

ITS4ME PLC

Report and Financial Statements

31 December 2004



CONTENTS	Page
List of directors, and other information	2
Directors' report	3
Statement of directors' responsibilities	4
Auditors' report	5
Profit and loss account	6
Balance sheet	7
Cash Flow Statement	8
Notes	9

Registered No: 3899738

Directors

Garry Fearn
Michel Roux
Patrick Smith
Steven Whittaker
Scott Nelson
Richard Savelli
Dominique Salvy
Jean-Marc Le Corfec

Secretary

Richard Savelli

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Registered Office

Its4me House
Rosary Road
Norwich
NR1 4BX

Directors' report

The directors present their report and the audited financial statements for year ended 31 December 2004.

Results and dividends

As shown on page 6, the loss for the year, after taxation, amounted to £133,000 (2003: £1,201,000).

The directors do not recommend the payment of an ordinary dividend. A preference dividend of £363,185 was accrued during the year.

Principal activity and review of the business

The company's principal activity during the year was the provision of internet insurance broking services.

The business has continued to grow, through both increasing renewals and new business. Turnover has increased by 34% on last year, while expenditure has decreased. This has reduced the loss on ordinary activities as a percentage of income, from 41% to 3%.

Directors and their interests

The directors named on page 2 served throughout the year, with the exception of Richard Savelli who was appointed as director on 23 September 2004, and Dominique Salvy who was appointed as director on 22 February 2005.

William Paul Cheall served as a director until his resignation on 22 January 2004 and Jean Dubois served as a director until his resignation on 22 February 2005.

The directors at 31 December 2004 and their interests in the share capital of the company were as follows:

As at 31 December 2004

Ordinary 'B' shares

Jean-Marc Le Corfec	—
Jean Dubois	—
Garry Fearn	—
Michel Roux	—
Patrick Smith	49,356 (i)
Steven Whittaker	—
Richard Savelli	10,948
Scott Nelson	—

(i) held through Webbshare Limited

No director had an interest in the shares of the parent company.

Creditor payment policy

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with. At 31 December 2004 the amount outstanding in trade creditors did not exceed agreed payment terms, which are most commonly thirty days from date of invoice.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board



Secretary

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 ITS4ME PLC

We have audited the company's accounts for the year ended 31 December 2004 which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement and the related notes 1 to 21. These accounts have been prepared on the basis of the accounting policies set out therein.

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 accounts in accordance with United Kingdom law and accounting standards.

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

We report to you our opinion as to whether the accounts 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 accounts, 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.

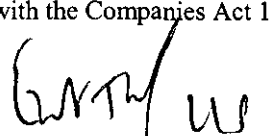
Basis of audit opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 2004 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
London

25 April 2005

Profit and loss account

for the year ended 31 December 2004

	<i>Notes</i>	<i>2004</i> <i>£000</i>	<i>2003</i> <i>£000</i>
Turnover	1/2	3,890	2,910
Administrative expenses		4,092	4,142
Operating loss	3	(202)	(1,232)
Interest receivable and similar income	6	69	31
Loss on ordinary activities before taxation		(133)	(1,201)
Tax on loss on ordinary activities	7	—	—
Loss on ordinary activities after taxation		(133)	(1,201)
Preference dividends on non-equity shares	8	(363)	(268)
Retained loss for the financial year	16	(496)	(1,469)
Retained loss brought forward		(6,371)	(4,902)
Retained loss carried forward		(6,867)	(6,371)

Statement of total recognised gains and losses

There were no recognised gains or losses in the year other than the loss attributable to the shareholders of the company.

