

**TOWER PLACE DEVELOPMENTS LIMITED**

**Report and Financial Statements**

**31 December 2005**



**REPORT AND FINANCIAL STATEMENTS 2005**

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## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2005.

## **PRINCIPAL ACTIVITIES**

The company's principal activity for the year was to deal with matters relating to the building at Tower Place, London. It is anticipated that the business will continue along existing lines.

## **RESULTS AND DIVIDEND**

The results of the company for the financial year ended 31 December 2005 are set out on page 6.

The company reports a loss on ordinary activities after taxation for the financial year of £158,000 (2004 - £2,317,000 loss).

The directors do not recommend the payment of a final dividend (2004 - £nil).

## **FINANCIAL RISK MANAGEMENT**

The company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are insufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk. Due to the nature of the company's balance sheet the only financial risks the directors consider relevant to this company are credit risk and liquidity risk. These risks are mitigated by the nature of the debtor balances owed, with these due from other group companies who are able to repay these if required.

## **DIRECTORS**

The directors who served throughout the year (except as noted) were as follows:

P P C Gregory (appointed 1 January 2006)

T E Foster

B S Bridge (resigned 31 December 2005)

M W Cooper-Mitchell (resigned 31 December 2005)

## **DIRECTORS' INTERESTS**

The company's ultimate holding company is Marsh & McLennan Companies, Inc., a company incorporated in the State of Delaware, USA. As the ultimate holding company is a body corporate incorporated outside Great Britain, the directors are exempt from the requirement to notify the company of interests in shares in other group companies outside Great Britain. There are no other interests requiring disclosure.

**DIRECTORS' REPORT (continued)**

**POST BALANCE SHEET EVENT**

The Company increased the authorised share capital to £50,000,000 on 14 March 2006 and allotted 10,000,000 Ordinary shares of £1.00 each to the existing shareholder, Tower Hill Limited, for a consideration of £10,000,000 on the same date.

**ELECTIVE RESOLUTIONS**

In accordance with Section 379A of the Companies Act 1985 the company has elected to dispense with the laying of accounts and reports before the company in General Meeting, the holding of Annual General Meetings and the obligation to appoint auditors annually.

**AUDITORS**

Deloitte & Touche LLP will continue as auditors of the company.

Approved by the Board of Directors  
and signed on behalf of the Board



Marsh Secretarial Services Limited  
Secretary

20 June 2006

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare the accounts for the company in accordance with United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of affairs of the company and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to:

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

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

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TOWER PLACE DEVELOPMENTS LIMITED**

We have audited the financial statements of Tower Place Developments Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework 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 other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within the financial statements.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 TOWER PLACE DEVELOPMENTS LIMITED (continued)**

## **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche LLP*

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
London

*23 June* 2006

# TOWER PLACE DEVELOPMENTS LIMITED

## PROFIT AND LOSS ACCOUNT For the year ended 31 December 2005

	Note	2005 £'000	2004 £'000
Turnover	1	19,747	13,908
Administrative expenses		(16,696)	(15,953)
<b>OPERATING PROFIT/(LOSS) ON ORDINARY ACTIVITIES</b>		<u>3,051</u>	<u>(2,046)</u>
Interest payable	4	(2,580)	(2,733)
<b>OPERATING PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	471	(4,779)
Tax (charge)/credit on loss on ordinary activities	5	(629)	2,462
<b>RETAINED LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>	12	<u>(158)</u>	<u>(2,317)</u>

All amounts arise from continuing activities.

There are no recognised gains or losses other than those disclosed in the profit and loss account in the current year and preceding year. Accordingly, no statement of total recognised gains and losses is presented.



# TOWER PLACE DEVELOPMENTS LIMITED

## BALANCE SHEET 31 December 2005

	Note	2005 £'000	2004 £'000
<b>FIXED ASSETS</b>			
Tangible assets	6	<u>51,628</u>	<u>56,554</u>
<b>CURRENT ASSETS</b>			
Debtors	7	14,348	19,438
CREDITORS: Amounts falling due within one year	8	<u>(71,032)</u>	<u>(79,332)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(56,684)</u>	<u>(59,894)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(5,056)</u>	<u>(3,340)</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	9	<u>(1,869)</u>	<u>(3,427)</u>
<b>NET LIABILITIES</b>		<u>(6,925)</u>	<u>(6,767)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	-	-
Profit and loss account		<u>(6,925)</u>	<u>(6,767)</u>
<b>EQUITY SHAREHOLDERS' DEFICIT</b>	12	<u>(6,925)</u>	<u>(6,767)</u>

The financial statements on pages 6 to 13 were approved by the Board of Directors on 20 June 2006.

