not there yet – but by attracting some of the best people in the business, it is well on its way.

All Oval's specialist teams had a successful year.

The Construction team renewed its exclusive latent defects deal with Allianz Cornhill Insurance during the year, which continues to bring down the cost of new construction projects. The Energy and Special Risks team did some interesting business in Canada and Madagascar. Commercial Property, Credit and Professional Risks all continued to thrive.

Oval's close relationships and negotiated deals with product providers mean that its pensions teams are doing as well as ever. The A-Day pensions reform brought challenges and opportunities. Oval also launched its own Self Invested Personal Pension product in conjunction with Standard Life.

The pensions administration team provided services to national companies such as Uniq, Dairy Crest and McCormick Foods.

The company is growing its activity in group risk and healthcare business, and during the year it has placed sales focus on this specific area.

Oval is trying to widen its London market and Lloyd's skills, so it can better support its main retail business. It is also keen to acquire good wealth management businesses.



Directors' Report

The directors present their report and consolidated financial statements for the year ended 31 May 2006.

Directors' responsibilities

United Kingdom Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the company and 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company or the group will continue in business; and
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities

The principal activity of the company was that of a holding company.

The principal activity of the group was the provision of financial and insurance services.

Enhanced business review

The year ended 31 May 2006 has been a period of continued expansion and progress for the Oval Group.

The main objectives throughout have been the continuance of the acquisition policy combined with maintaining focus on the provision of a market leading, overall risk management package. Significant advances have been made in both areas.

New acquisitions have contributed to the group turnover increasing from £34 million in 2005 to over £47 million in 2006, with Oval placing in excess of £250 million of gross written premiums with insurers during the year.

Our combined size has enabled us to attract and develop highly experienced specialist teams who have ensured that our client retention rate is one of the highest in the sector. This has been achieved by offering clients the expertise and buying power that expansion brings, together with the personal service that only local, well-established business can provide. Our specialist services, including wealth management and pension administration alongside credit risk insurance and contaminated land cover, ensure that we are well on our way to providing the ultimate risk management solution.

Financial highlights

- Turnover increased from £34 million to £47 million. Acquisitions contributed £8.9 million of this increase, with Oval's established businesses contributing the balance.
- Operating profit increased by 81% from £2.5 million to £4.4 million and profit before tax increased by 100% from £2.0 million to £4.0 million.
- EBITDA for the year ended 31 May 2006 was £9.8 million, 63% higher than the £6.0 million achieved in the previous year.
- All businesses performed broadly in line with expectations with the exception of Oval International where work has been undertaken to address the issues which led to under-performance.
- The average number of employees within the group has increased, both via acquisitions and organic growth, from 513 during the year ended 31 May 2005, to 595 this year, with headcount ending the year at 684.
- Turnover per head increased from £66,356 in 2005 to £79,565 in 2006, indicating an improved deployment of resources.
- Net debt, comprising net bank borrowings and convertible loan stock, ended the year at £24.9 million, representing 74% of the Group's equity base.

Acquisitions

Lochain Patrick, a well-established, independent Lloyd's broker, was the first acquisition by the Oval Group during the year, in June 2005. This association enabled Oval to obtain immediate access to the Lloyd's and London markets whilst at the same time, providing an opportunity to develop a strong presence in the marine and overseas markets, which was enhanced by re-branding as Oval International.

This was followed in October 2005 by the acquisition of John Eke & Partners based in Bristol. This company had previously enjoyed steady growth to mid-sized status, with close to 40 staff, £18 million in gross written premiums and a hard-won reputation for leading customer service, which fit well with the overall client based approach of Oval.

In December 2005, Oval cemented its status in Leicester and the East Midlands with the acquisition of Williams & Williams. This further strengthened our management team in Leicester, whilst simultaneously enhancing the Group's risk management and independent financial advisory business.

February 2006 saw two further acquisitions, the first being CWB (Insurance & Risk Management), a small, high quality broker with a very strong reputation, followed by Malyon Lestrage in Broxbourne, Hertfordshire. Malyon Lestrage has contributed predominantly commercial lines brokerage from its 3,000 corporate clients, the principal area of expertise being within the construction industry. Both company's had a working culture that provided an exceptional fit with the ethos and commitment of Oval to client service.

The most recent addition to the Oval Group was the purchase of the majority of the corporate insurance business of Sheafmoor Brokers in Sheffield. One of the opportunities provided by this acquisition was that it offered a further £10 million revenue base, which could benefit from cross-marketing of the Oval product range, particularly financial services products.

Each acquisition has brought market-leading resources to Oval by way of experience, expertise and reputation, thereby enhancing the brand further and helping to create a competitive edge. At the same time our brokers have maintained exceptional levels of personal client service throughout all divisions and regions of the Oval Group.

In early 2006, Oval secured a significant amount of new debt funding to support its planned development. Oval's acquisition policy is set to continue throughout the forthcoming year, with negotiations currently in progress with several high-quality, hand picked financial services and general insurance brokers around the country.

Further information regarding the development and performance of the Group can be found in the Chairman's Report on pages 2 and 3 and the Chief Executive Officer's review on pages 4, 5 and 6.

Directors' Report - continued

Principal risk exposures and associated mitigating procedures

The activities of the Group expose it to a variety of risks, both financial and operational. Those which have a material impact on the Group are as follows:

Market risk: Like all insurance broking businesses, Oval is exposed to the insurance cycle. Oval mitigates this risk through a close focus on costs, through close relationships with its clients and insurers and through its less cyclical financial services business.

Performance risk: Oval Group may under-perform its chosen benchmarks. To mitigate this risk, performance in all areas of the business is monitored on a monthly basis, allowing remedial action to be taken where necessary.

Operational risk: The business is exposed to the risk of disruption to its operations arising from systems failures or management stretch. This risk is mitigated by ensuring the business has a strong and capable senior management team, ensuring that acquisitions are planned to minimise disruption and putting in place appropriate disaster recovery plans.

Regulatory risk: The Group requires Financial Services Authority approval to undertake its Insurance Broking and Financial Services business and a breach of the Financial Services Authority's rules might lead to the withdrawal of this approval. Oval continues to mitigate this risk by way of an experienced and dedicated compliance team.

Banking risk: A breach of Oval's loan covenants might lead to funding being withdrawn. This risk is mitigated by closely monitoring performance against these covenants.

Interest rate risk: The Group is exposed to interest rate risk on its borrowings, although this is limited by the natural hedge provided by the offset between the cash balances held on client accounts and Oval's debt funding.

Reputational risk: Inadequate service levels within the business may result in breaches of client and business partner trust and confidence as well as regulatory infringements. Our client-first culture coupled with a continuous training and development programme assist in managing this risk.

All risk exposures are monitored by the Board regularly, with the prime focus being on performance and strategy issues surrounding the mitigation and management of these above risks at an acceptable level.

Dividends

The directors do not recommend the payment of a dividend.

Directors

The following directors have held office during the year:

A A M Pinsent

R P Hodson

J N Herdman (appointed 8 May 2006)

J M May

S A Shaw (appointed 8 May 2006)

A L Spearman

A E G Hambro, S M Bright and B J P Thomson also served as directors during the year, resigning on 30 November 2005, 2 February 2006 and 30 May 2006 respectively.

