

Towergate Chase Parkinson Limited
Directors' report and financial statements
for the year ended 31 December 2003
Registered number 2191976



Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

Principal activity and business review

The profit and loss account for the year is set out on page 5.

On 31 December 2003 the CMSA portfolio was purchased from Folgate Insurance Company Limited for £900,000.

On 31 December 2003 the business of the company together with its assets and liabilities were sold to Towergate Underwriting Group Limited a fellow subsidiary undertaking within the Towergate Underwriting Limited Group. The company therefore ceased to trade on that date. The consideration receivable comprised the sum of the book value of tangible assets and liabilities and the market value of goodwill, as estimated by the directors based on advice from the Group's investment banking advisors.

Prior to 31 December 2003 the principal activity of the company was that of an insurance broker.

Dividend

A final dividend of £9,937,933 was paid during the year. (2002: £1,610,000).

Directors and directors' interests

The directors who held office during the year were as follows:

PG Cullum
PF Dyer
A Proverbs
NJ Crocker (resigned 27 February 2004)
A Freebody
G Whiskin

The directors who held office at the end of the financial year had the following interests in the shares of group companies according to the register of directors' interests:

	Towergate Underwriting Limited			
	Ordinary Shares £1		Preference Shares £1	
	31 December 2002	31 December 2003	31 December 2002	31 December 2003
PG Cullum	35,550	35,550	14,725	14,725
PF Dyer	6,000	6,000	129,500	129,500
A Proverbs	5,000	5,000	40,500	40,500
NJ Crocker	200	200	1,900	1,900

On 2 October 2002, A Freebody was granted an Option to subscribe for twelve Ordinary Shares of £1 each in Towergate Chase Parkinson Limited at a price of £7,871.50 per Ordinary Share.

No other directors have been granted share options in the shares of the company or other group companies.

None of the other directors who held office at the end of the financial year had any disclosable interest in the shares of group companies.

Directors' report *(continued)*

Political and charitable contributions

The Company made charitable contributions of £1,325 (2002: £1,570).

Auditors

In accordance with Sections 379A and 386 of the Companies Act 1985, the Company has dispensed with the resolution to appoint auditors annually.

By order of the board

A handwritten signature in dark ink, appearing to read 'PG Cullum', is written over a light blue horizontal line.

PG Cullum
Director

24 June 2004

Statement of directors' responsibilities

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 for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Report of the independent auditors to the members of Towergate Chase Parkinson Limited

We have audited the financial statements on pages 5 to 18.

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 auditor's 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 are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

Basis of opinion

We conducted our audit in accordance with 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 Company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Re

KPMG Audit Plc
*Chartered Accountants
Registered Auditor
8 Salisbury Square
London
EC4Y 8BB*

2 August 2004

**Profit and loss account
for the year ended 31 December 2003**

	<i>Note</i>	2003 £	Restated 2002 £
Turnover – discontinued operations	2	3,248,394	3,272,203
Amortisation of Goodwill		(45,000)	-
Administrative expenses		(3,083,042)	(1,940,030)
Other operating income		11,743	162,974
Operating profit – discontinued operations		<u>132,095</u>	<u>1,495,147</u>
Profit on disposal of discontinued operations		9,920,000	-
Other interest receivable and similar income		70,601	57,723
Interest payable and similar charges	6	(166)	(6,471)
Profit on ordinary activities before taxation	3	<u>10,122,530</u>	<u>1,546,399</u>
Tax on profit on ordinary activities	7	(216,832)	(3,712)
Profit on ordinary activities after taxation		<u>9,905,698</u>	<u>1,542,687</u>
Dividends	8	(9,937,933)	(1,610,000)
Retained (loss) for the financial year		<u><u>(32,235)</u></u>	<u><u>(67,313)</u></u>

There is no difference between the profit on ordinary activities before taxation and the retained profit/(loss) for the year stated above, and their historical cost equivalents.

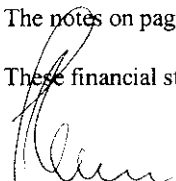
The notes on pages 8 to 18 form part of these financial statements.

Balance sheet
at 31 December 2003

	<i>Note</i>	2003	2003	Restated
		£	£	2002
				£
Fixed assets				
Intangible assets	9	-		-
Tangible assets	10	-		393,812
Investments	11	-		5,200
			-	399,012
Current assets				
Debtors	12	1,000		749,265
Cash at bank and in hand		-		2,217,963
		1,000		3,366,240
Creditors: amounts falling due within one year	13	-		(2,610,552)
Net current assets			1,000	755,688
Provisions for liabilities and charges	14		-	(722,453)
Net assets			1,000	33,235
Capital and reserves				
Called up share capital	15		1,000	1,000
Profit and loss account	16		-	32,235
Equity Shareholders' funds			1,000	33,235

The notes on pages 8 to 18 form a part of these financial statements.

