

MEDISURE CORPORATE SERVICES LIMITED
(formerly Sedgwick Noble Lowndes Healthcare Limited)

ANNUAL FINANCIAL STATEMENTS

31 December 1998

Company registration number: 1639144



MEDISURE CORPORATE SERVICES LIMITED
(formerly Sedgwick Noble Lowndes Healthcare Limited)

Directors' report for the year ended 31 December 1998

1. Principal activities

The company's principal activities during the year continued to be the negotiation, design and administration of private medical schemes for larger employers. The company will continue to provide these services for the coming year.

2. Review of 1998

Revenue for the year was £5,308,000 (1997 - £5,547,000) down 4.3% on the previous year. The retained loss for the year was £1,272,000 compared to a loss of £213,000 in 1997.

3. Company Name

On 26 November 1999 the company changed its name to Medisure Corporate Services Limited from Sedgwick Noble Lowndes Healthcare Limited.

4. Change of ultimate parent company

On 3 November 1998 the company's ultimate parent company changed from Sedgwick Group plc registered in England and Wales to Marsh & McLennan Companies, Inc. (also referred to as MMC), registered in the United States.

5. Change of immediate parent company

On 8 July 1998 the entire issued share capital of the company was transferred from Sedgwick Noble Lowndes Group Limited to Medisure, Seabury & Smith Limited (formerly Openduty Limited).

6. Board of directors

The directors of the company at 31 December 1998, all of whom were directors throughout the year, except as noted below, were:

Mr P R Brew	(Appointed 19 October 1998) (Resigned 31 December 1998)
Mrs N A B Freitag	(Appointed 19 October 1998)
Mr H Freitag	
Mrs I M Gallimore	
Dr M J Goldsmith	(Resigned 31 January 1998)
Mr M J Goodwin	(Appointed 19 October 1998)
Mr J L Goring	(Appointed 19 October 1998)
Mr G M Hart	(Appointed 19 October 1998)
Dr J Stephens	(Appointed 19 October 1998)
Mr D F Strauss	(Appointed 31 December 1998)

Mrs I M Gallimore and Mr G M Hart resigned as directors on 1 November 1999 and 14 November 1999 respectively. Messrs J L Goring and D F Strauss resigned as directors on 24 November 1999, Mrs N A B Freitag resigned as a director on 30 November 1999 and Dr J Stephens resigned as a director on 5 January 2000.

Mr B G Wilding and Mrs S K Bleuel were appointed as directors on 5 October 1999. Mr A Dean was appointed as a director on 24 November 1999.

7. Change of company secretary

Ms M P Webster resigned as company secretary on 28 May 1999 and Mr M J Goodwin was appointed as company secretary in her place with effect from the same date. Mr M J Goodwin resigned as company secretary on 5 October 1999 and was replaced by Miss A H M Cormack with effect from the same date.

8. 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 period. In preparing those financial statements, the directors are required to:

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and estimates that are reasonable and prudent;
- c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

8. Year 2000

Formal procedures have been put in place to identify the full impact of Year 2000 on the company. A timetable had been agreed and progress against specific action points is being monitored. The timetable allowed for those systems of the company which had been identified as requiring an upgrade to be made compliant well before the end of 1999 to minimise any possible exposure to the Year 2000 effect. In addition, where reliance is placed on third parties for the provision of services, procedures were in place to ensure prior to the end of 1999 that similar plans had been, or were being, implemented by them. This Year 2000 initiative forms part of a Sedgwick Group wide project which had been integrated with a similar project in Marsh & McLennan. The costs to the company of these procedures is not expected to be significant.

MEDISURE CORPORATE SERVICES LIMITED
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Directors' report for the year ended 31 December 1998

10. **Auditors**

PricewaterhouseCoopers resigned as auditors during the year and Deloitte & Touche were appointed.

A resolution to re-appoint Messrs Deloitte & Touche as the company's auditors will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD



Miss A H M Cormack
Secretary

Sackville House
143-149 Fenchurch Street
London
EC3M 6BN

28 January 2000

AUDITORS' REPORT TO THE MEMBERS OF
MEDISURE CORPORATE SERVICES LIMITED
(formerly Sedgwick Noble Lowndes Healthcare Limited)

We have audited the financial statements on pages 5 to 13, which have been prepared under the accounting policies as set out on page 7 and 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
Hill House
1 Little New Street
London
EC4A 3TR

31 January 2000

MEDISURE CORPORATE SERVICES LIMITED
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Profit and Loss Account for the year ended 31 December 1998

	Notes	1998 £000	1997 £000
Revenue	2	5,308	5,547
Expenses		<u>(7,065)</u>	<u>(5,059)</u>
Operating (loss)/profit		(1,757)	488
Interest payable	6	<u>(11)</u>	<u>(7)</u>
(Loss)/profit on ordinary activities before taxation	3	(1,768)	481
Taxation credit/(charge) on (loss)/profit on ordinary activities	7	496	(96)
(Loss)/profit on ordinary activities after taxation		<u>(1,272)</u>	<u>385</u>
Dividends		-	(598)
Retained (loss) for the financial year	13	<u><u>(1,272)</u></u>	<u><u>(213)</u></u>

Revenue and operating (loss)/profit derive wholly from continuing operations.

