

Towergate Chase Parkinson Limited
Directors' report and financial statements
for the year ended 31 December 2002
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 2002.

Principal activities

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

The principal activities of the Company continued to be the provision of specialist travel insurance services.

Business review

The directors are of the opinion that the Company's affairs are satisfactory. The directors expect that the present level of activity will be sustained for the foreseeable future.

Proposed dividend

The directors have declared the following dividends in respect of the year ended 31 December 2002.

Interim dividends paid £1,610,000 (2001 : £1,100,000). The directors do not recommend the payment of any further dividends.

Directors and directors' interests

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

PG Cullum
PF Dyer
A Proverbs
NJ Crocker
A Freebody
G Whiskin
JD Young (resigned 27th February 2002)

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 Group Limited			
	Ordinary Shares £1		Preference Shares £1	
	31 December 2001	31 December 2002	31 December 2001	31 December 2002
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.

Political and charitable contributions

The Company made charitable contributions of £1,570 (2001: £1,420).

Auditors

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

Subsequent events

In January 2003 the financing arrangements with RBS were increased and the repayment periods extended. There has been no change to the companies over which RBS Mezzanine hold a charge.

By order of the board



PG Cullum
Director

30 April 2003

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 16.

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.

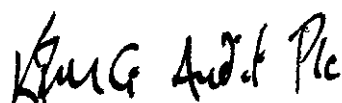
Basis of opinion

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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



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

30 April

2003

**Profit and loss account
for the year ended 31 December 2002**

	<i>Note</i>	2002 £	2001 £
Turnover – continuing operations	2	3,266,605	3,188,765
Administrative expenses		(1,940,030)	(1,711,277)
Other operating income		162,974	216,349
Operating profit – continuing operations		1,489,549	1,693,837
Other interest receivable and similar income		57,723	41,127
Interest payable and similar charges	6	(6,471)	(24,175)
Profit on ordinary activities before taxation	3	1,540,801	1,710,789
Tax on profit on ordinary activities	7	(2,033)	(2,500)
Profit on ordinary activities after taxation		1,538,768	1,708,289
Dividends	8	(1,610,000)	(1,100,000)
Retained (loss) / profit for the financial year		(71,232)	608,289

The Company has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

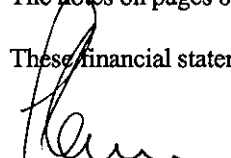
There is no difference between the profit on ordinary activities before taxation and the retained profit/(loss) for the year stated above, and their historical cost equivalents.

Balance sheet
at 31 December 2002

	<i>Note</i>	2002	2002	2001
		£	£	£
Fixed assets				
Tangible assets	9		393,812	498,967
Investments	10		5,200	17,203
			<u>399,012</u>	<u>516,170</u>
Current assets				
Debtors	11	534,839		556,835
Cash at bank and in hand		2,217,963		1,147,274
		<u>2,752,802</u>		<u>1,704,109</u>
Creditors: amounts falling due within one year	12	(2,612,862)		(1,551,892)
Net current assets			<u>139,940</u>	<u>152,217</u>
Total assets			<u>538,952</u>	<u>668,387</u>
Creditors: amounts falling due after more than one year	13		-	(58,203)
Net assets			<u><u>538,952</u></u>	<u><u>610,184</u></u>
Capital and reserves				
Called up share capital	14		1,000	1,000
Profit and loss account	15		537,952	609,184
Equity Shareholders' funds			<u><u>538,952</u></u>	<u><u>610,184</u></u>

The notes on pages 8 to 16 form a part of these financial statements.

These financial statements were approved by the board of directors on 30 April 2003 and were signed on its behalf by:


PG Cullum
Director

Reconciliation of movements in shareholders' funds
For the year ended 31 December 2002

	2002	2001
	£	£
Profit for the financial year	1,538,768	1,708,289
Dividends	(1,610,000)	(1,100,000)
	<hr/>	<hr/>
Net (reduction)/addition to shareholders' funds	(71,232)	608,289
Opening shareholders' funds	610,184	1,895
	<hr/>	<hr/>
Closing shareholders' funds	538,952	610,184
	<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, is set out below. These have been applied consistently except that the Group has adopted FRS 19 (Deferred Tax) during the year. This has not had a material impact, in the current or prior period.