These financial statements were approved by the board of directors on 24 June 2004 and were signed on its behalf by:


PG Cullum
Director

Reconciliation of movements in shareholders' funds For the year ended 31 December 2003

	2003 £	2002 £
Profit for the financial year	9,905,698	1,542,687
Dividends	(9,937,933)	(1,610,000)
	<hr/>	<hr/>
Net (reduction) to shareholders' funds	(32,235)	(67,313)
Opening shareholders' funds (originally £538,952, restated for prior period adjustment of £505,717; 2002 originally £610,184, restated for prior period adjustment of £509,636).	33,235	100,548
	<hr/>	<hr/>
Closing shareholders' funds	1,000	33,235
	<hr/>	<hr/>

Statement of total recognised gains and losses For the year ended 31 December 2003

	2003 £	Restated 2002 £
Profit for the financial year	9,905,698	1,542,687
	<hr/>	<hr/>
Total recognised gains and losses relating to the year	9,905,698	1,542,687
	<hr/>	<hr/>
Note on prior period adjustment		
Total recognised gains and losses relating to the year as above	9,905,698	
Prior year adjustment (as explained in note 22)	(505,717)	
	<hr/>	
Total gains and losses recognised since last financial statements	9,399,981	
	<hr/>	

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements. These have been applied consistently except that the Group has adopted Application Note G to FRS 5 ('Revenue Recognition') during the year. The accounting policy for turnover was changed during the year ended 31 December 2003 and comparative figures have been restated accordingly. The policy is described below and further details of the prior year adjustment are set out in note 22.

Basis of preparation

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and under historical cost accounting rules.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Towergate Underwriting Limited the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Towergate Underwriting Limited within which this Company is included, can be obtained from the address given in note 19.

Tangible fixed assets and depreciation

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, other than freehold land and buildings, less their estimated residual values over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Computer equipment	-	25% per annum (straight line)
Fixtures, fittings and office equipment	-	15-20% per annum (straight line)
Motor vehicles	-	25% per annum (straight line)

The freehold property is revalued every three years and the value of the property is adjusted accordingly.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post retirement benefits

Towergate Underwriting Limited operates a defined contribution pension scheme, which is open to employees of the Company. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting year.

Notes (continued)

1 Accounting Policies (continued)

Taxation

Deferred tax is recognised, without discounting, in respect of all material timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not been reversed by the balance sheet data, except as otherwise required by FRS 19.

Turnover

Turnover comprises net commission receivable on business incepting up to the year end. To the extent that the Company is contractually obliged to provide services after this date, a suitable proportion of income is deferred and recognised over the life of the relevant contracts to ensure that revenue appropriately reflects the cost of fulfilment of these obligations.

2 Turnover

Turnover consists entirely of sales made in the United Kingdom.

3 Profit on ordinary activities before taxation

	2003	2002
Profit on ordinary activities before taxation is stated:	£	£
after charging/crediting		
Auditors' remuneration:		
- audit	15,500	14,326
Depreciation and other amounts written off tangible fixed assets:		
Owned	37,943	32,799
Leased	14,441	66,668
Loss on disposal of fixed assets	7,004	16,189
Loss on revaluation of investment	-	12,003
Gain on disposal of fixed assets	(68,280)	-
Operating leases - land and buildings	62,854	24,112
Operating leases - other	70,640	82,368

4 Remuneration of directors

	2003	2002
	£	£
Directors' emoluments	220,969	214,410
Company contributions to money purchase pension schemes	10,164	9,469
	<u>231,133</u>	<u>223,879</u>

The aggregate emoluments of the highest paid director were £130,322 (2002: £126,786) and the company contributions of £4,430 (2002: £4,380) were made to a money purchase scheme on his behalf.

Notes (continued)

4 Remuneration of directors (continued)

	Number of Directors 2003	Number of directors 2002
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	2	2

The emoluments of Mr Cullum, Mr Dyer, Mr Proverbs and Mr Crocker are paid by Towergate Underwriting Limited which makes no recharge to the Company. Messrs Cullum, Dyer, Proverbs, and Crocker are directors of the parent Company and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly, the above details include no emoluments in respect of the above named directors. Their total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of the ultimate parent Company.