The company had no recognised gains or losses other than those reflected in the above profit and loss account.

MEDISURE CORPORATE SERVICES LIMITED
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Balance Sheet as at 31 December 1998

	Notes	1998 £000	1997 £000
Investments:			
Subsidiary undertakings	8	<u>1</u>	<u>1</u>
Current assets:			
Debtors:			
Amounts falling due within one year	9	17,175	11,433
Cash and deposits		<u>-</u>	<u>1,594</u>
		17,175	13,027
Creditors:			
Amounts falling due within one year	10	<u>(15,345)</u>	<u>(9,939)</u>
Net current assets		<u>1,830</u>	<u>3,088</u>
Total assets less current liabilities		1,831	3,089
Provisions for liability and charges	11	<u>(14)</u>	<u>-</u>
		<u>1,817</u>	<u>3,089</u>
Capital and reserves			
Called up share capital	15	7	7
Share premium account	14	3,067	3,067
Other reserves	14	15	15
Profit and loss account	13	(1,272)	-
		<u>1,817</u>	<u>3,089</u>

The financial statements on pages 5 to 13 were approved by the board of directors on 28 January 2000 and signed on its behalf by:



S K Bleuel
Director

MEDISURE CORPORATE SERVICES LIMITED
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Notes to the financial statements for the year ended 31 December 1998

1. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

The company is a wholly owned subsidiary of Marsh & McLennan Companies Inc., its ultimate parent undertaking. The company's results are consolidated into Sedgwick Group plc. Sedgwick Group plc is registered in England and Wales and prepares consolidated financial statements. The company is therefore not required to prepare group accounts under Section 228 of the Companies Act 1985. Accordingly these financial statements present information about this company as an individual undertaking and not as a group and the company is not obliged to produce a cash flow statement. The company has also taken advantage of the exemption available under FRS8 "Related Party Disclosures" not to disclose transactions between entities, where 90% or more of those voting rights are controlled within the Group.

Revenue

Commissions are taken to profit at the inception or renewal dates of the relevant insurance policies. Revenue arising from contracts for claims administration or other management services is taken to profit on a time apportionment basis over the period of the contracts.

Interest on deposits is credited as it is earned.

Pensions

The company operates both defined contribution schemes and a defined benefit scheme.

Pension costs in respect of defined contribution schemes are charged against profits as contributions become payable.

Pension costs in respect of the defined benefit scheme are charged against profits on a systematic basis over the service lives of the eligible employees based on payroll, actuarial methods and assumptions in accordance with the advice of qualified actuaries.

Investments

Fixed asset investments are stated at cost less any provision for impairment in value.

Client funds

The company follows generally accepted industry practices by showing client funds as assets and liabilities of the company itself.

MEDISURE CORPORATE SERVICES LIMITED
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Notes to the financial statements for the year ended 31 December 1998 (continued)

Deferred taxation

Deferred taxation is provided using the liability method on timing differences to the extent that it is probable that a liability or asset will crystallise.

2. Segmental information

Revenue and (loss)/profit before taxation are generated wholly within the United Kingdom from negotiation, design and administration of private medical schemes for larger employers.

3. (Loss)/profit on ordinary activities before taxation

	1998 £000	1997 £000
(Loss)/profit on ordinary activities before taxation is stated after charging:		
Salaries and associated expenses (note 4)	3,540	2,881
Auditors' remuneration		
Audit	<u>-</u>	<u>18</u>

Auditors remuneration for audit services and annual filing fees were borne by a fellow group undertaking.

4. Employee information

	1998 £000	1997 £000
Salaries and associated expenses (including executive directors):		
Wages and salaries	3,101	2,510
Social security costs	262	209
Pension costs (note 16)	177	162
	<u>3,540</u>	<u>2,881</u>
	1998	1997
	Number	Number
Average number of persons employed during the year:	<u>119</u>	<u>119</u>

MEDISURE CORPORATE SERVICES LIMITED
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Notes to the financial statements for the year ended 31 December 1998 (continued)

5. Directors' remuneration

Certain other directors are remunerated in respect of their services to the group as a whole. It is not practicable to allocate their remuneration between the services they provide to the company and the various other group companies and therefore no information in respect of their remuneration is disclosed below. Retirement benefits are accruing to 7 directors under defined benefit pension schemes. (1997 - 3)

6. Interest payable

	1998 £000	1997 £000
Amounts due to other group undertakings	<u>11</u>	<u>7</u>

7. Taxation (credit)/charge on (loss)/profit on ordinary activities

	1998 £000	1997 £000
United Kingdom corporation tax at 31% (1997- 31.5%)	(530)	123
Adjustment in respect of prior years	34	(27)
	<u>(496)</u>	<u>96</u>

**8. Fixed assets:
subsidiary undertakings**

	1998 £000	1997 £000
Unlisted shares at cost:		
At 1 January and 31 December 1998	<u>1</u>	<u>1</u>

At 31 December 1998 the company's subsidiary undertaking, which was dormant throughout the year, was