Signed on behalf of the Board of Directors



P P C Gregory  
Director

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2005**

**1. PRINCIPAL ACCOUNTING POLICIES**

**Basis of preparation**

These financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted are described below.

**Accounting convention**

The financial statements have been prepared under the historical cost convention.

**Turnover**

Turnover represents rents receivable from another group company and is taken to profit in the year to which it relates.

All turnover arises in the United Kingdom.

**Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off costs on a straight line basis over the expected useful lives of the assets concerned.

The depreciation rates are as follows:

Leasehold improvements	4% per annum
Furniture and equipment	10% per annum
Computer software	20% per annum

**Finance costs**

Finance costs which are directly attributable to the construction of fixed assets are capitalised as part of the cost of these assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

**Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**Deferred taxation**

In accordance with FRS19, deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of investment properties where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

**NOTES TO THE ACCOUNTS (continued)**  
**Year ended 31 December 2005**

**2. REMUNERATION OF DIRECTORS, EMPLOYEES AND AUDITORS**

No remuneration was paid or is payable to the directors of Tower Place Developments Limited in respect of their services to the company during the year. The directors are remunerated for their services to other companies in the Marsh & McLennan Companies, Inc. Group and their remuneration is dealt with in the accounts of other companies in the group. The company had no other employees during the year. The audit fee has been borne by another group company for the current and prior year.

**3. OPERATING PROFIT**

Operating profit is stated after charging:

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation of tangible fixed assets	4,670	4,646

**4. INTEREST PAYABLE**

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Interest payable	(2,580)	(2,733)

The prior year interest payable in respect of the bank overdraft has been reclassified to be in line with current interest payable classification.

**5. TAX (CHARGE)/CREDIT ON LOSS ON ORDINARY ACTIVITIES**

The tax (charge)/credit comprises:

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
United Kingdom corporation tax at 30% (2004 – 30%)	(1,543)	2,235
Adjustments in respect of prior years	(994)	1,357
	(2,537)	3,592
Deferred tax (note 9)	1,908	(1,130)
Tax (charge)/credit for year	(629)	2,462

The tax assessed for the period is higher than that resulting from applying the standard rate of corporation tax in the UK 30% (2004: 30%).

The tax differences are explained below:

	<b>2005</b>	<b>2004</b>
	<b>%</b>	<b>%</b>
Standard tax rate for period as a percentage of profits	30.00	30.00
Effects of:		
Expenses not deductible for tax purposes	41.65	(7.41)
Movement in accelerated capital allowances	255.28	24.17
Prior year	210.70	28.38
Current tax rate for period as a percentage of profits	537.63	75.14

**NOTES TO THE ACCOUNTS (continued)**  
**Year ended 31 December 2005**

**6. TANGIBLE FIXED ASSETS**

	Leasehold improvements £'000	Furniture and equipment £'000	Computer software £'000	Total £'000
<b>Cost</b>				
At 1 January 2005	33,770	28,630	2,450	64,850
Additions	279	-	-	279
Transfers and other movements	(916)	397	(17)	(536)
At 31 December 2005	33,133	29,027	2,433	64,593
<b>Depreciation</b>				
At 1 January 2005	2,457	4,951	887	8,295
Depreciation for the year	1,386	2,793	491	4,670
At 31 December 2005	3,843	7,744	1,378	12,965
<b>Net book value</b>				
At 31 December 2005	29,290	21,283	1,055	51,628
At 31 December 2004	31,313	23,679	1,563	56,555

Total finance costs included in the cost of tangible assets are £2,707,800 (2004 - £2,707,800). Finance costs capitalised during the year totalled £nil. This represents all finance costs incurred by the company.