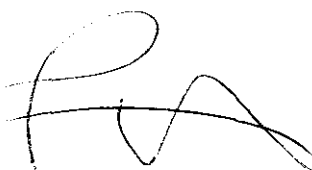
Balance sheet

at 31 December 2004

	Notes	2004 £000	2003 £000
Fixed assets			
Tangible assets	9	491	708
Current assets			
Debtors	10	1,357	1,600
Cash at bank and in hand	20	347	174
Prepayments and accrued income		104	88
		1,808	1,862
Creditors: amounts falling due within one year	11	1,966	1,955
Net current liabilities		(158)	(93)
Total assets less current liabilities		333	615
Creditors: amounts falling due after more than one year	12	20	19
		313	596
Capital and reserves			
Called up share capital	15	6,050	6,200
Share premium	16	150	150
Profit and loss account	16	(6,867)	(6,371)
Undeclared preference dividends	16	980	617
Shareholders' funds:			
Equity		(6,567)	(6,071)
Non-equity		6,880	6,667
	16	313	596

The financial statements were approved by the board of directors on 29 April 2005 and were signed on its behalf by:

Director



Cash flow statement

for the year ended 31 December 2004

	<i>Note</i>	<i>2004</i> <i>£000</i>	<i>2003</i> <i>£000</i>
<i>Operating activities</i>			
Net cash inflow/(outflow) from operating activities	19	124	(831)
<i>Returns on investments and servicing of finance</i>			
Interest received and similar income		69	31
Interest element of hire purchase payments		(1)	(1)
<i>Capital expenditure and financial investment</i>			
Purchase of tangible assets		(32)	(409)
<i>Net cash inflow/(outflow) before financing</i>		<u>160</u>	<u>(1,210)</u>
<i>Financing</i>			
Issue of preference shares		–	1,250
Repayments of capital element of hire purchase contracts		(12)	(11)
Net inflow of medium term loan		25	
<i>Net cash inflow from financing</i>		<u>13</u>	<u>1,239</u>
<i>Net increase in cash in the year</i>	20	<u>173</u>	<u>29</u>

Notes to the financial statements

at 31 December 2004

1. Accounting policies

The principal accounting policies followed by the company are set out below.

Fundamental accounting concept

The accounts have been prepared on a going concern basis since MMA Holdings UK plc intends to provide continuing financial support to the company in order for it to meet its obligations as they fall due.

Basis of preparation

These financial statements have been prepared on the historical cost basis, according to applicable Accounting Standards in the United Kingdom.

Tangible assets

Expenditure on computer equipment and fixtures, fittings and office equipment is capitalised and depreciated over the useful economic lives of the assets on a straight line basis. The periods used are as follows:

Fixtures, fittings and office equipment	– 5 years
Computer equipment	– 3 years
Short leasehold property	– 10 years

Turnover

Commission income is recognised when it becomes due and receivable.

Leasing and Hire Purchase commitments

Assets held under hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Notes to the financial statements

at 31 December 2004

Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, 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 the underlying timing difference will reverse and that there will be suitable taxable profits from which the future reversal can be deducted.

Pensions

The company makes contributions to the personal pension plans of its employees. Contributions are charged in the profit and loss account as they become payable.

2. Turnover

Turnover represents commission received on the company's broking activities. All activity is located in the United Kingdom.

3. Operating loss

This is stated after charging:

	2004 £000	2003 £000
Auditors' remuneration:		
- In respect of audit services	12	14
Depreciation of owned fixed assets	213	204
Depreciation of assets held under hire purchase contracts	15	5
Operating lease rentals - land and buildings	87	87
Operating lease rentals - computer equipment	21	-
	<u>348</u>	<u>310</u>

4. Directors' emoluments

The aggregate amount of emoluments, including benefits in kind, paid to or receivable by directors during the period was as follows:

	2004 £000	2003 £000
Emolument	121	127
Compensation for loss of office	30	-
Contributions to pension fund in respect of directors	4	11
	<u>155</u>	<u>138</u>

Notes to the financial statements

at 31 December 2004

5. Staff numbers and costs

	2004 £000	2003 £000
Wages and salaries	1,342	1,187
Social security costs	114	101
Other pension costs	38	38
	<u>1,494</u>	<u>1,326</u>

The average number of persons employed by the company during the period, was 93 (2003: 76).

Other pension costs relate to employer's contributions made on behalf of employees to personal pension funds maintained by third parties.

6. Other interest receivable and similar income

	2004 £000	2003 £000
Bank interest	21	6
Rental income	48	25
	<u>69</u>	<u>31</u>

7. Taxation

Profit and loss account:

No taxation charge has been made for the year (2003 - £nil).