Basis of preparation

The financial statements are prepared in accordance with the historical cost convention.

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 Group 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 Group Limited within which this Company is included, can be obtained from the address given in note 18.

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 Group 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)

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.

2 Turnover

Turnover consists entirely of sales made in the United Kingdom.

3 Profit on ordinary activities before taxation

	2002	2001
	£	£
Profit on ordinary activities before taxation is stated:		
after charging/crediting		
Auditors' remuneration:		
- audit	14,326	15,000
Depreciation and other amounts written off tangible fixed assets:		
Owned	32,799	29,502
Leased	66,668	83,776
Loss on disposal of fixed assets	16,189	(2,280)
Loss on revaluation of investment	12,003	-

4 Remuneration of directors

	2002	2001
	£	£
Directors' emoluments	214,410	168,721
Company contributions to money purchase pension schemes	9,469	10,800
	<u>223,879</u>	<u>179,521</u>

The aggregate emoluments of the highest paid director were £126,786 (2001: £98,421) and the company contributions of £ 4,380 (2001: £6,000) were made to a money purchase scheme on his behalf.

Notes (continued)

	Number of Directors 2002	Number of directors 2001
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	<u>2</u>	<u>2</u>

The emoluments of Mr Cullum, Mr Dyer, Mr Proverbs and Mr Crocker are paid by Towergate Underwriting Group 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.

No emoluments were received by Mr Young for his duties as a director of the Company as he was an employee of the parent company during the year.

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 2002	Number of employees 2001
Management	2	2
Technical, clerical and secretarial	34	31
	<u>36</u>	<u>33</u>

The aggregate payroll costs of these persons were as follows:

	2002	2001
	£	£
Wages and salaries	970,834	831,022
Social security costs	94,401	78,915
Other pension costs	14,686	13,200
	<u>1,079,921</u>	<u>923,137</u>

Notes (continued)

6 Interest payable and similar charges

	2002	2001
	£	£
On bank loans and overdrafts	188	3,201
On overdue tax	6	-
Finance charges payable in respect of lease purchase and hire purchase contracts	6,277	20,974
	<hr/> 6,471	<hr/> 24,175

7 Taxation

<u>Analysis of charge in period</u>	2002	2001
	£	£
UK corporation tax at 20% (2001: 20%)	2,310	2,500
(Over) provision in respect of prior year	(277)	-
	<hr/> 2,033	<hr/> 2,500

<u>Current tax reconciliation</u>	2002	2001
	£	£
Profit on ordinary activities before tax	1,540,801	1,710,789
	<hr/>	<hr/>
Current tax at 30%	462,240	513,237
	<hr/>	<hr/>
<u>Effects of:</u>		
Expenses not deductible for tax purposes	12,578	2,676
Depreciation for period in excess of capital allowances	1,406	8,329
Losses surrendered by fellow group undertaking	(472,624)	(520,492)
Profit charges to small companies rate	(1,290)	(1,250)
	<hr/>	<hr/>
Total current tax charge	2,310	2,500
	<hr/>	<hr/>

8 Dividends

	2002	2001
	£	£
Dividends on equity shares:		
Interim paid £1,610 per share (2001: £1,100 per share)	1,610,000	1,100,000
	<hr/>	<hr/>

Notes (continued)

9 Tangible fixed assets

	Freehold land and buildings	Computer equipment	Fixtures, fittings and office equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At beginning of year	310,325	147,512	144,315	334,873	937,025
Additions	-	6,880	6,821	-	13,701
Disposals	-	-	(72,323)	(58,848)	(131,171)
At end of year	310,325	154,392	78,813	276,025	819,555
Depreciation					
At beginning of year	50,325	116,763	76,858	194,112	438,058
Charge for year	-	12,286	15,231	71,950	99,467
Disposals	-	-	(66,656)	(45,126)	(111,782)
At end of year	50,325	129,049	25,433	220,936	425,743
Net book value					
At 31 December 2002	260,000	25,343	53,380	55,089	393,812
At 31 December 2001	260,000	30,749	67,457	140,761	498,967

