

Company No: SC 129573

**Independent Insurance Services (Holdings)
Limited**

Report and Accounts

For the year ended 31st December 2003



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NOTICE UNDER COMPANIES ACT 1985, s. 253(1)

To: each member of the Company

INDEPENDENT INSURANCE SERVICES (HOLDINGS) LIMITED

The members of the Company have passed an elective resolution in accordance with (inter alia) Section 252 of the Companies Act 1985 (as amended) ('the 1985 Act'), the effect of which is that the Company has dispensed with the laying of accounts and reports before the Company in general meeting.

This notice is accompanied by a copy of the accounts and reports of the Company for the year ended 31 December 2003 which are sent to you in accordance with Sections 238 and 253 of the 1985 Act.

Section 253(2) of the 1985 Act gives to each member of the Company the right to require the laying of the accounts and reports before a general meeting. Such right is exercisable by a member giving notice in writing to that effect deposited at the registered office of the Company before the end of the period of 28 days commencing with the date below (being the date on which the accompanying accounts and reports were sent to members).

By order of the Board



M Ayling
Secretary

26 October 2004

Registered office of the Company: 24 Great King Street, Edinburgh, EH3 6QN.

CORPORATE INFORMATION

DIRECTOR Aurora Executive Services Limited

SECRETARY M Ayling

BANKERS The Royal Bank of Scotland plc
London Corporate SC
P O Box 39952
2 1/2 Devonshire Square
London
EC2M 4XJ

AUDITOR Bournier Bullock
Sovereign House
212-224 Shaftesbury Avenue
London
WC2H 8HQ

REGISTERED OFFICE 24 Great King Street
Edinburgh
EH3 6QN

COMPANY NUMBER SC 129573

DIRECTOR'S REPORT

The Director presents the annual report and the audited financial statements of the Company for the year ended 31 December 2003.

ACTIVITIES

The Company provides insurance related activities and is a wholly owned subsidiary of Independent Insurance Group PLC, in provisional liquidation.

RESULTS

The transfer from retained reserves for the year is a loss of £71,429 (2002 : loss of £7,250).

DIVIDENDS

No dividend has been proposed or paid during the period under review (2002 : nil).

DIRECTORS

The sole Director as at the date of this report is shown on page 3.

DIRECTORS' INTERESTS

No Director held interests in the share capital of the Company.

CONTINGENT ASSET

On 4 August 2004, settlement was reached with the shareholders of Rholee Limited (formerly Sceptre Insurance Services Limited), in voluntary liquidation, in respect of amounts due from the shareholders of Rholee Limited to the Company under a Sale and Purchase Agreement dated 25 August 1999.

The amount due to the Company under the Agreement was £112,000, which was settled at £95,500.

By order of the Board



M Ayling
Secretary

26 October 2004

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

Company law requires the Director 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 for that period. In preparing those financial statements, the Director is 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 Director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable him to ensure that the financial statements comply with the provisions of the Companies Act 1985. The Director has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the Company and to prevent and detect fraud or other irregularities.

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF INDEPENDENT INSURANCE SERVICES (HOLDINGS) LIMITED

We have audited the financial statements of Independent Insurance Services (Holdings) Limited for the year ended 31 December 2003 set out on pages 8 to 16. These financial statements have been prepared in accordance with the Financial Reporting Standards under the historical cost convention and the accounting policies set out on page 12.

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

As described in the Statement of Director's Responsibilities the company's director is 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 are 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 accounts.

Fundamental uncertainty concerning going concern

In forming our opinion, we have considered the adequacy of the disclosure made in note 1(f) to the financial statements concerning the fundamental uncertainty surrounding the Company's ability to continue to operate for the foreseeable future. Should the Company be unable to continue to operate, adjustments would need to be made, including to reclassify fixed assets as current assets, to write down assets to their recoverable amount and to provide for further liabilities that may arise. Our opinion is not qualified in this respect.

