R J Kiln & Co Limited

Annual Report and
Financial Statements
31 December 2002

Registered number: 00729671

Contents

Directors' report

The directors present the financial statements of the company for the year ended 31 December 2002.

Principal activity and business review

The company acts as an underwriting agent at Lloyd's, and during the year managed Kiln Combined Syndicate 510, Kiln Catastrophe Syndicate 557, Kiln Life Syndicate 308, Kiln Mathers Non-Marine Syndicate 807 and Kiln Helson Syndicate 1204.

The company also acts as a service company for Kiln plc, Kiln Capital plc, Kiln Underwriting Limited, Kiln Underwriting (807) Limited and managed syndicates providing services and settling expenses on behalf of those companies and being reimbursed on a cost basis.

The business, assets and staff of Link Insurance Services Limited were transferred to various subsidiaries of Rubicon Corporation on 1 January 2002. Link Insurance Services Limited acted principally as a service company for motor and other personal lines and commercial business written through binding authorities into syndicates managed by R.J. Kiln & Co. Limited. It is intended that Link Insurance Services Limited will become a dormant company.

Kiln South Africa (Proprietary) Limited commenced trading on 1 September 1999, writing personal lines and commercial business under a binding authority into Syndicate 510.

The 20% company's shareholding in MultiNational Underwriters Inc; an underwriting agency incorporated in Indiana, USA, writing medical expenses and life business through binding authorities into Syndicates 807 and 308 respectively was sold on 19 August 2002 with the first instalment received of £294,040; the profit on sale is attributable to Syndicate 807 and 308.

Agency fee income increased significantly this year in line with increased underwriting capacity; 2002 - £530m and 2001 - £369m.

The Profit commission continues to be provided by syndicate 557 in these accounts and this will continue to be the case in 2003. Due to losses on the 2001 year of account the flow of profit commission is expected to cease in 2004 and recommence in 2005 when profits on syndicates 510 and 807 are anticipated to give rise to profit commission from the 2002 year of account. Fee income will continue to improve due to an increase in capacity under management of £128m, to £658m, for 2003.

Ultimate Parent Company

The ultimate parent company is Kiln plc.

Accounts and dividend

The profit for the year is as stated in the profit and loss account on page 8.
The directors recommend that a dividend is not paid this year.

Directors' report continued

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 19 February 2002 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

Directors

The directors of the company throughout the year are listed below. No director held any beneficial interest in the shares of the company or its subsidiaries at any time during the year. The beneficial interests of the directors in the ordinary shares of Kiln plc at 1 January 2002 and 31 December 2002, including such family interests as are required to be shown by Section 325 of the Companies Act 1985, were as follows:

	At 1 January 2002 or appointment	At 31 December 2002
J P Percy	-	-
M Bhatti	-	-
L R Butler (retired 31st December 2002)	430,062	430,062
R J Butler	494,571	772,571
A J Carrier	179,692	179,692
R D Chase	184,898	244,898
E G Creasy	-	10,000
R A Fleming Williams (retired 29th November 2002)	107,500	207,500
C A S Franks	103,324	204,545
G D Gilchrist (retired 27th June 2002)	2,215,887	1,815,887
R G Hargreaves	179,883	179,883
S J Helson	16,500	16,500
S B Jedburgh	131,000	131,000
J R Johnstone (retired 27th June 2002)	356,000	406,666
P M Letherbarrow	43,963	43,963
M A Lewis	49,244	42,755
S D Mathers	733,242	733,242
N R Mockett (retired 30th January 2003)	135,454	135,454
B D Shepherd	212,144	239,144

J R Diamond and T P Prifti were appointed directors on 7th January 2003.
M Madden was appointed a director on 9th April 2003.