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2003	Number of employees 2002
Management	2	2
Technical, clerical and secretarial	39	34
	<u>41</u>	<u>36</u>

The aggregate payroll costs of these persons were as follows:

	2003 £	2002 £
Wages and salaries	998,561	970,834
Social security costs	103,853	94,401
Other pension costs	16,396	14,686
	<u>1,118,810</u>	<u>1,079,921</u>

Notes (continued)

6 Interest payable and similar charges

	2003 £	2002 £
On bank loans and overdrafts	-	188
On overdue tax	-	6
Finance charges payable in respect of lease purchase and hire purchase contracts	166	6,277
	<hr/> 166	<hr/> 6,471

7 Taxation

<u>Analysis of charge in period</u>	2003 £	Restated 2002 £
UK corporation tax at 30% (2002: 20%)	216,736	3,989
(Over) provision in respect of prior year	96	(277)
	<hr/> 216,832	<hr/> 3,712

Factors affecting the tax charge for the current period.

The current tax charge for the year is lower (2002: lower) than the standard rate of corporation tax in the UK (30%, 2002: 30%). The differences are explained below.

<u>Current tax reconciliation</u>	2003 £	Restated 2002 £
Profit on ordinary activities before tax	10,122,530	1,546,399
	<hr/>	<hr/>
Current tax at 30%	3,036,759	463,919
<u>Effects of:</u>		
Expenses not deductible for tax purposes	4,289	12,578
Capital allowances for period in excess of depreciation	(25,391)	1,406
Profit on disposal of discontinued operations	(2,976,000)	-
Losses surrendered to fellow group undertaking for no consideration	177,079	-
Losses surrendered by fellow group undertaking	-	(472,624)
Profit charges to small companies rate	-	(1,290)
	<hr/>	<hr/>
Total current tax charge	216,736	3,989

There are no known factors that may affect future tax charges (2002: none).

Notes *(continued)*

8 Dividends

	2003 £	2002 £
Dividends paid	9,937,933	1,610,000

9 Intangible fixed assets

	Goodwill £
Cost	
At beginning of year	-
Additions	900,000
Disposals	(900,000)
	<hr/>
At end of year	-
	<hr/>
Amortisation	
At beginning of year	-
Charge in year	45,000
On disposals	(45,000)
	<hr/>
At end of year	-
	<hr/>
Net book value	
At 31 December 2003	-
	<hr/>
At 31 December 2002	-
	<hr/>

All goodwill arising on acquisition is amortised over a twenty-year period.

Notes (continued)

10 Tangible fixed assets

	Freehold land and buildings	Computer equipment	Fixtures, fittings and office equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At beginning of year	310,325	154,392	78,813	276,025	819,555
Additions	-	39,109	53,010	-	92,119
Disposals	-	(103,122)	(10,092)	(269,888)	(383,102)
Sold to Towergate Underwriting Group Limited	(310,325)	(90,379)	(121,731)	(6,137)	(528,572)
At end of year	-	-	-	-	-
Depreciation					
At beginning of year	50,325	129,049	25,433	220,936	425,743
Charge for year	-	17,440	18,656	16,288	52,384
Disposals	-	(103,092)	(3,157)	(232,239)	(338,488)
Sold to Towergate Underwriting Group Limited	(50,325)	(43,397)	(40,932)	(4,985)	(139,639)
At end of year	-	-	-	-	-
Net book value					
At 31 December 2003	-	-	-	-	-
At 31 December 2002	260,000	25,343	53,380	55,089	393,812

The freehold land and buildings is stated at the valuation, on an open market basis, undertaken by Curchod & Co, Chartered Surveyors on 21 February 2001. No depreciation has been provided on freehold buildings because the directors are of the opinion that the property will maintain its value in future years.

Included above are assets held under lease purchase and hire purchase contracts as follows:

	2003 £	2002 £
Net book value		
Motor vehicles	-	45,838
Depreciation charged during year		
Motor vehicles	14,441	66,668

Notes (continued)

11 Fixed asset investments

	2003 £	2002 £
Investment properties overseas:		
Cost at beginning of year	17,203	17,203
Revaluation of property	(12,003)	(12,003)
Sold to Towergate Underwriting Group Limited	(5,200)	-
Value at end of year	<u>-</u>	<u>5,200</u>

The above properties have been re-valued to their current market value.

12 Debtors

	2003 £	Restated 2002 £
Insurance debtors	-	404,998
Amounts owed by group undertakings	1,000	114,787
Other debtors	-	215,287
Prepayments and accrued income	-	14,193
	<u>1,000</u>	<u>749,265</u>

13 Creditors: amounts falling due within one year

	2003 £	Restated 2002 £
Bank loans and overdrafts	-	4,232
Insurance creditors	-	1,752,118
Amounts owed to group undertakings	-	544,215
Taxation and social security	-	25,478
Other creditors	-	11,642
Accruals and deferred income	-	177,909
Obligations under lease purchase and hire purchase contracts	-	94,958
	<u>-</u>	<u>2,610,552</u>

Notes (continued)

