

Compleat Solutions Limited

**Directors' report and financial statements
for the year ended 31 December 2002
Registered number 3471353**



Directors' report and financial statements

Contents

| | |
|---|------|
| Directors' report | 1-2 |
| Statement of directors' responsibilities | 3 |
| Report of the independent auditors to the members of Compleat Solutions Limited | 4 |
| Profit and loss account | 5 |
| Balance sheet | 6 |
| Reconciliation of movements in shareholders' funds | 7 |
| Notes | 8-15 |

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 computing services.

Business review

The directors are actively seeking alternative income streams to ensure the future profitability of the Company.

The parent company has committed to ensure that the Company can continue to trade for the foreseeable future.

During the year HM Customs & Excise determined that the Company was no longer able to recover input VAT in respect of its expenses and also sought to recover monies reclaimed for the past three years.

Proposed dividend

The directors do not recommend the payment of a dividend.

Directors and directors' interests

The directors who held office during the year were as follows:

PG Cullum
PF Dyer
A Proverbs
NJ Crocker
JA Dodd (Resigned 11 April 2002)
KC Harding (Appointed 23 May 2002)

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 2001 | 31 December 2002 | 31 December 2001 | 31 December 2002 |
| 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 |

No directors have 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.

Directors' report *(continued)*

Political and charitable contributions

The Company made no political or charitable contributions during the year.

Auditors

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

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 hold a charge.

By order of the board



PG Cullum
Director

30 April 2003

Directors' report *(continued)*

Statement of directors' responsibilities

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 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 Compleat Solutions Limited

We have audited the financial statements on pages 5 to 15.

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 audit 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 loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 Salisbury Square
London
EC4Y 8BB

30 April 2003

**Profit and loss account
for the year ended 31 December 2002**

| | <i>Note</i> | 2002 £ | 2001 £ |
|--|-------------|--------------------|-------------|
| Turnover – Continuing operations | 2 | 764,118 | 534,446 |
| Cost of sales – Continuing operations | | (764,118) | (580,586) |
| | | <hr/> | <hr/> |
| Gross loss | | - | (46,140) |
| Administrative expenses | | (1,253,004) | (1,014,348) |
| | | <hr/> | <hr/> |
| Operating loss – Continuing operations | | (1,253,004) | (1,060,488) |
| Other interest receivable and similar income | | 452 | 738 |
| Interest payable and similar charges | 6 | (26,207) | (28) |
| | | <hr/> | <hr/> |
| Loss on ordinary activities before taxation | 3 | (1,278,759) | (1,059,778) |
| Tax on loss on ordinary activities | 7 | - | - |
| | | <hr/> | <hr/> |
| Retained loss for the financial year | | (1,278,759) | (1,059,778) |
| | | <hr/> <hr/> | <hr/> <hr/> |

The Company has no recognised gains and losses other than the losses above and therefore no separate statement of total recognised gains and losses has been presented.

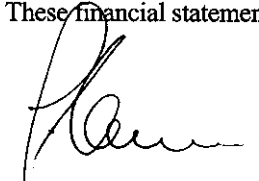
There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents.

Compleat Solutions Limited
Directors' report and financial statements
For the year ended 31 December 2002

Balance sheet
at 31 December 2002

| | <i>Note</i> | 2002 £ | 2002 £ | 2001 £ |
|---|-------------|-------------------------|-------------------------|-------------------------|
| Fixed assets | | | | |
| Tangible assets | 8 | | 137,783 | 122,445 |
| Current assets | | | | |
| Debtors | 9 | 329,630 | | 347,937 |
| Cash at bank and in hand | | 40,107 | | 50,296 |
| | | <hr/> | | <hr/> |
| | | 369,737 | | 398,233 |
| Creditors: amounts falling due within one year | 10 | (4,040,765) | | (2,775,164) |
| | | <hr/> | | <hr/> |
| Net current liabilities | | | (3,671,028) | (2,376,931) |
| | | | <hr/> | <hr/> |
| Net liabilities | | | (3,533,245) | (2,254,486) |
| | | | <hr/> | <hr/> |
| Capital and reserves | | | | |
| Called up share capital | 11 | | 1 | 1 |
| Profit and loss account | 12 | | (3,533,246) | (2,254,487) |
| | | | <hr/> | <hr/> |
| Equity Shareholders' funds | | | (3,533,245) | (2,254,486) |
| | | | <hr/> | <hr/> |

