

COMPANY NO: 4318122

LONDON MARKET INSURANCE BROKERS LIMITED

ANNUAL REPORT

31 December 2003 ♦



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LONDON MARKET INSURANCE BROKERS LIMITED

COMPANY INFORMATION

Directors J H Cahill
 P J Cahill
 S W Allport (Resigned 30th November 2003)
 D J Lott
 G V Riches (Resigned 24th February 2004)
 A P Welfare

Secretary D J Lott

Registered office Fifth Floor
 London Underwriting Centre
 3 Minster Court
 London
 EC3R 7DD

Registered number 4318122

Auditors RSM Robson Rhodes LLP
 Chartered Accountants
 186 City Road
 London
 EC1V 2NU

Bankers Barclays Bank PLC
 54 Lombard Street
 London
 EC3P 3AH

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year to 31 December 2003.

Principal activities

The principal activity of the company is that of a Lloyd's broker.

Business review and future developments

The reported profit after tax of £ 58,075 was in line with our forecast. The company's revenue stream was higher than budgeted, however, this was offset by higher than expected staff costs. For the future, we anticipate that revenue will continue to increase as the company now has, following the reorganisation of business transacted within the John Cahill Group, the benefit of substantial revenues that were previously earned by other Group companies. At the same time cost savings are being realised as a result of a number of non-essential staff leaving and not being replaced. The directors are therefore confident that the company will continue to be profitable during the current financial year ending 31 December 2004.

From 15 January 2005, the Financial Services Authority will take over the regulation of all insurance brokers. The company is seeking authorisation from this body and an application has recently been filed.

Results and dividends

The profit for the period after tax amounted to £58,075 (2002 – Loss £99,682).

The directors do not recommend a dividend for the period.

Directors and their interests

The directors who served during the year are listed on page 1. On 26 February 2004, the company appointed Mr James Smith as a non-executive director.

Messrs J H Cahill and P J Cahill are both directors of the parent company, John Cahill & Company Limited, and their interests in that company are disclosed in its financial statements. None of the other directors who served at the end of the year have any interests in the share capital of the Group or Company. At the beginning of the year and up to the date of his resignation on 30 November 2002, SW Allport owned 100,000 ordinary shares of £1 each in the Company.

REPORT OF THE DIRECTORS
(Continued)

Directors' responsibilities

Company law in the United Kingdom requires the directors to prepare financial statements for each period, which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable United Kingdom accounting standards; and
- prepared the financial statements on the going concern basis.

The directors are responsible for keeping proper accounting records which 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.

The directors are responsible for ensuring the directors' report and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom.

Auditors

A resolution to reappoint RSM Robson Rhodes LLP as auditors to the company will be proposed at the forthcoming Annual General Meeting.

Approval

The report of the directors has been prepared in accordance with the special provisions of the Companies Act 1985 relating to small companies.

The report of the directors was approved by the Board on 10 June 2004 and signed on its behalf by:



D.J. Lott
Company Secretary

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LONDON
MARKET INSURANCE BROKERS LIMITED**

We have audited the financial statements on pages 6 to 12.

This report is made solely to the company's shareholders, 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 shareholders those matters we are required to state to them in an auditor's 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 shareholders 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 are set out in the Statements of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 with the company is not disclosed.

We read the information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any information outside the Annual Report.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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 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 SHAREHOLDERS OF LONDON
MARKET INSURANCE BROKERS LIMITED (Continued)**

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2003 and of its profit for the period then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to smaller companies.

RSM Robson Rhodes LLP

**RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors**

London, England
10 June 2004

LONDON MARKET INSURANCE BROKERS LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2003

	Note	Year ended 31 December 2003 £	14 months ended 31 December 2002 £
Turnover - continuing operations	2	540,942	187,491
Net operating expense		(460,403)	(340,942)
Operating profit / (loss)	4	<u>80,539</u>	<u>(153,451)</u>
Interest receivable and similar income	5	10,951	14,261
Profit/ (loss) on ordinary activities before taxation		<u>91,490</u>	<u>(139,190)</u>
Tax on profit / (loss) on ordinary activities	6	(33,415)	39,508
Profit / (loss) for the financial period		<u><u>58,075</u></u>	<u><u>(99,682)</u></u>

The company has no recognised gains or losses other than those disclosed above.

LONDON MARKET INSURANCE BROKERS LIMITED

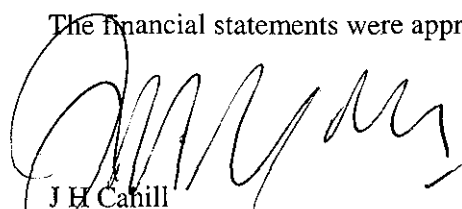
BALANCE SHEET

As at 31 December 2003

	Note	2003 £	2002 £
Current assets			
Debtors	7	4,590,135	380,739
Cash at bank and in hand	8	2,051,157	136,789
		<u>6,641,292</u>	<u>517,528</u>
Creditors: Amount falling due within one year	9	(6,282,899)	(217,210)
Total assets less current liabilities		<u>358,393</u>	<u>300,318</u>
Capital and reserves			
Called up share capital	10	400,000	400,000
Profit and loss account	11	(41,607)	(99,682)
Equity shareholders' funds	12	<u>358,393</u>	<u>300,318</u>

These accounts are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board on 10 June 2004 and signed on its behalf by:



J H Cahill
Director

NOTES TO THE FINANCIAL STATEMENTS

31 December 2003

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared in accordance with applicable accounting standards and under the historical cost convention.

