

**Annual Report**  
and Accounts



Group | plc

**2008**

# Welcome

**CBG Group plc (CBG), an  quoted company, is a Manchester based corporate general insurance, risk management and financial services intermediary.**

It offers a range of services principally in the area of Commercial Insurance, Business Risk Management, Healthcare and Pension Consulting.

In addition it offers a Private Client solution to individuals centred on wealth management and asset protection.

## Our Group

### CBG Insurance Brokers Limited

Representing the largest division of the Group, Insurance Brokers provides an advisory service to corporate and private clients in respect of general insurance and risk management programmes.

#### CBG Sports

A specialist general insurance operation, catering for the needs of professional sports people. Covers offered by Sports range from career threatening injury to private car and household insurance.

### CBG Financial Services Limited

An independent Financial Planning Practice providing advice to corporate and private clients. Centred around solutions in the areas of wealth management, pension consulting and risk solutions.

### Exius Limited

CBG's in-house premium finance facility providing tailored arrangements, which allow the cost of insurance premiums to be spread over a number of monthly instalments.

### CBG London Limited

A provider of specialist niche insurance products including its high profile twins and multiple births insurance and several branded travel schemes. It also distributes general insurance products, both directly and via a network of approximately 450 brokers.



# Highlights

- **Total group revenue** **up 50%**
- **Adjusted\* profit before tax** **up 18%**
- **Earnings per share - adjusted\* diluted** **up 7%**
- **Dividend** **up 10%**

*\*Adjusted to add back exceptional operating expenses, amortisation, negative goodwill credited and share option charges.*

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# Chairman's Statement

**I am pleased to report another year of improved performance as our robust business model matures and our strategy of build, invest and grow has delivered impressive results for the year.**

I am immensely proud of our staff who have again raised the bar, got on with their job and delivered an impressive result for the year despite the exceptional market conditions. We remain focused on improving our service and controlling our costs with efficient working conditions and technology improvements across our businesses. While our clients and competitors are finding business conditions difficult, we believe that our continued development, which is supplemental to our integration of acquisitions, ensures that we continue to be at the forefront of delivering value to our shareholders and clients.

The Group has delivered a 21.2% increase in adjusted\* EBITDA to £2,602,000 (2007: £2,146,000) and revenue is up with a 49.9% increase to £11,148,000 (2007: £7,436,000). Shareholders are, with good reason, particularly interested in growth in earnings per share, and the increase in our diluted adjusted\* earnings per share is an impressive 7.2% to 11.00p (2007: 10.26p).

This is particularly impressive when taken into account with our increased shares in issue following the successful and oversubscribed share placing in November of 1,375,000 shares (raising £1,650,000 at £1.20 per share). Adjusted\* pre-tax profits were again increased by double digits with a 17.5% increase to £2,246,000.

During the year the group carried out a significant reorganisation incurring expenditure of £466,000 considered outside the normal course of business. Accounting treatments have meant that a further £675,000 (2007: £242,000) has been charged to the income and expenditure accounts for the amortisation of customer related intangible assets. Due to the exceptional nature of these costs we have concentrated our review on the adjusted earnings figures which give a better appreciation and presentation of the underlying business.

	2008 £'000	2007 £'000	% Growth
Revenue	11,148	7,436	49.9%
Adjusted* EBITDA	2,602	2,146	21.2%
Adjusted* pre tax profit	2,246	1,912	17.5%
Adjusted* earnings per share – diluted (pence)	11.00	10.26	7.2%
Earnings per share – diluted (pence)	4.26	9.31	-54.2%

*\*Adjusted to add back exceptional operating expenses, amortisation, negative goodwill credited and share option charges.*



**“ We remain focused on improving our service and controlling our costs with efficient working conditions and technology improvements across our businesses. ”**

Laurie Turnbull – *Chairman*

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# Chairman's Statement *(Continued)*

## **Board and Staff**

I would like to take this opportunity to thank all our staff for their diligence and work ethic which has become synonymous with CBG and due to their dedication I am delighted to report our sixth consecutive year of impressive growth in our results.

I would also like to record my thanks to all my fellow Board members and the Directors of our subsidiary companies, who have led from the front in 2008 and who, without exception, were dedicated to ensuring the success of our Group. I would like to record a special thanks to Martin Lewis who had until recently been a main Board Director and indeed one of the founders of the Group. Martin had a particularly difficult year in 2008 with a severe back condition that resulted in the need for an operation. This unfortunately has not proved to be as successful as had hoped and his debilitating condition continues. Under the circumstances he tendered his resignation from the Board and we hope that we will soon be able to see him return to the business.

## **Dividends**

It is proposed to increase the final dividend by 10% to 0.66p per share (2007: 0.6p) in respect of the year ended 31 December 2008, which, subject to shareholder approval, will be paid on 29 May 2009 to all shareholders on the register on 1 May 2009.

Our dividend policy is to pay a nominal final dividend recognising the acquisitive nature of the Group and the need to retain most of the free cash within the business to grow and develop. We recognise the fact that the financial markets have been devastated by the virtual collapse of the banking system and in our view shareholders should have some return from the success of their Group.

## **Acquisitions**

Our acquisition strategy of building a strong platform in the North West has resulted in us completing two selected acquisitions during the period. The first, Barclay Brown, a business dedicated to providing insurance broking services was acquired with its Manchester hub and three regional offices. We integrated the business and reduced the cost base by closing their main local office and transferring staff to our Manchester operation, and similarly with their offices in Mold and Preston where we transferred business to our Group operations. Our second acquisition was EDN, a provider of general insurance broking services and financial services which we reorganised by transferring the financial services business to Group operations from Oldham.

As a result of these acquisitions our senior management team was further enhanced. We are delighted to welcome two excellent teams of people who have already demonstrated their desires, ambitions and skills to our Group.

Our acquisition activity has enhanced the scale and breadth of our activities, and we continue to look for further additions. We are prudent in spending shareholders' money and we retain a discipline that acquisitions must add value and have the appropriate profile to improve our business at several levels.

A further enhancement to our business operations has been made. From 1 January this year we operate from a new head office at Southmoor House, Manchester where we have centralised three of our Manchester offices to bring about further efficiencies in our business.

## **Strategy**

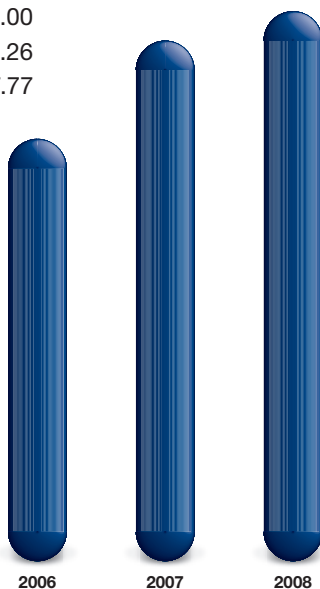
CBG is dedicated to remain at the forefront of delivering value to its shareholders by providing a first class and competitive service to our clients. The dynamics continue to change in the insurance broking market where we have seen a number of larger consolidators in the private and public sector develop over the last few years.

This activity would appear to have slowed as margins come under pressure from the suppliers and acquisition prices driven up. Whilst we do not enjoy the substantial improved commissions that the larger consolidators obtain we compensate by efficient and prudent management. Our suppliers recognise that our growth is built carefully and selectively in partnership and they look to our record and to the future. This differential is important as we further strengthen our position and grow the gap between ourselves and the smaller regional brokers.

We will continue to be selective in our acquisition strategy and look for value, simultaneously working on our cost base and improvements in margin. Our sales and service teams in insurance broking and financial services work closely together to provide a complete solution to our clients. The cross selling of insurance, financial services and healthcare products provides us with considerable growth potential which, aided by centralisation, remains a cornerstone of our growth strategy.

#### Adjusted Diluted Earnings per Share

**2008** 11.00  
**2007** 10.26  
**2006** 7.77



#### Outlook

We are well prepared to drive our business forward as a result of the investments we have made across the board in the last year. The investment in facilities and technology as well as the integration of our businesses has helped further grow the efficiency of the organisation. At all levels our teams of staff are dedicated to capture growth both internally and from further acquisitions. There is no doubt that 2009 will continue to see changes in the sector and in UK businesses, however, we remain well positioned to capitalise and deliver enhanced value to our clients and shareholders. We have clear objectives to drive our business forward, raising the bar at every opportunity remaining vigilant and focused on ensuring that CBG continues, as it has done for over six years, in growing and delivering value.

We live and work in interesting times and situations evolve and change as do market conditions, reporting our results for 2008 one cannot help but reflect on the changes from the commencement of the year which are totally different from the way it ended. In CBG we responded to the changes and maintained our drive to excel. We are well placed to continue to deliver value to our clients and shareholders and look forward not with trepidation but with an appetite to notch the bar up again.

**Laurie Turnbull**  
Chairman  
16 March 2009

# Group Managing Director's Review

**CBG has had a successful 2008, both in terms of another strong set of results but also in carrying through our acquisition strategy and reducing our overall cost base for the future. Our business model is sound and we continue to maintain tight financial management.**

Looking ahead, trading conditions and the economy as a whole will no doubt remain volatile. However, we are confident of delivering sustainable profits and I see exciting opportunities to continue to build and grow CBG.

## **Group Performance**

The Group has recorded a 21.2% rise in EBITDA, adjusted to add back exceptional operating expenses, amortisation, negative goodwill credited and share option charges and a 7.2% rise in diluted earnings per share, adjusted to add back exceptional operating expenses, amortisation, negative goodwill credited and share option charges. Our focus remains on ensuring that our core businesses perform and deliver growth, to complement the benefits brought in via our acquisition programme.

We continually examine our business in order to identify improvements that can be made, reviewing and implementing change as required, and we have to thank our staff who have had much asked of them during the year and have responded admirably.

## **Acquisitions**

On 18 January 2008 we acquired Barclay Brown Holdings Limited and its trading subsidiaries ("Barclay Brown"), a provider of general insurance broking services, with offices in Manchester, Mold, Preston and Waterfoot. Since acquisition all areas of the business have been integrated and three of the existing offices closed with the operations transferred to other offices of the Group.

On 4 April 2008 we acquired Howgud Limited and its trading subsidiaries, EDN (Insurance Services) Limited, E Davies (Northern) Limited and EDN (Financial Services) Limited ("EDN"). The financial services business was integrated within our existing operations within days of completion and immediately traded under the CBG brand.





**“ We live and work in interesting times  
and situations evolve and change  
as do market conditions. ”**

*Laurie Turnbull – Chairman*

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# Group Managing Director's Review *(Continued)*

The acquisitions detailed have been integrated rapidly in order to reduce costs and maximise opportunities more quickly. Both businesses are trading in line with our expectations.

*Further details of acquisitions are given in note 13 to these financial statements.*

## **Business Operations**

Each of our core trading divisions continue to operate with dedicated Boards who have responsibility for the day to day management of their division and are accountable for the financial performance to the main Board.

A key strength to overall performance continues to be our highly skilled Group finance function. We pride ourselves in the controls we have in place, with the quality and timeliness of the management information to allow us to monitor and manage our business sectors effectively. As a centralised function it also allows us to evaluate and manage our corporate governance obligations.

A centralised ICT function coupled with a continually developing CRM capability enables us to focus and specialise in each trading sector but to also identify and take advantage of the synergies and selling opportunities across the Group, which is a vital key to our ongoing success.

*Financial information on the Group's three core operating divisions is given in note 2 to these financial statements.*

## **Insurance**

The Group's insurance broking services are delivered through CBG Insurance Brokers Limited and CBG London Limited; together the Insurance Broking division.

The Insurance Broking operating division is a provider of general insurance broking services to corporate, SME and private individuals. Much work has been concluded during 2008 to further segment this Division, thereby allowing a more focused, cost effective client offering, without detracting from our strengths of a broad based bespoke solution.

CBG Insurance Brokers Limited will continue to develop its position as insurance advisors to the larger corporate businesses and our Corporate Transactions Team allows us to attract an increasing number of existing acquisitive clients and their professional advisors.

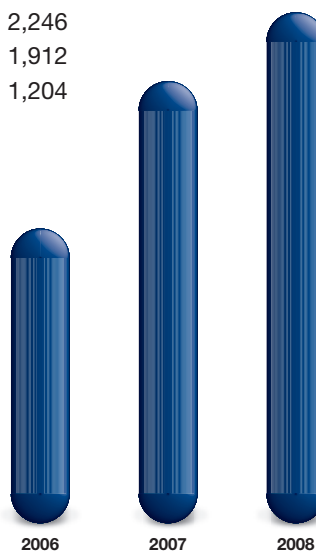
We have made much progress in the development of a technologically led offering to the SME sector allowing highly competitive premiums on a least cost basis enabling CBG to maintain our market position, but at higher margins.