**NOTES TO THE ACCOUNTS (continued)**  
**Year ended 31 December 2005**

**7. DEBTORS**

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Amount owed by fellow subsidiary undertaking		
Corporation tax	3,817	6,353
Other	9,608	10,397
Other debtors	923	2,688
	<u>14,348</u>	<u>19,438</u>

**8. CREDITORS**

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year</b>		
Bank overdrafts	51,414	51,414
Amounts owed to group undertakings	6,674	16,810
Accruals and deferred income	12,944	11,108
	<u>71,032</u>	<u>79,332</u>

**9. PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Deferred tax is provided as follows:		
Balance at 1 January	3,427	2,297
Charged to profit and loss account in respect of the current year	(1,205)	975
Charged to profit and loss account in respect of prior years	(703)	155
Balance at 31 December	1,519	3,427
Other provision	350	-
	<u>1,869</u>	<u>3,427</u>

Analysis of deferred tax balance:

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Accelerated tax depreciation	1,519	3,427

Other provisions relate to the installation costs associated with the future replacement of faulty floor tiles.

**10. CONTINGENT LIABILITIES**

The company participates in a Sterling cash pooling arrangement with Barclays Bank Plc. Each member of the pool guarantees against all losses incurred as a result of the failure of any other pool member. The other members of the pool as at 31 December 2005 were; Marsh Limited, Marsh Services Limited, Marsh & McLennan Companies UK Limited, Tower Hill Limited, Marsh Corporate Services Limited, Marsh UK Group Limited, Price Forbes Limited, Marsh Treasury Services Limited, Marsh International Broking Holdings Limited, MMC Capital Limited, Kroll Limited and Mercer Oliver Wyman Limited.

**NOTES TO THE ACCOUNTS (continued)**  
**Year ended 31 December 2005**

**11. CALLED UP SHARE CAPITAL**

	2005		2004	
	Number	£	Number	£
Authorised ordinary shares of £1 each:	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
Called up, allotted and fully paid ordinary shares of £1 each:	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

**12. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS**

	Share capital £	Profit and loss account £'000	Total £'000
As at 1 January 2005	1	(6,767)	(6,767)
Retained loss for the financial year	-	(158)	(158)
As at 31 December 2005	<u>1</u>	<u>(6,925)</u>	<u>(6,925)</u>

	Share capital £	Profit and loss account £'000	Total £'000
As at 1 January 2004	1	(4,450)	(4,450)
Retained loss for the financial year	-	(2,317)	(2,317)
As at 31 December 2004	<u>1</u>	<u>(6,767)</u>	<u>(6,767)</u>

**13. RELATED PARTY TRANSACTIONS**

Advantage has been taken of the exemption under Financial Reporting Standard 8 not to disclose transactions between entities, 90% or more of whose voting rights are controlled within the Marsh & McLennan Companies, Inc., Group. There were no other related party transactions during the year.

**14. CASH FLOW STATEMENT**

The company is exempt from producing a cash flow statement under FRS1 (revised) "Cash Flow Statements" as more than 90% of the voting rights are owned by its ultimate parent undertaking. A consolidated cash flow statement can be found in the published accounts of the ultimate parent company Marsh & McLennan Companies, Inc.

**15. POST BALANCE SHEET EVENT**

The company increased the authorised share capital to £50,000,000 on 14 March 2006 and allotted 10,000,000 Ordinary shares of £1.00 each to the existing shareholder, Tower Hill Limited, for a consideration of £10,000,000 on the same date.

**NOTES TO THE ACCOUNTS (continued)**

**Year ended 31 December 2005**

**16. ULTIMATE AND IMMEDIATE PARENT COMPANIES**

The company's immediate parent company is Tower Hill Limited, a company registered in England and Wales. The company's ultimate parent company and controlling entity is Marsh & McLennan Companies, Inc., incorporated in the state of Delaware, United States of America.

The largest group in which the financial statements of the company are consolidated is that headed by Marsh & McLennan Companies, Inc. The smallest group in which they are consolidated is that headed by Marsh & McLennan Companies UK Limited a company registered in England and Wales. The consolidated accounts of Marsh & McLennan Companies UK Limited and Marsh & McLennan Companies, Inc. are available to the public and may be obtained from:

Companies House  
Crown Way  
Cardiff  
CF14 3UZ

and also from:

The Company Secretary  
Marsh & McLennan Companies UK Limited  
1 Tower Place West  
Tower Place  
London EC3R 5BU