Directors' report continued

The directors have been granted options over ordinary shares in Kiln plc. Options held and exercised in the year are as follows:-

	Options A				
	At 1 January 2002	Exercised on 7 October 2002 @ 74p	Exercised on 7 November 2002 @ 70.5p	At 31 December 2002	Gain £
L R Butler	119,174	40,672	78,502	-	85,441
R J Butler	430,000	146,750	283,250	-	308,286
A J Carrier	45,000	15,358	29,642	-	32,263
R D Chase	272,400	-	50,000	222,400	35,250
R A Fleming-Williams	107,500	-	107,500	-	75,788
C A S Franks	78,000	26,620	51,380	-	55,922
G D Gilchrist	227,755	-	-	227,755	-
R G Hargeaves	45,000	15,358	29,642	-	32,263
S B Jedburgh	180,000	-	-	180,000	-
P M Letherbarrow	32,500	-	-	32,500	-
M A Lewis	17,838	6,088	11,750	-	12,788
S D Mathers	90,800	-	-	90,800	-
N R Mockett	43,000	14,675	28,325	-	30,829
B D Shepherd	45,000	15,358	29,642	-	32,263
E G Creasy	-	-	-	-	-

	Options B	Options C	Options D	Options E
	At 1 January & 31 December 2002	At 1 January & 31 December 2002	At 1 January & 31 December 2002	At 1 January & 31 December 2002
L R Butler	115,472	71,094		
R J Butler	141,002	124,126		
A J Carrier	117,829	138,345		
R D Chase	131,968	81,470		
R A Fleming-Williams	70,697	62,225		
C A S Franks	89,550	99,147		
G D Gilchrist	271,393	106,449		
R G Hargeaves	117,829	138,345		
S B Jedburgh	103,297	114,135		
P M Letherbarrow	53,023	88,003		
M A Lewis	40,062	43,809		
S D Mathers	175,958	106,833		
N R Mockett	79,731	88,003		
B D Shepherd	103,297	79,933		
E G Creasy	-	-	256,097	300,000

Directors' report continued

Options A granted by the Kiln Employee Trust on 15 July 1998 over issued shares are exercisable for nil consideration. 25% of such options are exercisable from 1 September 1999, 25% from 1 September 2000, 25% from 1 September 2001, and 25% from 1September 2002. These options expire at 17 August 2008.

Options B granted by the Kiln plc remuneration committee on 15 July 1998 over unissued shares are exercisable at £1.30 per share between 8 July 2001 and 7 July 2008.

Options C granted by the Kiln plc Employee Share Trust on 27 July 1998 over unissued shares are exercisable at £1.82 per share between 8 July 2001 and 7 July 2008.

Options D granted by the Kiln plc remuneration committee on 1st January 2000 over unissued shares are exercisable at £0.615 per share between 1st January 2003 and 1st January 2010. These options may only be exercised if the share price at time of exercise has increased by an amount equal to or greater than 5.5% per annum (compound) since the date of the grant.

Options E granted by the Kiln plc remuneration committee on 1 January 2000 over unissued shares are exercisable at £1.30 per share between 1 January 2003 and 1 January 2010.

Fixed assets
Movements in tangible assets are shown in note 11 to the financial statements on page 18.

Directors' and officers' liability insurance
Directors' and officers' liability insurance has been purchased by the ultimate parent company in respect of all group companies during the period.

Charitable donations
Charitable donations totalling £25,250 were made during the period.

By order of the board

Keith Grant
Secretary
12 May 2003

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 as at the end of the financial year and of the profit or loss of the company for that year. In preparing these 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;

prepare the financial statements on a 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 that disclose with reasonable accuracy at any time the financial position of the company and 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 auditor's report to the members of R J Kiln & Co Limited.

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

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 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
12 May 2003

Profit and loss account for the year ended 31 December 2002

	Notes	2002	2001
		£	£
Turnover	2	4,293,091	2,786,524
Other operating income	3	22,056,896	15,945,053
		26,349,987	18,731,577
Operating costs	4,5	(24,512,797)	(18,216,472)
Operating Profit		1,837,190	515,105
Other income	6	186,096	11,000
Profit on ordinary activities before interest and tax		2,023,286	526,105
Interest receivable and similar income	7	74,977	72,972
Interest payable and similar expenses	8	(29,058)	(6,160)
Profit on ordinary activities before tax		2,069,205	592,917
Exceptional Items	9	--	191,717
Profit before tax		2,069,205	784,634
Tax on profit on ordinary activities	10	(828,928)	(282,314)
Profit for the financial year		1,240,277	502,320
Dividends		--	--
Retained profit for the year	17	1,240,277	502,320

All activities are continuing. Other than the profit for the year, there are no recognised gains or losses attributable to the members of R J Kiln & Co. Limited.

