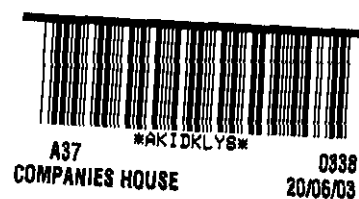


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BENFIELD HOLDINGS LIMITED
(formerly Benfield Group plc)

Consolidated Financial Statements
for the year ended 31 December 2002



BENFIELD HOLDINGS LIMITED

COMPANY INFORMATION

DIRECTORS

John Coldman	(Chairman)
Grahame Chilton	
Rod Fox	
Andrew MacDonald	
David Spiller	
John Whiter FCA	
J McGrane	(Resigned 25 January 2002)
Dr Keith Harris	(Non - executive)
Rt Hon Francis Maude PC MP	(Non - executive)

COMPANY SECRETARY

George Stiff

REGISTERED OFFICE

55 Bishopsgate
London EC2N 3BD

REGISTERED NUMBER

2265140

AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants
Southwark Towers
32 London Bridge Street
London SE1 9SY

REGISTRARS

Capita Registrars
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

Enquiries should be addressed to:

Derek Walsh
Group Legal Counsel
Benfield Group Limited
55 Bishopsgate
London
EC2N 3BD

BENFIELD HOLDINGS LIMITED

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BENFIELD HOLDINGS LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2002.

Change of name

On 23 October 2002 the name of the company changed from Benfield Group plc to Benfield Holdings Limited.

Principal activities, business review and future developments

The primary business activities of the group are reinsurance intermediation and related business advisory services. The group operates from a number of offices worldwide and will continue to carry on these activities.

Operating profit for the year before exceptional items was £46.7 million (2001: £45.0 million).

In May 2001, the group significantly increased the size of its global operations through the acquisition of EW Blanch Holdings, Inc.. During the year, the group has incurred exceptional items of £11.1 million (2001: £59.7 million), principally resulting from restructuring charges and the costs relating to the acquisition and subsequent integration of EW Blanch. After charging exceptional items, the group recorded a profit after tax and minority interests of £8.5 million (2001: loss £40.6 million).

A final dividend of 7.08p per Ordinary share has been recommended and the loss of £3.7 million (2001: loss of £50.6 million) has been transferred to reserves.

Changes in share capital

Details of changes to the share capital of the company to 31 December 2002 and to the date of this report, are given in note 21.

Directors and their interests

The directors of the company are listed on page 2 and have been directors during the whole of the period from 1 January 2002 to the date of this report, unless stated otherwise. Details of directors' remuneration and interests are shown in note 5 to the financial statements. During the period, no director had any material interest in a contract, requiring disclosure pursuant to section 317 United Kingdom Companies Act 1985, to which the company or any of its subsidiary undertakings was a party.

All of the directors holding office at 31 December 2002 were also directors of Benfield Group Limited, the ultimate holding company, and their interests in the shares of that company are disclosed in the financial statements of that company.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the company and of the group for that period. The directors are required to prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 and that applicable accounting standards have been followed.

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.

Going concern

The directors consider that the group and the company have adequate resources to continue in operational existence in the foreseeable future. Consequently the financial statements have been prepared on a going concern basis.

BENFIELD HOLDINGS LIMITED

DIRECTORS REPORT

Employees

The Board recognises that the continuing success of the group depends on its employees and continues to adopt policies designed to attract, train and retain talented individuals and teams. The group's policy in relation to share based incentive schemes is to provide the necessary mechanisms for employees to participate in the long term success of the group by schemes which can be operated both in the United Kingdom and in overseas jurisdictions where local legislation permits.

Consultation with employees has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of the group. Communication with employees is effected through a variety of media, including regular briefing events.

The group is an equal opportunities employer and bases decisions on individual ability regardless of race, religion, gender, age or disability.

Applications for employment from disabled persons are considered equally with others on the basis of their respective aptitudes and abilities for the position offered. In the event of employees becoming disabled, every effort is made to ensure that their employment with the group continues and appropriate training is arranged where necessary. It is the policy of the group that the training, career development and promotion of a disabled person is, as far as possible, identical to that of a person who does not suffer from a disability.

Policy and practice on payment of creditors

Whilst the group does not have a specific standard code with regard to the payment of suppliers of goods and services, the group's policy is to pay each supplier in accordance with the settlement terms agreed with that supplier at the time of contracting for their goods or services. At the year-end the balance owed to suppliers, excluding insurance creditors, represented 25 days of the total invoiced supplies for the year (2001: 14 days).

Donations

The group made charitable donations of £156,000 during the year (2001: £135,000).

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 28 February 2003 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.

By order of the Board



G R G Stiff
Secretary

London

17 June 2003

BENFIELD HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BENFIELD HOLDINGS LIMITED

We have audited the financial statements which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the reconciliation of movements in consolidated shareholders' funds, the consolidated balance sheet, the company balance sheet, the consolidated cash flow statement and 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 affairs of the company and the group at 31 December 2002 and of the result and cash flows of the group 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

17 June 2003

BENFIELD HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2002

	(in £'s thousands)	Notes	Year ended 31 December 2002	Year ended 31 December 2001
TURNOVER		1	284,502	216,363
Interest income		2	6,950	9,141
OPERATING REVENUE			291,452	225,504
Net operating expenses before exceptional items			(244,801)	(180,505)
Exceptional items		3	(12,480)	(43,963)
TOTAL NET OPERATING EXPENSES		4	(257,281)	(224,468)
OPERATING PROFIT				
Operating profit before exceptional items			46,651	44,999
Exceptional items			(12,480)	(43,963)
TOTAL OPERATING PROFIT			34,171	1,036
Loss from associated undertakings			(5,273)	(10,421)
Non-operating exceptional items		3	1,405	(2,686)
Amounts written off investments		3	-	(13,039)
Investment income			245	2,133
Interest payable		6	(13,637)	(12,848)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION			16,911	(35,825)
Taxation on profit/(loss) on ordinary activities		7	(8,306)	(4,424)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION			8,605	(40,249)
Minority interests – equity			(57)	(341)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY			8,548	(40,590)
Dividends (equity and non-equity)		8	(12,211)	(9,966)
RETAINED LOSS FOR THE FINANCIAL YEAR		22	(3,663)	(50,556)

The group's turnover and expenses all relate to continuing operations.

BENFIELD HOLDINGS LIMITED**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

For the year ended 31 December 2002

(in £'s thousands)

	Year ended 31 December 2002	Year ended 31 December 2001
Profit/(loss) on ordinary activities after taxation attributable to the shareholders of the company	8,548	(40,590)
Translation differences on foreign currency net investment in overseas subsidiary undertakings	(2,658)	(6)
Total recognised gain/(loss) for the year	5,890	(40,596)

RECONCILIATION OF MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' FUNDS

For the year ended 31 December 2002

(in £'s thousands)

	2002	2001
Profit/(loss) on ordinary activities after taxation	8,605	(40,249)
Minority interests	(57)	(341)
Dividends	(12,211)	(9,966)
Shares issued and paid up	21,014	39,549
Share option provisions	5,637	2,596
Exchange loss on revaluation of overseas net investments	(2,658)	(6)
Net change in shareholders' funds	20,330	(8,417)
Opening shareholders' funds	46,414	54,831
Closing shareholders' funds	66,744	46,414

BENFIELD HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET

As at 31 December 2002

(in £'s thousands)

Notes	2002	2001
FIXED ASSETS		
Intangible assets	173,987	187,942
Tangible assets	21,087	31,645
Investments in associated undertakings	5,506	4,275
Own shares	7,449	9,184
Other investments	5,572	50,604
	213,601	283,650
CURRENT ASSETS		
Debtors – due within one year	3,417,038	2,821,309
Debtors – due after one year	7,981	11,038
Investments	80,294	42,722
Cash and deposits – including fiduciary funds	203,474	209,349
	3,708,787	3,084,418
CURRENT LIABILITIES		
Creditors – amounts falling due within one year	(3,677,325)	(3,089,750)
NET CURRENT ASSETS/(LIABILITIES)	31,462	(5,332)
TOTAL ASSETS LESS CURRENT LIABILITIES	245,063	278,318
Creditors – amounts falling due after more than one year	(162,562)	(218,579)
Provisions for liabilities and charges	(15,451)	(13,195)
NET ASSETS	67,050	46,544
CAPITAL AND RESERVES		
Called up share capital	1,105	903
Share premium account	120,739	99,927
Other reserves	14,763	14,763
Profit and loss account	(69,863)	(69,179)
SHAREHOLDERS' FUNDS (INCLUDES NON-EQUITY INTERESTS)	66,744	46,414
Minority interests – equity	306	130
CAPITAL EMPLOYED	67,050	46,544

The total of shareholders' funds comprises:

(in £'s thousands)

Non-equity interests
Equity interests

2002	2001
-	20,042
66,774	26,372
66,744	46,414

Approved by the board on 17 June 2003 and signed on its behalf by:


J L P Whiter

Chief Financial Officer

BENFIELD HOLDINGS LIMITED

COMPANY BALANCE SHEET

As at 31 December 2002

(in £'s thousands)

Notes

FIXED ASSETS

Investments in subsidiary undertakings	11	198,414	198,260
Investments in associated undertakings	12	1,171	50
Own shares	13	7,012	8,747
Other investments	14	850	21,079

2002	2001
207,447	228,136

CURRENT ASSETS

Debtors	16	206,063	189,734
Investments	17	19,397	-
Cash and deposits		1,070	21,046

226,530	210,780
---------	---------

CURRENT LIABILITIES

Creditors – amounts falling due within one year	18	(118,621)	(111,509)
---	----	-----------	-----------

NET CURRENT ASSETS

107,909	99,271
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TOTAL ASSETS LESS CURRENT LIABILITIES

Creditors - amounts falling due after more than one year	19	(161,204)	(207,280)
Provisions for liabilities and charges	20	(5,526)	(1,490)

315,356	327,407
---------	---------

NET ASSETS

148,626	118,637
---------	---------

CAPITAL AND RESERVES

Called up share capital	21	1,105	903
Share premium account	22	120,739	99,927
Other reserves	22	10,263	10,263
Profit and loss account	22	16,519	7,544

SHAREHOLDERS' FUNDS (INCLUDES NON-EQUITY INTERESTS)

148,626	118,637
---------	---------

The total of shareholders' funds comprises:

(in £'s thousands)

Non-equity interests	-	20,042
Equity interests	148,626	98,595

2002	2001
148,626	118,637

Approved by the board on 17 June 2003 and signed on its behalf by:



J L P Whiter FCA
Chief Financial Officer

BENFIELD HOLDINGS LIMITED**CONSOLIDATED CASH FLOW STATEMENT**

For the year ended 31 December 2002

		Year ended 31 December 2002	Year ended 31 December 2001
(in £'s thousands)	Notes		
NET CASH INFLOW FROM OPERATING ACTIVITIES	24	72,546	132,951
DIVIDENDS RECEIVED FROM ASSOCIATES		322	-
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	25	(13,546)	(13,526)
TAXATION		(7,814)	(6,364)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	25	21,103	(4,667)
ACQUISITIONS AND DISPOSALS	25	(7,456)	(126,138)
EQUITY DIVIDENDS PAID		(8,050)	(6,631)
MANAGEMENT OF LIQUID RESOURCES	25	(73,241)	(40,013)
NET CASH OUTFLOW BEFORE FINANCING		(16,136)	(64,388)
FINANCING	25	(23,379)	157,696
(DECREASE)/INCREASE IN CASH FOR THE YEAR		(39,515)	93,308

BENFIELD HOLDINGS LIMITED

ACCOUNTING POLICIES

For the year ended 31 December 2002

ACCOUNTING CONVENTION

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 1985 and applicable United Kingdom accounting standards.

The results of overseas businesses are translated into sterling at the average rates of exchange applicable to the relevant periods. Previously the results were translated at the rates of exchange prevailing at the balance sheet date. The directors consider the change in accounting policy to give a fairer presentation of the group's results as they arise during the course of the accounting period. The effect of this change on the group results is to reduce the retained loss by £190,000. The effect of applying the new accounting policy to the group's results for the year to 31 December 2001 would produce no significant difference for that year and consequently no restatement has been made to the comparative period. The change in policy has no impact on net assets.

In addition certain comparative balances for the prior year have been reclassified to conform with the current year presentation, which in the opinion of the directors gives a more appropriate disclosure. The reclassifications include provisions for share options being added to the profit and loss reserve, interest income forming a component of operating revenue, amounts written off investments classified as a non-operating exceptional item and the impairment of associates being included in loss from associated undertakings. These changes to prior year amounts had no impact on the results for that year but increased shareholders' funds by £2,596,000.

A summary of the group's accounting policies is set out below.

BASIS OF CONSOLIDATION

The consolidated financial statements include those of Benfield Holdings Limited, its subsidiary undertakings and the group's interests in associated undertakings at 31 December 2002.

An undertaking is regarded as a subsidiary undertaking if the group has control over its operating and financial policies, generally determined by the ownership of more than 50% of the voting stock of the investee. Undertakings over which the group has the ability to exercise significant influence, generally determined by ownership of between 20% and 50% of the voting stock of the investee, are accounted for under the equity method of accounting as associated undertakings. Business combinations have been accounted for by the acquisition method of accounting.

A separate profit and loss account for Benfield Holdings Limited has not been presented as permitted by section 230 of the United Kingdom Companies Act 1985.

TURNOVER

The group generates revenue principally from commissions and fees associated with placing reinsurance contracts and programs, which includes commissions and fees from providing risk advisory and related services.

Revenues from commissions and fees on placing reinsurance contracts and programs are recognised at the later of the billing date for the payment of premium by the ceding group or the inception date of the coverage. Consistent with this policy, commissions on premiums, which in accordance with market practice are payable by ceding companies to the reinsurers in periodic instalments (typically quarterly or half-yearly), are recognised periodically as the related premiums are billed. Commissions on premium adjustments are recognised as they are advised and the premium is billed. Commission rebates payable to ceding companies are accrued, where necessary on an estimated basis, as the related brokerage revenue is recognised. Fees for claims, risk advisory and other services that are billed separately are recognised as these services are rendered.

INTEREST INCOME

Interest income is recognised as earned and consists of interest receivable for the year and includes interest earned on cash flows arising from insurance broking debtors and creditors.

INVESTMENT INCOME

Investment income consists of dividends receivable for the year together with any realised investment gains and losses.

BENFIELD HOLDINGS LIMITED

ACCOUNTING POLICIES

For the year ended 31 December 2002

LEASE COMMITMENTS

The rentals payable under operating leases are charged on a straight line basis over the period of the leases. Assets held under hire purchase contracts and finance leases are capitalised in the balance sheet and are depreciated over their useful lives. Where a leasehold property becomes surplus to the group's foreseeable business requirements, or is sublet at a loss, provision is made for the expected future net cost of the property.

EMPLOYEE SHARE SCHEMES

The cost of awards to employees that take the form of shares or rights to shares is charged to the profit and loss account on a straight line basis over the period to which the employee's performance relates. The charge is based on the fair value of the shares at the date an award is made to participants in the scheme, and a reasonable expectation of the extent to which performance criteria will be met. Subsequent adjustments are made, if appropriate, to deal with changes in the probability of performance criteria being met and leavers forfeiting unvested shares. Provisions for share options are added to the profit and loss reserve

PENSION SCHEME CONTRIBUTIONS

Pension scheme contributions to the group's money purchase schemes are charged to the profit and loss account in the period to which they relate. Defined benefit plans operated by certain subsidiaries at the date of their acquisition have been wound up or are in the process of termination. Certain disclosures have been made in note 23 in accordance with the transitional arrangements of Financial Reporting Standard 17, 'Retirement Benefits', ("FRS 17").

TAXATION

The charge for taxation is based on the result for the period at current rates of tax and takes into account deferred taxation.

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 a future obligation to pay more tax or future right to pay less tax have occurred. Timing differences are differences between the group's taxable profits and its results as stated in the consolidated financial statements. Deferred tax is measured on a non-discounted basis.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiary and associated undertakings only to the extent that, at the balance sheet date, dividends have been formally agreed by the subsidiary or associated undertaking.

FOREIGN CURRENCY TRANSLATION

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing at the date of the transaction. Monetary assets and liabilities in currencies other than the functional currency are translated at the rates of exchange prevailing at the balance sheet date and the related transaction gains and losses are reported in the consolidated profit and loss account.

On consolidation, the results of overseas businesses are translated into sterling at the average rates of exchange applicable to the relevant periods. The assets and liabilities of overseas businesses are translated into sterling at the exchange rates ruling at the balance sheet date. Exchange differences on translating the net assets or liabilities of overseas businesses and from the translation of their results are taken directly to reserves.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight line basis over their estimated useful lives (see note 10). Software that is purchased from a third party is capitalised where it relates to long term IT infrastructure on a continuing use basis.

BENFIELD HOLDINGS LIMITED

ACCOUNTING POLICIES

For the year ended 31 December 2002

INTANGIBLE ASSETS

Intangible assets comprise goodwill. When a business is acquired, fair values are attributed to its separable assets and liabilities at the date of acquisition. Goodwill represents the difference between the fair value of the purchase consideration and the fair value of the separable net assets acquired. For acquisitions in 1997 and prior, goodwill arising on acquisition has been written off to reserves on consolidation. Following the introduction of Financial Reporting Standard 10, 'Goodwill and Intangible Assets', goodwill arising on acquisitions after 1997 is capitalised and amortised over its useful economic life, which is generally 20 years.