14 Provisions for liabilities and charges

	FRS 5 Provision Restated £
At beginning of year	722,453
Credit to profit and loss account – excess amounts released	(5,598)
Sold to Towergate Underwriting Group Limited	(716,855)
	<hr/>
At end of year	-
	<hr/>

15 Called up share capital

	2003 £	2002 £
Authorised		
10,000 Ordinary shares of £1 each	10,000	10,000
	<hr/>	<hr/>
 Allotted, called up and fully paid		
1,000 Ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>

16 Reserves

	Profit and loss account 2003 £	Restated Profit and loss account 2002 £
At beginning of year as previously reported	537,952	609,184
Prior year adjustment (see note 22)	(505,717)	(509,636)
	<hr/>	<hr/>
At beginning of year	32,235	99,548
Retained (loss) for the year	(32,235)	(67,313)
	<hr/>	<hr/>
At end of year	-	32,235
	<hr/>	<hr/>

Notes *(continued)*

17 Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	Land and Buildings	Other	Total	Land and building
	2003	2003	2003	2002
	£	£	£	£
Operating leases which expire:				
In the second to fifth years inclusive	20,000	11,969	31,969	20,000
In more than five years	50,000	-	50,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
	70,000	11,969	81,969	20,000
	<hr/>	<hr/>	<hr/>	<hr/>

18 Pension scheme

Towergate Underwriting Limited operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the fund and amounted to £11,966 (2002: £10,307).

19 Related party disclosures

The Company is a subsidiary undertaking of Towergate Underwriting Limited (formerly Towergate Underwriting Group Limited), which is the ultimate parent Company, incorporated in England and Wales.

The consolidated accounts of this Company are available to the public and may be obtained from:

Towergate House
2 County Gate
Staceys Street
Maidstone
Kent ME14 1ST

On 31 December 2003 the CMSA portfolio was purchased from Folgate Insurance Company Limited, a related party through common control, for £900,000.

20 Controlling party

Mr PG Cullum, the Chairman, is the controlling party by virtue of his controlling interest in the parent Company's equity capital.

Notes *(continued)*

21 Contingent liabilities

A guarantee and debenture have been granted over the shares and the assets of the Company in favour of RBS Mezzanine Limited, under the terms of which all monies due or which may become due from the Company, or other group companies listed below, to RBS Mezzanine Limited are guaranteed. The amount due by group companies at 31 December 2003 was £21,750,000 (2002 - £19,250,000). The terms of these arrangements were updated in January 2003 and include the following group companies:

Bakers of Cheltenham Limited
Byas Mosley UK Limited
Carrington International Insurance Brokers Limited
Compleat Solutions Limited
Country Thatch Insurance Agency Limited
Dickinsons General Insurance Services Limited
Foreman Bassett (Schemes) Limited
Highlands & Islands Insurance Services Limited
Homecare Underwriting Agency Limited
Thatch Underwriting Agencies Limited
Towergate Administration Facilities Limited
Towergate Chapman Stevens Limited
Towergate Chase Parkinson Limited
Towergate Commercial Limited
Towergate Commercial Property Underwriting Limited
Towergate Commercial Underwriting Limited
Towergate Finch Professional Indemnity Limited
Towergate Holiday Homes Underwriting Agency Limited
Towergate Intermediary Support Limited
Towergate Legal & Professional Underwriting Limited
Towergate Leisure Underwriting Limited
Towergate Life & Investments Limited
Towergate Lifestyle Underwriting Limited
Towergate Marine Underwriting Limited
Towergate Programmes Limited
Towergate Sharp Insurance Brokers Limited
Towergate Strovers Limited
Towergate Underwriting Group Limited
Towergate Underwriting Limited
Towergate Wilsons Limited

Further details of the aggregate liabilities due by group companies to RBS Mezzanine Limited are set out in the financial statements of the parent company.

In the normal course of business, the company may receive claims in respect of errors and omissions. No material adverse financial impact is expected to arise from these claims.

On 29 April 2004 the parent company refinanced its borrowings with a syndicate of banks, including RBS. Further details are set out in the financial statements of the parent company.

Notes *(continued)*

22 Prior year adjustment

As described in note 1, during the year ended 31 December 2003, the Group has adopted Application Note G to FRS 5 ('Revenue Recognition') which was issued in November 2003. This has resulted in a change to the company's accounting policy in respect of turnover.

The effect on the current year's profits is to increase profit before tax by £5,598 and the retained reserves by £3,919. In respect of the year ended 31 December 2002, the application of the prior year adjustment has increased the pre tax profit by £5,598 and the retained reserves for the year by £3,919.

Applying the change in accounting policy to all years, shareholders funds as at 31 December 2002 have been decreased by £505,717 to £33,235 and shareholders' funds as at 31 December 2003 have been reduced by £501,798 to £1,000.