These financial statements were approved by the board of directors on 30 April 2003 and were signed on its behalf by:



PG Cullum
Director

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

| | 2002 £ | 2001 £ |
|---|--------------------|--------------------|
| Loss for financial year | (1,278,759) | (1,059,778) |
| Net reduction in shareholders' funds | (1,278,759) | (1,059,778) |
| Opening shareholders' funds | (2,254,486) | (1,194,708) |
| Closing shareholders' funds | (3,533,245) | (2,254,486) |

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) during the year. 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 92.5% indirectly 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 14.

The parent company has committed to support the activities of Compleat Solutions Limited for the foreseeable future. Accordingly the financial statements are prepared on a going concern basis.

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, over the expected useful economic lives of the assets concerned. The principal rates used for this purpose are:

| | | |
|-------------------------|---|-------------------------------|
| Furniture and equipment | - | 20% per annum (straight line) |
| Computer equipment | - | 25% per annum (straight line) |
| Motor Vehicles | - | 25% per annum (straight line) |

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

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.

Notes (continued)

Accounting policies (continued)

Taxation

Deferred tax is recognised, without discounting, in respect of all material 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 fees receivable and sales of goods inclusive of VAT.

2 Turnover

Turnover consists entirely of sales made in the United Kingdom.

3 Loss on ordinary activities before taxation

| | 2002 £ | 2001 £ |
|---|-----------|-----------|
| Loss on ordinary activities before taxation is stated: | | |
| After charging | | |
| Auditors' remuneration: | | |
| - audit | 8,352 | 4,000 |
| Depreciation and other amounts written off tangible fixed assets: | | |
| Owned | 75,306 | 48,083 |
| VAT penalties and write-offs | 93,281 | 46,140 |

Notes (continued)

4 Remuneration of directors

| | 2002 £ | 2001 £ |
|---|--------------------|--------------------|
| Directors' emoluments | 62,036 | 68,012 |
| Company contributions to money purchase pension schemes | 4,064 | 5,145 |
| | <hr/> 66,100 <hr/> | <hr/> 73,157 <hr/> |

| | Number of directors 2002 | Number of directors 2001 |
|--|--------------------------------|--------------------------------|
| Retirement benefits are accruing to the following number of directors under: | | |
| Money purchase schemes | <hr/> 1 <hr/> | <hr/> 1 <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.

Notes (continued)

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 | Number of employees |
|----------------|------------------------|------------------------|
| | 2002 | 2001 |
| Administration | 16 | 14 |

The aggregate payroll costs of these persons were as follows:

| | 2002 £ | 2001 £ |
|-----------------------|----------------|----------------|
| Wages and salaries | 494,428 | 482,921 |
| Social security costs | 54,781 | 45,701 |
| Other pension costs | 35,429 | 11,812 |
| | <u>584,638</u> | <u>540,434</u> |

6 Interest payable and similar charges

| | 2002 £ | 2001 £ |
|---------------------------------------|---------------|-----------|
| Interest on overdue tax | 13,668 | - |
| Interest on bank loans and overdrafts | 232 | 28 |
| Penalties on VAT | 12,307 | - |
| | <u>26,207</u> | <u>28</u> |

Notes (continued)

7 Taxation

| | 2002 £ | 2001 £ |
|--|-------------|-------------|
| Loss on ordinary activities before tax | (1,278,759) | (1,059,778) |
| Current tax at 30% | (383,628) | (317,933) |

Effects of:

| | | |
|---|---------|---------|
| Expenses not deductible for tax purposes | 8,995 | 0 |
| Depreciation in excess of capital allowances | 6,876 | 2,701 |
| Losses surrendered to fellow group undertaking for no consideration | 367,757 | 315,232 |
| | - | - |

No current or deferred tax arises as the company has incurred losses, all of which have been or will be surrendered to fellow subsidiary companies for no consideration.