The notes on pages 10 to 21 form part of these financial statements.

Balance Sheet 31 December 2002

	Notes	2002	2001
		£	£
Fixed assets			
Tangible assets	11	4,695,615	3,682,263
Investments	12	1,002	256,521
		4,696,617	3,938,784
Current assets			
Debtors	13	1,882,336	3,207,898
Cash at bank and in hand		2,360,932	1,150,500
		4,243,268	4,358,398
Creditors: amounts falling due within one year	14	(2,864,448)	(2,990,760)
Net current assets		1,378,820	1,367,638
Total assets less current liabilities		6,075,437	5,306,422
Creditors: amounts falling due after more than one year	14	(474,930)	(978,242)
Provisions for Liabilities and charges	15	(139,520)	(107,470)
Net assets		5,460,987	4,220,710
Capital and reserves			
Called up share capital	16	502,251	502,251
Share premium account	17	4,999	4,999
Capital redemption reserve	17	14,545	14,545
Profit and Loss account	17	4,939,192	3,698,915
Total equity shareholders' funds		5,460,987	4,220,710

The financial statements on pages 8 to 21 were approved by the board of directors on 12 May 2003 and were signed on its behalf by:

John Diamond

John Diamond
Finance Director, R J Kiln & Co Limited

The notes on pages 10 to 21 form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2002

1. Basis of accounting and accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and with applicable Accounting and Financial Reporting Standards.

In accordance with the exemption allowed under section 228 Companies Act 1985 group consolidated financial statements have not been prepared. The company is itself a wholly-owned subsidiary of Kiln plc , incorporated in Great Britain and registered in England and Wales, which will produce group consolidated financial statements incorporating this company and its subsidiaries for the year ended 31st December 2001. The company has also taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1.

Changes in accounting polices and estimation techniques

Financial Reporting Standard 19 - Deferred tax, ("FRS19") has been adopted for the first time in these financial statements. As a consequence full provision has been made for deferred tax on tax assets and liabilities arising from timing differences. However the adoption has not resulted in any prior year restatements.

The transitional disclosures required under FRS17 "Retirement Benefits" have been presented in Note 5. These disclosures are presented in addition to the requirements under the existing standard.

Accounting Policies

(a) Turnover
Turnover comprises underwriting agency fees and underwriting profit commission which are recognised on the following bases:

- Underwriting agency fees: these are recognised evenly over the underwriting year of account for which they are charged.
- Underwriting profit commission: this is recognised in the period in which it is received.

(b) Other Operating Income
Other operating income is recognised in the period in which it is receivable and comprises management and service charges borne by group managed syndicates and other group companies for computer, supervisory and management services, and provision of claims management services to another syndicate at Lloyd's.

(c) Leases
Rentals payable under operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.
Assets held under finance leases are included at cost under tangible fixed assets. Cost is determined as the capitalised value of minimum lease payments as at the commencement of the lease. The assets are depreciated over the lease terms. The capital element of future payments is treated as a liability and the interest element is charged to profit and loss account.

(d) Pensions
The costs of providing pensions are estimated on the basis of independent actuarial advice and are charged to the profit and loss account over the expected service lives of participating employees. Certain non-contractual payments may be paid relating to particular employees and are charged to the profit and loss account as paid. The funding policy follows the accounting policy except where an actuarial valuation indicates a deficiency or a surplus. Such surpluses or deficiencies are, for funding purposes, dealt with as advised by the actuary.

(e) Tangible fixed assets
Tangible fixed assets are stated at cost less accumulated depreciation.
Fixed assets are depreciated on the straight-line method over the expected useful lives of each category of asset as follows: Office Furniture (including office partitions, ceilings, carpets, chairs and other office furniture) - 4 years; owned computer hardware and software - 3 years; motor cars – 4 years.