## **Adjusted Profit before Tax**

**2008** 2,246

**2007** 1,912

**2006** 1,204





**“ We continually examine our business in order to identify improvements that can be made, reviewing and implementing change as required. ”**

*Mike Askew – Group Managing Director*

# Group Managing Director's Review *(Continued)*

As part of our continual review of our business the private client offering has been split between the transactional client and the high and mid net worth clients. At the transactional end of the business, it is very much technology led whereas our Private Client Team, which also now incorporates our CBG Sports business, are able to offer far more sophisticated offerings due to the enhanced focus.

The general insurance business continues to operate in an environment where market rates remain weak. There does however appear to be the signs of some hardening of rates as would be expected on the basis of previous pricing cycles. Nevertheless, we remain cautious in our budgeting as undoubtedly it will take some time to see these early indicators develop into an overall market change.

## **Financial Services**

The Group's financial services offering is delivered through CBG Financial Services Limited.

At the end of 2008 we merged our Healthcare business with that of Benefit Consulting so that the Financial Services division operates two distinct areas in Private Client and Benefit Solutions.

The consolidation within Benefit Solutions has allowed us to reduce administrative costs and sharpen the focus of our cross selling opportunities between the Healthcare and Benefit Consulting executives.

Our Private Client offering sets us apart from the conventional financial adviser as we generally work on an agreed fee basis as our focus is on providing a holistic financial planning solution rather than selling products. This distinction has helped sustain our position through the challenges of the current investment climate albeit we have reduced operating costs and scaled back heavily on mortgage advice.

## **Exius**

The Group's premium finance division operates through Exius Limited.

Exius continues to provide in-house finance capability through our committed banking lines, principally insurance premium finance, to a significant percentage of our Insurance Broking client base. This business continues to grow as our client base expands, both organically and as further acquisitions are added, and our revenues increase.

## **Organisational Consolidation**

2008 has seen the implementation of two key integration projects. Firstly during the autumn we were able to close our Blackpool and Preston offices bringing these operations into our Poulton le Fylde office.

In January 2009, an even more ambitious consolidation occurred with our three Manchester offices relocating to a modern specifically designed open plan head office at Southmoor House.

Both projects saw us exit existing premises at nil or minimal cost and the benefits of bringing larger teams together has allowed us to restructure and reduce costs as well as develop enhanced cross selling opportunities.

## **Compliance**

Compliance is a significant and increasingly demanding obligation across the core areas of the Group through the single regulatory body of the Financial Services Authority (FSA). We ensure uniformity across all areas of the business by applying in depth knowledge of the regulatory obligations.

## Employees

The Board and I wish yet again to express our thanks to all our staff, as they are so critical to our business. Their contribution throughout the year and their hard work is a key to our success and is very much valued by us.

CBG's commitment as an accredited Investor in People (IiP) is undiminished and has seen our accreditation renewed in February 2009. The key drivers of IiP are fundamental to us and allow us to attract, retain and encourage development of our people, sustaining a motivated highly skilled team.

All of our qualifying employees are members of our Enterprise Management Incentive Scheme, a scheme that has Group performance triggers attached to ensure all efforts are focused on the achievement of Group objectives.

## Outlook

As with any business operating in the current economic climate CBG recognises the many challenges it faces. However, much work has been done and continues to be done in ensuring our cost base is efficient and our sales efforts focused and energetic.

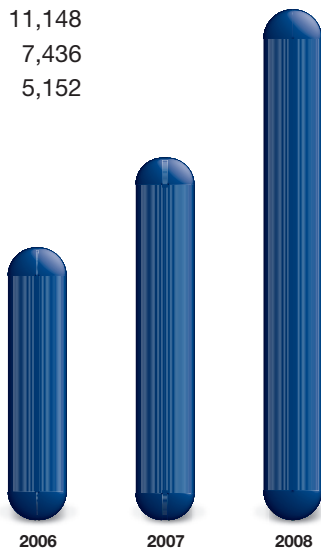
We remain responsive to the changes we will face from both within and outside our business, but have complete confidence in the robustness of our core activities and our operational and managerial capabilities to deliver that strategy.



**Mike Askew**  
Group Managing Director  
16 March 2009

## Revenue

**2008** 11,148  
**2007** 7,436  
**2006** 5,152





**“ CBG’s commitment as an accredited Investor in People is undiminished and has seen our accreditation renewed in February 2009. ”**

*Mike Askew – Group Managing Director*

# Directors' Report

Year Ended 31 December 2008

The Directors have pleasure in presenting their report and the financial statements of the Group for the year ended 31 December 2008.

## Principal Activities

The principal activities of the Group are those of insurance broker, financial advisor and premium finance provider, providing advice on insurance cover, pensions and employee benefits to predominantly small and medium sized companies operating in the UK. The Group also provides a range of wealth management and personal high net worth insurances for company directors, senior executives and business owners.

## Events after Balance Sheet Date

In January 2009 the company relocated its head office. Further details are given under Organisational Consolidation in the Group Managing Director's Review on page 10.

## Results and Dividend

The results for the year and future prospects are reviewed in the Chairman's Statement and the Group Managing Director's Review on pages 2 to 12.

The Directors are recommending the payment of a final dividend in respect of the year ended 31 December 2008 of 0.66p per share (2007: 0.6p). A resolution concerning this matter is included in the Notice of Annual General Meeting on pages 65 and 66.

## Future Developments

The future developments of the Group are covered under "Outlook" in the Chairman's Statement and "Current trading" in the Group Managing Director's Review.

## Directors

L A Turnbull, D Worsley, M G Lewis, M R Askew, R Slinger, S Darcy, M Hughes and S J Mollekin were Directors throughout the year. P H Manning resigned as a Non-Executive Director on 11 April 2008 and M G Lewis resigned as an Executive Director on 6 February 2009. L A Turnbull and M R Askew retire by rotation and, being eligible, offer themselves for re-election.

## The Biographical Details of the Directors are as follows:

Laurie Turnbull, Non-Executive Chairman and Chair of Remuneration Committee.

Laurie, 59, educated in Glasgow, has a wealth of experience in a senior capacity in both public and private companies. First appointed to a plc board when he was 29 he has enjoyed a career as a CEO principally in manufacturing. For over ten years he was CEO of Texas Group plc where he was active in numerous acquisitions and flotations. This Manchester based venture capital company was instrumental in the formation and development of CBG in the years prior to its flotation in November 2003. He is also Non-Executive Chairman of Texas Holdings Limited and Executive Chairman of Source BioScience plc. He is Chair of the Remuneration Committee and a member of the Audit Committee.

## Michael Askew, Group Managing

Mike is 48 and started his career with Sun Alliance in 1981. Initially concentrating on financial services he eventually set up a financial services division for an independent broker before expanding his role to business development across all sectors of the industry and being appointed managing director of the financial services division of that company. Together with Martin Lewis, he joined CBG in January 2001 as a founding director and is now responsible for managing the Group's day to day activities.

## Martyn Hughes, Group Finance

Martyn, 41, spent the first seven years of his career in private practice including four years with Grant Thornton. He joined CBG in 2001 as part of the initial management team responsible for controlling the financial management of the subsidiaries. Martyn was appointed to the Board on 8 October 2007 and took on the role of Group Finance Director on 27 June 2008. Martyn is also the Company Secretary and a Fellow of the Institute of Chartered Management Accountants.

# Directors'

## Report *(Continued)*

### **The biographical details of the Directors *(continued)***

#### **Stephen Darcy, Insurance Broking Operations**

Stephen, 52, was the vendor of the Swinburne James companies which he established in 1994 and built over the years to become one of the largest privately owned brokerages in the North West. Stephen has extensive knowledge of the insurance industry and is a skilled practitioner who has acted as an expert witness in industry litigation. He is Managing Director of CBG Insurance Brokers Limited.

#### **Stuart Mollekin, Executive**

Stuart, 48, has occupied senior financial positions in a number of private and public companies over the last twenty five years, principally in the manufacturing sector. He is Finance Director of Texas Group plc and a Non-Executive Director of Noble Investments (UK) plc.

#### **Robin Slinger, Non-Executive**

Robin is 55 and was a director of corporate banking for the National Westminster Bank plc until his retirement in 2004. He joined the board in October 2004 and was appointed Non-Executive Director on 27 June 2008. He is also a member of the Audit and Remuneration Committees. Robin is also a Non-Executive Director of Source BioScience plc, and a Director of Texas Group plc.

#### **David Worsley, Non-Executive and Chair of Audit Committee**

David is 63 and joined the Company in 2003, as Executive Chairman, from Texas Holdings Limited, the venture capital partner responsible for the initial investment in CBG. He continues to provide valuable skills and experience to the Board as a Non-Executive Director. He is Chair of the Audit Committee and a member of the Remuneration Committee.

#### **Charitable Donations**

The Group made charitable donations during the year amounting to £1,695 (2007: £250).

#### **Directors' Responsibilities**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union and financial statements for the parent company in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that 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.

In so far as the Directors are aware:

- There is no relevant audit information of which the Company's auditors are unaware; and
- The Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### **Report on Remuneration**

The Remuneration Committee comprises at least two Non-Executive Directors. During the period L A Turnbull, D Worsley and R Slinger served on the Remuneration Committee.

#### **Executive Remuneration**

The Committee periodically reviews the Directors' remuneration packages to ensure that the Company can attract, motivate and retain Directors of the necessary calibre and to reward them appropriately. The Committee meets not less than twice a year.

The Executive Directors have service contracts with the Company which are terminable on 6 months' notice by either party.

Executive Director packages comprise a basic salary and other benefits. The Committee has regard to rates of pay for similar positions in comparable companies as well as internal factors such as performance. The objective of the Company's remuneration policy is to ensure that members of the executive management are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group.

#### **Non-Executive Directors' Remuneration**

The Non-Executive Directors have an appointment letter with the Company, terminable on 3 months' notice by either party. The remuneration of the Non-Executive Directors is determined by the Board.

*Full details of Directors' remuneration is given in note 7 to the financial statements.*

#### **Audit Committee**

The Audit Committee is appointed by the Board and must comprise a minimum of two members, including the Non-Executive Directors. During the period D Worsley, L A Turnbull and R Slinger served on the Audit Committee. The Committee meets not less than twice a year.

The Audit Committee may examine any matters relating to the financial affairs of the Group. This includes reviews of the annual accounts and announcements, internal control procedures, accounting policies, compliance with accounting standards, the appointment of external auditors and other such related functions as the Board may require.

# Directors' Report *(Continued)*

## Substantial Shareholdings

The Company has been notified of the following interests representing 3% or more of the issued share capital of the Company at the date of this report:

	No. of ordinary shares	% of issued share capital
Octopus Asset Management Nominees Limited	2,802,323	18.08%
Texas Holdings Limited	1,150,503	7.42%
Rensburg Sheppard Investment Management Limited	907,707	5.86%
Britel Fund Nominees Limited	897,045	5.79%
Hiscox Insurance Portfolio	700,000	4.52%
Stephen Darcy	688,185	4.44%
Allianz Insurance plc	675,000	4.36%
Laurie Turnbull	536,563	3.27%
Michael McDonald	500,001	3.23%

## Payment to Suppliers

Group companies agree terms and conditions for their transactions with suppliers. Payment is then made, subject to the terms and conditions being met by the supplier. At 31 December 2008 the Company's average payment period was 68 days (2007: 32 days) of average purchases for the year.

## Key Performance Indicators

The Directors consider the key performance indicators of the Group to be:

- Adjusted diluted earnings per share (note 9).
- Organic revenue growth.
- Revenue and profits generated from acquisitions (note 13).
- Revenue per employee.
- Profit before tax, adjusted to add back amortisation, exceptional operating expenses and share option charges, expressed as a percentage of revenue.
- Policy count.
- Gross written premium.
- Lapse rates.
- New business generated.

## Risks and Uncertainties

The ongoing management of the Group's affairs and execution of the Company's strategy are subject to a number of inherent risks.

The key commercial risks affecting the Group are considered to be:

- Competition from national and local insurance brokers and financial advisors. Success of competition leads to loss of clients and business revenue.
- Employee retention. Loss of employees can result in disturbance of ongoing renewals and ultimately loss of clients.
- Insurance premium levels. Fluctuating levels of insurance premiums tend to create uncertainties in the minds of clients as to the performance of the incumbent broker. In addition, higher or lower levels of premium can create conflicting issues of fee and/or commission income.

## Liquidity Risk

The Group manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the Group has sufficient liquid resources to meet the operating needs of the business.

**Interest Rate Risk**

The Group is exposed to interest rate risk on its variable rate borrowings and cash flow interest rate risk on bank overdrafts and loans.

**Foreign Currency Risk**

The Group has little exposure arising from trading with overseas companies. The Group policy permits but does not demand that these exposures may be hedged in order to fix the cost in sterling.

**Credit Risk**

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade receivables are reviewed on a regular basis and provision is made for doubtful debts on an individual basis dependent on the age of the receivable and the likelihood of recovery.

**Annual General Meeting**

The Notice of the AGM of CBG Group plc to be held on 20 May 2009 and the resolutions to be proposed at the Meeting are set out on pages 65 and 66 of this document. The following special business will be considered at the Meeting.

