

Specialty Risk Broking Limited

Annual Report for the year ended 31 December 2002



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Directors' report for the year ended 31 December 2002

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

Principal activities and review of the business

The Company acts as a holding company. Additionally the Company acts as an insurance and reinsurance broker in run-off.

Results and dividends

The results of the Company for the year ended 31 December 2002 are set out in the financial statements on pages 5 to 15.

The directors do not recommend the payment of a final dividend (2001: nil).

Directors and their interests

The following directors held office throughout the year:

A B Pickering (Chairman)
A E Agnew
R Higgins
R J Konig
E C More
P J Walton

A statement of directors' interests is set out in note 5 to the accounts on page 10.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the Company and of the profit and loss for that period. The directors are required to prepare the financial statements on the 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 with the exception of the changes arising on the adoption of new accounting standards in the period as explained under 'Accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the period 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.

Directors' report for the year ended 31 December 2002**Auditors**

PricewaterhouseCoopers LLP were appointed by the board during the year to fill the vacancy arising by the resignation of PricewaterhouseCoopers on 15 April 2003, by reason of the conversion of PricewaterhouseCoopers to a Limited Liability Partnership from 1 January 2003. Accordingly, Special Notice having been given to the Company pursuant to S.379 and 388(3) Companies Act 1985, it is proposed that PricewaterhouseCoopers LLP be reappointed auditors of the Company, having signified their willingness to continue in office, and a resolution proposing their reappointment will be put to the Annual General Meeting.

6 Crutched Friars
LONDON EC3N 2PH

BY ORDER OF THE BOARD
D J HICKMAN

5 December 2003


Secretary

Independent Auditors' report to the members of Specialty Risk Broking Limited for the year ended 31 December 2002

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

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to 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 or 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.

**Independent Auditors' report to the members of Specialty Risk
Broking Limited for the year ended 31 December 2002**

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors

Southwark Towers
32 London Bridge Street
London
SE1 9SY
5 December 2003

Profit and loss account for the year ended 31 December 2002

| | | Year ended 31 December 2002 £000's | Restated year ended 31 December 2001 £000's |
|--|------|---|---|
| | Note | | |
| Administrative expenses | | <u>(80)</u> | <u>(15)</u> |
| Operating loss | 3 | <u>(80)</u> | <u>(15)</u> |
| Loss on ordinary activities before interest | | (80) | (15) |
| Interest receivable and similar income | | 83 | 48 |
| Dividends from subsidiary undertakings | | <u>1,500</u> | <u>2,227</u> |
| Profit on ordinary activities before taxation | | 1,503 | 2,260 |
| Taxation on profit on ordinary activities | 6 | <u>18</u> | <u>20</u> |
| Profit on ordinary activities after taxation and retained profit for the financial period | | <u>1,521</u> | <u>2,280</u> |

The Company's turnover and administrative expenses all relate to the operations transferred to a sister company on 11 November 1994.

**Statement of recognised gains and losses for the year ended 31
December 2002**

| | | Year ended 31 December 2002 £000's | Restated year ended 31 December 2001 £000's |
|---|------|---|---|
| | Note | | |
| Profit for the financial year | | <u>1,521</u> | <u>2,280</u> |
| Total recognised gains and losses for the financial year | | 1,521 | <u>2,280</u> |
| Prior year adjustment re FRS 19 | 10 | <u>5</u> | |
| Total gains recognised since last report | | <u>1,526</u> | |

There is no difference between the profit on ordinary activities before taxation and the retained profit for the period stated above and their historic cost equivalents.

Balance sheet as at 31 December 2002

| | Note | 31 December 2002 £000's | Restated 31 December 2001 £000's |
|--|------|----------------------------------|--|
| Fixed assets | | | |
| Investment in subsidiary undertaking | 7 | 500 | 500 |
| | | <u>500</u> | <u>500</u> |
| Current assets | | | |
| Debtors | 8 | 13,189 | 14,087 |
| Cash at bank and in hand | | <u>2,586</u> | <u>955</u> |
| | | 15,775 | 15,042 |
| Creditors - amounts falling due within one year | 9 | <u>(11,739)</u> | <u>(12,527)</u> |
| Net current assets | | <u>4,036</u> | <u>2,515</u> |
| Total assets less current liabilities | | <u>4,536</u> | <u>3,015</u> |
| Net assets | | <u>4,536</u> | <u>3,015</u> |
| Capital and reserves | | | |
| Called up share capital | 11 | 373 | 373 |
| Profit and loss account | 12 | <u>3,786</u> | <u>2,265</u> |
| Shareholders' funds (equity interests) | | <u>4,159</u> | <u>2,638</u> |
| Called up share capital | 11 | <u>377</u> | <u>377</u> |
| Shareholders' funds (non-equity interests) | | <u>377</u> | <u>377</u> |
| Total shareholders' funds | 13 | <u>4,536</u> | <u>3,015</u> |

The financial statements on pages 5 to 15 were approved by the board of directors on 5 December 2003 and were signed on its behalf by:



R J Konig
Director

The notes on pages 8 to 15 form an integral part of these financial statements

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

1. Accounting policies

(a) Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. A summary of the principal group accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the period.

