

LAMBERT FENCHURCH OVERSEAS LIMITED

REPORTS & ACCOUNTS

FOR THE YEAR ENDING 31 MARCH 2002



REGISTERED NUMBER: 2214161

LAMBERT FENCHURCH OVERSEAS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2002

The directors submit their annual report together with the Accounts of the Company for the year ended 31 March 2002.

ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the Company is that of a holding Company.

RESULTS AND DIVIDENDS

The Company made a profit after taxation of £5,639,769 (2001: £1,040,162). Interim dividends of £7,850,000 (2001: Nil) were paid during the year. The directors do not propose to pay a final dividend (2001: £1,000,000). Retained losses of £2,210,231 (2001: profit £40,162) have been transferred to reserves.

PERSONNEL

The Company has no employees. All Group employees are employed by Heath Lambert Management Limited, the Group's management services company.

DIRECTORS

The directors of the Company who held office during the year and to the date of this report were:

MJ Caley
CJ Sturgess
SK Beerh (Appointed 26 December 2001)

DIRECTORS' INTERESTS

None of the directors held any direct beneficial interest in the share capital of Lambert Fenchurch Overseas Limited. The beneficial interests, including family interests in the shares of the ultimate parent undertaking, HLF Group plc (formerly HLF Insurance Holdings Limited), according to the register of directors' interests maintained in compliance with the Companies Act 1985, are as follows:

	Number of Shares in HLF Group plc at 31 March 2002				Number of Shares in HLF Group plc at 31 March 2001			
	Ordinary Shares of 1p each	Preference Shares of £1 each	11% Unsecured £1 Loan Stock	Ordinary B Shares of 1p each	Ordinary Shares of 1p each	Preference Shares of £1 each	11% Unsecured £1 Loan Stock	Ordinary B Shares of 1p each
MJ Caley	56,287	120,228	108,892	-	53,300	120,228	89,472	-
CJ Sturgess	2,800	4,128	3,072	20,000	2,800	4,128	3,072	-
SK Beerh	114,207	23,133	35,812	10,000	81,480	23,133	13,312	-

None of the directors held options over the shares of HLF Group plc at 31 March 2002.

LAMBERT FENCHURCH OVERSEAS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2002 (Continued)

PAYMENTS TO SUPPLIERS

The Company has no trade creditors. All such creditors are paid by Heath Lambert Management Limited, a fellow group undertaking. The policy for payment of creditors is disclosed accordingly in the financial statement of Heath Lambert Management Limited.

RESPONSIBILITIES OF THE DIRECTORS

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 of the Company for that period. In preparing those financial statements the directors' are required to

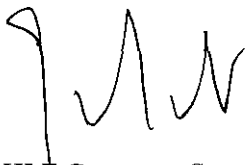
- select appropriate accounting policies and then apply them consistently.
- make judgements and estimates that are reasonable and prudent.
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- prepare 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 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.

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution proposing the re-appointment of PricewaterhouseCoopers as auditors to the Company will be put to the Annual General Meeting.

By Order of the Board



HLF Corporate Services Limited
Company Secretary
Friary Court
Crutched Friars
London EC3N 2NP

15 July 2002

LAMBERT FENCHURCH OVERSEAS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LAMBERT FENCHURCH OVERSEAS LIMITED

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

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 on page 2.

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.

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.


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 March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Southwark Towers
32 London Bridge Street
London, SE1 9SY
15 July 2002

LAMBERT FENCHURCH OVERSEAS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2002

	Notes	<u>2002</u> £	<u>2001</u> £
Turnover		-	-
Administrative Expenses	2	(23,627)	(1,859,718)
Operating Loss		(23,627)	(1,859,718)
Loss on disposal of Associated and Subsidiary Undertakings	5	(12,679)	(15,125)
Income from shares in group undertakings		7,238,599	2,597,204
Interest receivable	3	1,432,537	1,190,467
Interest payable	4	(577,809)	(532,524)
Profit On Ordinary Activities Before Taxation		<u>8,057,021</u>	<u>1,380,304</u>
Taxation on profit on ordinary activities	6	(2,417,252)	(340,142)
Profit On Ordinary Activities After Taxation		<u>5,639,769</u>	<u>1,040,162</u>
Dividends		(7,850,000)	(1,000,000)
Retained (Loss)/Profit For The Year	15	<u>(2,210,231)</u>	<u>40,162</u>

Results for the current and prior years are attributable to continuing operations.