Resolution 7 seeks to renew the Directors' authority under Section 80 of the Companies Act 1985 to allot unissued share capital up to an aggregate nominal amount of £206,606, which represents one third of the issued ordinary share capital as at 16 March 2009. The Directors are currently empowered, pursuant to an ordinary resolution of the Company dated 14 May 2008, to allot unissued share capital up to an aggregate nominal amount of £183,936.

Resolution 8 grants the Directors the power to allot shares for cash without first offering those shares pro-rata to existing shareholders up to an aggregate nominal amount of £30,994, representing 5 per cent of the Company's issued ordinary share capital as at 16 March 2009.

The Directors are currently empowered, pursuant to a special resolution of the Company dated 14 May 2008, to allot shares for cash up to an aggregate nominal amount of £55,181.

Resolution 9 grants the Company the power to make market purchases of its own shares under Section 166 of the Companies Act 1985 up to 1,549,701 ordinary shares representing 10% of the Company's issued ordinary share capital as at 16 March 2009.

The Directors consider that it is in the best interests of the Company and its shareholders that they should have the flexibility conferred by the above authorities to make small issues of shares, or purchase shares, for cash as suitable opportunities arise. These authorities will expire at the earliest of 20 August 2010 and the conclusion of the AGM to be held in 2010.

**Auditors**

Grant Thornton UK LLP will be proposed for re-appointment in accordance with Section 489 of the Companies Act 2006.

Signed by order of the board.



**Martyn Hughes**

Company Secretary  
16 March 2009

# Corporate Governance

## Application of the Principles of Good Governance

The Group is committed to applying the highest principles of corporate governance commensurate with its size.

## The Board

The Group is managed by a Board, consisting of a Non-Executive Chairman, four Executive Directors and two Non-Executive Directors, who retain responsibility for the formulation of corporate strategy, approval of acquisitions, divestments, capital expenditure and treasury policy. Given the size of the Company, the appointment of new Directors is a matter reserved for the Board as a whole rather than a separate Nomination Committee.

The Board meets regularly and has a schedule of matters specifically referred to it for decision. All Directors have access to advice from the Company Secretary and training is available for Directors as necessary.

## Internal Control

The Directors have overall responsibility for ensuring that the Group maintains a system of internal control to provide them with reasonable assurance regarding effective and efficient operations, internal financial control and compliance with laws and regulations. The risk management process and systems of internal control are designed to manage rather than eliminate the risks of failure to achieve the Group's strategic objectives. However, there are inherent limitations in any system of internal control and accordingly even the most effective system can only provide reasonable and not absolute assurance. The Board has reviewed the operation and effectiveness of the system of internal control in operation during the year.

Individual companies are managed with a clearly defined responsibility for the operation of the businesses to meet standards required by both the Group and appropriate regulatory authorities. In addition, annual plans and longer-term overviews of objectives are prepared by each business management team and reviewed at minuted meetings attended by at least one Executive Director.

Individual business management is also responsible for assessing and minimising all business risks, supported by Group personnel able to provide specific assistance in matters relating to regulatory compliance, health and safety, and quality systems.

Monthly accounts, including comparison with planned performance, together with key ratio analysis and working capital information, are prepared in accordance with Group accounting policies and principles. They are reviewed by the Board to monitor overall performance and facilitate appropriate management intervention.

The Board confirms that it has established the procedures necessary to implement the guidance "Internal Control: Guidance for Directors on the Combined Code". The Board has considered the need for an internal audit function but has concluded the size and complexity of the Group does not justify the expense at present. The need for an internal audit function will continue to be reviewed periodically.

## Relations with Shareholders

The Board attaches great importance to maintaining good relationships with shareholders. The Board regards the Annual General Meeting as an opportunity to communicate directly with investors, who are encouraged to participate.

## Compliance

In the opinion of the Directors, the Company has endeavoured wherever possible to comply with the provisions of the Combined Code during the year. A number of examples where the Company has not complied are as follows:

- There were less than three Non-Executive Directors on the Board for part of the year.
- There is no separate Nomination Committee.
- The Non-Executive Directors are not appointed for a specific term but are subject to retirement by rotation in accordance with the Company's Articles of Association. Their re-election is therefore periodically approved by the shareholders at the Annual General Meeting.

The Directors consider that the Group has complied as far as possible with the requirements of the Code regarding review of the effectiveness of the internal control system from the date of its flotation on AiM.

## Going Concern

The Directors report that after making enquiries, they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

# Officers and Professional Advisers

Company Registration Number 4090588

## The Board of Directors

Laurence A Turnbull (Non-Executive Chairman)  
Michael R Askew (Group Managing)  
Martyn Hughes (Group Finance)  
Martin G Lewis (Technical) - Resigned 6 February 2009  
Stephen Darcy (Insurance Broking Operations)  
Stuart J Mollekin (Executive)  
Robin Slinger (Non-Executive)  
David Worsley (Non-Executive)

## Company Secretary

Martyn Hughes

## Auditors

Grant Thornton UK LLP  
Chartered Accountants  
4 Hardman Square  
Spinningfields  
Manchester M3 3EB

## Registrars

Capita Registrars  
Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield HD8 0LA

## Bankers

National Westminster Bank plc  
6th Floor  
1 Spinningfields Square  
Manchester M3 3AP

## Solicitors

Shammah Nicholls LLP  
340 Deansgate  
Manchester M3 4LY

## Nominated Advisor

Zeus Capital Limited  
3 Ralli Courts  
West Riverside  
Manchester M3 5FT

## Joint Brokers

Zeus Capital Limited	Religare Hichens, Harrison plc
3 Ralli Courts	Bell Court House
West Riverside	11 Blomfield Street
Manchester M3 5FT	London EC2M 1LB

## Financial PR

Bishopsgate Communications  
Henry Thomas House  
5 – 11 Worship Street  
London EC2A 2BH

# Report of the Independent Auditor to the Members of CBG Group plc

**We have audited the Group and Parent Company financial statements (the “financial statements”) of CBG Group plc for the year ended 31 December 2008 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Shareholders’ Equity and notes 1 to 29 of the Consolidated accounts and notes 1 to 12 of the Parent Company accounts. 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 consolidated financial statements in accordance with United Kingdom law and International Financial Reporting Standards (“IFRSs”) as adopted by the European Union, and for preparing the Parent Company financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors’ Responsibilities that is set out in the Directors’ Report.

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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985.

We also report to you whether in our opinion the information given in the Directors’ Report is consistent with the financial statements. The information given in the Directors’ Report includes that specific information presented in the Chairman’s Statement, Group Managing Director’s Review and Corporate Governance Statement, that is cross referenced from the Directors’ Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors’ remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, the Group Managing Director's Review and the Corporate Governance 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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

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

#### **Opinion**

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985;
- the Parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Parent Company's affairs as at 31 December 2008;
- the Parent Company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

#### **Grant Thornton UK LLP**

Registered Auditor  
Chartered Accountants  
Manchester  
16 March 2009

# Consolidated Income Statement

Year Ended 31 December 2008

	Note	2008 £'000	2007 £'000
<b>Revenue</b>	2		
Continuing operations		8,576	7,436
Acquisitions		2,572	-
		<b>11,148</b>	7,436
Net administrative expenses		<b>(9,873)</b>	(5,722)
<b>Operating profit before amortisation, exceptional operating expenses, negative goodwill credited and share option charges.</b>			
Continuing operations		2,080	2,016
Acquisitions		348	-
		<b>2,428</b>	2,016
Amortisation	12	<b>(675)</b>	(242)
Exceptional operating expenses	3	<b>(466)</b>	(42)
Negative goodwill credited	13	48	-
Share option charges	23	<b>(60)</b>	(18)
<b>Operating profit</b>			
Continuing operations		1,233	1,714
Acquisitions	13	42	-
		<b>1,275</b>	1,714
Investment income	4	120	64
Finance charges	4	<b>(302)</b>	(168)
<b>Profit on ordinary activities before taxation</b>	5	<b>1,093</b>	1,610
Taxation	8	<b>(467)</b>	(395)
<b>Profit attributable to ordinary shareholders in respect of continuing operations</b>		<b>626</b>	1,215
<b>Earnings per share:</b>		<b>Pence</b>	Pence
Earnings per share – basic	9	4.33	9.79
Earnings per share – diluted	9	4.26	9.31

The Group has no recognised income or expenses other than the results for the year as set out above.

# Consolidated Balance Sheet

As at 31 December 2008

	Note	2008 £'000	2007 £'000
<b>Non-current assets</b>			
Goodwill	11	13,573	8,523
Other intangible assets	12	3,611	2,099
Property, plant and equipment	14	607	304
Deferred tax asset	20	9	9
		<b>17,800</b>	10,935
<b>Current assets</b>			
Trade and other receivables	15	8,420	6,902
Cash and cash equivalents	16	3,302	1,918
		<b>11,722</b>	8,820
<b>Current liabilities</b>			
Trade and other payables	17	(7,806)	(4,810)
Deferred consideration	18	(2,101)	(1,460)
Current tax		(554)	(237)
Borrowings	19	(456)	(150)
		<b>(10,917)</b>	(6,657)
<b>Net current assets</b>		<b>805</b>	2,163
<b>Non-current liabilities</b>			
Deferred consideration	18	(1,418)	(732)
Deferred tax	20	(924)	(603)
Borrowings	19	(3,985)	(2,230)
		<b>(6,327)</b>	(3,565)
<b>Net assets</b>		<b>12,278</b>	9,533
<b>Equity</b>			
Ordinary shares	22	620	549
Share premium account		7,675	6,010
Merger reserve		449	-
Equity reserve		-	100
Retained earnings		3,534	2,874
<b>Equity shareholders' funds</b>		<b>12,278</b>	9,533

These financial statements were approved by the Directors on 16 March 2009 and are signed on their behalf by:



**Martyn Hughes**  
Group Finance Director

# Consolidated Statement of Changes in Shareholders' Equity

Year Ended 31 December 2008

	Share capital	Share premium account	Merger reserve	Equity reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 January 2007</b>	<b>440</b>	<b>2,719</b>	<b>-</b>	<b>230</b>	<b>1,696</b>	<b>5,085</b>
Net profit for the period attributable to equity shareholders	-	-	-	-	1,215	<b>1,215</b>
<b>Total recognised income and expense</b>	<b>440</b>	<b>2,719</b>	<b>-</b>	<b>230</b>	<b>2,911</b>	<b>6,300</b>
Dividends paid	-	-	-	-	(55)	<b>(55)</b>
Issue of ordinary shares	109	3,291	-	-	-	<b>3,400</b>
Shares to be issued	-	-	-	(130)	-	<b>(130)</b>
Other reserves movement due to share options charge	-	-	-	-	18	<b>18</b>
<b>Balance at 31 December 2007</b>	<b>549</b>	<b>6,010</b>	<b>-</b>	<b>100</b>	<b>2,874</b>	<b>9,533</b>
Net profit for the period attributable to equity shareholders	-	-	-	-	626	<b>626</b>
<b>Total recognised income and expense</b>	<b>549</b>	<b>6,010</b>	<b>-</b>	<b>100</b>	<b>3,500</b>	<b>10,159</b>
Dividends paid	-	-	-	-	(85)	<b>(85)</b>
Issue of ordinary shares	71	1,665	449	-	-	<b>2,185</b>
Shares to be issued	-	-	-	(100)	-	<b>(100)</b>
Other reserves movement due to share options charge	-	-	-	-	60	<b>60</b>
Impact of deferred tax on share option charge	-	-	-	-	59	<b>59</b>
<b>Balance at 31 December 2008</b>	<b>620</b>	<b>7,675</b>	<b>449</b>	<b>-</b>	<b>3,534</b>	<b>12,278</b>

*The Group has applied s131 of the Companies Act 1985 in respect of Merger Relief.*

# Consolidated Cash Flow Statement

Year Ended 31 December 2008

	Note	2008 £'000	2007 £'000
<b>Operating activities</b>			
Cash generated by operations	24	3,377	1,490
Income taxes paid		(542)	(351)
Interest paid		(302)	(175)
<b>Net cash inflow from operating activities</b>		<b>2,533</b>	964
<b>Investing activities</b>			
Interest received		120	64
Purchases of property, plant and equipment	14	(465)	(103)
Deferred consideration paid		(1,332)	(430)
Acquisition of subsidiaries and businesses net of cash acquired	13	(2,679)	(2,100)
<b>Net cash used in investing activities</b>		<b>(4,356)</b>	(2,569)
<b>Financing activities</b>			
Dividends paid		(85)	(55)
Proceeds from issue of shares (net of expenses)		1,587	2,910
Receipt of bank loans		3,500	2,000
Receipt of other loans		900	361
Repayment of bank loans		(2,000)	(2,306)
Repayment of other loans		(610)	(248)
Repayment of hire purchase obligations		(85)	(2)
<b>Net cash generated by financing activities</b>		<b>3,207</b>	2,660
<b>Net increase in cash and cash equivalents</b>	25	<b>1,384</b>	1,055
Cash and cash equivalents at start of period		1,918	863
<b>Cash and cash equivalents at end of period</b>	16	<b>3,302</b>	1,918

# Notes to the Consolidated Financial Statements

## General Information

CBG Group plc is an AiM listed company incorporated in the United Kingdom under the Companies Act 1985. The address and registered office is Southmoor House, Southmoor Road, Manchester M23 9XD. The nature of the Group's operations and its principal activities are set out in the Directors' Report on page 13.