IMPAIRMENT OF FIXED ASSETS AND GOODWILL

The group undertakes a review for impairment of fixed assets and goodwill if events or changes in circumstances indicate that the carrying amount of a fixed asset or goodwill may not be recoverable. To the extent that the carrying amount exceeds the recoverable amount, which is the higher of net realisable value and value in use, the fixed asset or goodwill is written down to its recoverable amount. Net realisable value is the estimated amount at which an asset can be disposed of, less any direct selling costs. Value in use is the estimate of the discounted future cash flows generated from the asset's continued use, including those resulting from its ultimate disposal.

EMPLOYEE SHARE OWNERSHIP TRUSTS

The Benfield Employee Benefit Trust, Benfield Greig Group plc 1998 Employee Benefit Trust and the Greig Fester Employee Trusts ("the Trusts") own shares in the company and these are shown as own shares within fixed assets in the consolidated balance sheet. The income and expenses of the Trusts are included in the consolidated profit and loss account.

Where a relevant group company holds *de facto* control over the shares held by an Employee Share Ownership Trust the assets and liabilities of the trust are recognised in the balance sheet of that company. The assets and liabilities of the Trusts are included in the group's consolidated balance sheet.

INVESTMENTS

Fixed asset investments, including own shares, are stated at cost less provisions for impairment. A provision for impairment is made to the extent that, in the directors' view, the carrying amount exceeds the recoverable amount of the fixed asset investment.

Listed investments held as current assets are stated at the lower of cost and market value. Unlisted investments held as current assets are stated at the lower of cost and directors' estimated valuation.

INSURANCE BROKING ASSETS, LIABILITIES AND CASH FLOWS

Reinsurance brokers normally act as agents in placing the risks of insurance companies with reinsurers, and, as such, generally are not liable as principals for amounts arising from such transactions. Notwithstanding such legal relationships, assets and liabilities arising from insurance broking transactions are included with non-insurance broking assets and liabilities in recognition of the fact that the reinsurance broker is entitled to retain investment income on any cash flows arising from such transactions. Similarly, fiduciary cash arising from insurance broking transactions is included within cash and deposits. Cash flows arising from insurance transactions are reflected in the consolidated cash flow statement.

Insurance broking debtors and creditors are reported in accordance with the requirements of Financial Reporting Standard 5, 'Reporting the Substance of Transactions'. The standard precludes assets and liabilities being offset unless net settlement is legally enforceable, and as a result the insurance broking debtors and creditors have been shown as the gross amounts due in respect of each contract, instead of the net amount due to or from clients and underwriters.

Allowances are recorded, where necessary, for amounts considered by the directors to be sufficient to meet probable future losses related to uncollectable accounts.

BENFIELD HOLDINGS LIMITED

ACCOUNTING POLICIES

For the year ended 31 December 2002

FINANCIAL INSTRUMENTS

The group uses derivative financial instruments to reduce exposure to foreign exchange and interest rate risks. These include both forward foreign exchange contracts and option foreign exchange contracts in respect of forecast brokerage income and interest rate swaps and collars in respect of forecast interest expenses.

Forward foreign exchange contracts and option foreign exchange contracts are held off-balance sheet and receipts and payments on settlement of these instruments are recognised at the maturity of the contract. Receipts and payments on settlement are recognised on an accruals basis over the life of the hedge.

Changes to the fair value of foreign exchange contracts and interest rate contracts held as hedges against income or expense exposure are not recognised until the maturity of the contract.

BENFIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

1 SEGMENTAL REPORTING

(in £'s thousands)

Geographical analysis by originating office location:

	Turnover		Profit/(Loss) before tax		Net assets/liabilities	
	2002	2001	2002	2001	2002	2001
UK	161,173	139,367	8,552	(37,458)	90,251	119,030
North America	107,195	63,964	3,788	(2,166)	144,717	165,111
Europe	5,273	3,493	1,117	397	1,511	5,166
Other	10,861	9,539	3,454	3,402	20,509	5,803
	284,502	216,363	16,911	(35,825)	256,988	295,110

Debt					(189,938)	(248,566)
					67,050	46,544

Business analysis:

Broking	277,776	207,921	43,366	32,170	209,888	237,517
Other	6,726	8,442	(4,281)	2,153	6,339	7,990
Associates	-	-	(5,273)	(10,421)	5,506	4,275
Group operations	-	-	(16,901)	(59,727)	35,255	45,328
	284,502	216,363	16,911	(35,825)	256,988	295,110

Debt					(189,938)	(248,566)
					67,050	46,544

Customer location analysis:

UK	77,168	63,626
North America	133,970	88,202
Europe	38,947	35,024
Other	34,417	29,511
	284,502	216,363

The analysis for 2001 includes post acquisition results and the net assets of acquisitions made during 2001.

2 INTEREST INCOME

(in £'s thousands)

Interest income

2002	2001
6,950	9,141

Fiduciary funds are held in a range of currencies, of which US Dollars comprise approximately 70% of total funds. These funds are invested in a range of approved instruments including bank deposits, money market funds and short term debt securities, and earn interest at market rates.

BENFIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

3 EXCEPTIONAL ITEMS

(in £'s thousands)

Operating:

Costs in respect of restructuring and the integration of EW Blanch Holdings, Inc.

Premises and related costs including vacant properties

Severance and other staff costs

Pension scheme termination

Provision for share options granted as part of acquisitions

Other

Professional fees in respect of capital raising

Settlement in respect of litigation

Impairment of fixed assets

Executive recruitment cost

Non-operating:

(Gain)/loss on disposal of assets

Amounts written off investments

Amounts written off investments (note 14)

2002	2001
4,470	2,000
921	13,497
1,363	-
5,451	2,596
-	1,239
12,205	19,332
275	-
-	13,735
-	2,898
-	7,998
12,480	43,963
(1,405)	2,686
-	13,039

4 NET OPERATING EXPENSES

(in £'s thousands)

Net operating expenses are shown

after crediting:

Exchange differences - borrowings

after charging:

Auditors' remuneration - audit fee (company £130,000; 2001: £140,000)

- non audit services

Amortisation of intangible assets (see note 9)

Depreciation - owned assets (see note 10)

Hire of machinery under operating leases

Leasehold property rents

Exchange differences - other

2002	2001
4,671	661
745	650
4,854	2,428
9,535	6,306
11,827	11,512
175	323
10,085	3,335
1,519	943

BENFIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

5 STAFF COSTS, DIRECTORS' EMOLUMENTS AND INTERESTS

The average number of people, including executive directors, employed by the group during the year is set out below:

	2002 Number	2001 Number
Broking and technical services	1,277	948
Other activities	84	38
Support services	293	157
	1,654	1,143

Their aggregate remuneration was as follows:

(in £'s thousands)

	2002	2001
Salaries	120,028	92,055
Social security costs	10,964	9,685
Other pension costs	9,053	8,105
	140,045	109,845

Included within the above aggregate remuneration are the following costs in respect of the directors remuneration:

(in £'s thousands)

	2002	2001
Total emoluments	6,140	7,751
Contributions to money purchase pension schemes	477	333

The remuneration of directors disclosed above includes the following amounts payable to the highest paid director:

(in £'s thousands)

	2002	2001
Emoluments	1,680	5,391
Contribution to money purchase pension schemes	60	-

During the year the following number of directors accrued benefits under money purchase pension schemes

2002 Number	2001 Number
6	6

BENFIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

Details of options over the shares of Benfield Holdings Limited held by directors, are set out below:

Share Options	Exercise Price	At 31 December 2002	At 1 January 2002 or date of appointment if later	Exercise Date
(a) 1998 Share Plan:				
'A' Options to acquire Ordinary shares of 1p each				
ATM MacDonald	260p	-	25,000	1 May 2003 to 27 July 2010
DH Spiller	5p	-	416,500	1 Jan 2001 to 21 Dec 2008
JLP Whiter	5p	-	375,000	1 Jan 2001 to 29 Aug 2009
'B' Options to acquire Ordinary shares of 1p each				
ATM MacDonald	260p	-	25,000	1 May 2003 to 27 July 2010
DH Spiller	5p	-	1,000,000	1 Jan 2001 to 21 Dec 2008

When originally granted, the 'B' Options were exercisable only if certain performance conditions were met. At the time of the scheme of arrangement (see note 30), the performance conditions for the category 'B' options were waived.

(b) 1992 Employee Share Option Scheme:

ATM MacDonald	215p	-	125,000	11 Oct 1999 to 15 Nov 2002
---------------	------	---	---------	----------------------------

During 2002, Mr MacDonald exercised 75,000 of his options under the 1992 Employee Share Option Scheme and the remaining 50,000 options lapsed on 15 November 2002.

The interests of the directors in shares of the company, were as follows:

	At 31 December 2002 Ordinary shares of 1p	At 31 December 2001 Ordinary shares of 1p
GD Chilton	-	6,250,000
DJ Coldman	-	8,750,000
RR Fox	-	3,723,612
ATM MacDonald	-	508,000
DH Spiller ⁽¹⁾	-	212,758
JLP Whiter ⁽²⁾	-	376,500
KR Harris	-	-
FAA Maude	-	-
	-	19,820,870

(1) In 1998, Mr Spiller was allotted 416,500 Ordinary shares of 1 penny each under the provisions of the 1998 Share Plan. Mr Spiller paid 5 pence per share at the time of allotment and the remaining 95 pence per share was called by the company in January 2002 and paid in February 2002.