(b) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Exchange differences arising on translation are taken directly to the profit and loss account to the extent that the Company is exposed to exchange differences arising on such assets and liabilities. Exchange differences arising from trading activities are dealt with in the profit and loss account. Profits or losses arising from forward foreign exchange contracts that are taken out to hedge the currency exposure arising from future income are recognised in the profit and loss account as they are realised.

(c) Insurance debtors and creditors

Insurance brokers normally act as agents in placing the insurable risks of their clients with insurers and, as such, generally are not liable as principals for amounts arising from such transactions. Notwithstanding such legal relationships, debtors and creditors arising from insurance broking transactions are shown as assets and liabilities in recognition of the fact that the insurance broker is entitled to retain investment income on any cash flows arising from such transactions.

In the ordinary course of business settlement is required to be made with certain markets, market settlement bureaux or insurance intermediaries on the basis of the net settlement due to or from such markets, bureaux or intermediaries, rather than the amounts due to or from the individual parties they represent. Nevertheless the Company does not offset these balances for presentation purposes, unless the ability to insist upon net settlement is assured beyond all doubt.

(d) Taxation

Deferred tax is provided in full on all timing differences, including revaluation gains and losses on investments. Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be recovered. Deferred tax is calculated at the rates at which it is expected that the tax liability or benefit will arise. Deferred tax is recognised in the profit and loss account for the period except to the extent that it is attributable to a gain or loss that is recognised directly in the statement of total recognised gains or losses. Deferred tax balances are not discounted.

The provisions of FRS19 (Deferred Tax) have been adopted for the first time in these financial statements. As a consequence, full provision has been made for deferred tax on tax assets and liabilities arising on timing differences. Prior year figures have been restated accordingly and the effect of this change in accounting policy is disclosed in note 10.

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

1. Accounting policies *(continued)*

(e) Investments

Investments are stated at the lower of cost and market value except where they are held as fixed assets, in which case they are stated at cost less any provision for permanent diminution in value.

2 Cash flow statement and related party disclosures

The Company is a wholly owned subsidiary of Jardine Lloyd Thompson Group plc and is included in their consolidated financial statements, which are publicly available. 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). The Company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Jardine Lloyd Thompson Group or investees of the Jardine Lloyd Thompson Group. All related party transactions external to the group are disclosed in the consolidated financial statements of Jardine Lloyd Thompson Group plc

3 Operating loss

| | Year ended 31 December 2002 £000's | Year ended 31 December 2002 £000's |
|---|--|--|
| Operating loss is stated after charging | | |
| Provision for bad debts | 65 | 15 |
| Unrealised exchange losses | 15 | - |

Auditors' remuneration is dealt with in the accounts of JLT Risk Solutions Limited, a fellow subsidiary.

4 Directors and employees

No directors received any remuneration during the period in respect of their services to the Company (2001: nil).

The Company had no employees during the period (2001: nil).

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

5 Directors' interests

The beneficial holdings of the directors in the ordinary shares of Jardine Lloyd Thompson Group plc are set out below:

| | 31 December 2002 | | | 1 January 2002 | |
|---------------|--------------------|------------------|--|--------------------|------------------|
| | Ordinary shares | No of options | Options <i>granted/ (exercised)</i> | Ordinary shares | No of options |
| R J Konig | 600,000 | 325 | - | 850,000 | 325 |
| E C More | 125,149 | 13,789 | - | 126,403 | 13,789 |
| P J Walton | 14,440 | 34,074 | (15,870) | 1,545 | 53,744 |
| R J K Higgins | 3,185 | - | - | 2,964 | - |
| A B Pickering | 41 | 8,035 | - | - | 8,035 |
| A E Agnew | 434 | - | - | 213 | - |

Options granted over ordinary shares of 5p each in Jardine Lloyd Thompson Group plc.

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

6 Tax on profit on ordinary activities

| | Year ended 31 December 2002 £000's | Restated year ended 31 December 2001 £000's |
|---|--|--|
| Current tax prior year | - | (15) |
| Deferred taxation | (18) | (5) |
| Taxation on profit on ordinary activities | <u>(18)</u> | <u>(20)</u> |

During the year ended 31 December 2002, the Company adopted the provisions of FRS 19 (Deferred Tax), which requires full provision for deferred tax in respect of all timing differences that have originated but not reversed by the balance sheet date. The taxation charge for the year ended 31 December 2001 has been restated to include a deferred tax credit of £5,106.

The taxation charge for the period is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

| | Year ended 31 December 2002 £000's | Restated year ended 31 December 2001 £000's |
|---|--|--|
| UK Corporation Tax on profit on ordinary activities | 451 | 678 |
| Permanent deductions from taxable results (principally UK dividends received and offset of losses surrendered by other group companies) | (469) | (676) |
| Book depreciation in excess of tax depreciation | (1) | (2) |
| Increase in provisions not deductible in the period / decrease in provisions not deducted in prior periods | 19 | - |
| Adjustments to current tax charge for prior periods | | (15) |
| Current tax charge for the period | <u>-</u> | <u>(15)</u> |

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

7 Fixed asset investments

The 100% investment in Agnew Higgins Pickering & Company Limited, an insurance and reinsurance broker has a carrying value of £500,000 at 31 December 2002.

