# ITS4ME PLC

## Report and Financial Statements

31 December 2002

Registered No: 3899738

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Registered No: 3899738

**Directors**

William Paul Cheall
Jean-Marc Le Corfec
Garry Fearn
Michel Roux (appointed 26 November 2002)
Patrick Smith
Charles Werner Skrzynski (resigned 26 November 2002)
Steven Whittaker
Peter Woolterton

**Secretary**

Richard Savelli

**Auditors**

Ernst & Young LLP
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

**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 2002.

## Results and dividends

As shown on page 6, the loss for the year, after taxation, amounted to £ 1,902,450 (2001 - £1,463,910).

The directors do not recommend the payment of an ordinary dividend. A preference dividend of £178,366 has 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.

## Directors and their interests

The directors at 31 December 2002 and their interests in the share capital of the company were as follows:

| | *As at 31 December 2002* *Ordinary 'B' shares* |
|---|---|
| William Paul Cheall | 33,600 |
| Jean-Marc Le Corfec | – |
| Garry Fearn | – |
| Michel Roux | – |
| Patrick Smith | 50,400 (i) |
| Steven Whittaker | – |
| Peter Woolterton | – |

(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 2002 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 2002 which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement and the related notes 1 to 18. 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 applicable 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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

26 June 2003

# Profit and loss account

**for the year ended 31 December 2002**

| | Notes | 2002 £000 | 2001 £000 |
|---|---|---|---|
| ***Turnover*** | 1/2 | 1,562 | 363 |
| Administrative expenses | | 3,309 | 1,717 |
| ***Operating loss*** | 3 | (1,747) | (1,354) |
| Interest receivable and similar income | 6 | 23 | 15 |
| ***Loss on ordinary activities before taxation*** | | (1,724) | (1,339) |
| Tax on loss on ordinary activities | 7 | – | – |
| ***Loss on ordinary activities after taxation*** | | (1,724) | (1,339) |
| Dividends | 8 | (178) | (125) |
| ***Retained loss for the financial year*** | 13 | (1,902) | (1,464) |
| ***Retained loss brought forward*** | | (3,000) | (1,536) |
| ***Retained loss carried forward*** | | (4,902) | (3,000) |

## 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 of £1,902,450.

# Balance sheet
**at 31 December 2002**

| | Notes | 2002 £000 | 2001 £000 |
|---|---|---|---|
| ***Fixed assets*** | | | |
| Tangible assets | 9 | 465 | 217 |
| ***Current assets*** | | | |
| Debtors | 10 | 1,654 | 503 |
| Cash at bank and in hand | 17 | 145 | 524 |
| Prepayments and accrued income | | 40 | – |
| | | 1,839 | 1,027 |
| ***Creditors***: amounts falling due within one year | 11 | 2,106 | 1,094 |
| ***Net current liabilities*** | | (267) | (67) |
| ***Total assets less current liabilities*** | | 198 | 150 |
| ***Capital and reserves*** | | | |
| Called up share capital | 12 | 4,950 | 3,000 |
| Share premium | | 150 | 150 |
| Profit and loss account | | (4,902) | (3,000) |
| ***Shareholders' funds*** (includes non-equity interests) | 13 | 198 | 150 |

The financial statements were approved by the board of directors on 23/10/03 and were signed on its behalf by:

Director

# Cash flow statement

**for the year ended 31 December 2002**

| | Note | 2002 £000 | 2001 £000 |
|---|---|---|---|
| ***Operating activities*** | | | |
| Net cash outflow from operating activities | 16 | (1,749) | (785) |
| ***Returns on investments and servicing of finance*** | | 23 | 15 |
| ***Taxation*** | | – | – |
| ***Capital expenditure*** | | | |
| Purchase of tangible assets | | (453) | (41) |
| ***Net cash outflow before financing*** | | (2,179) | (811) |
| ***Financing*** | | | |
| Issue of preference shares | | 1,800 | 1,200 |
| ***Net cash inflow from financing*** | | 1,800 | 1,200 |
| ***Increase/(decrease) in cash in the year*** | 17 | (379) | 389 |

# Notes to the financial statements

**at 31 December 2002**

## 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 Insurance 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 to 5 years |
| Property | – 10 years |

### Turnover

Commission income is recognised when it becomes due and receivable.