Directors' interests

The directors' interests in the shares of the company were as stated below:

a) Interests in issued shares

	Founder shares of 1p each 31 May 2006 and 31 May 2005	Ordinary shares of 1p each 31 May 2006	Ordinary shares of 1p each 31 May 2005 or subsequent date of appointment
A A M Pinsent	1,000,000	20,000	20,000
R P Hodson	3,500,000	4,712,702	4,712,702
J N Herdman	-	66,763	66,763
J M May	-	-	-
S A Shaw	-	-	-
A L Spearman	2,700,000	30,000	30,000

Under the alteration made to the company's Articles on 25 November 2003, the directors holding Founder Shares were given the right to convert their shares into ordinary or deferred shares should a sale or flotation of the company occur. The number of potential ordinary and deferred shares in which the directors have interests in as a result of this alteration to the Articles is as follows:

	If IRR on capital for the ordinary shareholders \geq 10% in the period from investment up to a sale or flotation		If IRR on capital for the ordinary shareholders $<$ 10% in the period from investment up to a sale or flotation	
	Ordinary shares	Deferred shares	Ordinary shares	Deferred shares
A A M Pinsent	100,000	900,000	10,000	990,000
R P Hodson	350,000	3,150,000	35,000	3,465,000
A L Spearman	270,000	2,430,000	27,000	2,673,000

b) Interests in share options

Details of share options for directors who served during the period are as follows:

	Number of ordinary shares over which options were granted as at 31 May 2005	Date of grant	Exercise price per option (£)
S M Bright	225,000	1 April 2004	1

Directors' indemnity

The company had Directors' and Officers' Insurance in place throughout the year.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through a variety of media including the use of email and both formal and informal meetings.

Corporate social responsibility

The group recognises its impact, responsibilities and obligations on and towards society and aims to reduce environmental risk, both internally and externally, through positive influence. The group is committed to the highest standards of business conduct.

Creditor payment policy

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with. At 31 May 2006, the period of credit taken from the company's suppliers amounted to 90 days.

Auditors

Mazars LLP have signified their willingness to continue in office and a resolution proposing to re-appoint them will be put to the forthcoming Annual General Meeting.

Information to auditors

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

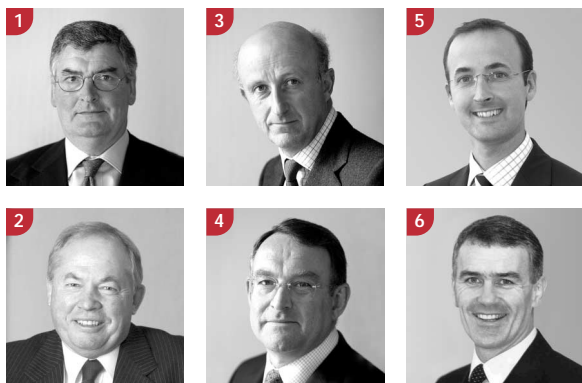
- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit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

Signed on behalf of the board on 21 August 2006.



S B Benev
Company Secretary

Board of Directors



1.

Antony Pinsent – Chairman (Non-Executive)

Age 60. Appointed Non-Executive Chairman on 25 November 2003. Antony has been in the insurance market since 1966 principally in the broking field. He was Chairman of Leslie & Godwin before joining the board of Aon Group Ltd. He left Aon in 1999 and is currently a Non-Executive Director of Sompo Japan Insurance Company of Europe Ltd. He was formerly a Non-Executive Director of Wellington Underwriting plc and Lomond Underwriting plc. He was Chairman of the Lloyd's Insurance Brokers Committee in 1993 and 1994.

2.

Phillip Hodson M.A. (Cantab) – Chief Executive Officer

Age 55. Appointed Chief Executive Officer on 22 September 2003. Phillip joined the R P Hodson Group in 1977, having formerly worked for Anglo America plc in South Africa, and has guided the Oval Group to its current level by over-viewing a strategic acquisition policy. Phillip played cricket for Yorkshire C.C. and rugby for Western Transvaal, and is a member of the M.C.C. Main Committee.

3.

Lochie Spearman – Acquisitions Director

Age 54. Appointed Acquisitions Director on 25 November 2003. Lochie has a long history in the insurance industry starting as a Lloyd's broker in 1974. He moved on to the reinsurance side, with both Hogg Robinson and Wills Faber. He then jointly started a Lloyd's Broker, Lochain Patrick, which he sold out in 1989. Since then he has been a Non-Executive Director and Consultant with several insurance related companies, and has worked closely with Noble & Co on a number of insurance deals.

4.

John May M.A. LLB (Cantab) – Non-Executive Director

Age 51. Appointed Non-Executive Director on 25 November 2003. John is an Executive Director of Caledonia Investments plc. Previously he worked for the Hambros Group for over 20 years where he was an Executive Director of Hambros Bank and Joint Managing Director of Hambros Countrywide. He then ran his own private equity and consultancy business. He is a Non-Executive Director of a number of companies including British Empire Securities.

5.

Simon Shaw B.Sc (Hons), A.C.A., M.B.A. – Finance Director

Age 38. Appointed Group Finance Director on 8 May 2006. Simon graduated in Economics from the London School of Economics and gained an MBA from Bradford University School of Management. He qualified as a Chartered Accountant at Coopers & Lybrand, and left in 1995 to join Provident Financial plc where he held various positions across the group. Most recently he took on finance and operational roles on the Board of Provident's motor finance division.

6.

Jeff Herdman – Managing Director

Age 53. Appointed Group Managing Director on 8 May 2006, Jeff joined Bland Bankart as Managing Director on 1 June 1999, having formerly worked for Willis as Managing Director of Wales and Regional Managing Director for the Midlands. He has been in the insurance industry for 25 years, having set up his own broking house, which was subsequently acquired by Willis. Jeff played rugby for Swansea, Wales 'B' and the Barbarians over a 14-year career and went on to coach Swansea for five years and the Barbarians for a further eight years.

Independent Auditors' Report to the Members of Oval Limited

We have audited the financial statements for the year ended 31 May 2006 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the company's balance sheet, the consolidated cash flow statement and 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 the directors and auditors

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

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

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

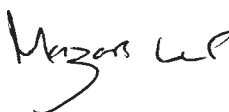
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

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

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group and company's affairs as at 31 May 2006 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Board Report is consistent with the financial statements.



Mazars LLP

Chartered Accountants and Registered Auditors
24 Bevis Marks
LONDON, EC3A 7NR
1 September 2006

Consolidated Profit and Loss Account - for the year ended 31 May 2006

	Notes	2006 Total £	2005 as restated Total £
Turnover			
Continuing operations		38,394,666	28,735,368
Acquisitions		8,946,259	5,305,359
	2	47,340,925	34,040,727
Operating charges		(2,650,067)	(4,083,617)
Administrative expenses:			
- Excluding amortisation of goodwill		(37,347,888)	(25,575,875)
- Amortisation of goodwill	10	(2,900,519)	(1,928,233)
Total administrative expenses		(40,248,407)	(27,504,108)
Operating result:			
- before amortisation of goodwill		7,342,970	4,381,235
- after amortisation of goodwill		4,442,451	2,453,002
Operating profit		4,442,451	2,453,002
Continuing operations		5,734,426	3,205,607
Acquisitions		1,608,544	1,175,628
Amortisation of goodwill		(2,900,519)	(1,928,233)
Interest receivable and similar income	5	1,340,291	614,187
Interest payable and similar charges	6	(1,856,760)	(1,085,772)
Other finance income/(charges)	22	44,000	(3,000)
Profit on ordinary activities before taxation	7	3,969,982	1,978,417
Tax on profit on ordinary activities	8	(2,399,641)	(1,188,223)
Profit for the financial year	18	1,570,341	790,194

The profit for the year has been calculated on the historical cost basis.