There are no recognised gains and losses other than those reflected in the profit and loss account above.

The notes on pages 6 to 13 form part of these accounts.

LAMBERT FENCHURCH OVERSEAS LIMITED

BALANCE SHEET **AS AT 31 MARCH 2002**

	Notes	<u>2002</u> £	<u>2002</u> £	<u>2001</u> £	<u>2001</u> £
Fixed Assets					
Investments	7		32,156,873		33,458,908
Current Assets					
Debtors					
Amounts falling due within one year	8	3,445,235		730,010	
Amounts falling due after more than one year	8	21,957,169		21,058,732	
		<u>25,402,404</u>		<u>21,788,742</u>	
Creditors					
Amounts falling due within one year	9	(51,385,378)		(12,342,370)	
Net Current Assets/(Liabilities)			<u>(25,982,974)</u>		<u>9,446,372</u>
Total Assets Less Current Liabilities			<u>6,173,899</u>		<u>42,905,280</u>
Creditors - Amounts falling due after more than one year	10		(212,755)		(34,733,905)
Provisions For Liabilities And Charges	11		(40,483)		(40,483)
			<u>5,920,661</u>		<u>8,130,892</u>
Capital And Reserves					
Called Up Share Capital	12		5,886,076		5,886,076
Profit and Loss Account	13		34,585		2,244,816
Equity Shareholders' Funds	15		<u>5,920,661</u>		<u>8,130,892</u>

Approved by the Board on 15 July 2002

C J Sturgess
Director



The notes on pages 6 to 13 form part of these accounts.

LAMBERT FENCHURCH OVERSEAS LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

(a) GROUP ACCOUNTS AND BASIS OF ACCOUNTING

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards. The directors believe that it is appropriate to prepare the accounts on a going concern basis as HLF Group plc has provided the Company with a letter of support to enable it to meet its liabilities as they fall due.

Group accounts have not been prepared at 31 March 2002 as the Company is a wholly owned subsidiary undertaking of another body corporate incorporated in Great Britain and these accounts are publicly available. The results of the Company and its subsidiaries have been included in the group accounts of HLF Group plc.

The directors have reviewed the Company's existing accounting policies and consider them to be appropriate in accordance with FRS 18's objectives of relevance, reliability, comparability and understandability.

(b) FOREIGN EXCHANGE

Assets and liabilities denominated in foreign currencies are expressed in sterling at rates of exchange ruling at the year end. Transactions in foreign currencies are translated at exchange rates ruling at the transaction date. Differences arising from the translation of foreign currencies at year end rates are included in the result before taxation.

(c) INVESTMENTS

Investments in subsidiaries and associated undertakings are stated at cost less provision for any impairment in value.

(d) DEFERRED TAX

Deferred taxation is recognised in respect of all timing differences between taxable and booked income and expenditure that have originated but not reversed at the balance sheet date to the extent that they are recoverable. Deferred taxation is not recognised on permanent differences or for taxation which would become payable if the undistributed reserves of overseas companies were remitted to the UK. Deferred tax balances are not discounted.

(e) INTEREST RECEIVABLE

Interest receivable is recognised in the Profit and Loss Account as earned.

(f) CASHFLOW STATEMENT

The Company is a wholly owned subsidiary of HLF Group plc and it is included in the consolidated financial statements of the parent company. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996).

LAMBERT FENCHURCH OVERSEAS LIMITED

NOTES TO THE ACCOUNTS (Continued)

2. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting) the following:

	<u>2002</u>	<u>2001</u>
	£	£
Administrative expenses	-	195,835
Provision against cost of investment in Associate	-	35,265
Management charge from Group subsidiary	-	2,771,400
Exchange (loss)/gain on intercompany balances	23,627	(1,142,782)
	<u>23,627</u>	<u>1,859,718</u>

Auditors' remuneration of £5,000 has been borne by Heath Lambert Management Limited, a fellow subsidiary undertaking.

