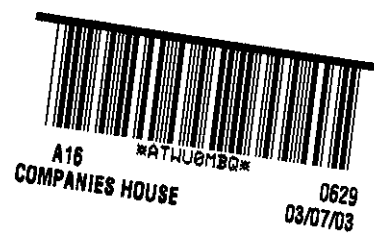


ITS4ME PLC

Report and Financial Statements

31 December 2002



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

ITS4ME PLC

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.

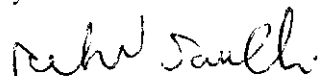
Creditor payment policy

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.

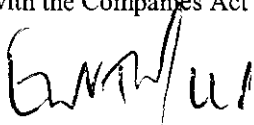
Basis of audit opinion

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
Registered Auditor
London


W Jm Ws

Profit and loss account

for the year ended 31 December 2002

	<i>Notes</i>	<i>2002 £000</i>	<i>2001 £000</i>
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

	<i>Notes</i>	<i>2002 £000</i>	<i>2001 £000</i>
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	—
		<u>1,839</u>	<u>1,027</u>
Creditors: amounts falling due within one year	11	2,106	1,094
Net current liabilities		<u>(267)</u>	<u>(67)</u>
Total assets less current liabilities		<u>198</u>	<u>150</u>
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	<u>198</u>	<u>150</u>

The financial statements were approved by the board of directors on 23/01/03 and were signed on its behalf by:

Director



Cash flow statement

for the year ended 31 December 2002

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

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 £000	2001 £000
Auditors' remuneration:		
- In respect of audit	14	12
Depreciation of fixed assets	205	147
Operating lease rentals - land and buildings	87	28
	<u>206</u>	<u>187</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:

	2002 £000	2001 £000
Emolument	150	160
Contributions to pension fund in respect of directors	9	8
	<u>159</u>	<u>168</u>

5. Staff numbers and costs

	2002 £000	2001 £000
Wages and salaries	753	422
Social security costs	89	48
Other pension costs	57	30
	<u>899</u>	<u>500</u>

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 £000	2001 £000
Bank interest	13	8
Rental income	10	7
	<u>23</u>	<u>15</u>

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 £000	2001 £000
Trade debtors	1,204	203
Amount owing from parent undertaking	450	300
	<u>1,654</u>	<u>503</u>

11. Creditors: amounts falling due within one year

	2002 £000	2001 £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
	<u>2,106</u>	<u>1,094</u>

12. Called up share capital

	2002 £000 Equity	2002 £000 Non equity	2001 £000 Equity	2001 £000 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
	<u>150</u>	<u>5,400</u>	<u>150</u>	<u>5,400</u>
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
	<u>150</u>	<u>4,800</u>	<u>150</u>	<u>2,850</u>

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

	<i>Share capital £'000</i>	<i>Share premium £'000</i>	<i>Profit and loss account £'000</i>	<i>Total £'000</i>
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	<u>4,950</u>	<u>150</u>	<u>(4,902)</u>	<u>198</u>
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	<u>3,000</u>	<u>150</u>	<u>(3,000)</u>	<u>150</u>

14. Other financial commitments

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

	<i>2002 £'000</i>	<i>2001 £'000</i>
One to two years - land and buildings	—	28
Two to five years - land and buildings	—	—
Over five years - land and buildings	<u>87</u>	<u>—</u>

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 £'000	2001 £'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	<u>(1,749)</u>	<u>(785)</u>

17. Cash at bank and in hand

	2001 £'000	Change £'000	2002 £'000
Current account	229	(84)	145
Money market deposit	295	(295)	—
Cash at bank and on hand per balance sheet	<u>524</u>	<u>(379)</u>	<u>145</u>

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.