

INSURETY CORPORATE SERVICES LIMITED

FINANCIAL STATEMENTS

31 MARCH 2003

Company Registration Number 4067037



INSURETY CORPORATE SERVICES LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2003

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INSURETY CORPORATE SERVICES LIMITED

COMPANY INFORMATION

THE BOARD OF DIRECTORS

C Bell
S J Brace

COMPANY SECRETARY

P J Collinson

REGISTERED OFFICE

15 Apex Court
Almondsbury
Bristol
BS32 4JT

AUDITORS

Target-DNP
Chartered Accountants
& Registered Auditors
Lawrence House
Lower Bristol Road
Bath BA2 9ET

BANKERS

HSBC Bank Plc
Swindon Old Town
1 Marlborough Road
Old Town
Swindon
SN3 1QN

INSURETY CORPORATE SERVICES LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2003

The directors present their report and the financial statements of the company for the year ended 31 March 2003.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was that of work-place sales and marketing of non-regulated products in the insurance sector.

The balance sheet as detailed on page 7 shows a deficit position, shareholders' funds amounting to £(68,843). However, during the year, the company made a profit.

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements. The directors have not recommended a dividend.

DIRECTORS

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

D J Abingdon
C Bell
S J Brace

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company.

D J Abingdon resigned as a director on 1 May 2002.

POLICY ON THE PAYMENT OF CREDITORS

The company's costs are incurred principally with advisers. All advisers are paid within fourteen days of submitting details of policies sold. Other costs incurred with trade suppliers are minimal and payment terms are agreed on an individual basis not exceeding thirty days.

AUDITORS

A resolution to re-appoint Target-DNP as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed by order of the directors



P J Collinson
Company Secretary

Approved by the directors on 27/04/03

INSURETY CORPORATE SERVICES LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
YEAR ENDED 31 MARCH 2003

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended. In preparing those financial statements, the directors are required to:

- select suitable accounting policies, as described on pages 8 to 9, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INSURETY CORPORATE SERVICES LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
YEAR ENDED 31 MARCH 2003

We have audited the financial statements on pages 5 to 12 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 9.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

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

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

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2003 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Target-dnp

Lawrence House
Lower Bristol Road
Bath

28 October 2003

TARGET-DNP
Chartered Accountants
& Registered Auditors

INSURETY CORPORATE SERVICES LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2003

	Note	2003 £	2002 £
TURNOVER	2	120,338	171,297
Cost of sales		<u>(74,704)</u>	<u>(99,261)</u>
GROSS PROFIT		45,634	72,036
Administrative expenses		<u>(16,465)</u>	<u>(100,232)</u>
OPERATING PROFIT/(LOSS)	3	29,169	(28,196)
Interest payable	5	—	(3)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		29,169	(28,199)
Tax on profit/(loss) on ordinary activities	6	<u>(4,806)</u>	2,008
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		24,363	(26,191)
Balance brought forward		<u>(93,207)</u>	<u>(67,016)</u>
Balance carried forward		<u>(68,844)</u>	<u>(93,207)</u>

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

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

INSURETY CORPORATE SERVICES LIMITED
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
YEAR ENDED 31 MARCH 2003

	2003 £	2002 £
Profit/(loss) for the financial year	24,363	(26,191)
Opening shareholders' equity deficit	<u>(93,206)</u>	<u>(67,015)</u>
Closing shareholders' equity deficit	<u>(68,843)</u>	<u>(93,206)</u>

The notes on pages 8 to 12 form part of these financial statements.

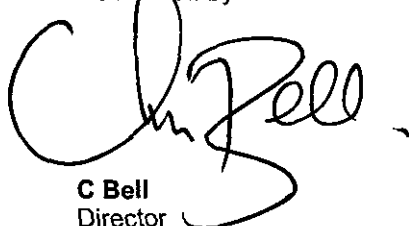
INSURETY CORPORATE SERVICES LIMITED

BALANCE SHEET

31 MARCH 2003

	Note	2003 £	£	2002 £	£
FIXED ASSETS					
Tangible assets	7		10,450		17,144
CURRENT ASSETS					
Debtors	8	82,323		35,239	
Cash at bank		198,802		42,080	
		281,125		77,319	
CREDITORS: Amounts falling due within one year	9	(302,588)		(159,526)	
NET CURRENT LIABILITIES			(21,463)		(82,207)
TOTAL ASSETS LESS CURRENT LIABILITIES			(11,013)		(65,063)
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	10		(3,135)		(5,143)
Other provisions	11		(54,695)		(23,000)
			(68,843)		(93,206)
CAPITAL AND RESERVES					
Called-up equity share capital	13		1		1
Profit and loss account			(68,844)		(93,207)
DEFICIENCY			(68,843)		(93,206)

These financial statements were approved by the directors on the 27.10.03 and are signed on their behalf by:



C Bell
Director

INSURETY CORPORATE SERVICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 MARCH 2003****1. ACCOUNTING POLICIES****Basis of accounting**

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards. The financial statements have been prepared under the going concern basis as the ultimate parent undertaking has agreed to make funds available to allow the company to meet its debts as they fall due for a period of at least twelve months from the date of approval of these financial statements.