(2) In 1999, Mr Whiter was allotted 375,000 partly paid Ordinary shares of 1 penny each under the provisions of the 1998 Share Plan. Mr Whiter paid 5 pence per share at the time of allotment and the remaining £2.05 per share will become payable when called by the company.

During 2002, Mr Fox transferred 170,366 of his Ordinary shares to other employees.

All of the directors holding office at 31 December 2002 were also directors of Benfield Group Limited, the ultimate holding company, and their interests in the shares of that company are disclosed in the financial statements of that company.

BENFIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

6 INTEREST PAYABLE

(in £'s thousands)

	2002	2001
Bank loans (see note 19)	9,216	9,291
Loan notes (see note 19)	376	442
Debenture loans	-	2,723
Other interest payable	4,045	392
	13,637	12,848

The group incurs interest expense arising under the facilities agreement set out in note 19. In connection with the facilities agreement the group has incurred interest expense arising under US Dollar and pound sterling interest rate swap and collar derivatives. Interest expense under these derivatives has been recorded within other interest payable.

7 TAXATION

(in £'s thousands)

	2002	2001
Based on profit/(loss) for the year:		
Current tax		
UK corporation tax at 30%	9,801	8,830
Double taxation relief	(1,680)	(214)
	8,121	8,616
Foreign tax	3,396	1,012
Adjustment in respect of previous periods	(971)	(538)
Share of taxation in associated companies	222	(226)
Total current tax	10,768	8,864
Deferred tax		
United Kingdom	(2,681)	(742)
Overseas	219	(3,698)
Total deferred tax	(2,462)	(4,440)
Tax on profit/(loss) on ordinary activities	8,306	4,424

BENFIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

The effective rate of tax is higher than the standard rate of corporation tax in the UK of 30%, reflecting the following:

(in £'s thousands)

	2002	2001
Profit/(loss) on ordinary activities before taxation	16,911	(35,825)
Expected tax charge/(credit) at standard rate of corporation tax in the UK of 30%	5,073	(10,747)
<i>Effects of:</i>		
Expenses not deductible for tax	2,366	10,820
Goodwill amortisation	2,355	1,295
Higher tax rates on overseas earnings	94	(728)
Impairment and loss on investments	1,410	7,466
Other timings differences	219	1,522
Adjustment to tax charge in respect of previous periods	(971)	(538)
Share of taxation in associated companies	222	(226)
Current tax charge for the year	10,768	8,864

8 DIVIDENDS

(in £'s thousands)

EQUITY SHARES

Ordinary Shares:

Interim dividend paid of nil per share (2001: 10.0p)

Final dividend proposed of 7.08p per share (2001: 20.0p)

NON-EQUITY SHARES

Fixed cumulative preferential dividend on convertible preference shares (see note 21)

Preferred Ordinary Shares

Dividend paid of nil per share (2001: 237p)

	2002	2001
-	-	3,116
10,088	10,088	6,613
	10,088	9,729
2,123	2,123	-
-	-	237
	12,211	9,966

The dividends disclosed above include dividends paid to ordinary shareholders of Benfield Holdings Limited prior to the scheme of arrangement as detailed in note 30.

The preferred ordinary shares were repurchased on 24 May 2001.

BENFIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

9 INTANGIBLE ASSETS

(in £'s thousands)

GROUP

Cost or valuation:

At 1 January 2002

195,678

Additions

154

Revisions to fair value (see note 26)

7,832

Exchange adjustments

(12,899)

At 31 December 2002

190,765

Amortisation:

At 1 January 2002

7,736

Charge for the year

9,535

Exchange adjustments

(493)

At 31 December 2002

16,778

Net book value:

At 31 December 2002

173,987

At 31 December 2001

187,942

10 TANGIBLE FIXED ASSETS

(in £'s thousands)

GROUP

Cost:

At 1 January 2002

1,910 2,437 2,889 23,886 43,761 1,921 76,804

Additions

- - 1,595 1,534 6,376 196 9,701

Disposals

(644) - (1,542) (1,423) (8,353) (1,106) (13,068)

Exchange adjustments

(154) (12) (278) (784) (2,587) 6 (3,809)

At 31 December 2002

1,112 2,425 2,664 23,213 39,197 1,017 69,628

Depreciation:

At 1 January 2002

128 228 1,043 14,263 28,354 1,143 45,159

Charge for the year

23 52 363 3,942 7,179 268 11,827

Disposals

(59) - (293) (755) (4,152) (793) (6,052)

Exchange adjustments

(6) (6) (100) (462) (1,819) - (2,393)

At 31 December 2002

86 274 1,013 16,988 29,562 618 48,541

Net Book Value:

At 31 December 2002

1,026 2,151 1,651 6,225 9,635 399 21,087

At 31 December 2001

1,782 2,209 1,846 9,623 15,407 778 31,645

Depreciation rates

Up to 2% 2% 2% 20% - 25% 20% - 50% 20%

BENFIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

11 FIXED ASSETS – INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

(in £'s thousands)		Subsidiary undertakings
COMPANY		
Cost:		
As at 1 January 2002		211,144
Additions		154
At 31 December 2002		211,298
Provision for Impairment:		
As at 1 January 2002		12,884
Provided during the year		-
At 31 December 2002		12,884
Carrying Value:		
At 31 December 2002		198,414
At 31 December 2001		198,260

A list of principal subsidiary undertakings of Benfield Holdings Limited is given in note 31.

12 FIXED ASSETS – INVESTMENTS IN ASSOCIATED UNDERTAKINGS

(in £'s thousands)	Group			Company
	Associates	Loans to associates	Total	Total
Cost:				
At 1 January 2002	9,460	3,766	13,226	6,550
Exchange adjustments	(51)	-	(51)	-
Additional investment	1,390	5,912	7,302	1,121
Share of associated undertakings' results	(2,319)	-	(2,319)	-
Distributions received during the year	(322)	-	(322)	-
At 31 December 2002	8,158	9,678	17,836	7,671
Provision for Impairment				
At 1 January 2002	5,185	3,766	8,951	6,500
Provided during the year	-	3,176	3,176	-
Revisions to fair value (see note 26)	203	-	203	-
At 31 December 2002	5,388	6,942	12,330	6,500
Carrying Value:				
At 31 December 2002	2,770	2,736	5,506	1,171
At 31 December 2001	4,275	-	4,275	50

BENFIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

The principal associate undertakings held by the group at 31 December 2002 are set out below:

Name	% owned	Incorporated in	Principal Activity
Benfield Sports International Limited*	50	England	Sports consultant
Commission Freedom Holdings Limited*	15	England	Investment holding company
Bluesure Limited*	95	England	Personal lines insurance broker
International Space Brokers Inc.	46	USA	Insurance intermediary
Catastrophe Risk Exchange Inc.	50	USA	Internet based risk exchange
Russell Miller Advisors Asia LLC	50	USA	Merger and acquisition advisor

* Held directly by the company

During 2002, following a restructuring of the capital of Bluesure Limited, the holding was increased initially to 82% and subsequently to 95% from the 13% held at the start of the year. Whilst the equity holding increased above 50% Bluesure Limited has been excluded from consolidation as its majority stake was held for subsequent resale. The group has not previously consolidated Bluesure Limited. Under the final stage of the restructuring, which was completed in March 2003, the group's equity holding was reduced to 48%. The group financed Bluesure during the year, with loans outstanding at 31 December 2002 totalling £2,736,000 (2001: £nil). Bluesure Limited had shareholders' funds at 31 December 2002 of (£8,985,000) comprised of £104,000 of ordinary shares, £5,001,000 of convertible preference shares, £20,000 of share premium and (£14,110,000) of profit and loss reserve. Bluesure Limited recorded a net loss of £7,647,000 in 2002. The group has accounted for this non-consolidated subsidiary under the equity method of accounting. These companies are all registered in England.

13 FIXED ASSETS – OWN SHARES

Common shares of US\$0.01 each:

At 1 January 2002 (see note below)

Shares transferred to employees

At 31 December 2002

Group		Company	
In £'s thousands	Number	In £'s thousands	Number
9,184	2,906,484	8,747	2,851,941
(1,735)	(439,755)	(1,735)	(439,755)
7,449	2,466,729	7,012	2,412,186

The income and expenditure of the trusts set out below have been included in the consolidated profit and loss account for the year ended 31 December 2002, the effect of which is set out below:

(in £'s thousands)

Increase/(decrease) in profit before tax

Group		Company	
2002	2001	2002	2001
76	(42)	74	(44)

The shares are held by the trusts and employee share ownership plans set out below. On 23 October 2002, as part of the scheme of arrangement (see note 30) the shares held were converted with two £0.01 ordinary shares in Benfield Holdings Limited being converted to one US\$0.01 common share in the Benfield Group Limited. The number of shares shown above has been restated accordingly at 1 January 2002.

BENFIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

The Benfield Employee Benefit Trust

The Benfield Employee Benefit Trust was established in September 1988. The trust was allotted shares in Benfield Holdings Limited in 1988, and since that time has purchased shares in the share transfer periods. The Trustees make the shares that they hold available when employees exercise share options that have been granted, and have also gifted shares to employees at certain times. The trust receives any dividends that are paid in respect of its shareholding.

Benfield Greig Group plc 1998 Employee Benefit Trust

The Benfield Greig Group plc 1998 Employee Benefit Trust was established in December 1998. The shares held in the trust may be used to meet the obligations of Benfield Group Limited to the holders of share options granted. The Trustee has also gifted shares to employees at certain times. Under the provisions of the Trust Deed, the trustee waives any dividends in respect of shares held by the trust.

Employee Share Ownership Plans

Greig Fester Group Limited operated incentive arrangements through the Greig Fester Group Employee (Guernsey) Trust and the Greig Fester 1993 Employee (Guernsey) Trust for the purpose of the Greig Fester share incentive and share option schemes. These trusts acquired shares in Benfield Holdings Limited as a result of the acquisition of Greig Fester Group Limited in November 1997. The trusts receive any dividends that are paid in respect of their shareholdings.

14 FIXED ASSETS – INVESTMENTS

(in £'s thousands)

GROUP

Cost:

At 1 January 2002

Additions

Disposals

Transfer to current asset investments

Revisions to fair value (see note 26)

Exchange adjustments

At 31 December 2002

Provision For Impairment:

At 1 January 2002

Disposals

Transfer to current asset investments

Exchange adjustments

At 31 December 2002

Net Book Value:

At 31 December 2002

At 31 December 2001

UK listed	Overseas listed	Unlisted	Total
44,713	11	26,624	71,348
-	-	634	634
(40,596)	-	(1,293)	(41,889)
(4,117)	(11)	(17,406)	(21,534)
-	-	(2,214)	(2,214)
-	-	(773)	(773)
-	-	5,572	5,572
20,744	-	-	20,744
(18,834)	-	-	(18,834)
(1,910)	-	-	(1,910)
-	-	-	-
-	-	-	-
-	-	5,572	5,572
23,969	11	26,624	50,604

BENFIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

(in £'s thousands)

COMPANY

Cost:

At 1 January 2002
Additions
Disposals
Transfer to current asset investments
At 31 December 2002

Provision For Impairment:

At 1 January 2002
Transfer to current asset investments
At 31 December 2002

Net Book Value:

At 31 December 2002
At 31 December 2001

UK listed	Unlisted	Total
5,151	17,838	22,989
-	200	200
(1,034)	-	(1,034)
(4,117)	(17,188)	(21,305)
-	850	850
1,910	-	1,910
(1,910)	-	(1,910)
-	-	-
-	850	850
3,241	17,838	21,079

UK listed investments at 31 December 2001 consisted of holdings in BRIT Insurance Holdings PLC, a company incorporated in England. The group had an interest of 8.4% in the issued share capital of BRIT Insurance Holdings PLC at 31 December 2001. In 2002, the group sold the majority of its holding. The remaining balance is held for resale and is therefore recorded as a current asset.

Included within unlisted investments at 31 December 2001 was a holding in Montpelier Re Holdings Limited. On this date the group acquired a 2.9% interest in the outstanding common shares together with warrants entitling the group to subscribe for an additional 4.6% on an undiluted basis at the initial subscription price. Following the Initial Public Offering of Montpelier Re Holdings Limited during 2002 this investment has been reclassified as a current asset.

The UK listed investments have a market value of £Nil (2001: £26,612,000) and overseas listed investments £Nil (2001: £11,000).

15 NET CURRENT ASSETS

The following fiduciary assets and liabilities held by the group have been included in net current assets:

(in £'s thousands)

Insurance broking debtors
Investments
Fiduciary cash and deposits
Insurance broking creditors
Net fiduciary assets

Group	
2002	2001
3,367,670	2,783,373
60,889	42,722
167,694	161,967
(3,583,847)	(2,970,833)
12,406	17,229

BENFIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

16 DEBTORS

(in £'s thousands)

Due within one year:

Insurance broking debtors	3,367,670	2,783,373
Amounts due from group undertakings	2,813	-
Amounts due from associated undertakings	134	256
Taxation recoverable	11,051	6,899
Deferred taxation	3,914	4,989
Other debtors	17,766	16,236
Prepayments and accrued income	13,690	9,556

Due after one year:

Deferred taxation	7,981	3,458
Other debtors	-	7,580

Group		Company	
2002	2001	2002	2001
		-	-
		198,917	183,530
		-	20
		-	1,856
		3,000	-
		3,771	2,847
		375	552
3,417,038	2,821,309	206,063	188,805
		-	-
		-	929
3,425,019	2,832,347	-	929

Other debtors includes a loan of £4,200,000 (2001: £4,200,000) provided by Benfield Greig (Holdings) Inc., a wholly owned subsidiary undertaking, to Mr Rod Fox, a director of the company. The loan has been secured over his shareholding in the company and remained outstanding as at 31 December 2002. The loan to Mr Fox and loans to other members of the US management team bear interest at 4.25% per annum and are repayable on 31 December 2003 or earlier at the discretion of the group and consequently the total for such loans of £6,300,000 is classified at 31 December 2002 as due within one year.

Deferred Taxation

(in £'s thousands)

Accelerated capital allowances	1,969	(236)	-	-
Provisions	3,922	3,492	-	-
Losses carried forward	96	2,826	-	-
Other timing differences	5,908	2,365	3,000	-

At 1 January 2002	8,447	(111)	-	-
Deferred tax credit in profit and loss account	2,462	4,440	3,000	-
Deferred tax adjustment on acquisitions	347	4,118	-	-
Exchange adjustments	639	-	-	-
At 31 December 2002	11,895	8,447	3,000	-

Group		Company	
2002	2001	2002	2001
		-	-
		-	-
		-	-
		3,000	-
11,895	8,447	3,000	-
		-	-
		3,000	-
		-	-
		-	-
11,895	8,447	3,000	-

Deferred tax assets have been recognised on the basis that the group expects to generate sufficient taxable profits in the main jurisdictions in which it operates.

There is an unrecognised deferred tax asset of £9,920,478 (2001: £979,000) principally arising on unrealised capital losses within the group which are unlikely to be utilised in the foreseeable future. No deferred tax has been recognised in respect of unremitted earnings held in foreign subsidiaries on the basis that these have either been permanently reinvested or, when remitted as dividends, any taxes due will substantially be offset by foreign tax credits.

BENFIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

17 CURRENT ASSETS – INVESTMENTS

(in £'s thousands)

Group		Company	
2002	2001	2002	2001
80,286	40,213	19,395	-
8	2,509	2	-
80,294	42,722	19,397	-

At 31 December 2002 the aggregate market value of the group's listed investments was £90,208,000 (2001: £40,213,000). In addition the group holds warrants in Montpelier Re Holdings Limited entitling it to subscribe for 4.6% of the outstanding common shares (see note 14) which, based on the market price at 31 December 2002 of \$28.80, had an intrinsic value of £18,027,000. At 31 December 2002 the aggregate market value of the company's listed investments was £29,307,000 (2001: £Nil). The unlisted investments are shown at the lower of cost and directors' valuation.

18 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

(in £'s thousands)

Group		Company	
2002	2001	2002	2001
19,379	25,744	19,353	26,126
9,037	8,425	2,442	7,948
3,583,847	2,970,833	-	-
-	-	86,536	42,628
-	993	-	851
15,613	7,742	4,159	-
46,303	68,059	6,109	27,035
3,146	1,341	22	308
-	6,613	-	6,613
3,677,325	3,089,750	118,621	111,509

19 CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

(in £'s thousands)

Group		Company	
2002	2001	2002	2001
161,322	207,697	161,004	206,880
200	6,700	200	400
1,040	4,182	-	
162,562	218,579	161,204	207,280

BENFIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

Bank Loans

The group holds a £186,525,000 syndicated facilities agreement comprising a term loan facility, which is repayable in instalments between 30 April 2003 and 30 April 2006 and a revolving loan and guarantee facility which is available until 30 April 2006. The rate of interest payable on the term loan and the revolving loan fluctuates in line with the current LIBOR rate, plus a variable margin, dependent on certain financial ratios. At 31 December 2002 the amount outstanding under the facilities agreement was £183,418,000 and the average interest payable was 3.18% on both the term loan and the revolving loan. Unamortised facilities fees of £3,062,000 are set off against the outstanding balance. Borrowings made under the facilities agreement are secured by means of fixed and floating charges over the group's assets provided by the company and the principal group subsidiaries. Additionally the group and the principal subsidiaries have provided guarantees to the lending syndicate in respect of the facilities agreement.