Consolidated Statement of Total Recognised Gains and Losses - for the year ended 31 May 2006

	Notes	2006 Total £	2005 as restated Total £
Profit for the financial year		1,570,341	790,194
Losses on changes in actuarial assumptions		(1,027,000)	(545,000)
Deferred taxation on losses on changes in actuarial assumptions		308,000	163,000
Total recognised gains and losses relating to the year		851,341	408,194
Prior year adjustment	26	(17,000)	-
Total recognised gains and losses since last annual report		834,341	408,194

Consolidated Balance Sheet - as at 31 May 2006

	Notes	2006 £	2005 as restated £
Fixed assets			
Intangible assets	10	61,920,228	41,763,224
Tangible assets	11	2,160,794	1,564,571
Investments		4,333	6,529
		64,085,355	43,334,324
Current assets			
Debtors: amounts falling due within one year:			
- Insurance debtors		33,810,870	14,579,609
- Non-insurance debtors		4,244,846	3,303,921
Total debtors: amounts falling due within one year	13	38,055,716	17,883,530
Cash at bank and in hand			
- Insurance balances		32,894,929	21,031,203
- Non-insurance balances		4,545,153	2,550,237
Total cash at bank and in hand		37,440,082	23,581,440
Creditors: amounts falling due within one year			
- Insurance creditors		(59,769,836)	(32,723,906)
- Non-insurance creditors		(16,557,131)	(10,047,052)
Total creditors: amounts falling due within one year	14	(76,326,967)	(42,770,958)
Net current liabilities		(831,169)	(1,305,988)
Total assets less current liabilities		63,254,186	42,028,336
Creditors: amounts falling due after more than one year	15	(26,526,509)	(14,194,386)
Provision for liabilities and charges	16	(691,076)	(729,460)
Pension liability	22	(2,147,000)	(1,854,000)
Net assets		33,889,601	25,250,490
Capital and reserves			
Called up share capital	17	438,021	364,976
Ordinary shares to be issued	17	2,222	7,270
Equity element of convertible loan stock	17	153,112	-
Share premium account	18	32,415,508	24,848,847
Profit and loss account	18	880,738	29,397
Shareholders' funds – equity	19	33,889,601	25,250,490

The financial statements were approved
by the Board on 21 August 2006.



R P Hodson Chief Executive Officer



S A Shaw Finance Director

Company Balance Sheet - as at 31 May 2006

	Notes	2006 £	2005 £
Fixed assets			
Intangible assets	10	4,442,090	935,113
Tangible assets	11	11,071	3,378
Investments in subsidiaries	12	66,099,052	40,480,819
		70,552,213	41,419,310
Current assets			
Debtors: amounts falling due within one year	13	164,180	1,468,283
Cash at bank and in hand		518,466	-
		682,646	1,468,283
Creditors: amounts falling due within one year	14	(9,832,478)	(4,997,742)
Net current liabilities		(9,149,832)	(3,529,459)
Total assets less current liabilities		61,402,381	37,889,851
Creditors: amounts falling due after more than one year	15	(26,480,459)	(13,645,118)
Net assets		34,921,922	24,244,733
Capital and reserves			
Called up share capital	17	438,021	364,976
Ordinary shares to be issued	17	2,222	7,270
Equity element of convertible loan stock	17	153,112	-
Share premium account	18	32,415,508	24,848,847
Profit and loss account	18	1,913,059	(976,360)
Shareholders' funds - equity	19	34,921,922	24,244,733

The financial statements were approved
by the Board on 21 August 2006.



R P Hodson Chief Executive Officer



S A Shaw Finance Director

Consolidated Cash Flow Statement - for the year ended 31 May 2006

	Notes	2006 £	2005 £
Operating profit		4,442,451	2,453,002
Net cash flow from pension contributions		(564,000)	-
Loss on disposal of fixed assets		-	131,664
Loss on disposal of investments		-	20,450
Depreciation and amortisation charges		3,585,815	2,387,253
Decrease in debtors		(12,296,338)	143,166
Increase in creditors		11,801,023	1,134,840
Decrease in provisions		-	(188,393)
Net cash inflow from operating activities		6,968,951	6,081,982
Returns on investments and servicing of finance			
Interest received		1,340,291	614,187
Interest paid		(1,856,760)	(1,085,772)
Net cash outflow for returns on investments and servicing of finance		(516,469)	(471,585)
Taxation			
UK corporation tax paid		(437,228)	(333,644)
Capital expenditure			
Purchase of tangible fixed assets		(756,843)	(320,509)
Receipts from sale of tangible fixed assets		97,813	-
Net cash outflow for capital expenditure and financial investment		(659,030)	(320,509)
Acquisitions			
Cash at bank acquired with subsidiary		12,648,495	8,570,562
Purchase of subsidiary undertaking		(16,532,416)	(10,324,635)
Purchase of business undertaking		(689,500)	(1,230,706)
Net cash outflow from acquisitions		(4,573,421)	(2,984,779)
Net cash inflow before financing		782,803	1,971,465
Financing			
Issue of ordinary share capital (inc. share premium)		229,842	2,811,044
Debt due within one year		947,486	2,312,257
Debt due after more than one year		6,621,624	2,258,704
Proceeds from loan notes		5,284,293	2,065,000
Capital element of finance lease rental payments		(7,406)	(56,583)
Net cash inflow from financing		13,075,839	9,390,422
Increase in cash in the year	21	13,858,642	11,361,887

Notes to the Financial Statements (continued) - for the year ended 31 May 2006

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The accounts have been prepared in accordance with applicable UK accounting standards on a basis consistent with the prior year with the exception of adopting Financial Reporting Standard 17 (FRS 17) for the first time.

1.3 Basis of preparation of group financial statements

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings made up to 31 May 2006.

The profits and losses of subsidiaries are consolidated from the date of acquisition to the date of disposal.

The group has grown by purchasing businesses with strong cash flows which in the directors' opinion will deliver positive net current assets.

1.4 Turnover

The group generates insurance services revenue principally from brokerage, commissions and fees associated with placing insurance and reinsurance contracts. Revenues from brokerage, commissions and fees are recognised at the point at which placement services are substantially complete. Any adjustments to premiums, binding authorities and treaties are recognised on a periodic basis when the consideration due is confirmed by third parties. Fees are billed separately and are recognised as these services are rendered.

Where contractual obligations exist for the performance of post placement activities, and the cost of these activities is not expected to be covered by future income, a relevant proportion of revenue received on placement is deferred and recognised over the period during which these activities are performed.

In accordance with FRS 5, Application Note G, income relating to financial services commission arising on transactions in life and pension contracts is recognised once the policy has incepted and placement services are substantially complete. Renewal commission is recognised at the date of settlement by the life and pensions company. Commission received on indemnity terms is recognised in full at the date receivable. Full provision is made for the claw back of indemnity commission immediately a policy lapse has been identified.

