

Company number 3173997

IGI Administration Services Limited

Report and Financial Statements

Year Ended

31 March 2003



IGI ADMINISTRATION SERVICES LIMITED

Report and Financial Statements for the Year Ended 31 March 2003

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Directors

PR Nutting (Chairman)
CB Saron (Deputy Chairman)
KW Wardell (Managing Director)
KP Horn CA (SA) (Financial Director)
JA Levin B. Com (Hons)

Secretary and registered office

KP Horn CA (SA)
10th Floor
Market Square House
St James's Street
Nottingham
NG1 6FG

Auditors

Moore Stephens
Chartered Accountants
St. Paul's House
Warwick Lane
London
EC4P 4BN

Bankers

Barclays Bank plc
P.O. Box 544
54 Lombard Street
London
EC3V 9EX

Solicitors

Berwin Leighton Paisner
Adelaide House
London Bridge
London
EC4R 9HA

IGI ADMINISTRATION SERVICES LIMITED

Report of the directors for the year ended 31 March 2003

The directors present their report together with the audited financial statements for the year ended 31 March 2003.

Results and dividends

The profit and loss account is set out on page 4 and shows the profit before tax for the year of £20,472 (2002: loss £3,751)

The directors do not recommend the payment of a dividend.

Principal activity, trading review and future developments

The principal activity of the company continues to be that of a provider of management and insurance handling services.

The directors are satisfied with the period under review and are confident of future prospects.

There have been no events after the balance sheet date which materially affect the position of the company.

Charitable and other donations

The company did not make any political donations during the year under review. The amount given for charitable purposes was £100 (2002: £2,400)

Directors

The directors of the company during the year were:

PR Nutting
CB Saron
KW Wardell
KP Horn
JA Levin

The directors had no interest in the ordinary share capital of the company. Interests of the directors in the shares of the parent undertakings are disclosed in those companies' financial statements.

No director had any material interest during the year in any significant contract entered into by the company.

IGI ADMINISTRATION SERVICES LIMITED

Report of the directors for the year ended 31 March 2003 (*continued*)

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 and 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.

Auditors

In terms of the elective resolution passed by the board of directors on 6 June 1996 whereby the company elected to dispense with the obligation to appoint auditors annually, and the appointment of Moore Stephens as auditor to company in 1999, Moore Stephens will be re-appointed as auditors of the company.

On Behalf of the Board



KP Horn
Director

23 July 2003

IGI ADMINISTRATION SERVICES LIMITED

Report of the auditors for the year ended 31 March 2003

Independent Auditors' Report to the Shareholder of IGI Administration Services Limited

We have audited the financial statements of IGI Administration Services Limited for the year ended 31 March 2003 set out on pages 4 to 14. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 6.

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

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 law and United Kingdom Accounting Standards.

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

Moore Stephens

MOORE STEPHENS
Chartered Accountants
and Registered Auditors
London

23 July 2003

IGI ADMINISTRATION SERVICES LIMITED**Profit and loss account for the year ended 31 March 2003**

	Note	2003 £	2002 £
Turnover	2	2,431,191	1,365,573
Operating expenses	3	(2,431,770)	(1,392,199)
Operating loss		(579)	(26,626)
Interest receivable		21,051	22,875
Profit/(loss) on ordinary activities before taxation		20,472	(3,751)
Tax on profit on ordinary activities	6	-	-
Retained profit/(loss) for the year		20,472	(3,751)
Retained (loss)/profit brought forward		(2,587)	1,164
Retained profit/(loss) carried forward		17,885	(2,587)

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year and their historical cost equivalents.

The notes on pages 6 to 14 form part of these financial statements.

