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INSURETY CORPORATE SERVICES LIMITED

Report and Financial Statements

31 March 2002

 ERNST & YOUNG



Insurety Corporate Services Limited

Registered Number - 4067037

DIRECTORS

D J Abingdon (resigned 1 May 2002)
C Bell
S J Brace

SECRETARY

C Bell (resigned 10 December 2002)
P J Collinson (appointed 10 December 2002)

AUDITORS

Ernst & Young LLP
One Bridewell Street
Bristol
BS1 2AA

BANKERS

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

REGISTERED OFFICE

15 Apex Court
Almondsbury
Bristol
BS32 4JT

Insurety Corporate Services Limited

DIRECTORS' REPORT

The directors present the first report and financial statements for the period ended 31 March 2002.

RESULTS AND DIVIDENDS

The loss for the period after taxation, amounted to £26,191 (2001 - £67,016). The directors do not propose the payment of a dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

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

DIRECTORS AND THEIR INTERESTS

None of the directors have any interests in the share capital of the company.

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

AUDITORS

A resolution proposing the reappointment of Ernst & Young LLP will be put to the members at the Annual General Meeting.

By order of the board



Secretary

Date 23/12/02

ERNST & YOUNG

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
FINANCIAL STATEMENTS

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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. 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.

INDEPENDENT AUDITORS' REPORT
to the members of Insurety Corporate Services Limited

We have audited the company's financial statements for the year ended 31 March 2002 which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses and the related notes 1 to 14. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

This report has been prepared for the members of the company pursuant to Section 235 of the Companies Act 1985 (the "Act") and for no other purpose.

No person is entitled to rely on this report unless such person:

- i) Is a person who is entitled to rely on this report by virtue of and for the purposes of the Act; or
- ii) Has been expressly authorised to do so by our prior written consent.

Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

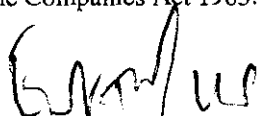
Basis of audit opinion

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

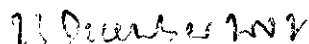
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Bristol
Date



Insurety Corporate Services Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2002

	Notes	2002 £	2001 (7 months) £
TURNOVER	2	171,297	67,952
Operating costs	3	199,496	127,817
OPERATING LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(28,199)</u>	<u>(59,865)</u>
Tax on loss on ordinary activities	5	2,008	(7,151)
LOSS RETAINED FOR THE PERIOD	11	<u>(26,191)</u>	<u>(67,016)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 March 2002

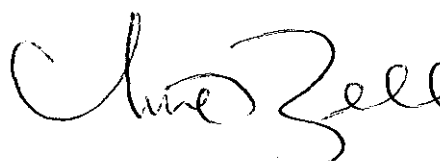
There are no recognised gains or losses other than the loss for the year of £26,191 (2001 - £67,016).

Insurety Corporate Services Limited

BALANCE SHEET

at 31 March 2002

	Notes	2002 £	2001 £
FIXED ASSETS			
Tangible assets	6	17,144	23,838
CURRENT ASSETS			
Debtors	7	35,239	56,380
Cash at bank and in hand		42,080	18,885
		<u>77,319</u>	<u>75,265</u>
CREDITORS: amounts falling due within one year	8	159,526	158,967
NET CURRENT LIABILITIES		<u>(82,207)</u>	<u>(83,702)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(65,063)</u>	<u>(59,864)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	9	(28,143)	(7,151)
		<u>(93,206)</u>	<u>(67,015)</u>
CALLED UP SHARE CAPITAL			
Equity interest:			
Called up share capital	10	1	1
Profit and loss account	11	(93,207)	(67,016)
	11	<u>(93,206)</u>	<u>(67,015)</u>

 - Director

Date 23.12.02.

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

1. ACCOUNTING POLICIES

Fundamental accounting concept

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.

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Income recognition

Insurance commission in respect of initial premiums is taken to income when due and for renewal premiums when received. Provision is made for commissions received on indemnity terms repayable in respect of projected lapsed policies.

Depreciation

Depreciation is charged on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life on a straight line basis as follows:

Office equipment	-	25%
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Pensions

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

FRS 19 has been adopted for this period. This has not resulted in the restatement of any comparative balances.