The above named company is registered in England and Wales.

The Company is exempt from the requirements to prepare group accounts as the group is included in the accounts of Jardine Lloyd Thompson Group plc, a company registered in England.

8 Debtors

| | 31 December 2002 £000's | Restated 31 December 2001 £000's |
|--|----------------------------------|--|
| Amounts falling due within one year | | |
| Insurance debtors | 11,666 | 12,522 |
| Deferred tax | 23 | 5 |
| Dividends receivable from subsidiary undertaking | 1,500 | 1,550 |
| Prepayments and accrued income | - | 10 |
| | <u>13,189</u> | <u>14,087</u> |

9 Creditors

| | 31 December 2002 £000's | 31 December 2001 £000's |
|---|----------------------------------|----------------------------------|
| Amount falling due within one year | | |
| Insurance creditors | <u>11,739</u> | <u>12,527</u> |

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

10 Provision for deferred taxation

| | 31 December 2002 £000's | Restated 31 December 2001 £000's |
|--|----------------------------------|--|
| Excess book depreciation over tax depreciation | 4 | 5 |
| Provisions deductible in future periods | 19 | - |
| Closing deferred tax asset | <u>23</u> | <u>5</u> |
| Comprised of: | | |
| Net deferred tax assets | 23 | 5 |
| Net deferred tax liabilities | - | - |
| | <u>23</u> | <u>5</u> |

Reconciliation of movement in deferred tax provision

| | £000's |
|--------------------------------------|-----------|
| Provision at 1 January 2002 | - |
| Prior year adjustment | <u>5</u> |
| Restated provision at 1 January 2002 | 5 |
| Profit and loss account credit | <u>18</u> |
| Provision at 31 December 2002 | <u>23</u> |

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

11 Called up share capital

| | 31 December 2002 £000's | 31 December 2001 £000's |
|---|----------------------------------|----------------------------------|
| Authorised, issued and fully paid: | | |
| Ordinary voting shares of £1 each (<i>equity shares</i>): | 373 | 373 |
| Ordinary non-voting shares of £1 each (<i>non-equity shares</i>): | 374 | 374 |
| 'A' shares of £1 each (<i>non-equity shares</i>): | <u>3</u> | <u>3</u> |
| | <u>750</u> | <u>750</u> |

The 'A' shares carry no rights to receive notice of, attend or vote at any general meeting of the Company.

On 15 November 2000, the 747,000 authorised and issued ordinary shares of £1 each were reclassified as 373,499 ordinary voting shares and 373,501 ordinary non-voting shares of £1 each.

The ordinary voting shares carry full voting rights and 99.999% of income rights on a distribution of profits or in a winding up only after profits distributable to holders of the 'A' shares as hereunder.

The ordinary non-voting shares carry no voting rights and 0.001% of the income rights as aforesaid.

The Company's Articles of Association provide that the holders of the 'A' shares are restricted in dividends to the total available profit from a particular income stream. The holders of the Ordinary shares are not entitled to dividends from this income stream but are entitled to receive dividends from all other income streams. Under specific circumstances the holders of 'A' shares will be entitled to receive a restricted dividend. On the occurrence of certain other specific events identified in the Articles of Association a special dividend becomes payable to the holders of the 'A' shares.

On a return of assets in a winding up or otherwise the assets available for distribution amongst members shall be applied so that the 'A' shareholders receive certain identified and identifiable assets. Any remainder will be distributed to the Ordinary shareholders.

12 Reserves

| | Profit & loss Account £000's |
|--|---------------------------------------|
| At 1 January 2002 – as previously reported | 2,260 |
| Prior year adjustment – FRS19 | <u>5</u> |
| At 1 January 2002 – as restated | 2,265 |
| Retained profit for the financial year | <u>1,521</u> |
| At 31 December 2002 | <u>3,786</u> |

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

13 Reconciliation of movements in shareholders' funds

| | 31 December 2002 £000's | Restated 31 December 2001 £000's |
|--|----------------------------------|--|
| Profit for the year | 21 | 53 |
| Dividends | 1,500 | 2,227 |
| | 1,521 | 2,280 |
| Opening shareholders' funds – as previously reported | 3,010 | 735 |
| Prior year adjustment – FRS19 | 5 | |
| Opening shareholders' funds – as restated | 3,015 | 735 |
| Closing shareholders' funds | 4,536 | 3,015 |

14 Financial commitments

The Company has committed to provide its subsidiary undertaking Agnew Higgins Pickering & Company Limited with up to £200,000 in working capital. At 31 December 2002 the amount provided was nil (2001: nil).

15 Parent undertakings

Jardine Lloyd Thompson Group plc is the ultimate parent company for which consolidated group accounts are prepared and of which the Company is a member:

Copies of the consolidated accounts can be obtained from:

| | |
|---|---|
| Name | Jardine Lloyd Thompson Group plc |
| Country of incorporation or registration | England |
| Address from where copies of the group accounts can be obtained | 6 Crutched Friars London EC3N 2PH |