A group subsidiary, Benfield Premium Finance Limited, has established a special purpose vehicle trust company, BG Funding No 1 Plc (the "SPV"), in connection with its business of providing securitised financing of insurance premiums. The SPV signed a £25m senior debt facility with Barclays Bank plc in February 2002. The facility had not been utilised prior to the balance sheet date. The group and its subsidiaries have not provided guarantees or security in respect of these arrangements.

Loan Notes

- (a) Following the acquisition of EW Blanch Holdings, Inc., the group has assumed responsibility for loan notes in the amount of £295,000 issued by UK subsidiaries of EW Blanch Holdings, Inc.. These loan notes bear interest at UK base rates and are repayable at the option of the holder at dates between June 2003 and April 2004. The rate of interest payable on the notes as at the balance sheet date was 4%.
- (b) As part of the purchase consideration for Greig Fester Group Limited, the group issued the Guaranteed Loan Notes to the vendors. These notes were scheduled to be repaid in full as at 31 December 2002. An amount representing unclaimed notes of £2,242,000 was payable into an escrow on behalf of the noteholders as at 31 December 2002. The notes no longer accrue interest from 31 December 2002.
- (c) The group issued loan notes in April 2001 in the amount of £600,000 to a previous employee in respect of the acquisition of that employee's minority shareholding in a subsidiary company. These loan notes bear interest at variable rates linked to LIBOR and are repayable at the option of the holder at dates between 6 April 2003 and 31 December 2004. The rate of interest payable in the notes at the balance sheet date was 2.97% and the amount outstanding was £400,000.
- (d) In May 2001, Benfield Greig (Holdings) Inc., a subsidiary of the group, issued promissory notes in the amount of £6,300,000 to Messrs Fox and Karon. The notes bear interest at 4.25% per annum and are payable on 31 December 2003 or earlier at the discretion of Benfield Greig (Holdings) Inc.. Mr Fox repaid £4,200,000 in May 2003.

20 PROVISIONS FOR LIABILITIES AND CHARGES

	Group				Company
	Vacant properties	Litigation and disputes	Other	Total	Litigation and disputes
(in £'s thousands)					
At 1 January 2002	5,065	8,130	-	13,195	1,490
Exchange adjustments	(207)	(640)	-	(847)	-
Revisions to fair value provisions (see note 26)	107	4,584	1,176	5,867	-
Utilised in year	(2,973)	(2,626)	-	(5,599)	(548)
Transfer from profit and loss account	2,535	300	-	2,835	4,584
At 31 December 2002	4,527	9,748	1,176	15,451	5,526

Provisions for liabilities and charges includes £12,152,000 (2001: £10,966,000) in respect of fair value provisions. £3,941,000 of the fair value provisions were utilised in the year.

BENFIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

Vacant properties

On the acquisition of EW Blanch the Group inherited certain vacant and partly sub-let leasehold properties primarily arising from the restructuring undertaken by EW Blanch prior to its acquisition. These properties are principally located in the United Kingdom and the United States. In addition, subsequent to its acquisition of EW Blanch, the Group rationalised and consolidated its property space. Provision has been made for the residual lease commitments, together with any related outgoings, after taking into account any existing and anticipated sub-tenancy arrangements.

Litigation and disputes

In the ordinary course of the Group's business it is subject to claims for alleged errors and omissions made in connection with its broking activities. The group has recognised provisions in respect of claims for errors and omissions and other legal disputes, together with anticipated legal costs to the extent that such exposures are not covered by the Group's insurance policies. These provisions principally arose from claims and circumstances relating to EW Blanch prior to its acquisition by the Group. Due to the differing nature and circumstances of those claims it is not possible to make an overall assessment of when claims are likely to be paid.

21 SHARE CAPITAL

(in £'s thousands)

Ordinary shares of 1p
Incentive Shares of 1p
Convertible Shares of £1
Convertible Preference Shares of 1p

Authorised		Allotted and Issued	
2002	2001	2002	2001
1,412	992	1,105	695
-	20	-	8
-	-	-	-
-	400	-	200
1,412	1,412	1,105	903

Ordinary Shares of 1p
Incentive Shares of 1p
Convertible Shares of £1
Convertible Preference Shares of 1p

Authorised		Allotted and Issued	
2002 number	2001 number	2002 number	2001 number
141,173,300	99,172,300	110,517,000	69,473,493
-	2,000,000	-	849,625
-	10	-	10
-	40,000,000	-	20,000,001
141,173,300	141,172,310	110,517,000	90,323,129

BENFIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

Changes to Share Capital during the year

On 30 April 2002 19,999,998 Convertible Preference Shares of 1 penny were allotted to a group of new shareholders for £1.00 per share resulting in a share premium of £19,799,998, the proceeds of which were used for working capital purposes.

In May 2002 the company allotted 194,137 Ordinary Shares of 1 penny to employees of the group at an issue price of £5.50 per share resulting in a share premium of £1,065,812.

In accordance with the provisions of the Articles of Association on 30 September 2002 the 10 Convertible Shares of £1.00, being the entire class of these shares, were re-purchased and cancelled by the company at par, being a total of £10.00. An amount of £10.00 has been added to that company's Capital Redemption Reserve.

On 30 September 2002 the company's shareholders approved a Scheme of Arrangement in order to establish a new holding company in Bermuda. The Court sanctioned the Scheme of Arrangement on 22 October 2002 and the Court Order became effective on 23 October 2002.

Following the Scheme of Arrangement:

- The share capital of the company was reduced by cancelling all of the company's authorised and issued shares;
- The authorised share capital of the company was then increased to its former amount by the creation of new ordinary shares equal in nominal value to the issued and unissued shares that had been cancelled;
- The reserve created by the cancellation of the company's existing shares was used to pay up 375,000 partly paid ordinary shares, issued on terms whereby Benfield Group Limited is liable to pay £2.05 per partly paid share when called to do so by the company, and 110,142,000 fully paid ordinary shares in the company which were allotted and fully paid to Benfield Group Limited;
- The company was re-registered as a private limited company.

Share options

Following the scheme of arrangement, share options granted by Benfield Holdings Limited under its 1998 Share Option Scheme were rolled over to options over the shares of Benfield Group Limited.

Deferred Share Units

Following the scheme of arrangement, the 2001 Deferred Share Unit Retention Plan and the 2001 California Employees Deferred Share Unit Retention Plan ("the Plans") for employees of the group based in the United States of America apply to shares in Benfield Group Limited on a one-for-two basis.

22 RESERVES

GROUP	(in £'s thousands)	Share premium account	Profit and loss account	Capital redemption reserve	Consolidation reserve	Total other reserves
At 1 January 2002		99,927	(69,179)	10,263	4,500	14,763
Shares issued during the year		20,812	-	-	-	-
Increase in provision for share options		-	5,637	-	-	-
Translation differences		-	(2,658)	-	-	-
Loss for the financial year		-	(3,663)	-	-	-
At 31 December 2002		120,739	(69,863)	10,263	4,500	14,763

Cumulative goodwill relating to acquisitions made in 1997 and prior, which has been written off to reserves, amounts to £104,725,000 (2001: £104,725,000)

BENFIELD HOLDINGS LIMITED

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For the year ended 31 December 2002

COMPANY	(in £'s thousands)	Share premium account	Profit and loss account	Capital redemption reserve
At 1 January 2002		99,927	7,544	10,263
Shares issued during the year		20,812	-	-
Increase in provision for share options		-	5,637	-
Profit for the financial year		-	3,338	-
At 31 December 2002		120,739	16,519	10,263

23 PENSION COMMITMENTS

The group operates a number of pension schemes around the world. The assets of the money purchase schemes are held separately from those of the group in independently administered funds. The pension charge for the year was £9,038,000 (2001: £8,105,000). There were no unpaid contributions outstanding at the year end.

EW Blanch Holdings, Inc. operated a defined benefit arrangement in the United Kingdom which was closed to the further accrual of benefits in December 1999. The scheme is in the process of being wound-up and it is expected this will be completed by the end of 2003. Liabilities in respect of pensioner members of the scheme were secured with insurance contracts during 2001. The remaining assets of the scheme (market value £14,674,000 as at 31 December 2001, invested £12,817,000 in index linked gilts and £1,857,000 in Norwich Union's Growth Managed Fund) will be used in full to satisfy liabilities in respect of remaining members and meet the costs of winding-up the scheme. The remaining members will be offered transfer values of at least equivalent of those calculated using the assumptions underlying the government's minimum funding requirement. In view of the above, the value of the liabilities of the scheme as at 31 December 2002 is considered to be equal to the market value of the assets of the scheme as at that date.

Benfield Greig Ellinger, Inc. operated a defined benefit arrangement in the United States which was closed to the further accrual of benefits in December 2001. As a result of the group's restructuring, scheme members are being transferred to the existing Benfield Blanch profit sharing pension scheme. It is the group's intention to terminate the defined benefit arrangement in 2003 and a provision of £1,363,000 has been expensed in the year (see note 3) to meet the additional liability needed to settle the scheme obligations and to transfer members to the profit sharing plan.