1.5 Goodwill

Positive purchased goodwill arising on acquisition is capitalised, classified as an asset on the Balance Sheet, and amortised over its useful economic life, up to a maximum of 20 years. Provision is made for any impairment.

1.6 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 less estimated residual value of each asset over its expected useful life as follows:

Leasehold improvements	Over the term of the lease
Computer equipment	25% straight line
Fixtures, fittings and equipment	25% reducing balance
Motor vehicles	25% reducing balance

1.7 Lease commitments

Assets held under finance leases, which are those where substantially all the risks and rewards of ownership of the asset have passed to the group, are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis.

1.8 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.9 Pensions

The group operates a defined benefit pension scheme – closed to further accruals at 31 December 2005 – and a number of defined contribution pension schemes.

Defined benefit scheme

The pension scheme liabilities are measured using a projected unit method and discounted at an AA corporate rate.

The pension scheme assets are valued at market rate. The pension scheme deficit is recognised in full on the balance sheet.

Financial Reporting Standard 17 (“FRS 17”) has been adopted in full representing a change of policy in accounting for the defined benefit scheme. The effects of this change of accounting policy are set out in note 25.

Defined contribution scheme

Pension contributions to defined contribution schemes are charged to the profit and loss account in the accounting period in which they fall due.

The Group provides no other post-retirement benefits to its employees.

1.10 Convertible unsecured loan stock (“CULS”)

In accordance with FRS 25 the company has reclassified the convertible debt in issue as a compound financial instrument. Accordingly, the company presents the liability and equity components separately on the balance sheet. The classification of the liability and equity components is not reversed as a result of a change in the likelihood that the conversion option will be exercised. No gain or loss arises from initially recognising the components of the instrument separately.

In accordance with the transitional rules of FRS 25, the exemption regarding comparatives has been taken. Accordingly there are no comparative figures given, only the disclosure required for the current year.

Notes to the Financial Statements (continued) - for the year ended 31 May 2006

2 Turnover

The total turnover of the group for the year has been derived from its principal activities wholly undertaken in the United Kingdom.

3 Directors' emoluments

	2006 £	2005 £
Emoluments	746,522	649,266
Compensation for loss of office	405,699	-
Group pension contributions	51,296	37,832
	1,203,517	687,098

The number of directors contributing to money purchase pension schemes was 3 (2005: 3).

The emoluments of directors disclosed above include the following amounts paid to the highest paid director:

	2006 £	2005 £
Emoluments	381,807	245,982

4 Employee information

The average number of persons employed by the group during the period was:

	2006 Number	2005 Number
Management	88	69
Insurance Broking	413	345
Financial Services	94	99
	595	513

	2006 £	2006 £
Staff costs		
Wages and salaries	22,186,241	13,309,682
Social security costs	2,355,773	1,353,729
Other pension costs	1,220,157	877,708
	25,762,171	15,541,119

5 Interest receivable and similar income

	2006	2005
	£	£
Bank interest receivable	1,340,291	614,187

6 Interest payable and similar charges

	2006	2005
	£	£
Loan interest payable	1,848,039	1,072,654
Other interest payable	6,919	7,497
Hire purchase interest payable	1,802	5,571
	1,856,760	1,085,772

7 Profit on ordinary activities before taxation

	2006	2005
	£	£
Profit on ordinary activities before taxation is stated after charging:		
Amortisation/depreciation charge for the year:		
Positive goodwill	2,900,519	1,928,233
Tangible owned fixed assets	635,384	405,565
Tangible leased fixed assets	49,912	22,305
Auditors' remuneration for:		
Audit (Company £13,610)	139,082	96,500
Non-audit services	106,401	126,728
Loss on disposal of tangible fixed assets	-	131,664
Rental of land and buildings - operating leases	1,431,864	1,005,422
Rental of plant and machinery - operating leases	365,542	216,496

Notes to the Financial Statements (continued) - for the year ended 31 May 2006

8 Taxation	2006	2005 as restated
	£	£
Domestic current tax		
UK corporation tax	2,160,905	1,169,006
Adjustment in respect of prior years	18,352	-
Current tax charge	2,179,257	1,169,006
Deferred tax		
Origination and reversal of timing differences	38,384	27,217
Deferred tax on pension liabilities	182,000	(8,000)
	2,399,641	1,188,223
Factors affecting tax charge for the year		
Profit on ordinary activities before taxation	3,969,982	1,978,417
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	1,190,995	593,525
Effects of:		
Non-deductible expenses	147,676	48,500
Depreciation/amortisation	1,101,744	716,176
Capital allowances	(215,073)	(196,695)
Other tax adjustments	(64,437)	7,500
Adjustment in respect of prior years	18,352	-
Current tax charge	2,179,257	1,169,006

9 Profit of parent company

As permitted by Section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. Of the profit for the financial year, a profit of £2,889,419 (2005: loss £245,463) has been included within the financial statements of the company.

10 Intangible fixed assets

	Goodwill Group £	Goodwill Company £
At 1 June 2005	44,291,524	942,971
Acquisitions in the year	23,057,523	1,359,545
Transfer from subsidiary undertaking	-	2,200,246
At 31 May 2006	67,349,047	4,502,762
Amortisation		
At 1 June 2005	2,528,300	7,858
Charge for the year	2,900,519	52,814
At 31 May 2006	5,428,819	60,672
Net book value		
At 31 May 2006	61,920,228	4,442,090
At 31 May 2005	41,763,224	935,113

Notes to the Financial Statements (continued) - for the year ended 31 May 2006

11 Tangible fixed assets

Group	Land and buildings £	Fixtures, fittings & equipment £	Motor Vehicles £	Total £
Cost				
At 1 June 2005	473,572	4,597,146	465,852	5,536,570
Additions – acquired	177,349	1,778,475	21,060	1,976,884
Additions – purchased	28,729	728,114	-	756,843
Disposals	-	(81,961)	(304,959)	(386,920)
At 31 May 2006	679,650	7,021,774	181,953	7,883,377
Depreciation				
At 1 June 2005	231,765	3,461,558	278,676	3,971,999
At acquisition	92,180	1,258,332	6,079	1,356,591
Charge for the year	74,295	546,910	64,091	685,296
On disposals	-	(44,028)	(247,275)	(291,303)
At 31 May 2006	398,240	5,222,772	101,571	5,722,583
Net book value				
At 31 May 2006	281,410	1,799,002	80,382	2,160,794
At 31 May 2005	241,807	1,135,588	187,176	1,564,571
Included above are assets held under finance leases or hire purchase contracts as follows:				
Net book value				
At 31 May 2006	-	-	34,405	34,405
At 31 May 2005	-	-	47,845	47,845
Depreciation charge for the year				
At 31 May 2006	-	36,472	13,440	49,912
At 31 May 2005	-	-	22,305	22,305
Company				
Cost				
At 1 June 2005				4,504
Additions				10,995
At 31 May 2006				15,499
Depreciation				
At 1 June 2005				1,126
Charge for the year				3,302
At 31 May 2006				4,428
Net Book Value				
At 31 May 2006				11,071
At 31 May 2005				3,378

Company	Interests in subsidiary undertakings £
Cost	
At 1 June 2005	40,480,819
Acquisitions in year	25,618,233
At 31 May 2006	66,099,052

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. The following information relates to those undertakings whose results and financial position, in the opinion of the directors, principally affected the figures of the group