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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**Sovereign House
212-224 Shaftesbury Avenue
London
WC2H 8HQ**

Bourner Bullock

**Bourner Bullock
Chartered Accountants and
Registered Auditors**

26th October 2004

PROFIT AND LOSS ACCOUNT

For the year ended 31st December 2003

	Notes	2003 £	2002 £
Investment income	2	18,509	20,647
Commission and expenses	3	(72,366)	(20,647)
Permanent diminution in value of investments in subsidiary undertakings	6	-	(7,500)
Loss on disposal of associated undertaking	5	(10,000)	-
Amounts owed to associated undertakings written off		16	-
Amounts owed by associated undertakings written off		(3)	-
Loss on ordinary activities before taxation		(63,844)	(7,500)
Tax on profit on ordinary activities	4	(7,585)	250
Retained loss for the financial year	10	(71,429)	(7,250)

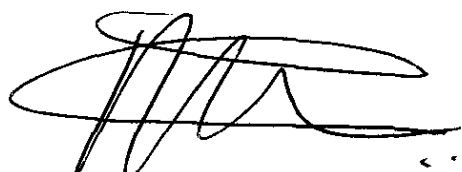
The Company's result arose entirely from continuing operations.

The Company had no recognised gains or losses other than the results for the current and preceding years.

BALANCE SHEET

As at 31st December 2003

	Notes	2003 £	2002 £
FIXED ASSETS			
Subsidiary undertakings	5	-	10,000
Other investments	6	-	-
		-	10,000
CURRENT ASSETS			
Debtors: Amounts falling due within one year	7	92,241	142,006
Cash at bank and on deposit		699,799	679,314
		792,040	821,320
CREDITORS: Amounts falling due within one year	8	(813,609)	(781,460)
NET CURRENT LIABILITIES		(21,569)	39,860
		(21,569)	49,860
CAPITAL AND RESERVES			
Called up share capital	9	2	2
Profit and loss account	10	(21,571)	49,858
EQUITY SHAREHOLDERS' FUNDS		(21,569)	49,860



for and on behalf of
Aurora Executive Services Limited
Director

26 October 2004

CASHFLOW STATEMENT

For the period ended 31st December 2003

	Notes	2003 £	2002 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	14(a)	1,976	(9,379,748)
RETURNS ON INVESTMENTS			
Investment income		18,509	20,647
TAXATION			
Corporation tax		-	250
CAPITAL EXPENDITURE			
Disposal of investments		-	9,354,499
INCREASE/(DECREASE) IN CASH	14(b)	20,485	(4,352)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 31st December 2003

	2003 £	2002 £
Shareholders' funds brought forward	49,860	57,110
Retained loss for the year	(71,429)	(7,250)
Shareholders' funds carried forward	(21,569)	49,860

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's Financial Statements.

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with Section 226 of, and Schedule 4 to, the Companies Act 1985.

(b) Associated and subsidiary undertakings

Investments in associated and subsidiary undertakings are shown at cost. Provision has been made to the extent that there has been a permanent diminution in value below cost.

(c) Income from investments

Income from investments is credited to the profit and loss account in the period in which it is earned.

(d) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed as the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

(e) Other investments

Other investments are shown at the lower of cost or the Director's valuation.

(f) Fundamental uncertainty - going concern

The financial statements have been drawn up on a going concern basis, which assumes that the Company will be able to continue to operate for the foreseeable future. This basis may not be appropriate as the Company is a subsidiary of Independent Insurance Group PLC, which is in provisional liquidation.

The Company's balance sheet shows it had net liabilities at 31 December 2003. However, the Company's ability to continue to operate is dependent on, inter alia, whether the provisional liquidators consider it appropriate to retain and support the Company. Should the Company be unable to continue to operate, adjustments would need to be made to the financial statements, including those to write down assets to their recoverable amount, to reclassify fixed assets as current assets and to provide for any further liabilities that may arise.

(g) Consolidation

The company has not prepared consolidated accounts this year as the inclusion of the company's only subsidiary for the period to 10 January 2003 is not considered to be material for the purpose of giving a true and fair view in accordance with the Companies Act 1985 Section 229(2) and accounting standards.

NOTES TO THE FINANCIAL STATEMENTS

2. INVESTMENT INCOME

	2003 £	2002 £
Short term deposit interest	18,509	20,647
	18,509	20,647

3. COMMISSION AND EXPENSES

	2003 £	2002 £
Management charges	819	19,046
Auditor's remuneration	5,488	1,566
Group VAT settlement	20,400	-
Specific Bad Debt Provision	45,659	-
Other operating expenses	-	35
	72,366	20,647

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003 £	2002 £
Taxation comprises the following:		
Group relief payable	-	-
Under/(over) provision in respect of prior years	7,585	-
	7,585	-

The tax assessed for the year varies from the standard rate of corporation tax in the UK (30%).
The differences are explained below.