The freehold land and buildings is stated at the valuation, on an open market basis, undertaken by Curchod & Co, Chartered Surveyors on 21 February 2002. 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:

	2002	2001
	£	£
Net book value		
Computer equipment	-	-
Motor vehicles	45,838	140,761
	45,838	140,761
Depreciation charged during year		
Computer equipment	-	1
Motor vehicles	66,668	83,775
	66,668	83,776

Notes (continued)

10 Fixed asset investments

	2002	2001
	£	£
Investment properties overseas:		
Cost at beginning of year	17,203	17,203
Revaluation of property	(12,003)	-
Value at end of year	<u>5,200</u>	<u>17,203</u>

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

11 Debtors

	2002	2001
	£	£
Insurance debtors	404,998	371,612
Amounts owed by group undertakings	114,787	157,097
Other debtors	861	-
Prepayments and accrued income	14,193	28,126
	<u>534,839</u>	<u>556,835</u>

12 Creditors: amounts falling due within one year

	2002	2001
	£	£
Bank loans and overdrafts	4,232	20,156
Insurance creditors	1,752,118	1,242,923
Amounts owed to group undertakings	544,215	72,516
Corporation tax	2,310	2,500
Taxation and social security	25,478	21,032
Other creditors	11,642	-
Accruals and deferred income	177,909	83,688
Obligations under lease purchase and hire purchase contracts (see note 13)	94,958	109,077
	<u>2,612,862</u>	<u>1,551,892</u>

Notes *(continued)*

13 Creditors: amounts falling due after more than one year

	2002	2001
	£	£
Obligations under lease purchase and hire purchase contracts	-	58,203
	<u> </u>	<u> </u>

The maturity of obligations under lease purchase and hire purchase contracts is as follows:

	2002	2001
	£	£
Within one year	95,124	109,077
In the second to fifth years	-	58,203
	<u> </u>	<u> </u>
	95,124	167,280
Less future finance charges	(166)	(6,443)
	<u> </u>	<u> </u>
	94,958	160,837
	<u> </u>	<u> </u>

14 Called up share capital

	2002	2001
	£	£
Authorised		
10,000 Ordinary shares of £1 each	10,000	10,000
	<u> </u>	<u> </u>
 Allotted, called up and fully paid		
1,000 Ordinary shares of £1 each	1,000	1,000
	<u> </u>	<u> </u>

Notes (continued)

15 Reserves

	2002 Profit and loss account	2001 Profit and loss account
	£	£
At beginning of year	609,184	895
Retained (loss)/profit for the year	(71,232)	608,289
	<hr/>	<hr/>
At end of year	537,952	609,184
	<hr/>	<hr/>

16 Operating lease commitments

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

	2002 Land and buildings	2001 Land and buildings
	£	£
Operating leases which expire: In the second to fifth years inclusive	20,000	20,000
	<hr/>	<hr/>

17 Pension scheme

Towergate Underwriting Group 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 £ 10,307 (2001: £7,200).

18 Related party disclosures

The Company is a subsidiary undertaking of 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
 St Leonard's Road
 20/20 Maidstone
 Kent ME16 0LS

Notes (continued)

19 Controlling party

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

20 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 2002 was £19,250,000 (2001 - £20,500,000). The terms of these arrangements were updated in August 2001 and include the following group companies:

Alec Finch Professional Indemnity Limited
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
Lifestyle Household Underwriting Agency Limited
MIA General Insurance Service Managers Limited
Thatch Underwriting Agencies Limited
Towergate Administration Facilities Limited
Towergate Chapman Stevens Limited
Towergate Chase Parkinson Limited
Towergate Commercial Property Underwriting Limited
Towergate Commercial Underwriting 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 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.