Cashflow statement

The company qualifies as a small company under the terms of Section 247 of the Companies Act 1985. As a consequence it is exempt from the requirement to publish a cash flow statement.

Turnover

Turnover consists of brokerage income due to the company for the period. Credit is taken for brokerage when the debit notes are issued and adjustments to brokerage arising from return or additional premiums, unless material, are taken into account when they occur.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the dates of the transactions. Amounts receivable and payable in foreign currencies at the balance sheet date are translated at the rates ruling at that date. All exchange differences are dealt with in the profit and loss account.

Insurance broking debtors and creditors

The company acts as agent in broking the insurable risks of its clients and is not liable for premiums due to underwriters. Notwithstanding the legal relationship with clients and underwriters, the company has followed generally accepted accounting practice by showing cash, debtors and creditors relating to insurance business as assets and liabilities of the company itself.

The legal status of settling accounts on a net basis is uncertain and in the event of an insolvency is generally abandoned. FRS5 requires that offset of assets and liabilities should be recognised in financial statements where the offset would solve the insolvency of the other party. Accordingly, only such offsets have been recognised in stating insurance broking debtors and creditors.

Taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by Financial Reporting Standard 19.

2. TURNOVER

Turnover consists entirely of sales made in the United Kingdom.

LONDON MARKET INSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2003

3. EMPLOYEES

Average monthly number of employees, including directors:

	2003	2002
	No.	No.
Production	6	5
Administration	5	3
	<hr/>	<hr/>

Staff costs, including directors:

	Year ended 31 December 2003 £	14 months ended 31 December 2002 £
Wages and salaries	309,917	229,541
Social security costs	37,786	24,328
	<hr/>	<hr/>
	347,703	253,869
	<hr/>	<hr/>

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

	Year ended 31 December 2003 £	14 months ended 31 December 2002 £
Profit / (loss) on ordinary activities before taxation is stated after charging:		
Auditors' remuneration	<hr/> 1,800	<hr/> 1,500

NOTES TO THE FINANCIAL STATEMENTS

31 December 2003

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2003 £	14 months ended 31 December 2002 £
Interest receivable	<u>10,951</u>	<u>14,261</u>

6. TAXATION

Taxation credit for the period:

	Year ended 31 December 2003 £	14 months ended 31 December 2002 £
Amounts (payable) / receivable in respect of group relief	(8,929)	39,508
Corporation tax payable	(24,486)	-
	<u>(33,415)</u>	<u>39,508</u>

The current taxation charge for the period is different from the standard rate of corporation tax in the UK (30%). The differences are explained below.

Profit / (loss) on ordinary activities before taxation	<u>91490</u>	<u>(139,190)</u>
Theoretical tax at UK Corporation tax rate of 30%	(27,447)	41,757
Effects of:		
-Expenditure which is not tax deductible	(8,307)	(2,249)
- Benefits of smaller companies rate of tax	2,339	-
Actual current tax credit	<u>(33,415)</u>	<u>39,508</u>

LONDON MARKET INSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2003

7. DEBTORS

	2003 £	2002 £
Trade debtors	4,387,162	139,953
Prepayments and accrued income	74,338	41,502
Amounts due from parent undertaking	115,697	159,776
Amounts due from fellow subsidiary undertakings	12,938	39,508
	<u>4,590,135</u>	<u>380,739</u>

8. CASH AT BANK AND IN HAND

Included within cash in bank and in hand is £1,848,873 which is held in bank accounts designated as insurance broking accounts.

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	2002 £
Trade creditors	6,249,484	217,210
Amounts payable in respect of group relief	8,929	-
Corporation tax payable	24,486	-
	<u>6,282,899</u>	<u>217,210</u>

10. SHARE CAPITAL

	2003 £	2002 £
Authorised	1,000,000	1,000,000
Ordinary Shares of £1 each		
Allotted, called up and fully paid	400,000	400,000
Ordinary shares of £1 each		

400,000 ordinary shares were issued during the prior period for cash.

NOTES TO THE FINANCIAL STATEMENTS**31 December 2003****11. PROFIT AND LOSS ACCOUNT**

	2003	2002
	£	£
Retained profit / (loss) brought forward	(99,682)	-
Retained profit / (loss) for the period	58,075	(99,682)
Retained profit / (loss) carried forward	<u>(41,607)</u>	<u>(99,682)</u>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003	2002
	£	£
Opening shareholders' fund	300,318	400,000
Retained profit for the financial year	58,075	(99,682)
Closing shareholders' funds	<u>358,393</u>	<u>300,318</u>

13. RELATED PARTY TRANSACTIONS

During the period, the Company paid £nil (2002:£Nil) in respect of rent and administration services to John Cahill & Company Limited. At the period end £115,697 (2002: £ 159,776) was due from John Cahill & Company Limited and £12,938 (2002: £39,508) was due from fellow subsidiaries.

John Cahill & Company Limited is 100% owned by Mr J H Cahill, Mrs C I Cahill and their family trust.

14. PARENT UNDERTAKING

The directors regard John Cahill & Company Limited as the ultimate parent company. At 31 December 2003, John Cahill & Company Limited had a 100% (2002: 75%) interest in the ordinary share capital of the company.

Mr J H Cahill, the chairman, is the ultimate controlling party by virtue of his controlling interest in the issued share capital of John Cahill & Company Limited.

Copies of the accounts of John Cahill & Company Limited are available to the public on payment of the appropriate fee, from Companies House, Crown Way, Cardiff, CF4 3UZ.