These consolidated financial statements were authorised for issue by the Board of Directors on 16 March 2009.

The financial statements are presented in pounds sterling.

## Basis of Preparation

These consolidated financial statements have been prepared on the historical cost basis. The principal accounting policies are set out below.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on pages 13 to 17. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in note 21 to the financial statements and include the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources with a number of customers and suppliers across different geographic areas and industries. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

## 1. Significant Accounting Policies

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use by the European Union ("EU") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). Practice is continuing to evolve on the application and interpretation of IFRS. Further standards may be issued by the International Accounting Standards Board ("IASB") and standards currently in issue and endorsed by the EU may be subject to interpretations issued by IFRIC.

The preparation of financial statements, in conformity with generally accepted accounting principles under IFRS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the detailed accounting policies below:

### Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all Group undertakings.

The Group's financial statements consolidate the results of CBG Group plc and entities controlled by the Company (its subsidiaries) prepared up to 31 December each year. An entity is controlled when the Company has the power, directly or indirectly, to govern the financial and operating policies of the entity so as to derive benefits from its activities. The results of subsidiaries or businesses acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

### **Business Combinations**

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### **Goodwill**

Goodwill arising on the acquisition of subsidiary undertakings or businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is recognised as an asset. Goodwill is reviewed for impairment at least annually and any impairment is recognised in the income statement and is not subsequently reversed. Goodwill is carried at cost less accumulated impairment losses. Negative goodwill is recognised immediately after acquisition in the income statement.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

Goodwill written off to reserves prior to date of transition to IFRS remains in reserves. There is no re-instatement of goodwill that was amortised prior to transition to IFRS. Goodwill previously written off to reserves is not written back to profit or loss on subsequent disposal.

### **Intangible Assets**

#### ***Assets Acquired as part of a Business Combination***

In accordance with IFRS 3 Business Combinations, an intangible asset acquired in a business combination is deemed to have a cost to the Group of its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the Group. Where an intangible asset might be separable, but only together with a related tangible or intangible asset, the group of assets is recognised as a single asset separately from goodwill where the individual fair values of the assets in the group are not reliably measurable. Where the individual fair value of the complementary assets is reliably measurable, the Group recognises them as a single asset provided the individual assets have similar useful lives.

Examples of such assets include customer relationships and expectations of business renewal. These assets are valued on the basis of the present value of future cash flows and are amortised to the income statement on a straight-line basis over the life of the contract or their estimated economic life. The current maximum estimated economic life of these assets is 11 years.

#### ***Impairment Testing of Goodwill, other Intangible Assets and Property, Plant and Equipment***

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows.

# Notes to the Consolidated Financial Statements *(Continued)*

## **1. Significant Accounting Policies *(continued)***

Goodwill, other individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Where an impairment subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### **Revenue Recognition**

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for services provided. Revenue is recognised upon the performance of services. Amounts recognised in the accounts in advance of invoicing or receipt of commission are recorded, on the basis of an assessment of the value of services provided or commission earned, in trade and other receivables as accrued income.

### **Insurance Broking**

Commissions and fees relating to insurance broking are recognised in full at the policy transaction date.

### **Financial Services**

Commissions and fees relating to the provision of independent financial services are recognised when the likelihood of receipt is determined with a reasonable amount of certainty. Amounts not invoiced or commission not received are assessed and valued based on the extent of service provided to the client.

### **Insurance Premium Financing**

Revenue represents finance charge income, net of rebates, earned during the period from the provision of loans to clients to pay insurance premiums over a number of monthly instalments.

Sufficient finance charge income is recognised at the inception of each financing agreement to cover the company's estimated set-up costs of that agreement. The remaining finance charge income, less amounts payable in respect of commissions and rebates, is classified as unearned income. Unearned finance charges are recognised as income over the life of each agreement in accordance with the rule of 78 methodology. Commissions and rebates are provided on an accruals basis.

### **Other Services**

Fees and other income receivable including profit share and commission overrides are recognised in the period to which they relate and when they can be measured with reasonable certainty.

### **Operating Profit**

Operating profit is stated before investment income and finance charges.

### **Segmental Reporting**

The Directors have identified three business sectors: Insurance Broking, Financial Services and Premium Financing. There are no sales between business segments.

*Further information is provided in note 2.*

### **Exceptional Operating Expenses**

Exceptional operating expenses, incurred outside of the ordinary course of business, relating to redundancy or reorganisation or other unusual or non-recurring costs, which are material are shown separately on the face of the income statement.

*Further information is provided in note 3.*

### **Employee Benefits**

#### **Pension Costs**

The Group operates a number of defined contribution pension schemes for certain employees. The assets of the schemes are held separately from those of the Group. The annual contributions payable are charged to the Group income statement.

#### **Holiday Pay**

The Group recognises an asset or liability for holiday pay obligations at the balance sheet date. Movements in the period are taken to the income statement.

### **Plant, Property and Equipment**

Plant, property and equipment are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all plant, property and equipment at rates calculated to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures, fittings and office equipment - 25% reducing balance or 10%-33% straight line.

Material residual value estimates and useful economic lives are updated as required, but at least annually, whether or not the asset is revalued.

### **Operating Lease Agreements**

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

### **Finance Cost**

Finance costs of debt are recognised in the income statement over the term of such instruments at a constant rate on the carrying amount.

### **Taxation**

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

### **Deferred and Contingent Consideration**

Deferred and contingent consideration is included at the Directors' best estimate of the amounts which will be payable. This amount is reviewed on an annual basis.

# Notes to the Consolidated Financial Statements *(Continued)*

## 1. Significant Accounting Policies *(continued)*

### Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

### Share-based Payments Policy

The Group issues equity-settled share-based payments to certain employees (including Directors). Equity-settled share-based payments are measured at fair value at the date of grant. Their value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All share-based remuneration is ultimately recognised as an expense in the income statement with a corresponding credit to "retained earnings".

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Where the terms of an equity-settled transaction are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled transaction is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the transaction is recognised immediately. However, if a new transaction is substituted for the cancelled transaction, and designated

as a replacement transaction on the date that it is granted, the cancelled and new transactions are treated as if they were a modification of the original transaction, as described in the previous paragraph.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital.

### Financial Assets

Financial assets are loans and receivables. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. All financial assets are initially recognised at fair value, plus transaction costs.

Interest and other cash flows resulting from holding financial assets are recognised in the income statement when receivable, regardless of how the related carrying amount of financial assets is measured.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Provision against trade receivables is made when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows. Financial assets are assessed for impairment at least at each balance sheet date.

### Financial Liabilities

Financial liabilities are obligations to pay cash or other financial instruments and are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in “finance cost” in the income statement. Bank loans are raised for support of long term funding of the Group’s operations. They are recognised as proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, and direct issue costs are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Proceeds in relation to cash are effectively fair value.

Dividend distributions payable to equity shareholders are included in “other short term financial liabilities” when the dividends are approved in general meeting prior to the balance sheet date.

Deferred consideration is the amount, in the opinion of the Directors, of additional consideration that will be paid in cash or satisfied by the issue of shares in respect of acquisitions previously made. If the effect is material, deferred consideration is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money.

### Equity

Equity comprises the following:

- “Share capital” represents the nominal value of equity shares.
- “Share premium” represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- “Merger reserve” represents the premium arising on shares issued as part share for share exchanges.
- “Equity reserve” represents the nominal value of share capital to be issued in respect of deferred consideration.
- “Retained earnings” represents retained profits.

### Critical Accounting Judgements and Key Sources of Uncertainty

Estimates and accounting judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The preparation of financial statements under IFRS requires management to make assumptions and estimates about future events. The resulting accounting estimates will, by definition, differ from the actual results. The following key judgments, estimates and assumptions have been made in preparing the financial statements:

**Impairment of Goodwill** - determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

There is no impairment charge for the year. The pre-tax discount rate applied to the cash flows would have to be 8.5% higher than the Directors’ estimations to give rise to any impairment. More information on the impairment testing performed is shown in note 11.

**Intangible Assets** – values calculated, in respect of customer relationships, in assessing the fair values of consideration for acquisitions, are subject to assumptions on business lapse rates and client retention lives. The potentially subjective nature of these assumptions ultimately affects the amount of amortisation charged to the income statement.

**Share Option Charges** – the estimates applied to the expected life of share options, volatility of shares, risk free yield rate to maturity and expected dividend yield.

# Notes to the Consolidated Financial Statements *(Continued)*

## **1. Significant Accounting Policies *(continued)***

Various assumptions are required in order to calculate the charge for the year; for option based awards, these assumptions are then applied to option pricing models. The key assumptions relate to the future performance of the Group, the number of employees likely to remain employed for the duration of the scheme and the volatility of the Group's share price. These assumptions are shown in note 23.

**Contingent Consideration** - When new entities are acquired by the Group, it is common for part of the purchase consideration to be deferred and contingent on future events. Estimates are required in respect of the amount of deferred contingent consideration, which is determined according to formulae agreed at the time of the business combination, and normally related to the projected future revenues of the acquired business. The Directors review these estimates at each Balance Sheet date. At 31 December 2008 the Group has outstanding deferred consideration payable amounting to £3,519,000 (2007: £2,192,000) all of which was contingent.

### **Standards and Interpretations**

At the date of authorisation of these consolidated financial statements, there were a number of standards and interpretations, that have not been applied in these consolidated financial statements, which were in issue but not yet effective.

In future periods the following are expected to have a significant impact on the disclosures required in the Group financial statements:

- IAS 1 Presentation of Financial Statements (revised 2007) (effective 1 January 2009).
- Amendment to IFRS 7 Financial Instruments: Disclosures - Improving Disclosures About Financial Instruments (effective 1 January 2009).
- IFRS 8 Operating Segments (effective 1 January 2009).

IFRS 3 Business Combinations (Revised 2008) (effective 1 July 2009), requires transaction costs to acquire a business to be expensed as incurred, rather than capitalised in the balance sheet.

Additionally under IFRS 3, revised contingent consideration is required to be recognised at fair value on acquisition, with all subsequent changes being recognised in the income statement rather than against goodwill as currently permitted.

There has also been an amendment to IFRS 2 Share-based Payment - Vesting Conditions and Cancellations (effective 1 January 2009), which will apply to the 2009 financial statements. The impact of this change in standards has yet to be assessed.

## **2. Segment Information**

For management purposes, the Group is organised into three divisions; Insurance Broking, Financial Services and Premium Finance.

These divisions are the basis on which the Group reports its primary segment information and is reported as follows:

### Revenue and Operating Profit

	Revenue	Operating profit	Revenue	Operating profit
	£'000	£'000	£'000	£'000
By class of business:				
Insurance Broking	8,181	2,134	4,877	1,456
Financial Services	2,465	543	2,150	746
Premium Finance	472	418	367	312
Other	30	30	42	42
	<b>11,148</b>	<b>3,125</b>	7,436	2,556
Amortisation		(675)		(242)
Exceptional operating expenses and negative goodwill credited		(418)		(42)
Central costs		(757)		(558)
Profit from operations		<b>1,275</b>		1,714

### Assets and Liabilities

	Year ended 31 December 2008		Year Ended 31 December 2007	
	Assets	Liabilities	Assets	Liabilities
	£'000	£'000	£'000	£'000
By segment:				
Insurance Broking	11,777	(9,208)	8,023	(4,980)
Financial Services	2,080	(1,136)	1,512	(943)
Premium Finance	2,727	(2,362)	4,479	(4,263)
Eliminations	(5,233)	5,233	(2,425)	2,425
Segment assets and liabilities	<b>11,351</b>	<b>(7,473)</b>	11,589	(7,761)
Unallocated corporate	<b>18,171</b>	<b>(9,771)</b>	8,166	(2,461)
Consolidated assets and liabilities	<b>29,522</b>	<b>(17,244)</b>	19,755	(10,222)

## Notes to the Consolidated Financial Statements (Continued)

### 2. Segment Information (continued)

#### Other Information

	Year ended 31 December 2008		Year ended 31 December 2007	
	Capital additions	Depreciation and amortisation	Capital additions	Depreciation and amortisation
	£'000	£'000	£'000	£'000
By segment:				
Insurance Broking	434	140	68	97
Financial Services	31	27	25	19
Premium Finance	-	7	10	14
Segment information	465	174	103	130
Central costs	-	675	-	242
Consolidated information	465	849	103	372

#### Geographical Segments

All of the Group's operations are located in the United Kingdom and all of the Group's revenue is derived from sales in the United Kingdom. A geographical segmental analysis is therefore not appropriate.