	2003 £	2002 £
Loss on ordinary activities before tax	(63,844)	-
Taxation at standard rate in the UK 30% (2002 : 30%)	(19,153)	-
Effects of :		
Tax losses carried forward not recognised	16,157	-
Permanent difference	2,996	-
Prior year adjustment	(7,585)	-
Tax charge for the year	(7,585)	-

NOTES TO THE FINANCIAL STATEMENTS

Deferred taxation is calculated as :

	2003 £	2002 £
Short term timing differences	-	-
Losses	-	-
Total	-	-

The company has an unrecognised deferred tax asset of £16,193.

5. SUBSIDIARY UNDERTAKINGS

	2003 £	2002 £
At 1 January	10,000	10,000
Additions	-	-
Disposals	(10,000)	-
At 31 December	-	10,000

6. OTHER INVESTMENTS

	2003 £	2002 £
At 1 January	-	7,500
Provision for permanent diminution in value	-	(7,500)
At 31 December	-	-

7. DEBTORS

	2003 £	2002 £
Taxation	-	-
Amounts owed by Group undertakings	92,241	96,347
Other debtors	-	45,659
Total	92,241	142,006

8. CREDITORS

	2003 £	2002 £
Amounts falling due within one year:		
Amounts owed to Group undertakings	810,109	779,430
Accruals	3,500	2,030
Total	813,609	781,460

NOTES TO THE FINANCIAL STATEMENTS

9. CALLED UP SHARE CAPITAL

	2003 £	2002 £
Authorised Ordinary shares of £1 each	1,000	1,000
Alotted, issued and fully paid Ordinary shares of £1 each	2	2

10. PROFIT AND LOSS ACCOUNT

	2002 £	2002 £
At 1 January	49,858	57,108
Retained loss for the year	(71,429)	(7,250)
At 31 December	(21,571)	49,858

11. RELATED PARTY DISCLOSURES

At year end, the following balances were owed to/from Group undertakings :

	2003 £	2002 £
Owed to group undertakings		
Independent Insurance Group PLC	(399,408)	(399,408)
Independent Insurance Company Ltd	(389,094)	(377,607)
Kite Property Holdings Ltd	(1,204)	(2,407)
Property & Casualty Services Ltd	(20,400)	-
Environmental Risk Services Ltd	(3)	(3)
Aurora Corporate Services Ltd	-	(5)
	(810,109)	(779,430)
Owed from group undertakings		
PCS Investment (Holdings) Ltd	-	3
New Scotland Services Ltd	92,241	92,241
Independent Insurance Holdings Ltd	-	4,103
	92,241	96,347
Net amount owed to group undertakings	(717,868)	(683,083)

12. ULTIMATE CONTROLLING PARTY

The Company is a wholly owned subsidiary of Independent Insurance Group PLC, in provisional liquidation, which is incorporated in Great Britain and registered in Scotland.

13. APPROVAL OF ACCOUNTS

The financial statements were approved by the Board on 26 October 2004 and signed on its behalf by A J Augustin, for and on behalf of the corporate director, Aurora Executive Services Limited.

NOTES TO THE FINANCIAL STATEMENTS

14. NOTES TO THE CASHFLOW STATEMENT

	2003 £	2002 £
(a) Reconciliation of operating loss to net cash inflow/ (outflow) from operating activities		
Operating loss	(71,429)	(7,500)
Investment income	(18,509)	(20,647)
Permanent diminution in value of investments	-	7,500
Loss on disposal of associated undertaking	10,000	-
Decrease in debtors	49,765	3,482
Increase in creditors and accruals	32,149	(9,362,583)
Net cash inflow/(outflow) from operating activities	1,976	(9,379,748)
(b) Reconciliation of net cash flow to movement in net funds		
Increase/(decrease) in cash for the year	20,485	(4,352)
Change in net funds resulting from cash flows	20,485	(4,352)
Net funds brought forward	679,314	683,666
Net funds carried forward	699,799	679,314

15. CONTINGENT ASSET

On 4 August 2004, settlement was reached with the shareholders of Rholee Limited (formerly Sceptre Insurance Services Limited), in voluntary liquidation, in respect of amounts due from the shareholders of Rholee Limited to the Company under a Sale and Purchase Agreement dated 25 August 1999.

The amount due to the Company under the Agreement was £112,000, which was settled at £95,500.