(f) Foreign currency exchange differences
Foreign currency exchange differences are recognised in the profit and loss account as they arise.

(g) Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statement.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expect 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. Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

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2. Turnover

	Year to 31.12.01	Year to 31.12.01
	£	£
Agency fees	3,961,845	2,579,812
Profit commission received on the 1999 (1998) closed year of account	331,246	206,712
	4,293,091	2,786,524

All turnover arises from continuing operations and is derived wholly from the United Kingdom.

Certain directors are underwriting members of Lloyd's through the agency of a group company. Although the agency agreements entitle remuneration to be charged at normal commercial rates, by concession managing agent's fees and profit commissions are waived. Had this concession not been allowed, the amount for turnover would be increased by £9,250 in respect of directors of the company and £7,029 in respect of other group employees whose charges have also been waived.

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3. Other operating income

All group managed expenses are processed through R J Kiln and subsequently recharged to the relevant group companies or syndicates.

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4. Operating profit

Operating profit is stated after charging:

	Year to 31.12.02	Year to 31.12.01
	£	£
Depreciation of tangible fixed assets	1,099,514	692,468
Depreciation on capitalised leases	60,103	53,684
Auditors' remuneration - audit work	16,676	25,000
Operating lease rentals – office space	979,947	287,076

and staff costs as detailed in note 5 below.

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5. Staff costs

Particulars of employees (including directors) are as set out below.

Employee costs for the period amounted to:

	Year to 31.12.02	Year to 31.12.01
	£	£
Salaries and bonuses	9,260,259	7,901,689
Social security costs	901,798	782,459
Other pension costs	2,189,114	1,808,636
	12,351,171	10,492,784

The average weekly number of persons employed by the company during the period was 148; 98 administration and 50 Syndicate staff, (2001 – 140; 102 administration and 38 Syndicate).

Many of the employees work predominantly on the affairs of group syndicates, and of the staff costs reported above £4,928,356 (2001 - £4,146,822) is directly attributable to group syndicates and has been borne by them.

Directors' remuneration	Year to 31.12.02	Year to 31.12.01
	£	£
Fees as directors	177,125	204,490
Other emoluments	3,410,000	3,306,512
	3,587,125	3,511,002

Included in other emoluments are aggregate pension costs of £642,239 (2001 - £637,268).

14 out of the 19 directors are accruing benefits under the company's defined benefit pension scheme.

There are no directors accruing benefits under the company's money purchase scheme.
10 out of the 19 directors exercised options, the aggregate amount of gain by directors was £701,093.

The remuneration of the highest paid director, E G Creasy, (E G Creasy in 2001) were:

	Year to 31.12.02	Year to 31.12.01
	£	£
Fees and other emoluments	354,947	297,959
Defined benefit pension scheme - accrued pension per annum at end of period	4,740	3,120

Fees and other emoluments for the highest paid director in 2002 include a FURBS of £24,667.
The transfer value and accrued pension per annum of the highest paid director increased by £11,298 and £1,620 respectively during the period.

Pension arrangements

The company provides pensions for its eligible employees through the R J Kiln & Co Limited Pension and Assurance Scheme ("the Scheme"). The assets of the scheme are held in a separate trustee-administered fund.

(a) The Scheme is a defined benefit (final salary) funded pension scheme with a new defined contribution (money purchase) section (introduced with effect from 19th January 2001 for new employees). The final salary scheme will be closed to all members with effect from 1st May 2003 and all employees will have access to a money purchase scheme.

