

MIA General Insurance Service Managers Limited
Directors' report and financial statements
for the year ended 31 December 2002
Registered number 4043759



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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 activity of the Company is the provision of insurance broking services for the Medical Insurance and Veterinary market.

Business review

Both the level of business and the year end financial position remain satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future. A new division called MIA Professional Indemnity was created during 2002 to take advantage of an opportunity in the medical professional indemnity market.

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 holds a charge. On 31st March 2003 agreement was reached for the purchase of SMG Professional Risks from SMG Ltd. SMG Professional Risks offers professional indemnity insurance to complementary therapists. It is planned that on 30th June 2003 that the business of the Dentists Insurance Committee will be transferred from Towergate Strovers Ltd to MIA.

Proposed dividend

Group interim dividends of £3,120,000 (2001: £nil) were paid in respect of the year under review.

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
K Brown (resigned 16th August 2002)
K Harrison

Directors' report *(continued)*

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 2002	31 December 2001	31 December 2002	31 December 2001
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
K Harrison	-	-	-	-

No director has 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 £6,070 (2001: £479) during the year.

Auditors

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

By order of the board



P G Cullum
Director

4 June 2003

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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 MIA General Insurance Service Managers Limited

We have audited the financial statements, on pages 5 to 17.

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.

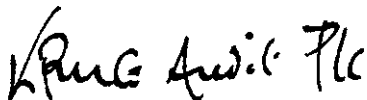
Basis of opinion

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 state 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*

4 June 2003

Profit and Loss Account **for the year ended 31 December 2002**

	Note	2002	16 th September 2000 to 31 st December 2001
		£	£
Turnover	2	6,626,172	6,712,233
Amortisation of goodwill		(351,385)	(414,159)
Administrative expenses		(3,876,951)	(3,840,463)
Operating profit		2,397,836	2,457,611
Other interest receivable and similar income		64,934	63,883
Interest payable and similar charges		(8,422)	(16,028)
Profit on ordinary activities before taxation	3	2,454,348	2,505,466
Tax on profit on ordinary activities	6	(707,269)	(306,112)
Profit on ordinary activities after taxation		1,747,079	2,199,354
Dividends	7	(3,120,000)	-
Retained (loss)/profit for the financial year/period		(1,372,921)	2,199,354

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 loss for the year stated above, and their historical cost equivalents.

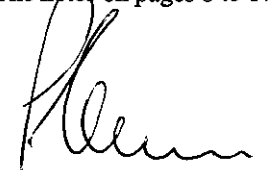
The notes on pages 8 to 17 form part of these financial statements.

Balance Sheet
As at 31 December 2002

	<i>Note</i>	2002 £	2002 £	2001 £
Fixed assets				
Intangible assets	8	5,975,288		6,613,543
Tangible assets	9	535,667		489,072
Investments	10	1,000		1,000
		<hr/>		<hr/>
			6,511,955	7,103,615
Current assets				
Debtors	11	3,759,019		3,912,290
Cash at bank and in hand		1,999,118		419,390
		<hr/>		<hr/>
		5,758,137		4,331,680
Creditors: amounts falling due within one year	12	(6,369,894)		(4,435,939)
		<hr/>		<hr/>
Net current assets / (liabilities)			(611,757)	(104,259)
			<hr/>	<hr/>
Total assets less current liabilities			5,900,198	6,999,356
Creditors: amounts falling due after more than one year	13		(5,073,763)	(4,800,000)
			<hr/>	<hr/>
Net assets			826,435	2,199,356
			<hr/>	<hr/>
Capital and reserves				
Called up share capital	14		2	2
Profit and loss account	15		826,433	2,199,354
			<hr/>	<hr/>
Equity Shareholders' funds			826,435	2,199,356
			<hr/>	<hr/>

These financial statements were approved by the board of directors on 4 June 2003 and were signed on its behalf by:

The notes on pages 8 to 17 form part of these financial statements.


P G Cullum
Director

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

	2002 £	2001 £
Profit for the financial year/period	1,747,079	2,199,354
Issue of Share Capital	-	2
Dividends	(3,120,000)	-
	<hr/>	<hr/>
Net (decrease)/ increase in shareholders' funds	(1,372,921)	2,199,356
Opening shareholders' funds	2,199,356	-
	<hr/>	<hr/>
Closing shareholders' funds	826,435	2,199,356
	<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 Taxation). 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.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on acquisition is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. This is generally taken as twenty years.

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, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Furniture and equipment	-	3-5 years
Computer equipment	-	2-4 years
Motor vehicles	-	4 years

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Notes (continued)

Accounting policies (continued)

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 period.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred. Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover comprises net commission receivable and policy fees receivable.