The above schemes are the only defined benefit schemes operated by the group. The group has an obligation to comply with the transitional rules of FRS 17 which include a requirement to make detailed note disclosures on actuarial scheme valuations and the impact that accounting for these valuations would have on the consolidated profit and loss account and consolidated balance sheet.

However, on winding up the schemes the basis used will be as required by legislation and not the basis required under FRS 17. The group believes that assets and provisions currently held cover the costs that will arise on winding up the schemes and, consequently, the deficits reflected in the following FRS 17 disclosures will not result in any additional liabilities to the group. The major assumptions used by the actuaries for the FRS 17 disclosure calculations were:

	2002	2001
Discount rates	5.50-6.50%	5.75-7.25%
Pension increases (benefits accrued after 5 April 1997)	2.25%	2.50%
Retail Price Inflation	2.25%	2.50%

BENFIELD HOLDINGS LIMITED

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The assets in the two schemes and the expected rates of return were as follows:

	(in £'s thousands)		Long-term rates of return expected	
	Market value		2002	2001
	2002	2001		
Equities	2,180	2,957	7.75 – 8.50%	7.75 – 8.50%
Gilts	12,817	13,106	4.50%	5.00%
Bonds	11	11	5.50%	5.50%
Cash	349	267	3.00%	3.00%
Total market value of assets	15,357	16,341		

The following amounts at 31 December 2002 and 31 December 2001 were measured in accordance with the requirements of FRS 17. As stated above, the FRS 17 requirements do not reflect the actual basis to be applied in the winding-up of these schemes and these FRS 17 disclosures will not result in additional liabilities to the group.

	(in £'s thousands)	
	2002	2001
Total market value of assets	15,357	16,341
Present value of scheme liabilities under FRS 17	19,165	18,080
Deficit in the scheme under FRS 17	(3,808)	(1,739)
Related deferred tax asset	1,273	554
Net pension liability under FRS 17	(2,535)	(1,185)

FRS 17 requires disclosure of these notional deficits on the financial statements of the group. If the above amounts had been recognised in the financial statements, at 31 December 2002 the group's net assets would be £57,728,000 (2001: £45,359,000) and the profit and loss reserves would be £79,185,000 (2001: £70,364,000). In addition £1,190,000 would be recognised as a settlement charge against operating profit, the group would record a net interest cost of £162,000 and the consolidated statement of total recognised gains and losses would have a further loss of £989,000. The increases in the deficit were offset during the year by contributions of £158,000 and an exchange rate movement of £114,000.

24 RECONCILIATION OF GROUP OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	(in £'s thousands)	
	2002	2001
Continuing activities		
Operating profit/(loss)	34,171	1,036
Amortisation of intangible fixed assets	9,535	6,306
Provision for impairment of intangible fixed assets	-	2,898
Depreciation of tangible fixed assets	11,827	11,512
Cost of shares gifted during the year	361	6,100
Cost of share options issued	4,927	2,596
Increase in debtors	(594,981)	(876,821)
Increase in creditors	604,306	979,417
Translation differences	2,400	(93)
Net cash flow from continuing operating activities	72,546	132,951

BENFIELD HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2002

25 CASH FLOW STATEMENT**(a) Gross cash flows**

(in £'s thousands)

	2002	2001
RETURN ON INVESTMENTS AND SERVICING OF FINANCE		
Investment income	245	-
Interest paid	(13,019)	(13,289)
Non-equity dividends paid to shareholders	(772)	(237)
Net cash flow from return on investments and servicing of finance	(13,546)	(13,526)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Payments to acquire tangible fixed assets	(9,701)	(8,044)
Receipts from sale of tangible fixed assets	7,347	1,086
Purchase of fixed asset investments	(634)	(2,254)
Proceeds from sale of fixed asset investments	24,117	4,545
Investment in own shares	(26)	-
Net cash flow from capital expenditure and financial investments	21,103	(4,667)
ACQUISITIONS AND DISPOSALS		
Purchase of subsidiary undertakings	-	(129,313)
Increase in investment in subsidiary undertakings	(154)	(470)
Purchase of associated companies	-	(5,190)
Increase in investment in associated undertakings	(7,302)	-
Net cash acquired with subsidiary undertakings	-	8,835
Net cash flow from acquisitions and disposals	(7,456)	(126,138)
MANAGEMENT OF LIQUID RESOURCES		
Net increase in current asset investments	(35,365)	(38,077)
Net increase in short term deposits	(37,876)	(1,936)
Net cash flow from management of liquid resources	(73,241)	(40,013)
FINANCING		
Proceeds from share issues	20,701	20,000
Proceeds from share options exercised	2,110	207
Redemption of shares	-	(11,000)
Bank loans advanced	67,058	233,006
Bank loans repaid	(107,360)	(67,724)
Debenture loans repaid	-	(14,819)
Loan notes repaid	(5,888)	(1,974)
Net cash flow from financing	(23,379)	157,696

BENFIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

(b) Analysis of changes in net funds

	At 1 January 2002	Exchange effect	Other non- cash movements	Cash flows	At 31 December 2002
(in £'s thousands)					
Cash:					
Cash and deposits	209,349	(4,236)	-	(1,639)	203,474
Deposits classed as liquid assets	(67,928)	2,802	-	(37,876)	(103,002)
Cash at bank and in hand	141,421	(1,434)	-	(39,515)	100,472
Liquid resources:					
Deposits	67,928	(2,802)	-	37,876	103,002
Current asset investments	42,722	-	2,207	35,365	80,294
	110,650	(2,802)	2,207	73,241	183,296
Total funds	252,071	(4,236)	2,207	33,726	283,768
Debt:					
Debt due within 1 year	34,169	-	25,880	(31,633)	28,416
Debt due within 1 to 2 years	32,826	(2,516)	825	-	31,135
Debt due within 2 to 5 years	181,571	(10,540)	(26,087)	(14,557)	130,387
	248,566	(13,056)	618	(46,190)	189,938
Net funds	3,505	8,820	1,589	79,916	93,830

BENFIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

26 PRIOR YEAR ACQUISITIONS

Acquisition of EW Blanch Holdings, Inc.

On 31 May 2001, the group acquired 100% of the issued share capital of EW Blanch Holdings, Inc. giving rise to goodwill of £139,638,000. In the year to 31 December 2002 the initial fair value provisions made during 2001 were reviewed for completeness so as to fairly reflect the fair value of assets and liabilities at the date of acquisition. The process included finalising the valuation of investments at market rates, the review of current assets to assess their recoverability and the revision of provisions to fairly reflect the underlying liabilities. As a result of this exercise an adjustment of £7,832,000 was required, increasing goodwill to £139,224,000 after translation differences of £8,246,000 as follows:

(in £'s thousands)

	At 1 January 2002	Revision to fair value in 2002	At 31 December 2002
Consideration - Cash	129,313	-	129,313
Intangible assets	-	-	-
Tangible assets	21,490	-	21,490
Fixed asset investments	11,489	(2,952)	8,537
Debtors	794,781	(244)	794,537
Current asset investments	4,031	-	4,031
Cash	8,835	-	8,835
Creditors	(839,985)	1,230	(838,755)
Provisions	(10,966)	(5,866)	(16,832)
Less: net assets/(liabilities)	(10,325)	(7,832)	(18,157)
Translation differences			(8,246)
Goodwill	139,638	7,832	139,224

The operations of EW Blanch Holdings, Inc. and its subsidiary and associated undertakings acquired in 2001 were immediately integrated into the group's existing operations such that it is not now feasible to identify the separate results or turnover of each of the separate parts of the business.

27 COMMITMENTS

At 31 December 2002 the group was committed to making the following annual payments under non-cancellable leases:

(in £'s thousands)

	Land and Buildings		Other	
	2002	2001	2002	2001
Operating leases which expire:				
Within 1 year	894	792	41	24
Within 2 to 5 years	5,863	4,680	45	96
After 5 years	6,039	7,859	-	-
	12,796	13,331	86	120

BENFIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

At 31 December 2002 the group's obligation in respect of assets held under finance leases and hire purchase contracts fall due as follows:

(in £'s thousands)

2002	2001
-	13

Within 1 year

The group has assigned a number of leasehold properties to third parties. Should the assignees fail to fulfil any obligations in respect of these leases, the group may be liable for these defaults. These leases expire between 1 and 5 years. The potential annual operating lease liability in respect of these leases should the assignees default is £892,000.

Forward foreign exchange contracts

In the normal course of business the group enters into forward foreign exchange contracts to limit its exposure to currency exchange differences on future expected brokerage income. At 31 December 2002 the group had entered into contracts for a principal value of £12,183,000 (2001: £55,002,000).