Name of undertaking	Activity	Country of incorporation	Description of shares	Percentage of issued shares held by the company
R P Hodson (Holdings) Limited	Holding Company – dormant from 1 June 2006	England	A Ordinary shares of £1 each	100%
R P Hodson (Insurance Brokers) Limited	Insurance Brokers – dormant from 30 September 2005	England	Ordinary shares of £1 each	100%*
R P Hodson (Financial Services) Limited	Provision of Financial Services – dormant from 30 September 2005	England	Ordinary shares of £1 each	100%*
Bland Bankart Limited	Intermediate Holding Company	England	Ordinary shares of £1 each	100%
Oval Insurance Broking Limited (formerly Bland Bankart (UK) Limited)	Insurance Brokers	England	Ordinary shares of £1 each	100%*
Oval Financial Services Limited (formerly Bland Bankart Financial Services Limited)	Provision of Financial Services	England	Ordinary shares of £1 each	100%*
BIAS Services Limited	Outsourcing Services – dormant from 30 September 2005	England	Ordinary shares of £1 each	100%*
John Eke and Partners Limited	Insurance Brokers and Financial Advisors – dormant from 31 May 2006	England	A Ordinary shares of 10p each	100%
Wharfside Holdings Limited	Holding Company – dormant from 30 September 2005	England	A, B & C Ordinary shares of £1 each	100%
Beddis Commercial Property Limited	Insurance Brokers – dormant from 30 September 2005	England	Ordinary shares of £1 each	100%*
Beddis & Partners Limited	Insurance Brokers – dormant from 30 September 2005	England	Ordinary shares of £1 each	100%*

Notes to the Financial Statements (continued) - for the year ended 31 May 2006

12 Fixed asset investments (continued)

Name of undertaking	Activity	Country of incorporation	Description of shares	Percentage of issued shares held by the company
Halkett Associates Limited	Insurance Brokers – dormant from 30 September 2005	England	Ordinary shares of £1 each	100%
Oval International Limited (formerly Lochain Patrick Insurance Brokers Limited)	Insurance Brokers	England	Ordinary shares of £1 each	100%*
Williams & Williams (Holdings) Limited	Holding company – dormant from 8 December 2005	England	Ordinary shares of £1 each	100%
Williams & Williams Limited	Insurance Brokers and Underwriting Agency – dormant from 8 December 2005	England	Ordinary shares of £1 each	100%*
Williams & Williams (IFA) Limited	Provision of Financial Services – dormant from 8 December 2005	England	Ordinary shares of £1 each	100%*
Malyon Lestrage Insurance Services Limited	Insurance Brokers – dormant from 28 February 2006	England	Ordinary shares of £1 each	100%
CWB (Insurance & Risk Management) Limited	Insurance Brokers – dormant from 9 February 2006	England	Ordinary shares of £1 each	100%

* Held by subsidiary undertaking

13 Debtors

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Due within one year				
Trade debtors	35,596,957	-	15,293,623	-
Amounts due from group undertakings	-	-	-	1,126,904
Prepayments	2,150,971	82,251	1,679,422	180,987
Other debtors	307,788	81,929	910,485	160,392
	38,055,716	164,180	17,883,530	1,468,283

14 Creditors: amounts falling due within one year

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Bank loans and overdraft	3,535,080	3,535,080	2,587,594	2,321,969
Net obligations under finance leases and hire purchase agreements	7,843	-	15,249	-
Trade creditors	59,931,537	34,348	33,514,790	41,394
Amounts due to group undertakings	-	497,569	-	-
Corporation tax	2,768,629	-	942,288	-
Other taxation and social security costs	971,368	-	397,561	-
Other creditors	4,141,994	3,889,830	2,948,922	2,159,910
Accruals and deferred income	4,970,516	1,875,651	2,364,554	474,469
	76,326,967	9,832,478	42,770,958	4,997,742

15 Creditors: amounts falling due after more than one year

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Bank loans	13,855,328	13,809,278	7,233,704	6,905,118
Convertible loan stock	11,871,181	11,871,181	6,740,000	6,740,000
Other creditors	800,000	800,000	220,682	-
	26,526,509	26,480,459	14,194,386	13,645,118

In October 2005, £5.234 million of convertible loan stock was issued to partially fund the acquisitions by the group in the year. The total convertible loan stock outstanding at the year end, before related finance costs, was £12.234 million (2005 £7 million).

Of the convertible loan stock, £7 million attracts interest at a coupon rate of 2.5 percent above LIBOR. Each £1 of debt converts into one Ordinary share. The remaining £5.234 million attracts interest at a coupon rate of 4 percent above LIBOR and each £1.60 of debt converts into one Ordinary share. Conversion occurs should there be a sale or flotation of Oval Limited, or should the loan stockholders request it. The loan stock is repayable at par in 2011. The company has the right to offer initial conversion or repay the loan stock in full after 2008.

Notes to the Financial Statements (continued) - for the year ended 31 May 2006

15 Creditors: amounts falling due after more than one year (continued)

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Included in the above are the following:				
Amounts repayable by instalments:				
Repayable within five years	17,398,251	17,344,358	9,555,541	8,961,330
Included in current liabilities	(3,542,923)	(3,535,080)	(2,321,837)	(2,056,212)
	13,855,328	13,809,278	7,233,704	6,905,118
Debt Maturity Analysis				
Amounts repayable otherwise than by instalments:				
Repayable in more than one year but not more than two years	800,000	800,000	-	-
Repayable in more than five years	11,871,181	11,871,181	6,740,000	6,740,000
Loan Maturity Analysis				
In more than one but not more than two years	3,581,130	3,535,080	2,329,133	2,056,212
In more than two but not more than five years	10,274,198	10,274,198	4,904,571	4,848,906
	13,855,328	13,809,278	7,233,704	6,905,118

Barclays Bank PLC, as Security Agent, hold an unlimited cross guarantee over all of the trading subsidiaries of the group and a mortgage debenture that creates a fixed and floating charge over all the assets of the subsidiaries.

16 Provisions for liabilities and charges

Group	Net past service liabilities £	Deferred taxation £	Total £	
At 1 June 2005 as previously reported	2,015,500	168,960	2,184,460	
Prior year adjustment (note 26)	(1,455,000)	-	(1,455,000)	
At 1 June 2005 as restated	560,500	168,960	729,460	
Movement in year	-	(38,384)	(38,384)	
Balance at 31 May 2006	560,500	130,576	691,076	
Deferred taxation is provided in the financial statements as follows:				
	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Deferred tax liability (as above)	130,576	-	168,960	-

There is a deferred tax asset totalling £920,000 deducted from the pension deficit provision.

17 Share capital

	2006 £	2005 £
Authorised		
60,000,000 Ordinary shares of 1p each	600,000	600,000
12,000,000 Founder shares of 1p each	120,000	120,000
	720,000	720,000
Allotted, called-up and fully paid		
31,802,144 Ordinary shares of 1p each (2005: 24,497,579)	318,021	244,976
12,000,000 Founder shares of 1p each (2005: 12,000,000)	120,000	120,000
	438,021	364,976
Ordinary shares to be issued		
222,222 ordinary shares of 1p each (2005: 727,045)	2,222	7,270
Equity element of convertible loan stock	153,112	-

(a) On 30 June 2005 3,107,749 1 pence Ordinary shares were issued at a premium of £1.09 in exchange for the issued share capital of Lochain Patrick Holdings Limited.