### 3. Exceptional Operating Expenses

	2008 £'000	2007 £'000
Redundancy costs	12	42
Reorganisation costs	454	-
	466	42

### 4. Investment Income and Finance Costs

	2008 £'000	2007 £'000
<b>Investment income:</b>		
Bank interest receivable	120	63
Other	-	1
	120	64
<b>Finance costs:</b>		
Interest and other similar charges payable on bank borrowings	290	167
Hire purchase interest	12	-
Other	-	1
	302	168

## 5. Profit on Ordinary Activities before Taxation

Profit on ordinary activities before taxation is stated after charging:

	2008 £'000	2007 £'000
Amortisation	675	242
Depreciation of owned property, plant and equipment	174	130
Employee costs	5,993	3,853
Fees paid to previous auditors in respect of:		
- statutory audit services	-	5
Fees paid to current auditors in respect of:		
- statutory audit services for the Group and Parent Company	25	22
- statutory audit services for subsidiary companies	27	17
- corporate finance services	15	8
- taxation advice	8	6
Share option charge	60	18
Loss on disposal of property, plant and equipment	39	-

## 6. Particulars of Employees

The average number of staff employed by the Group during the financial year amounted to:

	2008 No	2007 No
Management and administration staff	63	32
Sales staff	113	83
	176	115

The aggregate payroll costs of the above were:

	2008 £'000	2007 £'000
Wages and salaries	5,266	3,401
Social security costs	532	320
Other pension costs	195	132
	5,993	3,853

## Notes to the Consolidated Financial Statements (Continued)

### 7. Directors' Remuneration

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

	Salary and fees £'000	Benefits in kind £'000	Pension paid £'000	2008 £'000	2007 £'000
<b>Executive</b>					
M R Askew	83	1	8	92	89
M G Lewis	81	2	8	91	90
S Darcy	83	2	8	93	90
M Hughes	69	1	7	77	17
S J Mollekin	69	1	6	76	89
R Slinger*	35	1	-	36	70
S D Jackson	-	-	-	-	5
<b>Non-Executive</b>					
L A Turnbull	26	-	-	26	14
D Worsley	15	-	-	15	15
P H Manning	4	-	-	4	5
R Slinger*	13	-	-	13	-
	478	8	37	523	484

\*On 27 June 2008 R Slinger reverted to a Non-Executive role.

The number of Directors who accrued benefits under defined contribution pension schemes was as follows:

	2008	2007
Number of Directors	5	5

### 8. Taxation on Profit on Ordinary Activities

#### (a) Income Tax recognised in Income Statement

	2008 £'000	2007 £'000
Current tax:		
UK Corporation tax based on the results for the year at 28.5% (2007 - 30%)	698	474
Deferred tax:		
Origination and reversal of temporary differences:		
Current year	(209)	(57)
Prior year	(22)	(22)
Tax on profit on ordinary activities	467	395

## (b) Income Tax Recognised Directly in Equity

	2008 £'000	2007 £'000
Excess tax deductions related to share based payments	59	-

## (c) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is the same as the standard rate of corporation tax in the UK of 28.5% (2007 - 30%).

	2008 £'000	2007 £'000
Profit on ordinary activities before taxation	1,093	1,610
Profit on ordinary activities by rate of tax	306	483
Expenses not deductible for tax purposes	380	59
Deduction arising on exercise of share options	-	(30)
Effect of current year events on prior year deferred tax	(22)	(22)
Effect of changing corporation tax rates	(2)	3
Movement in deferred tax not provided	-	(12)
Utilisation of tax losses	-	(27)
Marginal relief	-	(12)
Deferred tax on IFRS amortisation	(195)	(47)
Total tax (note 8 (a))	467	395

## 9. Earnings Per Share

The calculation of basic earnings per share for the year ended 31 December 2008 is based on the profit attributable to ordinary shareholders of £626,000 (2007: £1,215,000) divided by the weighted average number of shares in issue of 14,454,978 (2007: 12,412,161), amounting to 4.33p (2007: 9.79p).

At 31 December 2008, there were 805,250 (2007: 575,000) share options in issue of which 254,548 (2007: 301,929) were dilutive potential ordinary shares on average during the year. At the year end there were 292,362 (2007: 68,998) shares to be issued in respect of deferred consideration for acquisitions made during or prior to the current year, and there were nil (2007: 331,299) dilutive potential ordinary shares on average during the year.

At 31 December 2008, there were therefore a total of 254,548 (2007: 633,228) dilutive potential ordinary shares on average during the year. The calculation of diluted earnings per share for the year ended 31 December 2008 is based on the profit attributable to ordinary shareholders of £626,000 (2007: £1,215,000) divided by the weighted average number of diluted shares in issue of 14,709,526 (2007: 13,045,389), amounting to 4.21p (2007: 9.31p).

The adjusted earnings per share is based on the profit attributable to ordinary shareholders, after adding back amortisation, exceptional operating expenses, negative goodwill credited, share option charges and reflecting an ongoing tax charge of 28.5% (2007: 30%), as follows:

## Notes to the Consolidated Financial Statements (Continued)

### 9. Earnings Per Share (continued)

	2008		2007	
	£'000	Pence	£'000	Pence
Profit for the year	626	4.33	1,215	9.79
Amortisation	675	4.67	242	1.95
Exceptional operating charges and negative goodwill credited	418	2.89	42	0.34
Share option charge	60	0.42	18	0.14
Adjustment to reflect an ongoing tax charge of 28.5% (2007: 30%)	(161)	(1.12)	(179)	(1.44)
<b>Adjusted earnings per share</b>	<b>1,618</b>	<b>11.19</b>	1,338	10.78
<b>Diluted adjusted earnings per share</b>	<b>1,618</b>	<b>11.00</b>	1,338	10.26

There have been no changes to the shares in issue since 31 December 2008.

### 10. Dividends

Amounts recognised as distributions to equity shareholders in the year:

	2008 £'000	2007 £'000
Dividend paid per share in the period 0.6p (2007: 0.5p)	85	55

A final dividend of 0.66p per share (2007: 0.6p per share) amounting to £102,000 (2007: £85,000) in respect of the year ended 31 December 2008 is proposed. If approved at the Annual General Meeting, it will be paid on 29 May 2009 to those shareholders on the register on 1 May 2009.

### 11. Goodwill

	2008 £'000	2007 £'000
<b>Cost and Net book value</b>		
At 1 January	8,523	5,199
Additions – current period acquisitions (note 13)	5,216	3,276
Additions – prior period acquisitions	-	48
Changes in deferred consideration payable	(166)	-
<b>At 31 December</b>	<b>13,573</b>	8,523

Additions in respect of prior period acquisitions principally comprise amounts of additional unprovided deferred consideration and adjustments following the final determination of fair values of assets acquired.

Goodwill was allocated for impairment testing purposes to cash generating units which contained carrying amounts of goodwill allocated as follows:

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Insurance Broking	<b>11,391</b>	6,724
Financial Services	<b>2,182</b>	1,799
	<b>13,573</b>	8,523

During the year ended 31 December 2008, the Group assessed the recoverable amount of goodwill, and determined that goodwill was not impaired.

The recoverable amounts of each cash generating unit is determined based on a value in use calculation using discounted cash flow forecasts. Cash flow forecasts were prepared for each cash generating unit, based on the financial projections included in the Group's forecasts for 2009, extended to 2010 and 2011 and extrapolated for 2012 and 2013 to give five year projections based on broadly consistent growth assumptions. The five year cash flows were discounted using a pre-tax discount factor of 8.50% (2007: 10.25%).

The key assumptions in the cash flow are for revenue and operating expenses. The approach to determining values of assumptions is based on detailed analyses of historic revenues, including business loss ratios and levels on new business gained, and operating expenses. The assumptions made are largely based on historic experience and do not include assumptions over market condition changes.

The Directors regard the internal and external factors affecting both the pre-tax discount factor and the growth assumptions to be very similar across each cash generating unit during the whole period of evaluation.

Growth rates used in 2009 and 2010 were 5% over 2008 and 2009 respectively and 2.25% in 2011 and 2012 over 2009 and 2010 respectively.

## 12. Other Intangible Assets

	2008 Employment related	2008 Customer relationships	2008 Total	2007 Employment related	2007 Customer relationships	2007 Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>						
At 1 January	<b>210</b>	<b>2,252</b>	<b>2,462</b>	-	1,377	1,377
Additions	-	<b>2,187</b>	<b>2,187</b>	210	875	1,085
<b>At 31 December</b>	<b>210</b>	<b>4,439</b>	<b>4,649</b>	210	2,252	2,462
<b>Amortisation</b>						
At 1 January	<b>26</b>	<b>337</b>	<b>363</b>	-	121	121
Charge for the year	<b>105</b>	<b>570</b>	<b>675</b>	26	216	242
<b>At 31 December</b>	<b>131</b>	<b>907</b>	<b>1,038</b>	26	337	363
<b>Net book value</b>						
<b>At 31 December</b>	<b>79</b>	<b>3,532</b>	<b>3,611</b>	184	1,915	2,099

## Notes to the Consolidated Financial Statements (Continued)

### 12. Other Intangible Assets (continued)

#### Employment Related

A payment of £210,000 was made in connection with the agreement of service contracts in connection with the acquisition of CBG London Limited (formerly Marcus Hearn & Co. Limited). The minimum period of the service contracts is 2 years and the intangible asset is therefore being amortised over the period of 24 months.

At 31 December 2008 the remaining life was 10 months.

#### Customer Relationships

The valuations have been based on a net income approach which is considered by the Directors to be the most suitable for the appraisal of assets such as customer relationships. The approach considers the extent to which future income streams are likely to be receivable as a consequence of maintaining the customer relationship. A discounted cash flow method has then been used to calculate the present value of the asset.

Key assumptions underlining the valuations are as follows:

- i) Projected revenues used are those prevailing at the time of acquisition.
- ii) Key variables based on historical experience are as follows:
  - a) Recurring revenues at 50 – 95%
  - b) Average length of client relationship 3 – 11 years.

Customer relationships have been amortised over a period of 7 to 11 years. The balance at 31 December 2008 will be amortised in full over the next 7 years and 4 months.

### 13. Acquisitions

During the year, the Company acquired the whole of the issued share capital and voting rights of the following companies or businesses:

18 January 2008	Barclay Brown (Holdings) Limited
23 January 2008	PenMc plc
4 April 2008	Howgud Limited

The acquisitions may be summarised as follows:

	PenMc plc	Barclay Brown (Holdings) Limited	Howgud Limited	Total
	£'000	£'000	£'000	£'000
Property, plant and equipment	-	13	38	<b>51</b>
Trade and other receivables	-	1,351	528	<b>1,879</b>
Cash and cash equivalents	261	(135)	394	<b>520</b>
Trade and other payables	(4)	(1,988)	(519)	<b>(2,511)</b>
Current tax	-	(76)	(86)	<b>(162)</b>
Fair value of net assets/(liabilities) acquired	257	(835)	355	<b>(223)</b>
Goodwill - positive (note 11)	-	3,464	1,752	<b>5,216</b>
Goodwill - negative (see below)	(48)	-	-	<b>(48)</b>
Other intangible assets (note 12)	-	1,226	961	<b>2,187</b>
Deferred tax on other intangible assets	-	(343)	(269)	<b>(612)</b>
Consideration	209	3,512	2,799	<b>6,520</b>
Comprising:				
Cash	11	1,650	1,229	<b>2,890</b>
Shares issued	101	-	360	<b>461</b>
Deferred consideration:				
Cash	-	1,585	905	<b>2,490</b>
Cash or shares	-	150	220	<b>370</b>
Acquisition costs	97	127	85	<b>309</b>
	209	3,512	2,799	<b>6,520</b>
Purchase consideration settled in cash	108	1,777	1,314	<b>3,199</b>
Cash and cash equivalents acquired	(261)	135	(394)	<b>(520)</b>
Cash (inflow)/outflow on acquisitions	(153)	1,912	920	<b>2,679</b>

The assets and liabilities included in net assets acquired are stated at book values which are equivalent to their fair values. The only fair value adjustments made are in respect of intangible assets acquired. The initial accounting for the acquisitions made during the year ended 31 December 2008 has only been provisionally determined at the balance sheet date as adjustments may be necessary to book values following assessment after a further period of ownership.

## Notes to the Consolidated Financial Statements (Continued)

### 13. Acquisitions (continued)

The goodwill paid in respect of current period acquisitions relates to expected synergies to be achieved. Synergies to be achieved are as a result of a stronger presence in the market and synergies in sourcing and selling.

Negative goodwill in respect of the acquisition of PenMc plc has been released to the income statement during the year.