Other financial commitments

In the normal course of business the group enters into interest rate swaps and collars to limit its exposure to interest rate movements in respect of the interest expenses arising on the bank loans (see note 19). At 31 December 2002 the group was entered into contracts for a principal value of £123,879,000 (2001: £152,359,000).

28 CONTINGENT LIABILITIES

Funded Unapproved Retirement Benefit Scheme ("FURBS")

The merger of the group with Greig Fester Group Limited ("Greig Fester") in November 1997 triggered awards under its various employee incentive schemes. Awards to most employees were satisfied by way of cash and shares from employee benefit plans. However, in the case of some senior employees, the awards were made directly by and at the discretion of the trustees of the employee benefit trust into FURBS set up by Greig Fester for each individual. Based on professional advice at the time, no Income Tax or National Insurance contributions were made on behalf of the employees in respect of these awards by the trustees into their FURBS. The Inland Revenue have been reviewing the documentation and implementation of the FURBS award arrangement. To date, no claim or threat of a claim has been made against any member of the group in relation to this arrangement. The maximum exposure to the group in connection with this matter could be up to £20 million. However, having taken professional advice, the directors do not consider that a material liability will fall on any member of the group in connection with this matter and accordingly no provision has been made in the accounts. However, in the event of an unfavourable determination by the Inland Revenue, this matter could result in a significant adverse effect on the group's financial position.

Shareholder Class Action

Benfield Group Limited, the ultimate parent company, has made a provision in respect of a class action lawsuit brought against EW Blanch Holdings, Inc. ("EW Blanch") and certain of its directors and officers by public shareholders in EW Blanch prior to its acquisition by the group. The lawsuit alleges that the defendants made false and misleading statements to the investing public, certain of the individual defendants profited from those statements and that EW Blanch's stock traded at artificially inflated prices. The provision reflects a provisional settlement of these proceedings by the defendants without any admission of liability. The settlement is subject to comment by the class member and final court approval. EW Blanch carried directors' and officers' insurance for the relevant period and the proposed settlement amount is covered by this insurance. Accordingly there is no net impact on the profit and loss account.

BENFIELD HOLDINGS LIMITED

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Proceedings relating to Superior National Insurance Group

A former client of EW Blanch Holdings, Inc. ("EW Blanch"), Superior National Insurance Group ("Superior National"), is involved in arbitration proceedings relating to workers' compensation reinsurance coverage that EW Blanch placed on its behalf with Web Management LLC, which wrote this reinsurance on behalf of United States Life Insurance Co. of the City of New York ("US Life"). In late 1999, US Life commenced arbitration proceedings against Superior National, pursuant to which, EW Blanch is advised, US Life alleges, among other things, that this reinsurance program should be rescinded for alleged nondisclosure of material information. In March 2000, Superior National was put into conservatorship by the California Department of Insurance, which continues to defend the arbitration proceedings commenced by US Life against Superior National. In addition, the company is aware that various other arbitrations and lawsuits are pending relating to reinsurance business ceded by Superior National which involved reinsurance placements for which EW Blanch acted as reinsurance intermediary. No member of the group is party to any of these lawsuits or arbitrations, nor, to date, has any claim or threat of a claim been made against any member of the group relating to its involvement in the placement of these reinsurance protections on behalf of Superior National. The group continues to co-operate with Superior National in relation to these proceedings. However, it is possible that in the event US Life or other Reinsurers are successful in their arbitration proceedings, and as a result are entitled to rescind Superior National's reinsurance programme, the group could be pursued for return of the reinsurance brokerage previously received and recognised for the placement of this programme, which could be in the region of \$16 million, or for damages in connection with and errors and omissions claim against it. If all previously recognised and received brokerage for this programme were required to be returned, or if the group were held liable for damages for an errors and omissions claim and the group's insurance coverage proves to be inadequate or unavailable, it would have a material adverse effect on the group's financial position.

29 RELATED PARTY TRANSACTIONS

Transactions relating to International Space Brokers, Inc.

Mr Grahame Chilton, a director of the company, is also a director of International Space Brokers, Inc. ("ISB"), an associated undertaking. The group has a revenue sharing agreement with ISB, which generated £1.4 million of revenue in 2002 (2001: £0.2 million). ISB shares certain office space with the group pursuant to an office sharing arrangement.

Transaction with International Catastrophe Managers, LLC

The group owns 19.9% of the membership interests in International Catastrophe Managers, LLC ("ICM"), a managing general agency. Mr Rod Fox is also a director of ICM. ICM owes the group approximately £1.2 million at 31 December 2002 (2001: £1.5 million), including accrued and unpaid interest, under a subordinated secured promissory note, dated 12 May 1999, which matures on 30 June 2006.

Transactions with Equity Partnership Limited

The group owns 20% of the ordinary shares in Equity Partnership Limited ("Equity"). It also owns 850,000 preference shares in Equity and has agreed to subscribe for a further 150,000 preference shares at the option of Equity's board of directors.

Equity owns 70% of EPIC Asset Management Limited ("EPIC"), which, for a market-rate fee, provides the group with discretionary investment management services in connection with approximately \$50 million of fiduciary assets that the group has placed under EPIC's management pursuant to an investment management agreement dated 3 May 2002. The group agreed to enter into a discretionary fund management agreement with EPIC pursuant to a shareholders' agreement, dated 9 August 2001, with respect to the investment in Equity.

30 ULTIMATE PARENT COMPANY

During 2002, Benfield Group Limited was incorporated as a Bermudan exempted company with limited liability to replace Benfield Holdings Limited as ultimate holding company of the Benfield group and to redomicile the holding company from the United Kingdom to Bermuda. On redomiciliation previous holders of every two 1p ordinary shares in the company, received one \$0.01 common share in Benfield Group Limited. Outstanding share option awards were also exchanged on this basis. The redomiciliation, which became effective on 23 October 2002, was accomplished by way of a Court approved scheme of arrangement under section 425 of the United Kingdom Companies Act 1985.

Therefore, from 23 October 2002, the ultimate parent company is Benfield Group Limited, a company incorporated in Bermuda. Copies of the consolidated financial statements of Benfield Group Limited can be obtained from the Company Secretary at 55 Bishopsgate, London, EC2N 3BD.

BENFIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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31 PRINCIPAL SUBSIDIARIES

<i>Name</i>	<i>% Voting</i>	<i>Class of Shares</i>	<i>% Owned</i>	<i>Incorporated in</i>	<i>Principal Activity</i>
Benfield Greig Limited	100	Ordinary	100	England	Reinsurance intermediary
Benfield Blanch Inc.	100	Ordinary	100	USA	Reinsurance intermediary
Benfield Greig (Australia) Pty. Limited	100	Ordinary	100	Australia	Reinsurance intermediary
Benfield Greig Paris SA	100	Ordinary	100	France	Reinsurance intermediary
Benfield Greig (New Zealand) Limited	100	Ordinary	100	New Zealand	Reinsurance intermediary
Benfield Greig (SA) (Proprietary) Limited	100	Ordinary	100	South Africa	Reinsurance intermediary
Benfield Greig Corredores de Reaseguros Ltda	90	Ordinary	90	Chile	Reinsurance intermediary
MSTC Benfield Greig Corredores de Seguros Ltda	90	Ordinary	90	Chile	Insurance intermediary
Benfield Greig Asia Pte. Limited	100	Ordinary	100	Singapore	Reinsurance intermediary
Benfield Greig Argentina SA	100	Ordinary	100	Argentina	Reinsurance intermediary
Benfield Greig Iberica Correduria de Reaseguros SA	100	Ordinary	100	Spain	Reinsurance intermediary
Benfield Greig do Brasil Ltda	100	Ordinary	100	Brazil	Reinsurance intermediary
Benfield Greig Munchen GmbH	100	Ordinary	100	Germany	Reinsurance intermediary
Benfield Greig Canada Limited	100	Ordinary	100	Canada	Reinsurance intermediary
Benfield Greig (Praha) a.s.	100	Ordinary	100	Czech Republic	Reinsurance intermediary
Benfield Greig (Bratislava) s.r.o.	100	Ordinary	100	Slovak Republic	Reinsurance intermediary
Benfield Greig (Bermuda) Limited	100	Ordinary	100	Bermuda	Reinsurance intermediary
Benfield Greig (Mexico) SA de CV	100	Ordinary	100	Mexico	Reinsurance intermediary
Orbit Benefits Limited	100	Ordinary Preference	100 100	England	Benefits advice, communication and administration
Orbit Protection Limited	100	Ordinary	100	England	Benefits advice, communication and administration
Paragon Reinsurance Risk Management Services Inc.	100	Ordinary	100	USA	Provision of run off services
Unisure Inc.	100	Ordinary	100	USA	Reinsurance software solutions
Benfield Advisory Limited	100	Ordinary	100	England	Corporate finance and investment advisers
Wildnet Group Limited	77	Ordinary 'A' Ordinary 'B' Ordinary 'C' Cumulative Redeemable Preference	100 50 100 100	England	Website designers and managers
Wild.Net LLC	77	Membership	77	USA	Website developers