In addition, as part of the consideration for the purchase of Lochain Patrick Holdings Limited 744,647 additional shares were issued on 19 May 2006 at a premium of £1.09.

(b) On 6 September 2005 90,909 1 pence Ordinary shares were issued at a premium of £1.09 for a cash consideration.

(c) On 13 October 2005 1,327,217 1 pence Ordinary shares were issued at a premium of £1.09 in exchange for the issued share capital of John Eke and Partners Limited.

(d) On 20 October 2005 250 1 pence Ordinary shares were issued at a premium of £1.09 for a cash consideration.

(e) On 30 November 2005 727,045 1 pence Ordinary shares were issued at a premium of 99 pence as additional consideration in exchange for the issued share capital of Wharfside Holdings Limited and Halkett Associates Limited respectively.

(f) On 8 December 2005 909,091 1 pence Ordinary shares were issued at a premium of £1.09 in exchange for the issued share capital of Williams & Williams (Holdings) Limited and 429 £1 Ordinary shares in Williams & Williams Limited respectively.

(g) On 28 February 2006 296,296 1 pence Ordinary shares were issued at a premium of £1.34 in exchange for the issued share capital of Malyon Lestrangle Insurance Services Limited.

In addition, as part of the consideration for the purchase of Malyon Lestrangle Insurance Services Limited up to 222,222 1 pence Ordinary shares will be issued at a premium of £1.34. These shares will be issued subject to the company meeting certain performance targets. In the director's opinion these targets will be achieved.

(h) On 11 April 2006 27,287 1 pence Ordinary shares were issued at a premium of £1.34 for a cash consideration.

(i) On 26 April 2006 74,074 1 pence Ordinary shares were issued at a premium of £1.34 for a cash consideration.

Notes to the Financial Statements (continued) - for the year ended 31 May 2006

17 Share capital (continued)

Rights of shares

The Ordinary shares qualify for dividends subject to Board approval and agreement by the shareholders. Each share carries one vote and qualifies for assets on winding-up of a minimum of £1 per share held.

The Founder shares qualify for one tenth of any ordinary dividend declared. Three Founder shares qualify for two votes. Founder shareholders qualify for 1 pence of capital per share on winding-up after the Ordinary shareholders. The Founder shares are redeemable should a 10% internal rate of return on capital be achieved for the original Ordinary shareholders in the period from investment up to a sale or flotation of the company.

If the performance criteria are met ten founder shares have the right to be converted into one Ordinary share and nine Deferred shares. Should the performance criteria not be met, 100 Founder shares will then convert into one Ordinary share and ninety-nine Deferred shares.

18 Reserves

	Profit and loss reserves		Share premium account	
	Group 2006 £	Company 2006 £	Group 2006 £	Company 2006 £
At 1 June 2005 as previously reported	428,397	(976,360)	24,848,847	24,848,847
Prior year adjustment	(399,000)	-	-	-
At 1 June 2005 as restated	29,397	(976,360)	24,848,847	24,848,847
Retained profit for the financial year	1,570,341	2,889,419	-	-
Actuarial gains and losses recognised in defined benefit pension scheme	(719,000)	-	-	-
Premium on ordinary shares to be issued	-	-	297,777	297,777
Premium on issue of ordinary shares	-	-	7,268,884	7,268,884
At 31 May 2006	880,738	1,913,059	32,415,508	32,415,508

19 Reconciliation of movements in shareholders' funds

Group	2006	2005
	£	As restated £
Profit for the financial year	1,570,341	790,194
Unrealised gains and losses	(719,000)	(382,000)
Proceeds from issue of shares (or shares to be issued)	7,634,658	2,811,044
Reclassification of equity element of convertible loan stock	153,112	-
Net addition to shareholders' funds	8,639,111	3,219,238
Opening shareholders' funds	25,250,490	22,031,25
Closing shareholders' funds	33,889,601	25,250,490

Company	2006	2005
	£	As restated £
Profit (loss) for the financial year	2,889,419	(245,463)
Proceeds from issue of shares (or shares to be issued)	7,634,658	2,811,044
Reclassification of equity element of convertible loan stock	153,112	-
Net addition to shareholders' funds	10,677,189	2,565,581
Opening shareholders' funds	24,244,733	21,679,152
Closing shareholders' funds	34,921,922	24,244,733

20 Analysis of net funds

	1 June 2005	Cashflow	Other non-cash changes	31 May 2006
	£	£	£	£
Net Cash:				
Cash at bank and in hand	23,581,440	13,858,642	-	37,440,082
	23,581,440	13,858,642	-	37,440,082
Debt:				
Bank loan due within one year	(2,587,594)	(947,486)	-	(3,535,080)
Bank loan due after one year	(7,233,704)	(6,621,624)	-	(13,855,328)
Convertible loan stock	(6,740,000)	(5,284,293)	-	(12,024,293)
Finance leases	(15,249)	7,406	-	(7,843)
	(16,576,547)	(12,845,997)	-	(29,422,544)
	7,004,893	1,012,645	-	8,017,538

Notes to the Financial Statements (continued) - for the year ended 31 May 2006

21 Reconciliation of net cash flow to movement in net funds

	2006 £	2005 £
Increase in cash in year	13,858,642	11,361,887
Cash flow from increase in debt	(12,845,997)	(6,620,087)
Change in net funds resulting from cash flow	1,012,645	4,741,800
Opening net funds	7,004,893	2,263,093
Net funds at 31 May 2006	8,017,538	7,004,893

22 Pension costs

Defined benefit scheme

The group operates a funded defined benefit scheme, the assets of which are held separately from those of the group in an independently administered fund. The last actuarial valuation was carried out as at 31 May 2005 by an independent qualified actuary. The actuary used the projected unit method for determining the future costs. The principal assumption was that the average future rate of return on assets would exceed the average rate of future salary inflation by 3.5% per annum. No allowance for a discretionary increase to pensions in payment was made.

The market value of the assets held in respect of the company's members at 31 May 2006 was £13,800,000 and the funding level based on the market value of the assets was 82%. The total pension credit for the group including the costs for the executive directors was £170,000 (2005: charge of £374,900). The accrual of benefits ceased within the scheme with effect from 31 December 2005.

Composition of the scheme

A qualified independent actuary has produced an FRS17 valuation report as at 31 May 2006.