#### Consideration Shares Issued

	PenMc plc	Howgud Limited
Number of shares issued ('000)	67	230
Fair value, being market value (pence per share)	151.0	156.52
Consideration for shares issued (£'000)	101	360

#### Profit included in the Results of the Group

The impact of the acquisitions on the profit of the Group is as follows:

	Barclay Brown (Holdings) Limited	Howgud Limited
	£'000	£'000
Profit before taxation	-	42

Had these business combinations been effected at 1 January 2008, the revenue of the Group from continuing operations would have been £11,364,000, and the profit before taxation, amortisation, exceptional operating expenses and share option charges for the year from continuing operations would have been £2,482,000. The Directors consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

In determining the 'pro-forma' revenue and profit of the Group had the acquisitions made during the year been acquired at the beginning of the current reporting period, the Directors have:

- (i) Pro-rated the results of the companies or businesses acquired on a strict time elapsed method based on their last accounts.
- (ii) Taken into account the post-acquisition remuneration arrangements of the vendors/managers of the acquired entities.
- (iii) Based borrowing costs on the funding levels and debt/equity position of the Group after the business combination.

#### 14. Property, Plant and Equipment

Fixtures, fittings and office equipment	Note	2008 £'000	2007 £'000
<b>Cost</b>			
At 1 January		755	611
Additions		465	103
Disposals		(63)	-
Acquisition of subsidiaries	13	51	41
<b>At 31 December</b>		<b>1,208</b>	<b>755</b>
<b>Depreciation</b>			
At 1 January		451	321
Charge for the year		174	130
Disposals		(24)	-
<b>At 31 December</b>		<b>601</b>	<b>451</b>
<b>Net book value</b>			
<b>At 31 December</b>		<b>607</b>	<b>304</b>

The carrying value of the Group's office equipment includes an amount of £nil (2007: £nil) in respect of assets held under hire purchase agreements.

#### Capital Commitments

There were no material capital commitments at the balance sheet dates.

#### 15. Trade and Other Receivables

	2008 £'000	2007 £'000
Trade receivables	7,661	6,081
Allowance for doubtful debts	(125)	(36)
Trade receivables - net	7,536	6,045
Prepayments and accrued income	787	789
Other receivables	97	68
	<b>8,420</b>	<b>6,902</b>

Allowances for doubtful debts are estimates by management based on past default experience and their assessment of the current economic environment. The Group has no significant concentration of credit risk, with exposure spread over a large number of clients across all segments of the Group.

#### Trade Receivables

Trade receivables do not carry interest.

The trade receivables of Exius Limited amounting to £4,109,000 (2007: £4,399,000) are secured on the underlying insurance policies, the premiums of which are financed by Exius.

## Notes to the Consolidated Financial Statements (Continued)

### 15. Trade and Other Receivables (continued)

#### Ageing of Past Due but not Impaired Receivables

	2008 £'000	2007 £'000
0 – 30 days past due	181	146
31 – 60 days past due	133	78
Over 60 days past due	63	123
	<b>377</b>	<b>347</b>

#### Movement in the Allowance for Doubtful Debts

	2008 £'000	2007 £'000
Balance at beginning of year	36	34
Impairment losses recognised on receivables	48	27
Amounts written off as uncollectable	(12)	(18)
Amounts recovered during the year	(2)	-
Impairment losses reversed	(20)	(7)
Arising on acquisitions	75	-
	<b>125</b>	<b>36</b>

### 16. Cash and Bank Deposits

	2008 £'000	2007 £'000
Cash in hand and at bank	<b>3,302</b>	1,918

The effective rate of interest on short term deposits for the year ended 31 December 2008 was 4.70% (2007: 4.86%).

### 17. Trade and Other Payables

	2008 £'000	2007 £'000
Trade payables	<b>6,630</b>	3,895
Taxes and social security costs	118	128
Accruals and deferred income	<b>1,058</b>	787
	<b>7,806</b>	4,810

## 18. Deferred Consideration

	2008 £'000	2007 £'000
Current	2,101	1,460
Non-current	1,418	732
	<b>3,519</b>	2,192

The deferred consideration is the amount, in the opinion of the Directors, of additional consideration that will be paid in cash or satisfied by the issue of shares at the prevailing market price at the time issued, at the option of the relevant vendors, in respect of acquisitions previously made.

## 19. Borrowings

	2008 £'000	2007 £'000
<b>Current:</b>		
Bank borrowings	-	2
Other loans	420	148
Hire purchase obligations	36	-
	<b>456</b>	150
<b>Non-current:</b>		
Bank borrowings	3,500	2,000
Other loans	485	230
	<b>3,985</b>	2,230
<b>Total borrowings</b>	<b>4,441</b>	2,380

The borrowings are repayable as follows:

	2008 £'000	2007 £'000
On demand or within one year	456	150
In the second year	420	120
In the third to fifth years inclusive	3,565	2,110
	<b>4,441</b>	2,380

## Notes to the Consolidated Financial Statements (Continued)

### 19. Borrowings (continued)

The weighted average interest rates paid were as follows:

	2008 £'000	2007 £'000
Revolving credit facility	6.53%	6.80%
Bank loans	5.18%	6.94%

No loans were arranged at fixed interest rates and all borrowings are denominated in sterling.

The bank borrowings are secured by a fixed and floating charge over the assets of the Company and its subsidiary undertakings. Hire purchase obligations are secured over the underlying asset.

### Borrowing Facilities

The Group has the following undrawn committed borrowing facilities available at 31 December 2008:

Floating rate	2008 £'000	2007 £'000
Revolving credit facility	2,000	2,000
Overdraft	500	-
Expiring beyond one year	2,500	2,000

Facilities expiring beyond one year expire in September 2011 and relate to the Group's committed secured revolving credit facilities. Drawings under the facility are subject to a margin of between 1.75% and 2.00% above LIBOR and additionally incur non utilisation fees. The facility terms and conditions include profitability and interest cover covenants which the Group expects to continue to comply with.

### 20. Deferred Taxation

Deferred tax balances are summarised as follows:

	2008 £'000	2007 £'000
Deferred tax liabilities	924	603
Deferred tax assets	(9)	(9)
Net tax liability	915	594

The movement in the deferred tax provision during the year was:

	1 January 2008	Charged to income	Charged to equity	Charged to intangible assets	31 December 2008
	£'000	£'000	£'000	£'000	£'000
Property, plant and equipment	15	(18)	-	-	(3)
Intangible assets	579	(195)	-	611	995
Provisions	-	(18)	-	-	(18)
Share options	-	-	(59)	-	(59)
	594	(231)	(59)	611	915

The deferred tax provision is represented as follows:

	2008 £'000	2007 £'000
Other intangible assets	927	588
Accelerated capital allowances	(3)	14
Holiday pay	(9)	(8)
Provision carried forward	915	594

## 21. Treasury Operations and Financial Instruments

	2008 £'000	2007 £'000
<b>Financial assets:</b>		
Loans and receivables - other	8,182	6,621
Loans and receivables - cash and cash equivalents	3,302	1,918
	11,484	8,539
<b>Financial liabilities:</b>		
Amortised cost	15,766	9,382

## Notes to the Consolidated Financial Statements (Continued)

### 21. Treasury Operations and Financial Instruments (continued)

#### Financial Risk Management Objectives

The Group has a centralised financial risk management function which monitors and manages the financial risks relating to the operations of the Group. The Board has reviewed and agreed policies for management of these risks and all of the Group's activities involve analysis, acceptance and management of some degree of risk or combination of risks. The most important types of financial statement risk are credit risk and liquidity risk.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls and to monitor risks. The Audit Committee, under authority delegated by the Board, formulates high level Group risk management policy and monitors risk management to allow it to review the effectiveness of the Group's risk management policies.

The Group's treasury activities are designed to provide suitable, flexible funding arrangements to satisfy the Group's requirements. The Group uses financial instruments comprising borrowings, cash liquid resources and items such as trade receivables and payables that arise directly from its operations. The main risks arising from Group financial instruments are interest rate and liquidity risks. The Board reviews policies for managing these risks.

There is no material difference between the fair values and book values of the Group's financial instruments.

The Group operates a treasury function which is responsible for managing the liquidity and interest risks associated with the Group's activities.

The Group's principal financial instruments include bank overdrafts and loans, the main purpose of which is to raise finance for the Group's operations. In addition, the Group has various other financial assets and liabilities, such as trade receivables and trade payables arising directly from operations.

#### Liquidity Risk

The Group manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the Group has sufficient liquid resources to meet the operating needs of the business.

The Group's liabilities have remaining contractual maturities summarised as follows:

	2008 Within 6 months	2008 6 to 12 months	2008 1 to 5 years	2007 Within 6 months	2007 6 to 12 months	2007 1 to 5 years
	£'000	£'000	£'000	£'000	£'000	£'000
Revolving credit facility	82	83	3,785	68	69	2,282
Hire purchase obligations	36	-	-	-	-	-
Other loans	210	210	485	88	60	230
Trade payables	6,630	-	-	3,895	-	-
Deferred consideration	1,761	340	1,418	325	1,135	1,460
	<b>8,719</b>	<b>633</b>	<b>5,688</b>	<b>4,376</b>	<b>1,264</b>	<b>3,972</b>

### Interest Rate Risk

The Group is exposed to interest rate risk on its variable rate borrowings and cash flow interest rate risk on bank overdrafts and loans. Given the low level of these risks, the Group has not entered into derivative financial instruments to manage these exposures.

### Interest Rate Sensitivity

The following table illustrates the sensitivity of the net results for the year and equity to a reasonably possible change in interest rates of +1.5% and – 0.75%, with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's financial instruments held at the balance sheet date. All other variables are assumed to be constant.

	2008	
	£'000	£'000
	+1.5%	-0.75%
Net result for the year	(57)	29
Equity	(57)	29

### Credit Risk

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade receivables are reviewed on a regular basis and provision is made for doubtful debts on an individual basis dependent on the age of the receivable and the likelihood of recovery.

The carrying amount of financial assets in the financial statements represents the Group's exposure to credit risk. There are no significant concentrations of credit risk.

The amount of cash due from trade receivables is further explained in note 15.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expense are recognised, in respect of each class of financial asset, financial liability and equity instruments are disclosed in note 1 of these financial statements.

## Notes to the Consolidated Financial Statements (Continued)

### 22. Share Capital

#### Authorised share capital:

	2008 £'000	2007 £'000
20,000,000 (2007: 20,000,000) Ordinary shares of £0.04 each	800	800

#### Allotted, called up and fully paid:

	No	2008 £'000	No	2007 £'000
Ordinary shares of £0.04 each	15,497,006	620	13,730,930	549

#### Allotted, called up and fully paid:

	2008 £'000	2007 £'000
At 1 January	549	440
Issued in the year:		
Acquisitions	16	21
Fund raising	55	85
Share option exercises	-	3
At 31 December	620	549

During the year the Company issued the following shares:

Date	Number	Basis of issue	Price (pence)
01-Feb-08	61,358	Acquisition of PenMc plc	150.5
05-Feb-08	2,532	Acquisition of PenMc plc	154.5
21-Feb-08	367	Acquisition of PenMc plc	155.0
20-Mar-08	650	Acquisition of PenMc plc	153.5
04-Apr-08	40	Acquisition of PenMc plc	156.5
04-Apr-08	230,032	Acquisition of Howgud Limited	156.5
11-Apr-08	68,998	Deferred consideration payment on acquisition of Everfirst Limited	145.0
01-May-08	833	Acquisition of PenMc plc	165.5
10-Jun-08	10	Acquisition of PenMc plc	180.0
12-Jun-08	50	Acquisition of PenMc plc	180.0
11-Jul-08	684	Acquisition of PenMc plc	156.0
30-Jul-08	3,000	Exercise of share options	39.5
28-Aug-08	22,462	Deferred consideration payment on acquisition of ET Knagg Group Limited	162.5
09-Sep-08	60	Acquisition of PenMc plc	164.5
10-Nov-08	1,375,000	Placing	120.0

There were no issues of shares following the end of the financial year.

## Capital Management Policies and Procedures

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

### 23. Share Options

#### Approved Options:

The Company operates an approved Enterprise Management Incentive scheme.

The following ordinary share options have been granted to date:

Date of grant	Option price	Exercisable period	Number of options outstanding	
			2008	2007
28/10/2003	36.0p	October 2005 to October 2013	<b>37,500</b>	37,500
17/03/2004	39.5p	March 2007 to March 2014	<b>23,000</b>	26,000
09/05/2005	35.5p	May 2008 to May 2015	<b>130,000</b>	130,000
02/05/2006	65.0p	May 2009 to May 2016	<b>159,000</b>	162,000
21/09/2006	101.5p	September 2009 to September 2016	<b>9,000</b>	10,500
05/03/2007	142.5p	March 2010 to March 2017	<b>77,000</b>	84,000
20/09/2007	187.5p	September 2010 to September 2017	<b>112,750</b>	125,000
14/04/2008	157.5p	May 2011 to May 2018	<b>257,000</b>	-
			<b>805,250</b>	575,000

Movements in approved share options, and value of the options outstanding, are summarised as follows:

	2008		2007	
	Weighted average exercise price		Weighted average exercise price	
	No	Pence	No	Pence
Outstanding at 1 January	<b>575,000</b>	<b>93.9</b>	481,000	48.1
Lapsed	<b>(41,750)</b>	<b>153.8</b>	(11,000)	162.1
Waived	-	-	(30,000)	45.3
Granted	<b>275,000</b>	<b>157.5</b>	217,000	169.0
Exercised	<b>(3,000)</b>	<b>39.5</b>	(82,000)	36.3
Outstanding at 31 December	<b>805,250</b>	<b>148.6</b>	575,000	93.9

The number of share options exercisable at 31 December 2008 were 190,500 (2007: 63,500).