(b) A full actuarial valuation on the final salary scheme was carried out at 1st May 2001 and updated to 31st December 2002 by C Gemmell, FFA of HSBC Actuaries and Consultants Limited. The liability amount has been estimated using approximate actuarial techniques and major assumptions as set out below:

	At 31st December 2002 (per annum)	At 31st December 2001 (per annum)
Rate of increases in salaries	5.0%	5.0%
Rate of increase of pensions in payment		
-benefits accrued prior to 1st May 1999:	5.0%	5.0%
-benefits accrued after 1st May 1999:	2.5%	3.0%
Rate of revaluation of deferred pensions in excess of GMP	5.0%	5.0%
Discount rate	5.5%	6.0%
Inflation assumption	2.5%	3.0%

(c) The Final Salary (defined benefit) section part provides benefits on the basis of one forty-fifth of final salary for each year of pensionable employment. The funding rate is 35.0 per cent. Certain members of the scheme have been guaranteed a two-thirds pension at normal retirement date, although their length of service will be less than that normally required to produce that level of pension: this has resulted in some additional funding for these members.

Like other UK pension schemes, the deficit under FRS17 has increased significantly over the last year through the combined effect of the reduction in corporate bond yields, which have inflated liabilities, and the reduction in equity markets, where the majority of scheme assets are held. The FRS17 deficit is not only highly volatile but also significantly larger than the deficit calculated by the Scheme Actuary when advising the Trustees, due to the more conservative nature of the prescribed FRS17 assumptions.

In the light of the FRS17 situation, the following steps have been taken:

- The Company has announced the closure of the final salary scheme to all existing staff and, from 1st May 2003, will be contributing to a money purchase arrangement. This means that, in respect of future pension accrual, the investment risk has been passed from the Company to members, thereby containing the FRS17 issue.
- The investment strategy of the final salary scheme has been given detailed consideration and is being adjusted to help reduce volatility relative to FRS17, while retaining opportunities for recovering markets to help improve the FRS17 position.
- The Group is intending to make contributions of £750,000 per annum to help improve scheme funding. This level will be reviewed annually.

The funding rate for the new Money Purchase (defined contribution) section is 15 per cent, and for employees currently in the final salary scheme the funding rate will be between 15 per cent and 30 per cent.

Pension arrangements (continued)

Pension funding in the defined benefit scheme is allocated by charging the funding percentage to the divisions for which relevant staff work. Within this recharge approximately 80 per cent of the Group's 2003 staff costs will be recharged to managed syndicates, and Kiln Group bears a proportion of this cost through the capacity it owns.

In addition to the final salary section and new money purchase section of the Scheme, the company also contributes to a number of individual benefit plans; in particular, a FURBS on behalf of Edward Creasy and various Personal Pension Plans and Executive Pension Plans for a number of other employees.

Employer contributions made in respect of the accounting period amounted to:

	2002 £	2001 £
Final Salary Scheme	1,636,000	2,220,000
Money Purchase Scheme	113,000	19,000
FURBS on behalf of Edward Creasy	24,667	21,920
Other personal pension plans	169,706	114,789
Total	1,943,373	2,375,709

The Final Salary Scheme was closed to new entrants with effect from 19th January 2001. Accordingly, over time, it is expected that the overall age profile of the active membership will rise and the current service cost calculated under the Projected Unit method will increase. The Money Purchase Scheme is open to new entrants.

(d) Asset value in the Final Salary Scheme

	Long-term rate of return expected at 31st December 2002	**Value at 31st December 2002**	**Long-term rate of return expected at 31st December 2001**	**Value at 31st December 2001**
Equities	7.5% p.a.	£16,205,000	7.5% p.a.	£23,188,000
Property	7.0% p.a.	£650,000	7.0% p.a.	£650,000
Bonds	5.0% p.a.	£13,488,000	5.5% p.a.	£13,587,000
Cash	4.0% p.a.	£1,355,000	3.0% p.a.	£1,694,000
Total market value of assets		**£31,698,000**		**£39,119,000**

The following amounts at 31st December 2001 and 31st December 2002 were measured in accordance with the requirements of FRS17.