### Operating leases

Rentals in respect of operating leases are charged to the profit and loss account as incurred.

### 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 that 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.

# Notes to the financial statements
**at 31 December 2002**

## 3. Operating loss

This is stated after charging:

| | *2002* | *2001* |
|---|---|---|
| | *£000* | *£000* |
| Auditors' remuneration: | | |
| - In respect of audit | 14 | 12 |
| Depreciation of fixed assets | 205 | 147 |
| Operating lease rentals - land and buildings | 87 | 28 |

## 4. Directors' emoluments

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

| | *2002* | *2001* |
|---|---|---|
| | *£000* | *£000* |
| Emolument | 150 | 160 |
| Contributions to pension fund in respect of directors | 9 | 8 |
| | 159 | 168 |

## 5. Staff numbers and costs

| | *2002* | *2001* |
|---|---|---|
| | *£000* | *£000* |
| Wages and salaries | 753 | 422 |
| Social security costs | 89 | 48 |
| Other pension costs | 57 | 30 |
| | 899 | 500 |

The average number of persons employed by the company during the period, was 41 (2001 – 30).

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

| | *2002* | *2001* |
|---|---|---|
| | *£000* | *£000* |
| Bank interest | 13 | 8 |
| Rental income | 10 | 7 |
| | 23 | 15 |

# Notes to the financial statements

**at 31 December 2002**

## 7. Taxation

**Profit and loss account:**

No taxation charge has been made for the year (2001 - £nil).

**Factors affecting the current tax charge for the year:**

| | *2002* *£000* | *2001* *£000* |
|---|---|---|
| Loss on ordinary activities before tax | (1,724) | (1,339) |
| Current tax charge at standard UK corporation tax rate of 30% (2001 – 30%) | (517) | (402) |
| Deferred tax liabilities not recognised | 517 | 402 |
| Current tax charge for the year | – | – |

**Balance sheet:**

No deferred tax asset has been recognised in respect of tax losses due to uncertainty as to the recoverability of the asset.

## 8. Dividends

| | *2002* *£000* | *2001* *£000* |
|---|---|---|
| Non-equity dividends on preference shares | 178 | 125 |

## 9. Tangible fixed assets

| | *Computer equipment* *£000* | *Fixtures, fittings and office equipment* *£000* | *Property* *£'000* | *Total* *£000* |
|---|---|---|---|---|
| Cost: | | | | |
| At 1 January 2002 | 451 | 22 | – | 473 |
| Additions | 304 | 17 | 132 | 453 |
| Disposals | – | 6 | – | 6 |
| At 31 December 2002 | 755 | 32 | 132 | 920 |
| Depreciation: | | | | |
| At 1 January 2002 | 250 | 6 | – | 256 |
| Charge for year | 193 | 11 | 1 | 205 |
| Disposals | – | 6 | – | 6 |
| At 31 December 2002 | 443 | 11 | 1 | 455 |
| Net book value: | | | | |
| At 31 December 2002 | 312 | 22 | 131 | 465 |
| At 1 January 2002 | 201 | 16 | – | 217 |

# Notes to the financial statements

**at 31 December 2002**

## 10. Debtors

| | *2001* | *2001* |
|---|---|---|
| | *£000* | *£000* |
| Trade debtors | 1,204 | 203 |
| Amount owing from parent undertaking | 450 | 300 |
| | 1,654 | 503 |