The weighted average share price, at the market price at the date of exercise of the share options exercised during the year was 187.5p.

## Notes to the Consolidated Financial Statements *(Continued)*

### 23. Share Options *(continued)*

#### Unapproved Options:

During the year ended 31 December 2008, 2,500 unapproved options granted during the year ended 31 December 2007 were lapsed. At 31 December 2008, nil (2007: 2,500) unapproved options were outstanding.

#### Share Option Charges:

Charges to the income statement are summarised as follows:

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Total	<b>60</b>	18

Options are valued using the Black-Scholes option-pricing model and the principal inputs into the model are as follows:

	<b>2008</b>	2007
Weighted average exercise price	<b>153.8p</b>	165.5p
Expected volatility weighted average	<b>24.50%</b>	38.51%
Expected life weighted average	<b>3.46 years</b>	3.22 years
Risk-free rate	<b>4.25%</b>	4.25%
Expected dividend rate	<b>0.38%</b>	0.48%

#### Valuation

Key assumptions used in the valuation of share options using the Black-Scholes model are determined as follows:

Share price	Market value at the award date
Exercise price	As stated in the option agreement
Expected volatility	There are no options with a variable exercise price Based on the historical volatility of the Company's share price, which the Directors believe is the most objective basis for estimating future volatility
Expected option life	Assuming a holder exercises their option half-way through the exercise period
Expected dividends	Based on historic payment profile
Lapse probability	Based on annualised historic lapses
Performance criteria	No options have performance criteria
Risk-free interest rate	Based on UK Gilts with similar issue dates and terms as the option

#### 24. Reconciliation of Profit before Taxation to Net Cash Inflow from Operating Activities

	2008	2007
	£'000	£'000
Profit before taxation	1,093	1,610
Depreciation and loss on disposal of property, plant and equipment	213	130
Amortisation	675	242
Negative goodwill	(48)	-
Share option charge	60	18
Investment income	(120)	(64)
Finance charges	302	168
Movements in working capital:		
Decrease/(increase) in receivables	361	(888)
Increase in payables	841	274
<b>Net cash inflow from operating activities</b>	<b>3,377</b>	<b>1,490</b>

#### 25. Reconciliation of Net Cash Flow to Movement in Net Debt

	2008	2007
	£'000	£'000
Net debt at 1 January	(462)	(1,712)
Increase in cash in the period	1,384	1,055
Cash (outflow)/inflow from (decrease)/increase in debt financing	(1,705)	195
Loans acquired with subsidiary undertakings	(235)	-
Hire purchase obligations acquired with subsidiary undertakings	(121)	-
<b>Net debt at 31 December</b>	<b>(1,139)</b>	<b>(462)</b>

## Notes to the Consolidated Financial Statements (Continued)

### 26. Operating Leases

Operating lease costs incurred during the year were:

	2008	2007
	£'000	£'000
Land and buildings	234	201
Plant and equipment	187	16

At 31 December 2008 the Group had total commitments under non-cancellable operating leases as set out below.

	Land and buildings		Plant and equipment	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Within one year	371	203	266	28
Between two to five years inclusive	950	477	308	38
After more than 5 years	327	61	-	-
	<b>1,648</b>	741	<b>574</b>	66

### 27. Retirement Benefit Plans

The Group operates a number of defined contribution retirement benefit plans. The assets of the plans are held separately from those of the Group in funds under the control of trustees.

The total expense recognised in the income statement of £195,000 (2007: £132,000) represents contributions payable to these plans by the Group. As at 31 December 2008, contributions of £13,000 (2007: £1,000) due in respect of the 2008 (2007) reporting period had not been paid over to the plans.

## 28. Related Party Transactions

Transactions with Texas Holdings Limited, a substantial shareholder in the Company:

The Company has paid rent during the year of £28,103 (2007: £24,176) for part of its Barton Hall premises, to Texas Group plc, a subsidiary of Texas Holdings Limited. At 31 December 2008, the Company owed Texas Group plc £1,030 (2007: £6,313).

A subsidiary of the Company, CBG Insurance Brokers Limited, was party to a lease from Texas Group plc, a subsidiary of Texas Holdings Limited, for part of its Barton Hall premises. The lease, which terminated on 31 December 2008, had a rent of £45,000 per annum. In addition to this, CBG Insurance Brokers Limited incurred service charges levied by Texas Group plc amounting to £1,500 (2007: £27,000). At 31 December 2008, CBG Insurance Brokers Limited owed Texas Group plc £3,363 (2007: £nil).

A subsidiary of the Company, CBG Financial Services Limited, has paid rent during the year of £29,257 (2007: £33,200) for part of its Barton Hall premises, to Texas Group plc, a subsidiary of Texas Holdings Limited. At 31 December 2008, CBG Financial Services Limited owed Texas Group plc £1,061 (2007: £6,502).

A transaction with the pension fund of G F Baskeyfield, a director of CBG Financial Services Limited, and Y C Baskeyfield, his wife:

A subsidiary of the Company, CBG Financial Services Limited, is party to a lease from the pension fund of G F Baskeyfield & Y C Baskeyfield for its Macclesfield

premises. The lease, which commenced on 19 June 2007, is for a period of 15 years at an initial rent of £30,800 per annum. At 31 December 2008, CBG Financial Services Limited owed the G F & Y C Baskeyfield pension fund £nil (2007: £1,202).

A transaction with S Howell, a director of CBG Insurance Brokers Limited:

A subsidiary of the Company, Howgud Limited, is party to a lease with S Howell for its Oldham premises. The lease, which commenced on 5 April 2008, is for a period of 2 years at rent of £28,000 per annum. At 31 December 2008, Howgud Limited owed S Howell £nil (2007: £nil).

A transaction with D P Cobb and S Farrell, both being directors of CBG Insurance Brokers Limited:

A subsidiary of the Company, Barclay Brown (Lancashire) Limited, is party to a lease with D P Cobb and S Farrell for its Waterfoot premises. The lease, which commenced on 1 March 2006, is for a period of 7 years at rent of £11,400 per annum. At 31 December 2008, Barclay Brown (Lancashire) Limited owed D P Cobb and S Farrell £nil (2007: £nil).

### Key Management Compensation

The remuneration of Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 "Related Party Disclosures". Further information about the remuneration of individual Directors is provided in note 7 to the financial statements.

	2008	2007
	£'000	£'000
Short term employee benefits	486	445
Post employment benefits	37	39
Share based payments	20	6
	<b>543</b>	490

## 29. Copies of the Financial Statements

Copies of this consolidated Group Annual Report and Accounts are available on the Group's website ([www.cbg-group.co.uk](http://www.cbg-group.co.uk)) or from the Company Secretary at the Company's registered office: Southmoor House, Southmoor Road, Manchester M23 9XD.

# Company Accounts

(Prepared in Accordance with UK GAPP)

**57** Company Balance Sheet

**58** Notes to the Company Financial Statements

# Company Balance Sheet

As at 31 December 2008

	Note	2008	2007
		£'000	£'000
<b>Fixed assets</b>			
Intangible assets	3	1,133	1,195
Investments	4	14,851	8,707
		<b>15,984</b>	9,902
<b>Current assets</b>			
Debtors	5	3,224	2,902
Cash at bank		418	658
		<b>3,642</b>	3,560
<b>Creditors: Amounts falling due within one year</b>	6	<b>(5,441)</b>	(3,573)
<b>Net current liabilities</b>		<b>(1,799)</b>	(13)
<b>Total assets less current liabilities</b>		<b>14,185</b>	9,889
<b>Creditors: Amounts falling due after more than one year</b>	7	<b>(5,403)</b>	(2,962)
		<b>8,782</b>	6,927
<b>Capital and reserves</b>			
Called-up equity share capital	9	620	549
Share premium account	10	7,675	6,010
Merger reserve	10	351	-
Equity reserve	10	-	100
Profit and loss account	10	136	268
<b>Equity shareholders' funds</b>		<b>8,782</b>	6,927

These financial statements were approved by the Directors on 16 March 2009 and are signed on their behalf by:



**Martyn Hughes**  
Group Finance Director

# Notes to the Company

## Financial Statements

Year Ended 31 December 2008

The accounts have been prepared in accordance with the Companies Act 1985 and United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), under the historical cost convention. As permitted by section 230 of the Companies Act 1985, no separate profit and loss account has been presented in respect of the Company. CBG Group plc reported a loss for the financial year of £107,000 (2007: profit £33,000).

### 1. Principal Accounting Policies

The principal accounting policies applied under UK GAAP are summarised below. They have all been applied consistently throughout both the current and prior years.

#### Goodwill

Goodwill acquired on the acquisition of businesses is to be written off in equal annual instalments over its estimated useful life. The estimated useful life is deemed to be 20 years.

#### Investments

Investments in subsidiaries are stated at cost less amounts written off.

#### Pension Costs

The Company operates a number of defined contribution pension schemes for certain employees. The assets of the schemes are held separately from those of the Company. The annual contributions payable are charged to the Company profit and loss account.

#### Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exception:

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### Share-Based Payments Policy

The Company issues equity-settled share-based payments to certain employees (including Directors) of the Company and subsidiary companies. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based upon the Company's estimate of the shares that will eventually vest.

Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Where the terms of an equity-settled transaction are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled transaction is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the transaction is recognised immediately. However, if a new transaction is substituted for the cancelled transaction, and designated as a replacement transaction on the date that it is granted, the cancelled and new transactions are treated as if they were a modification of the original transaction, as described in the previous paragraph.

#### Deferred Consideration

Deferred consideration is the amount, in the opinion of the Directors, of additional consideration that will be paid in cash or satisfied by the issue of shares in respect of acquisitions previously made. If the effect is material, deferred consideration is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money.

## 2. Particulars of Employees

The average number of staff employed by the Company during the financial year amounted to:

	2008	2007
	No	No
Management and administration staff	7	6
Sales staff	1	1
	8	7

The aggregate payroll costs of the above were:

	2008	2007
	£'000	£'000
Wages and salaries	308	481
Social security costs	67	58
Other pension costs	49	44
	424	583

## 3. Intangible Fixed Assets

	Purchased Goodwill
	£'000
<b>Cost at 1 January 2008 and 31 December 2008</b>	<b>1,249</b>
<b>Amortisation</b>	
At 1 January 2008	54
Charge for the year	62
<b>At 31 December 2008</b>	<b>116</b>
<b>Net book value At 31 December 2008</b>	<b>1,133</b>
At 31 December 2007	1,195

## Notes to the Company Financial Statements (Continued)

### 4. Investments

	<b>Total</b>
	<b>£'000</b>
<b>Cost</b>	
At 1 January 2008	8,707
Additions – current period	6,310
Changes in deferred consideration payable	(166)
<b>At 31 December 2008</b>	<b>14,851</b>
<b>Net book value</b>	
<b>At 31 December 2008</b>	<b>14,851</b>
At 31 December 2007	8,707

*During the year, Company acquired the whole of the issued share capital and voting rights of the following companies:*

- Barclay Brown (Holdings) Limited
- PenMc plc
- Howgud Limited

*Further details are shown in note 13 to the Group financial statements.*

Since 1 January 2006, it has been the Company's policy to liquidate companies acquired once their trades have been successfully transferred into the Company's existing operating structure.

In the opinion of the Directors, the aggregate value of the Company's investment in the subsidiary undertakings is not less than the amount included in the balance sheet.

At 31 December 2008 the Company was the beneficial owner of the entire issued share capital and controlled all the votes of the following subsidiaries, all of which are registered and operate in England and Wales.

	Principal activity	% held by Company
CBG Insurance Brokers Limited	General insurance brokers	100
CBG London Limited	General insurance brokers	100
CBG Sports Limited	Dormant	100
CBG Financial Services Limited	Financial Adviser	100
Exius Limited	Provider of premium finance	100
CBG Spencer Lavery Healthcare Limited	Dormant	100
CBG Financial Management Limited	Dormant	100
Flysure Limited	Dormant	100
Marcus Hearn & Co. (Travel & Aviation) Limited	Dormant	100
CBG Corporate Director Limited	Dormant	100
CRJ Trustees Limited	Dormant	-
Everfirst Services Limited	In liquidation	100
Swinburne James Limited	In liquidation	-
Swinburne James FS Limited	In liquidation	-
Darcy Burke FS Limited	In liquidation	-
E T Knagg Group Limited	In liquidation	100
E T Knagg & Co Limited	In liquidation	-
PenMc plc	In liquidation	100
Barclay Brown (Holdings) Limited	Dormant	100
Barclay Brown & Co Limited	Dormant	-
Barclay Brown (Preston) Limited	Dormant	-
Barclay Brown (Altrincham) Limited	Dormant	-
Howgud Limited	Dormant	100
EDN (Insurance Services) Limited	Dormant	-
EDN (Financial Services) Limited	Dormant	-
EDN (Northern) Limited	Dormant	-

## 5. Debtors

	2008	2007
	£'000	£'000
Amounts owed by Group undertakings	3,029	2,627
Deferred tax asset	13	-
Other debtors	49	18
Prepayments and accrued income	133	257
	<b>3,224</b>	2,902

## Notes to the Company Financial Statements (Continued)

### 6. Creditors: Amounts Falling Due within One Year

	2008	2007
	£'000	£'000
Other loans	420	148
Trade creditors	97	93
Deferred consideration	2,101	1,460
Amounts owed to Group undertakings	2,718	1,840
Corporation tax	89	8
Accruals and deferred income	16	24
	<b>5,441</b>	<b>3,573</b>

The deferred consideration is the amount, in the opinion of the Directors, of additional consideration that will be paid in cash or satisfied by the issue of shares in respect of acquisitions made prior to 31 December 2008.