Deficit in Final Salary Scheme	**Value at 31st December 2002**	**Value at 31st December 2001**
Total market value of assets	£31,698,000	£39,100,000
Present value of Scheme liabilities	£59,146,000	£54,300,000
Surplus (deficit) in the Scheme	(£27,448,000)	(£15,200,000)
Related deferred tax asset	£8,234,400	£4,600,000
Net pension asset (liability)	**(£19,213,600)**	**(£10,600,000)**

(e) On full implementation of FRS17 the following amounts would have been recognised in the performance statements in the year ended 31st December 2002:

Analysis of the amount charged to operating profit	**£'000**
Employer's current service cost	1,570
Past service cost recognition	0
Total Operating charge	1,570

Pension arrangements (continued)

Analysis of the amount credited to other finance income	**£'000**
Expected return on pension scheme assets	2,480
Interest on pension scheme liabilities	(3,163)
Net return	(683)

Analysis of the amount recognised in STRGL	**£'000**
Actual return less expected return on scheme assets	(6,787)
Experience gain (loss) arising on the scheme's liabilities	615
Changes in assumptions underlying the present value of scheme liabilities	(5,478)
Actuarial gain (loss) recognised in STRGL	(11,650)

Reconciliation of Surplus (Deficit)	**£'000**
Surplus (deficit) in scheme at beginning of the year	(15,181)
Movement in the year:	
Current service cost	(1,570)
Contributions	1,636
Past service costs	-
Other finance income	(683)
Actuarial gain (loss)	(11,650)
Surplus (Deficit) in scheme at end of the year	(27,448)

History of experience gains and losses	**£'000**
Difference between the expected and actual return on scheme assets:	
Amount	(6,787)
percentage of scheme assets	(21%)
Experience gain (loss) on scheme liabilities:	
Amount	615
percentage of present value of the scheme liabilities	1%
Total amount recognised in STRGL:	
Amount	(11,650)
percentage of present value of the scheme liabilities	(20%)

Pension arrangements (continued)

Projected Pension expense for next year

	31st December 2003
Analysis of the amount charged to operating profit	**£'000**
Current service cost	520
Past service cost	-
Total operating charge	520

Analysis of the amount credited to other finance income	**£'000**
Expected return on pension scheme assets	1,991
Interest on pension scheme liabilities	(3,253)
Net Return	(1,262)

Note: Pension expense may change by the year end to take account of events during the year (eg benefit improvements, settlements, curtailments) not incorporated into the calculations.

The following amounts would have been shown in the balance sheet on the full implementation of FRS17:

	2002	2001
Net assets	**£'000**	**£'000**
Net assets excluding pension liability	5,461	4,221
Pension liability	(19,214)	(10,600)
Net assets including pension liability	(13,753)	(6,379)

Reserves	**£'000**	**£'000**
Profit and loss reserve excluding pension liability	4,939	3,699
Pension reserve	(19,214)	(10,600)
Profit and loss reserve including pension liability	(14,275)	(6,901)

6. Other income

	Year to 31.12.02	Year to 31.12.01
	£	£
Rent Receivable	70,983	11,000
Other Income	115,113	-
	186,096	11,000

7. Interest receivable and similar income

	Year to 31.12.02	Year to 31.12.01
	£	£
Bank interest	74,977	59,237
Other interest	-	13,735
	74,977	72,972

8. Interest payable and similar charges

	Year to 31.12.02	Year to 31.12.01
	£	£
Finance lease and loan interest	29,058	6,160
	29,058	6,160

9. Exceptional Item

	Year to 31.12.02	Year to 31.12.01
	£	£
Sundry Income - Profit On Sale of Holiday Properties	--	191,717
	--	191,717

10a. Tax on profit on ordinary activities

	Year to 31.12.02	Year to 31.12.01
U.K.Corporation Tax on taxable result at 30% (2001:30%)	£	£
Current Tax:		
UK Corporation tax on profits of the period	700,393	174,844
Adjustments in respect of previous periods	96,485	--
Total current tax (note 10b)	796,878	174,844
Deferred Tax:		
Origination and reversal of timing differences	32,050	107,470
Total Deferred tax (note 15)	32,050	107,470
Tax on profit on ordinary activities	828,928	282,314

10b. Factors affecting tax charge for period

	Year to 31.12.02	Year to 31.12.01
	£	£
Profit on ordinary activities before tax	2,069,205	784,634
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30% (2001:30%)	620,761	235,390
Effects of:		
Expenses not deductable for tax purposes	166,558	68,359
Capital allowances for period in excess of depreciation	(86,926)	(125,290)
Utilisation of capital losses	--	(3,615)
Adjustments in respect of previous periods	96,485	
Current tax charge for period (note 10a)	796,878	174,844

10c. Factors that may affect future tax charges

Based on current capital investment plans, we expect depreciation to be in excess of capital allowances in future years.