## 11. Creditors: amounts falling due within one year

| | *2002* | *2001* |
|---|---|---|
| | *£000* | *£000* |
| Trade creditors | 1,329 | 428 |
| Amounts owed to parent undertaking | 354 | 267 |
| Other taxes and social security costs | 19 | 12 |
| Accruals and deferred income | 404 | 387 |
| | 2,106 | 1,094 |

## 12. Called up share capital

| | *2002* | *2002* | *2001* | *2001* |
|---|---|---|---|---|
| | *£000* | *£000* | *£000* | *£000* |
| | *Equity* | *Non equity* | *Equity* | *Non Equity* |
| Authorised: | | | | |
| 'A' Ordinary shares of 50p each 180 | 90 | – | 90 | – |
| 'B' Ordinary shares of 50p each 120 | 60 | – | 60 | – |
| Redeemable Cumulative Preference shares of £1 each | – | 5,400 | – | 5,400 |
| | 150 | 5,400 | 150 | 5,400 |
| Allotted, called up and fully paid | | | | |
| 'A' Ordinary shares of 50p each | 90 | – | 90 | – |
| 'B' Ordinary shares of 50p each | 60 | – | 60 | – |
| Redeemable Cumulative Preference shares of £1 each | – | 4,800 | – | 2,850 |
| | 150 | 4,800 | 150 | 2,850 |

During 2002, the allotted share capital increased by £1,950,000 as a result of the issue of 1,950,000 redeemable cumulative preference shares of £1 each.

# Notes to the financial statements

**at 31 December 2002**

## 12. Called up share capital (continued)

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 5 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. The company shall redeem any shares that remain outstanding for cash at par on 31 May 2005.

## 13. Reconciliation of movements in the shareholders' fund

| | *Share capital £'000* | *Share premium £'000* | *Profit and loss account £'000* | *Total £'000* |
|---|---|---|---|---|
| **2002** | | | | |
| Balance at 1 January | 3,000 | 150 | (3,000) | 150 |
| Issue of share capital | 1,950 | – | – | 1,950 |
| Retained loss for the financial year | – | – | (1,902) | (1,902) |
| Balance at 31 December | 4,950 | 150 | (4,902) | 198 |
| **2001** | | | | |
| Balance at 1 January | 1,500 | 150 | (1,536) | 114 |
| Issue of share capital | 1,500 | – | – | 1,500 |
| Retained loss for the financial year | – | – | (1,464) | (1,464) |
| Balance at 31 December | 3,000 | 150 | (3,000) | 150 |

## 14. Other financial commitments

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

| | *2002 £'000* | *2001 £'000* |
|---|---|---|
| One to two years - land and buildings | – | 28 |
| Two to five years - land and buildings | – | – |
| Over five years - land and buildings | 87 | – |

# Notes to the financial statements

**at 31 December 2002**

## 15. 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, its parent undertaking. The arrangements were conducted during the normal course of business on an arms' length basis. The premiums placed amounted to £2,179,000 (2001: £ 450,000) and the related commission £120,000 (2001: £27,000). At the year end £354,080 (2001: £92,000) was due to the parent undertaking in respect of these transactions.

## 16. Reconciliation of operating loss to cash flow from operating activities

| | *2002* | *2001* |
|---|---|---|
| | *£'000* | *£'000* |
| Operating loss | (1,747) | (1,354) |
| Depreciation charges | 205 | 147 |
| Movement in creditors | 834 | 141 |
| Movement in debtors | (1,041) | 281 |
| Operating cash flow | (1,749) | (785) |

## 17. Cash at bank and in hand

| | *2001* | *Change* | *2002* |
|---|---|---|---|
| | *£'000* | *£'000* | *£'000* |
| Current account | 229 | (84) | 145 |
| Money market deposit | 295 | (295) | – |
| Cash at bank and on hand per balance sheet | 524 | (379) | 145 |

## 18. Parent undertaking and controlling party

The company's immediate parent undertaking is MMA Insurance 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 Insurance plc, Norman Place, Reading, RG1 8DA.