Cash flow statement

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

Turnover

Turnover represents net commissions received from the sale of insurance policies within the United Kingdom.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Office Equipment - 25% straight line

Pension costs

All employees are eligible to join the Group Personal Pension Scheme, which is a defined contribution scheme, after completing one year of service. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the Scheme.

Deferred taxation

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

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

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.

INSURETY CORPORATE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2003

2. TURNOVER

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

An analysis of turnover is given below:

	2003 £	2002 £
United Kingdom	<u>120,338</u>	<u>171,297</u>

3. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging:

	2003 £	2002 £
Directors' emoluments	—	—
Depreciation	6,694	6,694
Auditors' remuneration - as auditors	<u>1,275</u>	<u>3,000</u>

4. PARTICULARS OF EMPLOYEES

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

	2003 No	2002 No
Number of administrative staff	<u>—</u>	<u>4</u>

The aggregate payroll costs of the above were:

	2003 £	2002 £
Wages and salaries	—	65,057
Social security costs	—	7,070
Other pension costs	—	595
	<u>—</u>	<u>72,722</u>

5. INTEREST PAYABLE

	2003 £	2002 £
Interest payable on bank borrowing	<u>—</u>	<u>3</u>

INSURETY CORPORATE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2003

6. TAX ON PROFIT OR (LOSS) ON ORDINARY ACTIVITIES**(a) Analysis of charge in the year**

	2003 £	2002 £
Current tax:		
UK Corporation tax based on the results for the year at 19% (2002 - 30%)	<u>6,814</u>	—
Total current tax	<u>6,814</u>	—
Deferred tax:		
Decrease in deferred tax provision	<u>(2,008)</u>	<u>(2,008)</u>
Tax on profit or (loss) on ordinary activities	<u>4,806</u>	<u>(2,008)</u>

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 19% (2002 - 30%).

	2003 £	2002 £
Profit/(loss) on ordinary activities before taxation	<u>29,169</u>	<u>(28,199)</u>
Profit/(loss) on ordinary activities by rate of tax	<u>5,542</u>	<u>(8,460)</u>
Depreciation in excess of capital allowances	<u>1,272</u>	<u>2,008</u>
Group relief	—	<u>6,452</u>
Total current tax (note 6(a))	<u>6,814</u>	—

7. TANGIBLE FIXED ASSETS

	Office Equipment £
COST	
At 1 April 2002 and 31 March 2003	<u>26,775</u>
DEPRECIATION	
At 1 April 2002	<u>9,631</u>
Charge for the year	<u>6,694</u>
At 31 March 2003	<u>16,325</u>
NET BOOK VALUE	
At 31 March 2003	<u>10,450</u>
At 31 March 2002	<u>17,144</u>

INSURETY CORPORATE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2003

8. DEBTORS

	2003 £	2002 £
Trade debtors	—	19,431
Other debtors	1,375	13,431
Prepayments and accrued income	80,948	2,377
	<u>82,323</u>	<u>35,239</u>

9. CREDITORS: Amounts falling due within one year

	2003 £	2002 £
Trade creditors	31,585	—
Amounts owed to parent company	205,308	148,723
Corporation tax	6,814	—
Other taxation and social security	—	1,675
Other creditors	58,881	9,128
	<u>302,588</u>	<u>159,526</u>

10. DEFERRED TAXATION

	2003 £	2002 £
The movement in the deferred taxation provision during the year was:		
Provision brought forward	5,143	7,151
Profit and Loss Account movement arising during the year	(2,008)	(2,008)
Provision carried forward	<u>3,135</u>	<u>5,143</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2003 £	2002 £
Excess of taxation allowances over depreciation on fixed assets	3,135	5,143
	<u>3,135</u>	<u>5,143</u>

INSURETY CORPORATE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2003

11. OTHER PROVISIONS

	2003 £
Commission under indemnity:	
Balance brought forward	23,000
Movement for year	31,695
	<u>54,695</u>

Commission under indemnity is the estimate of commission income earned to date that will subsequently have to be repaid as a result of the insurance policy not running its full term. This estimate is based on projections of future lapse rates from past experience.

12. RELATED PARTY TRANSACTIONS

The company, as a wholly owned subsidiary undertaking of Insurety plc, has taken advantage in the preparation of its own financial statements of an exemption within FRS 8 - Related Party Transactions. This exemption allows the company not to disclose details of transactions with other companies or investees of the Group qualifying as related parties, as the consolidated financial statements in which the company is included are publicly available.

13. SHARE CAPITAL

Authorised share capital:

	2003 £	2002 £
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	2003 No	£	2002 No	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

14. ULTIMATE PARENT COMPANY

The ultimate parent undertaking is Insurety plc, a company registered in England and Wales. Copies of the group financial statements can be obtained from the Company Secretary at 15 Apex Court, Almondsbury, Bristol, BS32 4JT.