IGI ADMINISTRATION SERVICES LIMITED

Balance sheet as at 31 March 2003

	Note	2003 £	2002 £
Fixed assets			
Intangible assets	7	288,563	-
Tangible assets	8	88,887	37,982
		<u>377,450</u>	<u>37,982</u>
Current assets			
Debtors	9	1,003,199	837,387
Cash at bank and in hand		10,319	606
		<u>1,013,518</u>	<u>837,993</u>
Creditors: amounts falling due within one year	10	(969,718)	(568,067)
		<u>43,800</u>	<u>269,926</u>
Net current assets			
		<u>421,250</u>	<u>307,908</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	11	(403,265)	(310,395)
		<u>17,985</u>	<u>(2,487)</u>
Net assets/(liabilities)			
		<u>17,985</u>	<u>(2,487)</u>
Capital and reserves			
Called up share capital	12	100	100
Profit and loss account		17,885	(2,587)
		<u>17,985</u>	<u>(2,487)</u>
Shareholder's funds – equity	13	<u>17,985</u>	<u>(2,487)</u>

The financial statements were approved by the Board on 23 July 2003.



KW Wardell
Director

The notes on pages 6 to 14 form part of these financial statements.

IGI ADMINISTRATION SERVICES LIMITED

Notes forming part of the financial statements for the year ended 31 March 2003

1. Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied consistently throughout the year.

Going concern

The financial statements have been prepared on the going concern basis, which the directors consider appropriate in the view of the undertaking by certain group companies to provide financial support to enable the company to meet its obligations as they fall due.

Turnover

(a) *Service and maintenance contracts administration*

An initial amount is taken to income to reflect the costs incurred in acquiring the business, with the balance of the income being recognised over the period of the contract.

(b) *Management services*

Management services are recognised as income when the services are performed and invoiced.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets on a straight-line basis over their estimated useful lives. It is calculated at the following rates.

Computer equipment and software	-	25%-33%
Motor vehicles	-	25%
Furniture and equipment	-	25% (50% for short life assets)

Intangible assets

Intangible assets are amortised on a straight-line basis to their estimated residual value. Amortisation rates are as follows:

Intellectual property - 8 years

Deferred taxation

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those included in financial statements. Deferred taxation assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred taxation assets and liabilities are not discounted.

Pension costs

The company contributes monies to a defined contribution pension scheme. Consequently there are no guarantees as to the eventual value of the pensions provided under the scheme. Contributions are charged to the profit and loss account as they become due.

IGI ADMINISTRATION SERVICES LIMITED**Notes forming part of the financial statements for the year ended 31 March 2003 (continued)****2. Turnover**

Turnover is wholly attributable to the principal activities of the company and arises solely within the United Kingdom. The amounts attributable to the principal activities are as follows.

	2003 £	2002 £
Service and maintenance contracts administration	415,914	293,741
Management services	2,015,277	1,071,832
	<hr/>	<hr/>
	2,431,191	1,365,573
	<hr/>	<hr/>

3. Operating expenses

Auditors remuneration – audit services	105,750	67,500
Auditors remuneration – Other services	133,438	-
Depreciation of owned assets	32,666	9,835
Operating lease rentals – computer equipment	20,961	-
Other operating expenses	2,138,955	1,314,864
	<hr/>	<hr/>
	2,431,770	1,392,199
	<hr/>	<hr/>

Included in auditors' remuneration is £96,350 (2002: £64,500) that relates to fees charged for audit services provided to other group companies.

IGI ADMINISTRATION SERVICES LIMITEDNotes forming part of the financial statements for the year ended 31 March 2003(*continued*)**4. Staff costs**

Staff costs, including directors' remuneration, comprise the following.

	2003	2002
	£	£
Wages and salaries	1,360,992	941,694
Social security costs	139,721	95,406
Pension costs	53,435	47,922
Other staff costs	18,448	14,905

	1,572,596	1,099,927
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Analysis of employees by category

	Number	Number
Service and maintenance contract administration	5	5
Management services	47	26
Administration	3	5

	55	36
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5. Directors' remuneration

	2003	2002
	£	£
Emoluments	384,573	346,804
Contributions to money purchase pension schemes	26,672	26,214

	411,245	373,018
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The emoluments of the directors disclosed above include the following amounts paid to the highest paid director

Emoluments	106,743	92,762
Contributions to money purchase pension schemes	8,969	12,000

	115,712	104,762
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During the period the following number of directors

	Number	Number
Accrued benefits under money purchase pension schemes	3	3

IGI ADMINISTRATION SERVICES LIMITEDNotes forming part of the financial statements for the year ended 31 March 2003 *(continued)***6. Taxation**

	2003	2002
	£	£
<i>Current taxation</i>		
UK corporation tax charge for the year	-	-

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual tax charge for the current year and the previous year differs from the standard rate for the reasons set out in the following reconciliation.