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 that result in an obligation to pay more, or a right to pay less tax in the future have occurred at the balance sheet date, 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 reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted 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.

2. TURNOVER

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

Insurety Corporate Services Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

3. OPERATING LOSS

This is stated after charging:

	2002	2001 (7 months)
	£	£
Depreciation of owned assets	6,694	2,937
Auditors' remuneration – audit services	3,000	3,000
	<u>9,694</u>	<u>5,937</u>

4. STAFF COSTS

	2002	2001 (7 months)
	£	£
Wages and salaries	65,057	36,051
Social security costs	7,665	3,377
	<u>72,722</u>	<u>39,428</u>

The average number of employees employed by the company during the period was 4 (2001 – 5).

The remuneration of the directors is borne by the ultimate parent undertaking, Insurety plc.

5. TAX ON LOSS ON ORDINARY ACTIVITIES

The tax (credit)/charge on the loss on ordinary activities for the year was as follows:

a) Analysis of tax charge in the year:

	2002	2001 (7 months)
	£	£
<i>UK Deferred tax:</i>		
Deferred tax (credit)/charge	(2,008)	7,151
Total deferred tax	<u>(2,008)</u>	<u>7,151</u>
Tax on loss on ordinary activities	<u>(2,008)</u>	<u>7,151</u>

Insurety Corporate Services Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2002

5. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

b) Factors affecting the tax (credit)/charge for the period:

	2002 £	2001 £
Loss on ordinary activities before tax	(28,199)	(59,865)
Loss on ordinary activities at standard rate of corporation tax in the UK of 30% (2001: 30.0%)	(8,460)	(17,960)
Depreciation in excess of capital allowances	2,008	(7,151)
Group relief	6,452	25,111
	<hr/>	<hr/>
Current tax charge for the period	-	-
	<hr/>	<hr/>

6. TANGIBLE FIXED ASSETS

	Office equipment £
Cost:	
At 1 April 2001 and 31 March 2002	26,775
	<hr/>
Depreciation:	
At 1 April 2001	2,937
Provided in the year	6,694
	<hr/>
At 31 March 2002	9,631
	<hr/>
Net book value:	
At 31 March 2001	23,838
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At 31 March 2002	17,144
	<hr/>

7. DEBTORS

	2002 £	2001 (7 months) £
Trade debtors	19,431	480
Other debtors	13,431	27,238
Prepayments and accrued income	2,377	28,662
	<hr/>	<hr/>
	35,239	56,380
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Insurety Corporate Services Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

8. CREDITORS: amounts falling due within one year

	2002	2001
	£	£
Trade creditors	-	632
Other creditors	9,128	7,444
Social security and other taxes	1,675	2,158
Due to parent undertaking	148,723	148,733
	<u>159,526</u>	<u>158,967</u>

9. PROVISIONS FOR LIABILITIES AND CHARGES

	Commission Under Indemnity £	Deferred Tax £	Total £
At 31 March 2001	-	7,151	7,151
Charge for the year	23,000	-	23,000
Deferred tax (credit) for the year	-	(2,008)	(2,008)
At 31 March 2002	<u>23,000</u>	<u>5,143</u>	<u>28,143</u>

The deferred tax provision is in respect of capital allowances in excess of depreciation.

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.

10. CALLED UP SHARE CAPITAL

	2002	2001
	£	£
Authorised:		
Ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>
	2002	2001
	£	£
Allotted, called up and fully paid:		
Ordinary shares of £1	1	1
	<u>1</u>	<u>1</u>

NOTES TO THE FINANCIAL STATEMENTS
at 31 March 2002

11. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Profit and loss account £	Total £
Share capital issued	1	-	1
Loss for the period	-	(67,016)	(67,016)
At 31 March 2001	1	(67,016)	(67,015)
Loss for the year	-	(26,191)	(26,191)
At 31 March 2002	1	(93,207)	(93,206)

12. CASH FLOW STATEMENT

As the company is a wholly owned subsidiary undertaking of Insurety plc, a company registered in England and Wales, which prepares a consolidated cash flow statement, the company has taken advantage of the exemption provided under paragraph 8 of FRS 1 not to prepare a cash flow statement.

13. 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.

14. ULTIMATE PARENT UNDERTAKING

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.