8 Tangible fixed assets

| | Motor vehicles £ | Computer equipment £ | Furniture and equipment £ | Total £ |
|-----------------------|------------------------|----------------------------|---------------------------------|------------|
| Cost | | | | |
| At beginning of year | - | 183,888 | 39,999 | 223,887 |
| Additions | 12,500 | 68,307 | 9,837 | 90,644 |
| At end of year | 12,500 | 252,195 | 49,836 | 314,531 |
| Depreciation | | | | |
| At beginning of year | - | 88,573 | 12,869 | 101,442 |
| Charge for year | 1,044 | 65,538 | 8,724 | 75,306 |
| At end of year | 1,044 | 154,111 | 21,593 | 176,748 |
| Net book value | | | | |
| At 31 December 2002 | 11,456 | 98,084 | 28,243 | 137,783 |
| At 31 December 2001 | - | 95,315 | 27,130 | 122,445 |

Notes (continued)

9 Debtors

| | 2002 £ | 2001 £ |
|------------------------------------|----------------|----------------|
| Amounts owed by group undertakings | 270,230 | 293,878 |
| Other debtors | 9,003 | 28,568 |
| Prepayments and accrued income | 50,397 | 25,491 |
| | <u>329,630</u> | <u>347,937</u> |

10 Creditors: amounts falling due within one year

| | 2002 £ | 2001 £ |
|------------------------------------|------------------|------------------|
| Bank loans and overdrafts | - | 846 |
| Trade creditors | 66,044 | 52,842 |
| Amounts owed to group undertakings | 3,895,464 | 2,676,933 |
| Taxation and social security | 14,909 | 11,578 |
| Accruals and deferred income | 64,348 | 32,965 |
| | <u>4,040,765</u> | <u>2,775,164</u> |

11 Called up share capital

| | 2002 £ | 2001 £ |
|---|----------------|----------------|
| Authorised | | |
| 100,000 Ordinary shares of £1 each | <u>100,000</u> | <u>100,000</u> |
| Allotted, called up and fully paid | | |
| 1 Ordinary share of £1 each | <u>1</u> | <u>1</u> |

Notes (continued)

12 Reserves

| | 2002 Profit And loss account £ | 2001 Profit and loss account £ |
|----------------------------|--|--|
| At beginning of year | (2,254,487) | (1,194,709) |
| Retained loss for the year | (1,278,759) | (1,059,778) |
| | <hr/> | <hr/> |
| At end of year | (3,533,246) | (2,254,487) |
| | <hr/> | <hr/> |

13 Pension scheme

Towergate Underwriting Group Limited operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the fund and amounted to £35,429 (2001: £11,812).

14 Related party disclosures

The Company is a wholly owned subsidiary undertaking of Towergate Marine Underwriting Limited which is 92.5% owned by Towergate Underwriting Group Limited which is the ultimate parent Company incorporated in England and Wales.

In the normal course of business, the Company enters into transactions with companies within the Folgate Group ("Folgate"). Folgate has many of the same shareholders as the Towergate Underwriting Group Limited ("TUGL") and the same controlling party, Mr PG Cullum. Folgate is independently operated and managed from TUGL.

The following disclosures are given in accordance with the requirements of FRS 8:-

| | |
|--------------------------------|-------------------------|
| Sales | £28,542 (2001: £NIL) |
| Management recharges | £29,661 (2001: £18,728) |
| Debtor outstanding at year end | £8,086 (2001: £18,728) |

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

Notes *(continued)*

15 Controlling party

Mr PG Cullum, the Chairman, is the controlling party by virtue of his controlling interest in the ultimate parent Company's equity capital.

16 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 2002 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.