3. INTEREST RECEIVABLE

	<u>2002</u>	<u>2001</u>
	£	£
Interest receivable from Group and Subsidiary undertakings	<u>1,432,537</u>	<u>1,190,467</u>

4. INTEREST PAYABLE

	<u>2002</u>	<u>2001</u>
	£	£
Interest payable to Group and Subsidiary undertakings	<u>577,809</u>	<u>532,524</u>

5. LOSS ON DISPOSAL OF ASSOCIATED AND SUBSIDIARY UNDERTAKINGS (see note 7)

	<u>2002</u>	<u>2001</u>
	£	£
Loss on disposal of Associated Undertaking	<u>(12,679)</u>	<u>(15,125)</u>

The loss on disposal of associated undertaking relates to the loss arising from the disposal of the Company's shares in ALF Broker Services Italy S.r.l. for a cash consideration of £35,592.

LAMBERT FENCHURCH OVERSEAS LIMITED

NOTES TO THE ACCOUNTS (Continued)

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge represents UK corporation tax calculated at 30% (2001: 30%) of profits chargeable to tax.

	<u>2002</u> £	<u>2001</u> £
Current year		
UK Corporation Tax at 30% (2001: 30%)	2,440,812	379,229
Deferred Tax	-	(388)
	<u>2,440,812</u>	<u>378,841</u>
Prior year		
Corporation Tax	(23,560)	3,479
Deferred Tax	-	(42,178)
	<u>2,417,252</u>	<u>340,142</u>
 RECONCILIATION OF TAX CHARGE		
	<u>2002</u> £	<u>2001</u> £
Profit on ordinary activities before taxation	8,057,021	1,380,304
Standard rate of corporation tax in UK of 30%	(2,417,106)	(414,091)
 The UK tax charge for the year has been effected by:		
Expenses not deductible for tax purposes	(6,000)	(45,000)
Adjustments to tax charge in respect of previous periods	24,000	38,000
Double taxation relief	-	80,000
Other	(18,146)	949
Tax charge for the year	<u>2,417,252</u>	<u>340,142</u>

7. INVESTMENTS

	Shares in Subsidiary Undertakings £	Loans to Subsidiary Undertakings £	Associated Undertakings £	Total £
Cost				
At 1 April 2001	28,620,014	2,813,533	2,060,626	33,494,173
Additions	274,798	-	464	275,262
Disposals	-	-	(48,271)	(48,271)
Transfer from Group undertaking	103,219	-	-	103,219
Transfer to Group undertaking	(1,502,041)	-	(125,660)	(1,627,701)
Exchange effect on loans	-	(4,544)	-	(4,544)
At 31 March 2002	<u>27,495,990</u>	<u>2,808,989</u>	<u>1,887,159</u>	<u>32,192,138</u>
 Provisions for diminution in value				
At 1 April 2001 and at 31 March 2002	-	-	(35,265)	(35,265)
 Net Book Value 31 March 2002	<u>27,495,990</u>	<u>2,808,989</u>	<u>1,851,894</u>	<u>32,156,873</u>
 Net Book Value 31 March 2001	<u>28,620,014</u>	<u>2,813,533</u>	<u>2,025,361</u>	<u>33,458,908</u>

LAMBERT FENCHURCH OVERSEAS LIMITED

NOTES TO THE ACCOUNTS (Continued)

7. INVESTMENTS (Continued)

During the year, as part of the merger of the Spanish operations of the Heath Lambert Group, the shares in Interbroker Correduria Reaseguros SA were transferred to Heath Lambert Overseas Ltd at book value of £1,502,041.

During the year as part of the merger of the Korean operations of the Heath Lambert Group, the shares in Heath Seoul were transferred to the Company at book value of £103,219.

During the year the Company increased its investment in Heath Lambert Singapore Pte Ltd by £274,798.

During the year the Company disposed of its shareholding in its associate undertaking, ALF Broker Services Italy S.r.l for a cash consideration of £35,592 resulting in a loss on disposal of £12,679.