All brought forward capital losses have been utilised in 2001.

11. Tangible Assets

	Office furniture etc.		Motor Vehicles	Computer hardware and software			Total
	Owned	Leased		Owned	Leased	Development	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Book Cost							
At 1st January 2002	**1,195,929**	**180,311**	**51,132**	**2,536,262**	**4,285,793**	**1,655,308**	**9,904,735**
Additions	186,025	-	-	451,722	-	1,626,768	2,264,515
Disposals	(135,274)	-	(51,132)	(165,398)	-	-	(351,804)
At 31st December 2002	**1,246,680**	**180,311**	**-**	**2,822,586**	**4,285,793**	**3,282,076**	**11,817,446**
Less Depreciation							
At 1 January 2001	**(314,709)**	**(30,052)**	**(35,745)**	**(1,556,174)**	**(4,285,793)**	**-**	**(6,222,473)**
Charge for the year	(239,154)	(60,103)	-	(860,360)	-	-	(1,159,617)
Elimination re:disposals	74,661	-	35,745	149,853	-		260,259
At 31st December 2002	**(479,202)**	**(90,155)**	**-**	**(2,266,681)**	**(4,285,793)**	**-**	**(7,121,831)**
Net Book Value							
31st December 2002	**767,478**	**90,156**	**-**	**555,905**	**-**	**3,282,076**	**4,695,615**
31st December 2001	**881,220**	**150,259**	**15,388**	**980,088**	**-**	**1,655,308**	**3,682,263**

Computer hardware and software development of new systems to support the underwriting business have not been brought into use. As this asset has not yet been brought into use no depreciation has been provided. In due course the cost will be depreciated at the rates specified in the accounting policies note.

12. Fixed asset investments

	31.12.02	31.12.01
	£	£
Group undertakings	1,002	256,521
	1,002	256,521

Fixed asset investments are stated at the lower of cost and directors' valuation. They comprise investments in subsidiaries and associates as detailed below. All companies are incorporated in Great Britain and registered in England and Wales, unless otherwise indicated.

Link Insurance Services Limited, a service company for motor and other personal lines and commercial business written through binding authorities into syndicates managed by R.J. Kiln & Co. Limited.
100% of the issued share capital, represented by 1,000 ordinary shares of £1 each, fully paid.
On the 1st January 2002 the business of Link Insurance Services Limited, except that relating to commercial property and certain assets were sold.
The risks and benefits of the business of Link Insurance Services Limited are owned by the names of Syndicate 510, and consequently the disposal has no direct impact on the results of R J Kiln & Co Limited.

Kiln Trustees Limited, a company acting as trustee for trusts in relation to the issued share capital of Kiln plc and its subsidiaries.
100% of the issued share capital, represented by 1 ordinary share of £1, fully paid.

Financial investments (continued)

Kiln South Africa (Proprietary)Limited, incorporated in South Africa, commenced trading on 1st September 1999, writing personal lines and commercial business under a binding authority into Syndicate 510.
100% of the issued share capital, represented by 1 ordinary shares of SAR1, fully paid.

MultiNational Underwriters Inc, an underwriting agency incorporated in Indiana, USA, writing medical expenses and life business through binding authorities into Syndicates 807 and 308 respectively.
246 shares of common stock, representing 24.6% of the issued share capital. Kiln Group does not exercise significant influence over this company, and consequently the investment is accounted for as a trade investment rather than as an associated company.

The Investment in MNU was sold on 19 August 2002 with the first instalment received of £294,040, the profit on sale is attributable to Syndicate 807 and 308, therefore no impact on R J Kiln & Co. Limited's results.