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		
Auditors' remuneration:		
- Audit	23,285	26,000
Depreciation and other amounts written off tangible fixed assets: Owned	125,853	140,736
Amortisation of goodwill	351,385	414,159
Operating lease rentals	24,327	29,027
Loss on disposal of fixed assets	2,960	4,184

Notes (continued)

4 Remuneration of directors

	2002	2001
	£	£
Directors' emoluments	160,046	158,609
Company contributions to money purchase pension schemes	5,360	6,500
	<hr/> 165,406 <hr/>	<hr/> 165,109 <hr/>

	Number of Directors 2002	Number of Directors 2001
--	-----------------------------------------	-----------------------------------------

Retirement benefits are accruing to the following number of directors under:

Money purchase schemes	1	1
	<hr/>	<hr/>

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 ultimate 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.

5 Staff numbers and costs

The average number of persons employed by the Company during the year, analysed by category, was as follows:

	Number of employees 2002	Number of employees 2001
Administration	95	90
	<hr/>	<hr/>

Notes (continued)

The aggregate payroll costs of these persons were as follows:

	2002 £	2001 £
Wages and salaries	1,982,835	2,211,262
Social security costs	186,266	220,167
Pension costs	63,624	64,353
Other staff costs	59,080	123,052
	<u>2,291,805</u>	<u>2,618,834</u>

6 Taxation

	2002 £	2001 £
UK Corporation tax at 30%	707,269	306,112

The current tax charge for the year is lower (2001:Lower) than the standard rate of corporation tax of 30 % (2001: 30%) The differences are explained below.

	2002 £	2001 £
Current tax reconciliation		
Profit on ordinary activities before tax	2,454,348	2,505,466
Current tax at 30%	736,304	751,640
Effects of:		
Expenses not deductible for tax purposes	115,010	139,855
Group Relief	(131,092)	(567,491)
Capital allowances in excess of depreciation	(12,953)	(17,892)
Tax Charge in Year	<u>707,269</u>	<u>306,112</u>

7 Dividends

	2002 £	2001 £
Dividends on equity shares:		
Ordinary – paid	3,120,000	-

8 Intangible fixed assets

	Goodwill
	£
Cost	
At beginning of period	7,027,702
Reduction in deferred consideration	(286,870)
	<hr/>
At end of period	6,740,832
	<hr/>
Amortisation	
At beginning of period	414,159
Charged in period	351,385
	<hr/>
At end of period	765,544
	<hr/>
Net book value	
At 31 December 2002	5,975,288
	<hr/>
At 31 December 2001	6,613,543
	<hr/>

All goodwill arising on acquisition is amortised over a twenty-year period.

Notes (continued)

9 Tangible fixed assets

	Computer equipment	Furniture & equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At beginning of period	453,937	149,014	26,857	629,808
Additions	137,706	42,215	-	179,921
Disposals	-	-	(26,857)	(26,857)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	591,643	191,229	-	782,872
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At beginning of period	81,733	44,095	14,908	140,736
Charge for period	93,463	27,914	4,476	125,853
Depreciation on disposals	-	-	(19,384)	(19,384)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	175,196	72,009	-	247,205
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2002	416,447	119,220	-	535,667
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2001	372,204	104,919	11,949	489,072
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

10 Investments

	2002 £	2001 £
Shares in Group undertakings	1,000	1,000

11 Debtors

	2002 £	2001 £
Insurance debtors	2,357,959	1,858,176
Amounts owed by group undertakings	765,748	1,171,188
Other debtors	455,447	787,263
Prepayments and accrued income	179,865	95,663
	<u>3,759,019</u>	<u>3,912,290</u>

12 Creditors: amounts falling due within one year

	2002 £	2001 £
Insurance creditors	4,017,578	2,667,010
Amounts owed to group undertakings	125,611	141,663
Corporation tax	715,687	306,112
Taxation and social security	55,883	41,279
Other creditors	79,927	61,987
Accruals and deferred income	356,753	217,888
Deferred consideration	1,018,455	1,000,000
	<u>6,369,894</u>	<u>4,435,939</u>

13 Creditors: amounts falling due after more than one year

	2002 £	2001 £
Amounts owed to group undertakings	5,073,763	3,700,000
Deferred consideration	-	1,100,000
	<u>5,073,763</u>	<u>4,800,000</u>

The consideration will take the form of loan notes.

Notes *(continued)*

14 Called up share capital

	2002 £	2001 £
Authorised		
2 Ordinary shares of £1 each	2	2
	<hr/>	<hr/>
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	2	2
	<hr/>	<hr/>

15 Reserves

	2002 Profit and loss account £	2001 Profit and loss account £
At beginning of year/period	2,199,354	-
Retained (loss)/profit for the year/period	(1,372,921)	2,199,354
	<hr/>	<hr/>
At end of year/period	826,433	2,199,354
	<hr/>	<hr/>

16 Operating lease commitments

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

	2002 Other £	2001 Other £
Operating leases which expire:		
Within two to five years	53,634	94,292
	<hr/>	<hr/>

Notes *(continued)*

17 Pension scheme

Towergate Underwriting Group Limited operates a defined contribution pension scheme, which is open to the employees. The pension cost charge for the period represents contributions payable by the Company to the fund and amounted to £63,624 (2001: £64,353).

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

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.

Notes *(continued)*

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.

In the normal course of business, the company may receive claims in respect of errors and omissions. No material adverse financial impact is expected to arise from these claims.