### 7. Creditors: Amounts Falling Due after more than One Year

	2008	2007
	£'000	£'000
Bank loans	3,500	2,000
Other loans	485	230
Deferred consideration	1,418	732
	<b>5,403</b>	<b>2,962</b>

The deferred consideration is the amount, in the opinion of the Directors, of additional consideration that will be paid in cash or satisfied by the issue of shares in respect of acquisitions made prior to 31 December 2008.

The bank borrowings are secured by a fixed and floating charge over the assets of the Company and its subsidiary undertakings.

The maturity details are shown in note 19 to the Group financial statements.

### 8. Deferred Taxation

The movement in the deferred taxation provision during the year was:

	2008	2007
	£'000	£'000
Provision brought forward	-	(3)
Decrease in provision	-	3
Provision carried forward	-	-

The deferred tax provision brought forward in 2007 was in respect of accelerated capital allowances.

The Company has recognised a deferred tax asset of £13,000 (2007: £nil) in respect of timing differences (note 5).

## 9. Share Capital

### Authorised Share Capital:

	2008 £'000	2007 £'000
20,000,000 (2007: 20,000,000) Ordinary shares of £0.04 each	<b>800</b>	800

### Allotted, Called Up and Fully Paid:

	No	2008 £'000	No	2007 £'000
Ordinary shares of £0.04 each	<b>15,497,006</b>	<b>620</b>	13,730,930	549

*There were no issues of shares following the end of the financial year.*

### Share Options

#### Approved Options:

The Company operates an approved Enterprise Management Incentive scheme.

The following ordinary share options have been granted to date:

Date of grant	Option price	Exercisable period	Number of options outstanding	
			2008	2007
28/10/2003	36.0p	October 2005 to October 2013	<b>37,500</b>	37,500
17/03/2004	39.5p	March 2007 to March 2014	<b>23,000</b>	26,000
09/05/2005	35.5p	May 2008 to May 2015	<b>130,000</b>	130,000
02/05/2006	65.0p	May 2009 to May 2016	<b>159,000</b>	162,000
21/09/2006	101.5p	September 2009 to September 2016	<b>9,000</b>	10,500
05/03/2007	142.5p	March 2010 to March 2017	<b>77,000</b>	84,000
20/09/2007	187.5p	September 2010 to September 2017	<b>112,750</b>	125,000
14/04/2008	157.5p	May 2011 to May 2018	<b>257,000</b>	-
			<b>805,250</b>	575,000

*The number of share options exercisable at 31 December 2008 were 190,500 (2007: 63,500).*

## Notes to the Company Financial Statements (Continued)

Movements in approved share options are summarised as follows:

	2008	2007
Outstanding at 1 January	575,000	481,000
Lapsed	(41,750)	(11,000)
Waived	-	(30,000)
Granted	275,000	217,000
Exercised	(3,000)	(82,000)
Outstanding at 31 December	805,250	575,000

### Unapproved Options:

During the year ended 31 December 2008, 2,500 unapproved options granted during the year ended 31 December 2007 were lapsed. At 31 December 2008, nil (2007: 2,500) unapproved options were outstanding.

## 10. Reserves

	Share premium account	Merger reserve	Equity reserve	Profit and loss account
	£'000	£'000	£'000	£'000
Balance brought forward	6,010	-	100	268
Retained loss for the year	-	-	-	(107)
Dividends	-	-	-	(85)
Issue of ordinary shares	1,665	351	-	-
Share option charge	-	-	-	60
Deferred consideration	-	-	(100)	-
Balance carried forward	7,675	351	-	136

### 11. Commitments Under Operating Leases

The Company has no operating lease commitments (2007: £nil).

### 12. Related Party Transactions

Transactions with Texas Holdings Limited, a substantial shareholder in the Company:

The Company has paid rent during the year of £28,103 (2007: £24,176) for part of its Barton Hall premises, to Texas Group plc, a subsidiary of Texas Holdings Limited. At 31 December 2008, the Company owed Texas Group plc £1,030 (2007: £6,313).

# CBG Group PLC

## Notice of Annual General Meeting

Notice is given that the annual general meeting of CBG Group plc will be held at the Company's registered office, Southmoor House, Southmoor Road, Manchester M23 9XD on Wednesday 20 May 2009 at 10.30 am for the following purposes:

### Ordinary Business

To consider and if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

1. To receive and adopt the Company's annual report and audited financial statements for the financial year ended 31 December 2008.
2. To reappoint L A Turnbull, who retires by rotation, as a Director of the Company.
3. To reappoint M R Askew, who retires by rotation, as a Director of the Company.
4. To reappoint Grant Thornton UK LLP as auditors to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid before the company at remuneration to be determined by the directors.
5. To approve a final dividend of 0.66 pence per share for the financial year ended 31 December 2008.

### Special Business

To consider and if thought fit to pass the following resolutions as an ordinary resolutions:

6. That, the authorised share capital of the Company be increased from £800,000 to £880,000 by the creation of 2,000,000 ordinary shares of 4p each ranking pari passu in all respects with the existing ordinary shares of 4p each in the capital of the Company.
7. That, subject to the passing of resolution 6 above, the Directors be and are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in Section 80 (2) of the Act) and subject to such terms as the Directors may determine. The maximum aggregate nominal amount of relevant securities which may be allotted pursuant to this

authority shall be £206,626, representing one third of the nominal value of the share capital of the Company in issue at the date of this notice. The authority hereby conferred shall expire on the date which is 15 months after the date on which this resolution is passed, or if earlier, at the Annual General Meeting of the Company to be held in 2010 unless previously renewed, varied or revoked by the Company in general meeting save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired. This authority shall be in substitution for and supersede and revoke any earlier such authority conferred on the Directors.

To consider and if thought fit pass the following resolutions as special resolutions:

8. That, subject to the passing of resolutions 6 and 7 above, the Directors be and are hereby empowered pursuant to Section 95 (1) of the Act to allot equity securities (within the meaning of Section 94 (2) of the Act) for cash pursuant to the authority conferred by resolution 7 above as if Section 89 (1) of the Act did not apply to any such allotment, save that the Directors shall be entitled to make at any time prior to the expiry of the power hereby conferred any offer or agreement which would or might require equity securities to be allotted after the expiry, provided that such power be limited to:
  - (a) the allotment of equity securities in connection with a rights issue, open offer or other offer in favour of ordinary shareholders where the equity securities respectively attribute to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held or deemed to be held by them, subject only to such exclusions or other arrangements as the Directors consider necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territory or the requirements of any regulatory body or any other matter whatsoever; and

- (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities for cash up to an aggregate nominal value of £30,994 representing 5 per cent of the total ordinary share capital in issue as at the date of this notice.

This authority shall expire on the date which is 15 months after the date on which this resolution is passed or, if earlier, at the conclusion of the Annual General Meeting to be held in 2010 save that the Company may before such expiry make such an offer or agreement which would or might require securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

9. That the Company be and is hereby authorised pursuant to Section 166 of the Companies Act 1985 to make market purchases of its own ordinary 4p shares on such terms and in such manner as the Directors of the Company shall determine, provided that:

- (a) the maximum number of ordinary shares hereby authorised to be acquired shall be 1,549,701 ordinary 4p shares; and
- (b) the maximum price which may be paid for each ordinary share shall be an amount equal to 105% of the average of the middle market quotations for the ordinary shares of the Company for the 5 business days prior to the date of purchase;
- (c) the minimum price (excluding expenses) which may be paid for each ordinary share is 4p.

This authority shall expire on the date which is 15 months after the date on which this resolution is passed or, if earlier, at the conclusion of the Annual General Meeting to be held in 2010 save that the Company may make a purchase of ordinary shares under such authority after such date if the contract of purchase for the same was entered into before such date.

**BY ORDER OF THE BOARD**

**Martyn Hughes**  
Company Secretary  
16 March 2009

Registered office:  
Southmoor House  
Southmoor Road  
Manchester M23 9XD

**NOTES:**

1. A member entitled to attend and vote at the meeting convened by the notice set out above is entitled to appoint a proxy (or proxies) to attend and, on a poll, to vote in his place. A proxy need not be a member of the company.
2. A form of proxy is enclosed. To be effective, it must be deposited at the office of the company's registrars so as to be received not later than 48 hours before the time appointed for holding the Annual General Meeting. Completion of the proxy does not preclude a member from subsequently attending and voting at the meeting in person if he or she so wishes.
3. The register of interests of the directors and their families in the share capital of the company and copies of contracts of service of directors with the company or with any of its subsidiary undertakings will be available for inspection at the registered office of the company during normal business hours (Saturdays and public holidays excepted) from the date of this notice until the conclusion of the AGM.
4. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the company's register of members not later than 6.00 pm on 18 May 2009 or, if the meeting is adjourned, shareholders entered on the company's register of members not later than 48 hours before the time fixed for the adjourned meeting shall be entitled to attend and vote at the meeting.

# Form of Proxy

## CBG GROUP PLC

Annual General Meeting – 10.30 am 20 May 2008 Form of Proxy

Before completing this form, please read the explanatory notes below and the notes contained in the notice of the annual general meeting

I/We (BLOCK CAPITALS)

Of (Address)

Being a member/members of the above named Company, hereby appoint the Chairman of the Meeting or\*

\* if you wish to appoint as your proxy a person other than the Chairman of the Meeting, delete the reference to the Chairman and insert the name of the person you wish to appoint. As my/our proxy to vote in my/our names on my/our behalf at the Annual General Meeting of the Company to be held at 10.30 am on 20 May 2008 and at any adjournment thereof.

Please indicate with an "X" in the appropriate space opposite each resolution how you wish your vote to be cast. Upon receipt of this form duly signed and in the absence of any specific directions, your proxy may vote or abstain as he/she thinks fit on the resolution before the meeting and on any other business which properly comes before the meeting.

Ordinary Business	For	Against	Withheld
1. To receive and adopt the Directors' report and financial statements for the year			
2. To reappoint L A Turnbull who retires by rotation			
3. To reappoint M Askew who retires by rotation			
4. To reappoint Grant Thornton UK LLP as auditors			
5. To approve a final dividend of 0.66p per share Special Business			
6. To approve the increase in authorised share capital of the Company from £800,000 to £880,000			
7. To authorise the Directors to allot relevant securities up to a maximum nominal amount of £206,626			
8. To allow the Directors to allot equity securities as if Section 89(1) of the Companies Act 1985 did not apply to such allotment up to a maximum nominal amount of £30,994			
9. To grant authority to make market purchases of own shares under section 166 Companies Act 1985			

Please tick here if this proxy is one of multiple appointments being made.

Please enter number of shares in relation to which your proxy is authorised, or leave blank to authorise your proxy to act in relation to your full voting entitlement.

Signature:

Dated:

### Notes:

- A member entitled to attend and vote at the above mentioned Meeting is entitled to appoint a proxy to exercise all or any of their rights to attend, speak and vote in his/her stead. A member may nominate a proxy of his/her own choice who need not be a member of the Company, but must attend the meeting to represent you. You can only appoint a proxy using the procedures set out in these notes.
- If the appointer is a corporation this form must be under its common seal or under the hand of some officer of attorney duly authorised in that behalf. Any power of attorney or any other authority under which this proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
- In the case of joint holders, the signature of any one holder will be sufficient, but names of all the joint holders must be stated. Where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding.
- A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.
- Any alteration to this form of proxy should be initialled.
- You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, complete a photocopy of this form, or obtain additional forms from Capita Registrars on telephone number 0871 664 0300 – calls cost 10p per minute plus network charges.
- To be valid, this form must be completed and lodged no later than 12.30pm on 12 May 2008 with the Company's Registrars, Capita Registrars, Proxies Department, P O Box 25, BECKENHAM, BR3 4BR.

SECOND FOLD

BUSINESS REPLY SERVICE  
Licence No. MB122

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**Capita Registrars  
Proxies Department  
P.O. Box 25  
Beckenham  
Kent  
BR3 4BR**

FIRST FOLD

THIRD FOLD (and tuck in)



**CBG Group plc**

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