The major assumptions used by the actuary were:-

	2006 %	2005 %	2004 %
Rate of increase in salaries	n/a	3.5	3.0
Rate of increase in pensions payment	2.9	2.5	2.9
Discount rate	5.3	5.4	6.0
Inflation assumption	2.9	2.5	2.9

22 Pension costs (continued)

	Long-term rate of return expected at 31 May 2006	2006 £
Equities	7.6%	8,416,000
Bonds	4.9%	2,402,000
Other	4.5%	2,982,000
Total market value of assets		13,800,000
Present value of scheme liabilities		(16,867,000)
Deficit in scheme		(3,067,000)
Related deferred tax asset		920,000
Net pension liabilities		(2,147,000)
	Long-term rate of return expected at 31 May 2005	2005 £
Equities	7.4%	9,924,000
Bonds	4.5%	735,000
Other	4.7%	1,198,000
Total market value of assets		11,857,000
Present value of scheme liabilities		(14,505,000)
Deficit in scheme		(2,648,000)
Related deferred tax asset		794,000
Net pension liabilities		(1,854,000)
	Long-term rate of return expected at 31 May 2004	2004 £
Equities	8.1%	7,706,000
Bonds	5.2%	820,000
Other	4.5%	2,026,000
Total market value of assets		10,552,000
Present value of scheme liabilities		(12,630,000)
Deficit in scheme		(2,078,000)
Related deferred tax asset		623,400
Net pension liabilities		(1,454,600)

Notes to the Financial Statements (continued) - for the year ended 31 May 2006

22 Pension costs (continued)

	2006 £	2005 £	2004 £
Liabilities and funded status			
Total market value of assets	13,800,000	11,857,000	10,552,000
Value of liabilities	(16,867,000)	(14,505,000)	(12,630,000)
Deficit	(3,067,000)	(2,648,000)	(2,078,000)
		2006 £	2005 £
Analysis of the amounts charged to operating profit			
Current service cost		283,000	549,000
Settlements/curtailments		(390,000)	-
Total operating (credit) charge		(107,000)	549,000
Employee contribution to be set off		63,000	153,000
		2006 £	2005 £
Analysis of the amount credited to other finance income			
Expected return on assets		827,000	755,000
Interest on liabilities		(783,000)	(758,000)
Net return		44,000	(3,000)
		2006 £	2005 £
Movement in deficit during the year			
Deficit at beginning of the year		(2,648,000)	(2,078,000)
Movement in year:			
Current service cost		(283,000)	(549,000)
Contributions		457,000	527,000
Settlements/curtailments		390,000	-
Net return from other finance income		44,000	(3,000)
Actuarial loss		(1,027,000)	(545,000)
Deficit at end of the year		(3,067,000)	(2,648,000)

22 Pension costs (continued)

	2006 £	2005 £	2004 £
Analysis of the amount that has been recognised in statement of total recognised gains and losses (STRGL)			
Actual return less expected return on assets	1,026,000	625,000	(29,600)
Experience gains (losses) on the liabilities	343,000	(148,000)	4,200
Change in assumptions	(2,396,000)	(1,022,000)	(73,000)
Actuarial loss	(1,027,000)	(545,000)	(98,400)
	2006 £	2005 £	2004 £
History of experience gains and losses			
Difference between the actual and expected return on assets	1,026,000	625,000	(29,600)
- as % of scheme	7%	5%	1%
Experience gains (losses) on liabilities	343,000	(148,000)	4,200
- as % of liabilities	2%	1%	0%
Total amount that would be recognised in STRGL	(1,027,000)	(545,000)	(98,400)
- as % of liabilities	6%	4%	4%

Defined contribution schemes

The group also operates defined contribution pension schemes. The assets of the schemes are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable by the group to the fund and amounted to £1,000,157 (2005 £548,708) including contributions for the executive directors.

Notes to the Financial Statements (continued) - for the year ended 31 May 2006

23 Acquisitions

Lochain Patrick Holdings Limited

The company purchased the whole of the issued share capital of Lochain Patrick Holdings Limited on 23 June 2005 for a total consideration of £7,992,247 (including costs of acquisition of £272,574). The company used acquisition accounting to account for this purchase.

From the date of acquisition until 31 May 2006 the acquisition contributed £4,421,322 to the group's turnover and £9,891 to profit before tax.

	Book Value 2005 £
Fixed assets	351,900
Debtors	6,767,721
Bank and cash	6,564,793
Creditors	(12,270,568)
Net assets acquired	1,413,846
Goodwill	6,578,401
Consideration	7,992,247
Consideration paid/payable as follows:	
Equity shares in Oval Limited	4,237,636
Cash and loan notes	3,754,611
	7,992,247

The book value of the assets and liabilities was taken from the management accounts of Lochain Patrick Holdings Limited and its subsidiary undertaking at 30 June 2005. The directors consider that the provisional fair value of assets and liabilities was equal to their book value.

Of the total consideration £581,423 was held back as deferred consideration.

23 Acquisitions (continued)

John Eke & Partners Limited

The company purchased the whole of the issued share capital of John Eke & Partners Limited on 13 October 2005 for a total consideration of £5,022,345 (including costs of acquisition of £153,945). The company used acquisition accounting to account for this purchase.

From the date of acquisition until 31 May 2006 the acquisition contributed £2,396,652 to the group's turnover and £640,426 to profit before tax.

	Book Value 2005 £
Fixed assets	122,390
Debtors	885,373
Bank and cash	2,221,202
Creditors	(2,179,004)
Deferred tax	(3,357)
Net assets acquired	1,046,604
Goodwill	3,975,741
Consideration	5,022,345
Consideration paid/payable as follows:	
Equity shares in Oval Limited	1,459,939
Cash and loan notes	3,562,406
	5,022,345

The book value of the assets and liabilities was taken from the management accounts of John Eke & Partners Limited at 30 September 2005. The directors consider that the provisional fair value of assets and liabilities was equal to their book value.

Of the total consideration, £250,000 was held back as deferred consideration.

Notes to the Financial Statements (continued) - for the year ended 31 May 2006

23 Acquisitions (continued)

Williams & Williams (Holdings) Limited

The company purchased the whole of the issued share capital of Williams & Williams (Holdings) Limited on 8 December 2005 for a total consideration of £6,430,319 (including costs of acquisition of £171,355). The company used acquisition accounting to account for this purchase.

From the date of acquisition until 31 May 2006 the acquisition contributed £1,257,948 to the group's turnover and £452,826 to profit before tax.

	Book Value 2005 £
Intangible assets	737,376
Fixed assets	77,431
Debtors	42,781
Bank and cash	3,013,199
Creditors	(2,278,038)
Deferred tax	(4,187)
Net assets acquired	1,588,562
Goodwill	4,841,757
Consideration	6,430,319
Consideration paid as follows:	
Equity shares in Oval Limited	1,000,000
Cash	5,430,319
	6,430,319

The book value of the assets and liabilities was taken from the management accounts of Williams & Williams (Holdings) Limited at 30 November 2005. The directors consider that the provisional fair value of assets and liabilities was equal to their book value.

23 Acquisitions (continued)**CWB (Insurance & Risk Management) Limited**

The company also purchased the whole of the issued share capital of CWB (Insurance & Risk Management) Limited on 9 February 2006 for a total consideration of £722,519 (including costs of acquisition of £8,601). The company used acquisition accounting to account for this purchase.

From the date of acquisition until 31 May 2006 the acquisition contributed £125,542 to the group's turnover and £50,578 to profit before tax.

	Book Value 2005 £
Intangible assets	49,387
Fixed assets	5,059
Debtors	152,955
Bank and cash	131,058
Creditors	(171,044)
Net assets acquired	167,415
Goodwill	555,104
Consideration	722,519
Consideration paid as follows:	
Equity shares in Oval Limited	-
Cash	722,519
	722,519

The book value of the assets and liabilities was taken from the management accounts of CWB (Insurance & Risk Management) Limited at 31 January 2006. The directors consider that the provisional fair value of assets and liabilities was equal to their book value.

Notes to the Financial Statements (continued) - for the year ended 31 May 2006

23 Acquisitions (continued)

Malyon Lestrangle Insurance Services Limited

The company purchased the whole of the issued share capital of Malyon Lestrangle Insurance Services Limited on 28 February 2006 for a total consideration of £5,450,803 (including costs of acquisition of £115,435). The company used acquisition accounting to account for this purchase.