	2003	2002
	£	£
Profit/(loss) on ordinary activities before tax	20,472	(3,751)
Tax on profit on ordinary activities at standard rate of 30% (2002: 30%)	6,141	(1,125)
Effects of :		
Expenses not deductible for tax purposes	18,133	9,668
Capital allowances for period in excess of depreciation	-	(111)
Depreciation for period in excess of capital allowances	1,772	-
Utilisation of tax losses	(26,046)	(8,432)
Current tax charge for the year	-	-

No deferred taxation has been provided on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, as the amounts are immaterial.

IGI ADMINISTRATION SERVICES LIMITED

Notes forming part of the financial statements for the year ended 31 March 2003 (*continued*)

7. Intangible assets

Intellectual
property
£

Cost and net book value

Additions and at 31 March 2003	288,563
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The company purchased certain intellectual property rights on 31 March 2003. No amortisation has been provided for the current period, which the directors' consider appropriate, as no impairment had taken place at this date.

8. Tangible fixed assets

	Computer equipment £	Motor vehicles £	Furniture And equipment £	Total £
<i>Cost</i>				
At 1 April 2002	9,150	9,995	29,900	49,045
Additions	59,494	-	24,077	83,571
At 31 March 2003	68,644	9,995	53,977	132,616
<i>Depreciation</i>				
At 1 April 2002	2,480	3,123	5,460	11,063
Charge for the year	12,621	2,499	17,546	32,666
At 31 March 2003	15,101	5,622	23,006	43,729
<i>Net book value</i>				
At 31 March 2003	53,543	4,373	30,971	88,887
At 31 March 2002	6,670	6,872	24,440	37,982

IGI ADMINISTRATION SERVICES LIMITEDNotes forming part of the financial statements for the year ended 31 March 2003 *(continued)***9. Debtors**

	2003	2002
	£	£
Amounts falling due within one year:		
Trade debtors	149,601	176,451
Amounts owed by group undertakings	286,930	129,821
Other debtors and prepayments	72,973	42,745
	<hr/>	<hr/>
	509,504	349,017
	<hr/>	<hr/>

Amounts falling due after more than one year:

Trade debtors (see below)	493,695	436,219
Amounts owed by group undertakings	-	52,151
	<hr/>	<hr/>
	493,695	488,370
	<hr/>	<hr/>
	1,003,199	837,387
	<hr/>	<hr/>

The company is due £493,695 from Compass Underwriting Limited ("Compass"), which has arisen as a result of the provision by the company of insurance management and administrative services to Compass. The directors have agreed with Compass that the company will not seek recovery of this amount until such time as the financial position of Compass will not be jeopardised by the repayment of the loan.

10. Creditors: amounts falling due within one year

	2003	2002
	£	£
Bank overdraft	69,220	85,281
Trade creditors	143,579	118,089
Deferred income	414,144	240,475
Other taxation and social security	54,368	37,974
Other creditors and accruals	288,407	86,248
	<hr/>	<hr/>
	969,718	568,067
	<hr/>	<hr/>

IGI ADMINISTRATION SERVICES LIMITEDNotes forming part of the financial statements for the year ended 31 March 2003 *(continued)***11. Creditors: amounts falling due after more than one year**

	2003	2002
	£	£
Amounts owed to holding company	-	150,000
Amounts owed to group undertakings	309,265	160,395
Other creditors and accruals	94,000	-
	<hr/>	<hr/>
	403,265	310,395
	<hr/>	<hr/>