Factors affecting the current tax charge for the year:

	2004 £000	2003 £000
Loss on ordinary activities before tax	(133)	(1,201)
Current tax charge at standard UK corporation tax rate of 30 % (2003 – 30%)	(40)	(360)
Consortium relief transfers	31	279
Deferred tax assets not recognised	9	81
Current tax credit for the year	–	–

Balance sheet:

No deferred tax asset has been recognised in respect of unutilised tax losses due to uncertainty as to the recoverability of the asset. The cumulative deferred tax asset relating to unutilised tax losses was £611,241 as at 31 December 2004.

Notes to the financial statements

at 31 December 2004

8. Dividends

	2004 £000	2003 £000
Non-equity dividends on preference shares – accrued but not declared	363	268

9. Tangible fixed assets

	Computer equipment £000	Fixtures, fittings and office equipment £000	Property £'000	Total £000
Cost:				
At 1 January 2004	867	57	448	1,372
Additions	27	2	3	32
Disposals	-	-	(21)	(21)
At 31 December 2004	894	59	430	1,383
Depreciation:				
At 1 January 2004	598	20	46	664
Charge for year	164	12	52	228
Eliminated on Disposal	-	-	-	-
At 31 December 2004	762	32	98	892
Net book value:				
At 31 December 2004	132	27	332	491
At 1 January 2004	269	37	402	708

The net book value of computer equipment above includes an amount of £24,238 (2003: £38,786) in respect of assets held under hire purchase contracts.

10. Debtors

	2004 £000	2003 £000
Trade debtors	1,357	1,450
Amount owing from parent undertaking	-	150
	1,357	1,600

Notes to the financial statements

at 31 December 2004

11. Creditors: amounts falling due within one year

	2004 £000	2003 £000
Obligations under hire purchase contracts (note 13)	12	12
Loan obligations (note 14)	11	-
Trade creditors	1,651	1,750
Other taxes and social security costs	35	28
Accruals and deferred income	257	165
	<u>1,966</u>	<u>1,955</u>

12. Creditors: amounts falling due after more than one year

	2004 £000	2003 £000
Obligations under hire purchase contracts (note 13)	6	19
Loan (note 14)	14	-
	<u>20</u>	<u>19</u>

13. Obligations under hire purchase contracts

The maturity of these amounts is as follows:

	2004 £000	2003 £000
Amounts payable:		
Within one year	13	14
In two to five years	7	20
	<u>20</u>	<u>34</u>
Less: finance charges allocated to future periods	(2)	(3)
	<u>18</u>	<u>31</u>

Hire purchase contracts are analysed as follows:

		2004 £000	2003 £000
Current obligations	11	12	12
Non-current obligations	12	6	19
		<u>18</u>	<u>31</u>

Notes to the financial statements

at 31 December 2004

14. Loan

The maturity of these amounts is as follows:

	2004 £000	2003 £000
Amounts payable:		
Within one year (note 11)	11	—
In two to five years (note 12)	14	—
	<u>25</u>	<u>—</u>

15. Called up share capital

	2004 £000	2004 £000	2003 £000	2003 £000
	Equity	Non equity	Equity	Non Equity
Authorised:				
183,336 'A' Ordinary shares of 50p each	92	—	90	—
116,664 'B' Ordinary shares of 50p each	58	—	60	—
Redeemable Cumulative Preference shares of £1 each	—	5,900	—	6,050
	<u>150</u>	<u>5,900</u>	<u>150</u>	<u>6,050</u>
Allotted, called up and fully paid				
'A' Ordinary shares of 50p each	92	—	90	—
'B' Ordinary shares of 50p each	58	—	60	—
Redeemable Cumulative Preference shares of £1 each	—	5,900	—	6,050
	<u>150</u>	<u>5,900</u>	<u>150</u>	<u>6,050</u>

At 31 December 2003 the Company had issued, but not called upon MMA Holdings UK Limited to pay £150,000 outstanding on 150,000 cumulative preference shares. During 2004 MMA Holdings UK Limited indicated that it would be willing to surrender the shares and as a result the shares have been cancelled in accordance with Section 146 CA1985.