From the date of acquisition until 31 May 2006 the acquisition contributed £744,795 to the group's turnover and £454,823 to profit before tax.

	Book Value 2005 £
Intangible assets	18,298
Fixed assets	63,513
Debtors	27,018
Bank and cash	718,243
Creditors	(163,406)
Net assets acquired	663,666
Goodwill	4,787,137
Consideration	5,450,803
Consideration paid/payable as follows:	
Equity shares in Oval Limited	700,000
Cash and loan notes	4,750,803
	5,450,803

The book value of the assets and liabilities was taken from the management accounts of Malyon Lestrangle Insurance Services Limited at 28 February 2006 (date of acquisition). The directors consider that the provisional fair value of assets and liabilities was equal to their book value.

Of the total consideration, £1,000,000 was held back as deferred consideration.

Sheafmoor Insurance Brokers Limited

The company purchased part of the trade of Sheafmoor Insurance Brokers Limited on 10 April 2006 for a total cash consideration of £1,359,500 (including costs of acquisition of £19,545). All of the consideration has been recognised as goodwill by the company.

Of the total consideration, £670,000 was held back as deferred consideration.

24 Financial commitments

At 31 May 2006 the group had annual commitments under non-cancellable operating leases in respect of land and buildings and plant and machinery as follows:-

	2006 Land and buildings £	2006 Other £	2005 Land and buildings £	2005 Other £
Expiring within one year	56,800	191,329	56,800	118,851
Expiring between two and five years inclusive	485,262	168,250	284,916	112,901
Expiring in over five years	757,472	-	540,397	-

25 Related party transactions

The company has taken advantage of the exemption in FRS 8 from disclosing related party transactions with wholly owned subsidiaries on the grounds that consolidated financial statements are prepared.

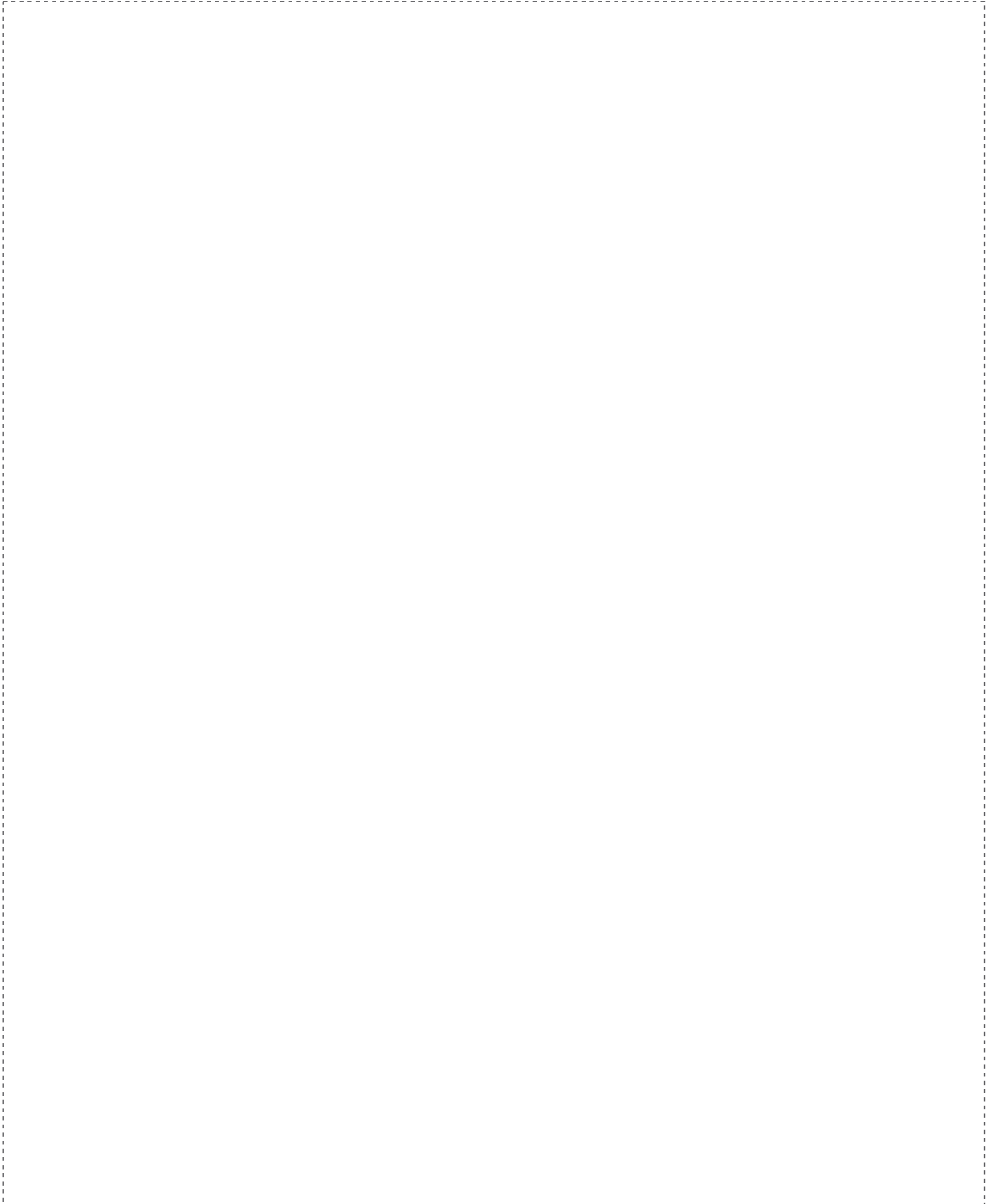
- During the year, R P Hodson (Insurance Brokers) Limited paid rent of £195,000 to Hodson (Properties) Limited (2005 - £208,125). R P Hodson is a director and majority shareholder of Hodson (Properties) Limited. The balance at the year end was £nil.
- During the year, R P Hodson (Financial Services) Limited and Oval Financial Services Limited paid a combined rent of £12,750 to the Trustees of Oval Retirement Benefit Scheme. The balance at the year end was £nil. R P Hodson is the sole beneficiary of the pension scheme.
- During the year the company paid £88,068 to Noble & Co Limited for financial advice. Mr B Thomson, a former director of the company, is also a director of Noble & Co Limited. The balance at the year end was £nil.
- During the year the company paid rent of £152,841 to Osborn House Estates Limited. R P Hodson owns 50% of the share capital of this company. The balance at the year end was £nil.
- A subsidiary of the company, R P Hodson Insurance Brokers Limited, has a pension obligation of £48,000 per annum to Mrs M Hodson as a widow of a former director under an agreement signed on 25 June 2000. Mrs Hodson is the mother of R P Hodson a director of Oval Limited. The balance at the year end was £nil.
- During the year, Caledonia Investments plc advanced £5.234 million of loan notes to the Company. At the year end loan notes and CULS totalling £12,234,600 were due to Caledonia Investments plc (2005 - £7,000,000) and the group incurred a charge for loan interest totalling £864,585 during the year. J M May is a director of Caledonia Investments plc.

All of the above transactions were, in the opinion of the directors, on normal commercial terms.

26 Prior year adjustment

Change to accounting policy – recognition of pension liabilities on adoption of Financial Reporting Standard 17 (FRS 17).

Notes

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