During the year as part of the merger of the Mexican operations of the Heath Lambert Group, the shareholding in Exes Lambert Fenchurch Intermediario de Reaseguro SA de CV was transferred to Heath Lambert Overseas Ltd at book value of £125,660.

In the opinion of the directors the value of the Company's remaining investments in its subsidiaries and associated undertakings is not less than the amount shown in the balance sheet.

8. DEBTORS

	<u>2002</u> £	<u>2001</u> £
Amounts falling due within one year :		
Amounts owed by fellow subsidiary undertakings	2,452,097	-
Amounts owed by subsidiary undertakings	851,016	730,010
Amounts owed by associated undertakings	67,074	-
Other debtors	75,048	-
	<u>3,445,235</u>	<u>730,010</u>
	<u>2002</u> £	<u>2001</u> £
Amounts falling due after more than one year :		
Amounts owed by fellow subsidiary undertakings	-	9,703,636
Amounts owed by subsidiary undertakings	21,910,880	11,118,492
Amounts owed by associated undertakings	-	161,556
Other debtors	46,289	75,048
	<u>21,957,169</u>	<u>21,058,732</u>

LAMBERT FENCHURCH OVERSEAS LIMITED

NOTES TO THE ACCOUNTS (Continued)

9. CREDITORS - Amounts falling due within one year

	<u>2002</u> £	<u>2001</u> £
Amounts owed to intermediate parent undertaking	769,171	-
Amounts owed to immediate parent undertaking	18,904,384	1,000,000
Amounts owed to fellow subsidiary undertakings	21,442,691	3,473,780
Amounts owed to subsidiary undertakings	7,245,390	5,912,428
Amounts owed to associated undertakings	279,000	973,270
Other creditors	502,487	575,228
Corporation tax	2,242,255	407,664
	<u>51,385,378</u>	<u>12,342,370</u>

10. CREDITORS - Amounts falling due after more than one year

	<u>2002</u> £	<u>2001</u> £
Amounts owed to intermediate parent undertaking	-	769,171
Amounts owed to immediate parent undertaking	-	11,578,866
Amounts owed to fellow subsidiary undertakings	-	21,603,989
Amounts owed to subsidiary undertakings	212,755	502,879
Amounts owed to associated undertakings	-	279,000
	<u>212,755</u>	<u>34,733,905</u>

The loans from the intermediate and immediate parent undertakings do not bear interest.

11. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>2002</u> £	<u>2001</u> £
Deferred taxation - Short term timing differences	<u>40,483</u>	<u>40,483</u>

Deferred taxation is provided in respect of all known timing differences at 30% (2001 - 30%).

12. CALLED UP SHARE CAPITAL

	<u>2002</u> £	<u>2001</u> £
10,000,000 Authorised ordinary shares of £1 each	10,000,000	10,000,000
5,886,076 Called-up and fully paid ordinary shares of £1 each	<u>5,886,076</u>	<u>5,886,076</u>

LAMBERT FENCHURCH OVERSEAS LIMITED

NOTES TO THE ACCOUNTS (Continued)

13. RESERVES

	Profit and Loss Account £
At 1 April 2001	2,244,816
Retained loss for the period	(2,210,231)
At 31 March 2002	<u>34,585</u>

14. DIRECTORS' EMOLUMENTS

None of the directors provided any services to the Company during the year.

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2002</u> £	<u>2001</u> £
Profit for the year	5,639,769	1,040,162
Dividends	(7,850,000)	(1,000,000)
Opening shareholders' funds	8,130,892	8,090,730
Closing shareholders' funds	<u>5,920,661</u>	<u>8,130,892</u>

16. COMMITMENTS AND LIABILITIES

The Company and certain fellow Group companies are guarantors of loan facilities provided by National Westminster Bank and other lenders to the Company, HLF Group plc (the ultimate parent undertaking), and certain fellow Group companies. At 31 March 2002, there was £178.1m drawn down under these facilities (2001: £164.0m). The potential additional contingent liability in respect of the maximum drawdown under these facilities is £25.9m (2001: £31.0m). The assets and liabilities of the Company and certain of its subsidiaries are secured under a deed dated 22 November 1999, in respect of the above facilities.