Amounts owed to group undertakings represent a loan from IGI Insurance Company Limited, a fellow subsidiary, which has no fixed terms of repayment

Other creditors and accruals relate to the purchase of intellectual property and are repayable as follows:

	2003	2002
	£	£
In more than one but not more than two years	70,500	-
In more than two but not more than five years	23,500	-
	<hr/>	<hr/>
	94,000	-
	<hr/>	<hr/>

12. Share capital

	Authorised		Allotted, called up and fully paid	
	2003	2002	2003	2002
	£	£	£	£
Ordinary shares of £1 each	100,000	100,000	100	100
	<hr/>	<hr/>	<hr/>	<hr/>

13. Reconciliation of movement in shareholder's funds

	2003	2002
	£	£
Profit/(loss) for the financial year	20,472	(3,751)
	<hr/>	<hr/>
Net addition/(reduction) to shareholder's funds	20,472	(3,751)
Opening shareholder's funds	(2,487)	1,264
	<hr/>	<hr/>
Closing shareholder's funds	17,985	(2,487)
	<hr/>	<hr/>

IGI ADMINISTRATION SERVICES LIMITED

Notes forming part of the financial statements for the year ended 31 March 2003 (*continued*)

14. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge represents contributions payable by the company to the fund and amounted to £53,435 (2002: £47,922). At 31 March 2003 contributions amounting to £1,167 (2002: £1,011) were payable to the fund and are included in creditors.

15. Financial commitments

Annual commitments in respect of non-cancellable operating leases are set out below:

	2003 £	2002 £
Computer equipment leases which expire:		
In more than one but not more than two years	4,118	-
In more than two but not more than five years	161,074	-
	<hr/>	<hr/>
	165,192	-
	<hr/>	<hr/>

16. Cash flow statement

The company has taken advantage of the exemption allowed by Financial Reporting Standard 1, "Cash Flow Statements", not to prepare a cash flow statement as it is consolidated in the financial statements of its ultimate UK parent company.

17. Ultimate parent company

The immediate holding company is HCI UK (Holdings) Limited, which is incorporated in England and Wales. HCI (UK) Holdings Limited is the parent company of the smallest group for which consolidated financial statements are produced which include IGI Administration Services Limited. Copies of the financial statements for HCI (UK) Holdings Limited may be obtained from IGI Administration Services Limited's registered office.

Amity Internationale SA, a company registered in Luxembourg, owns the entire share capital of HCI (UK) Holdings Limited.

Watkins Holdings Limited, a company incorporated in the British Virgin Islands, owns 74% of the issued share capital of Amity International SA. The directors consider Watkins Holdings Limited to be the ultimate holding company. JA Levin, a director of the company, controls Watkins Holdings Limited

IGI ADMINISTRATION SERVICES LIMITED

Notes forming part of the financial statements for the year ended 31 March 2003 (*continued*)

18. Related party transactions

- (a) The company has taken advantage of the exemption allowed by Financial Reporting Standard 8, "Related Party Transactions" not to disclose any transactions with entities that are included in the consolidated financial statements of HCI (UK) Holdings Limited.
- (b) Two directors of the company, PR Nutting and JA Levin are directors of Compass Underwriting Limited, a company incorporated in England. During the year, the company charged Compass Underwriting Limited £457,391 in respect of insurance handling services. At 31 March 2003, Compass Underwriting Limited owed the company £493,695 in respect of such services.
- (c) JA Levin is a director of Blue Holdings Limited. On 31 March 2003 the company purchased certain intellectual property rights from Blue Holdings Limited for a total consideration of £288,563 of which an amount of £208,563 remained unpaid at 31 March 2003. Additionally, an agreement has been entered into for the rental of computer equipment for a quarterly payment of £30,000 excluding VAT. The last quarterly payment under the agreement is on 1 July 2005.

All the above transactions were conducted on an arms length basis and on normal commercial terms.

19. Guarantees

The company has undertaken to provide financial support to certain group companies to enable them to meet their obligations as they fall due over the 12 months following approval of these financial statements.