	Country of Registration	Class of share and percentage held
Medisure Marketing and Management Ltd	England and Wales	Ordinary (100%)

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Notes to the financial statements for the year ended 31 December 1998 (continued)

9. Current assets: debtors

	1998 £000	1997 £000
Amounts falling due within one year:		
Trade debtors	6,685	1,983
Amounts owed by other group undertakings	9,829	9,420
Other debtors	120	3
Prepayments and accrued income	11	-
Amounts recoverable from other group undertakings in respect of taxation.	530	27
	<u>17,175</u>	<u>11,433</u>

10. Creditors: amounts falling due within one year

	1998 £000	1997 £000
Bank overdraft	193	1,304
Trade creditors	7,239	4,023
Amounts owed to subsidiary undertakings	-	1
Amounts owed to other group undertakings	6,337	3,182
Dividends payable to other group undertakings	-	598
Other creditors including taxation and social security		
Corporation tax	-	45
Amounts due to other group undertakings in respect of taxation	34	78
Other creditors	434	708
Accruals and deferred income	1,108	-
	<u>15,345</u>	<u>9,939</u>

11. Provision for liabilities and charges

	At 1 January 1998 £000	Profit and Loss account £000	Utilisation £000	At 31 December 1998 £000
Provisions for liabilities and charges	-	14	-	14

MEDISURE CORPORATE SERVICES LIMITED
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Notes to the financial statements for the year ended 31 December 1998 (continued)

12. Deferred taxation

	Provided		Unprovided	
	1998	1997	1998	1997
	£000	£000	£000	£000
Deferred taxation comprises the following:				
Accelerated tax depreciation	-	-	(209)	(157)
Short-term timing differences	-	-	-	-
	<u>-</u>	<u>-</u>	<u>(209)</u>	<u>(157)</u>

13. Equity shareholders' funds

	Profit and loss account £000	Share capital and other reserves (note 14) £000	Total £000
As at 1 January 1998	-	3,089	3,089
Retained loss for the financial year	<u>(1,272)</u>	<u>-</u>	<u>(1,272)</u>
As at 31 December 1998	<u>(1,272)</u>	<u>3,089</u>	<u>1,817</u>
As at 1 January 1997	213	3,089	3,302
Retained loss for the financial year	<u>(213)</u>	<u>-</u>	<u>(213)</u>
As at 31 December 1997	<u>-</u>	<u>3,089</u>	<u>3,089</u>

14. Share capital and other reserves

	Share capital (note 15) £000	Share premium £000	Capital redemption reserve £000	Total £000
At 1 January 1998 and 31 December 1998	<u>7</u>	<u>3,067</u>	<u>15</u>	<u>3,089</u>
At 1 January 1997 and 31 December 1997	<u>7</u>	<u>3,067</u>	<u>15</u>	<u>3,089</u>

MEDISURE CORPORATE SERVICES LIMITED
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Notes to the financial statements for the year ended 31 December 1998 (continued)

15. Called up share capital

	1998		1997	
	Number 000	£000	Number 000	£000
Authorised Ordinary shares of 1p each	<u>1,100</u>	<u>11</u>	<u>1,100</u>	<u>11</u>
Authorised cumulative redeemable preference shares of £1 each	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>
Issued, allotted and fully paid Ordinary shares of 1p each	<u>748</u>	<u>7</u>	<u>748</u>	<u>7</u>

16. Pensions

The company operates a number of defined contribution schemes and also participates in a defined benefit scheme operated by Sedgwick Group plc for the benefit of employees in the United Kingdom and which covers all eligible current and retired employees. Pension costs shown in note 4 are based on an apportionment of the costs incurred by the group in respect of the group pension scheme.

The assets of the defined contribution schemes are held in independently administered funds.

The defined benefit scheme is funded in accordance with the advice of qualified actuaries, who are employees of the group, and administered by independent trustees. The particulars of the most recent actuarial valuation of the pension scheme are included in the Annual Report of Sedgwick Group plc for the year ending 31 December 1998.

17. Contingent Liabilities

Errors and Omissions

The company is subject to claims and litigation in the ordinary course of business resulting principally from alleged errors and omissions. Provisions are made as appropriate

MEDISURE CORPORATE SERVICES LIMITED
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Notes to the financial statements for the year ended 31 December 1998 (continued)

18. **Ultimate parent company**

The company's ultimate parent company and controlling entity is Marsh & McLennan Companies Inc., which is incorporated in Delaware, the United States of America.

The largest group in which the results of Sedgwick Noble Lowndes Healthcare Limited are consolidated is headed by Marsh & McLennan Companies Inc., incorporated in the United States of America. The smallest group in which they are consolidated is that headed by Sedgwick Group plc registered in England and Wales. The consolidated accounts of Sedgwick Group plc are available to the public and may be obtained from:

The Registrar of Companies
Companies House
Crown Way
Maindy
Cardiff
CF4 3UZ

The consolidated accounts of Marsh & McLennan Companies Inc., are also available to the public and may be obtained from:

The Company Secretary
Marsh & McLennan Companies UK Limited
Sackville House
143-149 Fenchurch Street
London
EC3M 6BN