13. Debtors

	31.12.02	31.12.01
	£	£
Due within one year:		
Due from group undertakings	336,277	212,725
Due from group syndicates	698,284	2,371,788
V.A.T.	544,679	311,484
Home loans due from employees	13,750	15,220
Other debtors	118,611	80,537
Prepayments and accrued income	62,854	95,526
	1,774,455	3,087,280
Due after more than one year:		
Home loans due from employees	107,881	120,618
	1,882,336	3,207,898

14. Creditors

	31.12.02	31.12.01
	£	£
Due within one year:		
Trade creditors	693,348	587,515
Due to group syndicates	39,904	-
Due to group undertakings	349	376,887
Net obligations in respect of finance leases	60,012	56,050
Net obligations in respect of Lombard Loan	79,143	73,918
U.K.Corporation tax payable	707,369	181,820
Bank overdraft	233,016	607,711
Social security and P.A.Y.E.	299,048	350,074
Other creditors	65,031	76,161
Accruals and deferred income	687,228	680,624
	2,864,448	2,990,760
Due after more than one year and within five years		
Net obligations in respect of Lombard Loan	63,002	142,145
Net obligations in respect of finance leases	47,772	107,785
Deferred income to be recognised by 2004	364,156	728,312
	474,930	978,242
	3,339,378	3,969,002

In 2001 Lombard provided a fixed rate loan of £237,791 at an interest rate of 6.4%. This is repayable over 3 years.

15. Provisions for liabilities and charges

	31.12.02	31.12.01
	£	£
Accelerated capital allowances	139,520	107,470
Deferred taxation:		
Balance at the beginning of the year	107,470	--
Deferred tax charge in the profit & loss account (note10a)	32,050	107,470
Balance at 31 December	139,520	107,470

16. Called up share capital

	31.12.02	31.12.01
	£	£
Authorised: 1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
Allotted, called up and fully paid:		
Authorised: 502,251 ordinary shares of £1 each	502,251	502,251

17. Movement in Reserves

	Capital redemption reserve	Share Premium Account	Profit and loss account
	£	£	£
At 1st January 2002	14,545	4,999	3,698,915
Retained profit for the period	--	--	1,240,277
At 31st December 2002	14,545	4,999	4,939,192

18. Contingent liabilities

(a) The company has guaranteed the liabilities of Link Insurance Services Limited to Lombard North Central plc and Lombard Network Services Limited in respect of loan and leasing facilities amounting to £77,593 and £335,431 respectively. These liabilities arose within Link Insurance Services Limited and although the assets were disposed of with the transfer of the business to Rubicon the group remains guarantor under the terms of the arrangement.

(b) The company acts as guarantor in respect of house purchase loans totalling £121,631 to group employees other than directors.

19. Annual commitments under operating leases

Land and buildings	2002	2001
	£	£
Expiring within 1 year	-	-
Expiring between 1 and 5 years	-	-
Expiring after 5 years	1,030,473	1,030,473
	1,030,473	1,030,473

(a) £979,973 up to 24 June 2016 for the rental of its offices at 106 Fenchurch Street, London, subject to reviews at 24 June 2006, 24 June 2011 and 23 June 2016.

(b) £50,500 up to March 2014, subject to reviews at March 1999 and five-yearly thereafter, for the rental of offices at Colman House, King Street, Maidstone, Kent. The net commitment on this property is borne by Link Insurance Services Limited.

20. Finance lease obligations

	2002	2001
	£	£
Amounts due in less than 1 year	60,012	56,050
Amounts due between 1 and 5 years	47,772	107,785
	107,784	163,835

21. Lombard Loan

	2002	2001
	£	£
Amounts due in less than 1 year	79,143	73,918
Amounts due between 1 and 5 years	63,002	142,145
	142,145	216,063

22. Parent company

The company's ultimate parent company is Kiln plc incorporated in Great Britain and registered in England and Wales. Copies of the group financial statements of Kiln plc are available from 106 Fenchurch Street, London EC3M 5NR.