The ordinary 'A' and 'B' shares rank pari passu in respect of voting rights, distribution of profits, proceedings at general meetings and the return of surplus assets (after payments of the company's liabilities) on liquidation, reduction of capital or otherwise, except in the following respects:

Holders of a majority of the 'A' shares may appoint and remove up to 6 directors; 'B' shares up to 2 directors.

The holder of the Redeemable Cumulative Preference Shares is entitled to an annual variable rate cumulative preferential dividend at the rate of 1.5% above the London Inter-Bank Offered Rate for 3-month deposits.

The company may at any time redeem for cash at par any of the Redeemable Cumulative Preference shares outstanding from retained earnings or the proceeds of a new share issue. The company shall redeem any shares that remain outstanding for cash at par on 31 May 2008.

Notes to the financial statements

at 31 December 2004

16. Reconciliation of movements in shareholders' funds

	<i>Share capital</i>	<i>Share premium</i>	<i>Profit and loss account</i>	<i>Undeclared preference dividend</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000
2004					
Balance at 1 January	6,200	150	(6,371)	617	596
Surrender of preference shares	(150)	—	—	—	(150)
Retained loss for the financial year	—	—	(496)	—	(496)
Undeclared preference dividends	—	—	—	363	363
Balance at 31 December	6,050	150	(6,867)	980	313

17. Other financial commitments –

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

	2004 £'000	2003 £'000
<i>Operating leases which expire:</i>		
One to two years - land and buildings	—	—
One to two years – computer equipment	—	—
Two to five years - land and buildings	87	87
Two to five years – computer equipment	47	—
Over five years - land and buildings	—	—
Over five years – computer equipment	—	—

Notes to the financial statements

at 31 December 2004

18. Related party transactions

The company has entered into the following related party transactions:

- (i) During the year the company placed insurance on behalf of its clients with MMA Insurance plc, a fellow subsidiary undertaking. The arrangements were conducted during the normal course of business on an arms' length basis. The premiums placed amounted to £3,710,082 (2003: £2,946,625) and the related commission £353,807 (2003: £294,625). At the year end £452,023 (2003: £361,821) was due to MMA Insurance plc in respect of these transactions.
- (ii) During the year the company received rent and sales commission from Swinton Group Ltd, a fellow subsidiary undertaking, and its group companies, of £107,047 (2003: £31,143), and paid sales commission to Swinton Group Ltd of £242,164 (2003: £118,000). The arrangements were conducted during the normal course of business on an arms' length basis. As at 31 December 2004 £1,932 (2003: £1,080) was due from the Swinton Group Ltd, and £56,867 (2003: £29,160) was due to Swinton Group Ltd in respect of these transactions.
- (iii) During the year the company entered into a loan agreement with Webbshare Ltd, a company owned by director Patrick Smith, whereby Webbshare agreed to lend the company up to £100,000 at a variable interest rate of 1.5% above the London Inter-bank Offered Rate for 3 months deposits. All funds drawn down were repaid to Webbshare by the end of the year and total interest paid amounted to £887.

19. Reconciliation of operating loss to cash flow from operating activities

	2004 £'000	2003 £'000
Operating loss	(202)	(1,232)
Depreciation charges	228	209
Movement in creditors	(1)	186
Movement in debtors	99	6
Operating cash flow	124	(831)

20. Cash at bank and in hand

	2004 £'000	Change £'000	2003 £'000
Current account	(803)	(677)	(126)
Money market deposit	1,150	850	300
Cash at bank and on hand per balance sheet	347	173	174

21. Parent undertaking and controlling party

The company's immediate parent undertaking is MMA Holdings UK plc.

The company's ultimate parent undertaking is La Mutuelle du Mans Assurances IARD, a company incorporated in France. Copies of the group accounts prepared by the parent company can be obtained from the registered office of MMA Holdings UK plc, Norman Place, Reading, RG1 8DA.