At 31 March 2002, the Company had access to a revolving credit and overdraft facility of up to £15m, and a capital expenditure facility of up to £28m, on which a margin of 2.25% in excess of UK LIBOR is charged. On 28 September 2001, the ultimate parent company amended the Group's principal UK banking facilities provided by National Westminster Bank and others. With the exception of the mezzanine loan that is due to be repaid in 2008, the loans are due for repayment in instalments up to 2007. The facilities continue to be secured by fixed and floating charges over the assets of the ultimate parent company and certain fellow Group companies. This has increased the available facilities by £17m.

LAMBERT FENCHURCH OVERSEAS LIMITED

NOTES TO THE ACCOUNTS (Continued)

17. PRINCIPAL SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

At 31 March 2002 the Company held 100% of the ordinary share capital and voting rights of the following companies, except where otherwise stated:

<u>Subsidiary Undertakings</u>	<u>Country of Incorporation</u>	<u>Holding %</u>	<u>Type of business</u>
Heath Lambert Australia Ltd	Australia		Insurance Broker
Lambert Fenchurch France s.a.r.l.	France		Investment Holding Co.
L Hammond & Co. (Far East)(1967) Ltd	Hong Kong		Investment Holding Co.
Heath Lambert (Hong Kong) Limited	Hong Kong		Insurance Broker
Heath Lambert Insurance Brokers Ltd	Guernsey		Insurance Broker
Lowndes Lambert Group Canada Limited	Canada	55%	Investment Holding Co.
Lambert Fenchurch US Holdings Inc	USA	78%	Investment Holding Co.
Heath Lambert Sweden AB (formely Delta Lambert AB)	Sweden		Insurance Broker
Heath Lambert Singapore Pte Ltd	Singapore	70%	Reinsurance Broker
Lambert Fenchurch de Colombia	Colombia	70%	Insurance Broker
Heath Lambert (ME) EC	Bahrain	51%	Insurance Broker
Heath Lambert Asia Pacific Ltd	Malaysia		Insurance Broker
Heath Lambert Korea Ltd	Korea	93%	Insurance Broker
Heath Lambert Norway A/S	Norway		Insurance Broker
Heath Lambert Finland Ltd	Finland		Insurance Broker
Park Lane S.A	France	98%	Underwriting Agency

All companies incorporated in Great Britain are registered in England.

All the companies listed above have financial years ending 31 March with the exception of Lambert Fenchurch France s.a.r.l. whose financial year end is 30 June and Lambert Fenchurch de Colombia whose financial year end is 31 December.

Additionally the Company owned more than 10% of the issued share capital of the following companies:

<u>Associated Undertakings</u>	<u>Country of Incorporation</u>	<u>Holding %</u>	<u>Type of business</u>
La Securite Nouvelle SA	France	45%*	Insurance Broker
Conseils Courtage Assurances et Reassurances	France	33%	Insurance Broker
Pantaenius GmbH	Germany	40%	Insurance Broker
Business Efficiency Ltd	Tanzania	20%	Insurance Broker

* Indirectly held

All the companies listed above have financial years ending 31 December with the exception of Conseils Courtage Assurances et Reassurances whose financial year end is 30 September.

LAMBERT FENCHURCH OVERSEAS LIMITED

NOTES TO THE ACCOUNTS (Continued)

18. RELATED PARTIES

As a wholly owned subsidiary undertaking of HLF Group plc, the Company has taken advantage of the exemption in Financial Reporting Standard 8 "Related party disclosures" not to disclose transactions with other members of the group headed by HLF Group plc.

19. ULTIMATE PARENT UNDERTAKING

At 31 March 2002, the Company's ultimate parent undertaking was HLF Group plc (formerly HLF Insurance Holdings Limited), a company registered in England. The Company's immediate parent undertaking was Heath Lambert Group Limited, a company registered in England.

The smallest and largest undertaking for which group accounts are prepared and of which the Company is a member are those headed by HLF Group plc. Copies of these group accounts may be obtained from the Company Secretary at Friary Court, Crutched Friars, London EC3N 2NP.