

SBJ STEPHENSON LIMITED

COMPANY REGISTRATION NUMBER: 726955

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2002



SBJ STEPHENSON LIMITED

DIRECTORS

A J Acton	C J Ladkin
D P Ashworth	P Longhurst
J Baker	S McGuinness
G M Brownrigg	E R Owen
J M Clews	R J Parker
S J Cresswell	M G Robinson
R Doidge	P G Ross
S R Dunn	I B Sandham - Bains
R J Dyer	P L Shale
N R Forsyth	P D Spall
H I Fryer	H Steeples
W J Garside	A Stone
C B Green	B Thwaites
C M Griffiths	L A Toomeoks
S N Hartley	S F Turner
J C Heagin	J C P D Virgo
R I Holland	M J Westgarth
R C Hudson	M P Wood
J S Isbell	B Wyeth
C J King	

SECRETARY

S L V Cole

COMPANY REGISTRATION NUMBER

726955

REGISTERED OFFICE

One Hundred Whitechapel
London
E1 1JG

AUDITORS

Deloitte & Touche
Chartered Accountants
London

DIRECTORS' REPORT

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

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

The principal activity of the company continues to be insurance broking and consultancy. The directors consider the state of the business to be satisfactory and view the future with confidence.

DIRECTORS

The following served as directors throughout the year unless otherwise stated:

A J Acton
D P Ashworth (appointed 1 January 2002)
J Baker
W M Barratt (resigned 19 February 2003)
J D I Bennett (resigned 1 May 2002)
G M Brownrigg
J M Clews
S J Cresswell (appointed 1 January 2002)
J B Davies (resigned 14 March 2003)
R Doidge
S R Dunn
R J Dyer
I D Evans (resigned 21 October 2002)
H I Fryer
W J Garside
C B Green
C M Griffiths
S N Hartley
J C Heagin
R I Holland
R C Hudson
J S Isbell
C J King
C J Ladkin
P Longhurst
S McGuinness
E R Owen
R J Parker
M G Robinson
P G Ross
I B Sandham-Bains
P L Shale (appointed 1 January 2002)
P D Spall
H Steeples
A Stone
B Thwaites
L A Toomeoks
S F Turner
J C P D Virgo
M J Westgarth (appointed 1 January 2002)
M P Wood
B Wyeth

N R Forsyth was appointed as a director on 16 January 2003.

DIRECTORS' REPORT*(Continued)***RESULTS AND DIVIDENDS**

The results of the company for the year ended 31 December 2002 are set out in the financial statements on pages 4 to 14.

No interim dividend (2001: £3,200,000) was paid in respect of the ordinary shares. The directors recommend a final dividend of £2,000,000 (2001: £nil). The company made a retained profit of £1,560,975 (2001: loss of £1,273,754) which has been taken to reserves.

AUDITORS

Pursuant to an elective resolution passed on 31 October 1990, Deloitte & Touche will continue in office as auditors.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

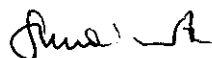
The following statement, which should be read in conjunction with the auditors' statement of respective responsibilities of directors and auditors set out on the following page, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and the auditors with regard to the financial statements.

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors consider that:

- suitable accounting policies have been selected and then consistently applied;
- judgements and estimates that are reasonable and prudent have been made;
- applicable accounting standards have been followed; and
- the going concern basis is appropriate.

The directors have responsibility for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985 and have a general responsibility for the system of internal control, for taking such steps as are reasonably open to them to safeguard the assets of the company and for the prevention and detection of fraud and other irregularities.

Approved by the Board on 24 April 2003
and signed on its behalf



S L V Cole
Secretary

One Hundred Whitechapel
London
E1 1JG

SBJ STEPHENSON LIMITED

We have audited the financial statements of SBJ Stephenson Limited for the year ended 31 December 2002 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and related notes 1 to 23. The 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit 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 the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as 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.



Deloitte & Touche
Chartered Accountants and Registered Auditors
London

30 April 2003

SBJ STEPHENSON LIMITED

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PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2002

		2002	2001
			as restated (see note 18)
	Note	£	£
Turnover	2	14,701,824	12,207,135
Other operating income - exceptional items	3	436,039	211,291
Administrative expenses	4	(12,470,209)	(11,356,976)
Operating profit		2,667,654	1,061,450
Interest receivable and similar income	7	2,009,411	1,587,819
Profit on ordinary activities before taxation		4,677,065	2,649,269
Tax on profit on ordinary activities	8	(1,116,090)	(687,023)
Profit on ordinary activities after taxation and profit for the financial year		3,560,975	1,962,246
Dividends	9	(2,000,000)	(3,200,000)
Retained profit / (loss) for the financial year		1,560,975	(1,237,754)

Profit and loss account

	2002	2001
		as restated (see note 18)
	£	£
At 1 January	1,780,179	3,017,933
Retained profit / (loss) for the financial year	1,560,975	(1,237,754)
At 31 December	<u>3,341,154</u>	<u>1,780,179</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2002

	2002	2001
		as restated (see note 18)
	£	£
Profit for the financial year	3,560,975	1,962,246
Prior period adjustment (as explained in note 18)	84,512	-
Total recognised gains and losses since last annual report	<u>3,645,487</u>	<u>1,962,246</u>

All activities derive from continuing operations.

There are no movements in equity shareholders' funds other than the retained profit for the current financial year and the retained loss for the preceding financial year. Accordingly, no reconciliation of movements in equity shareholders' funds is given.

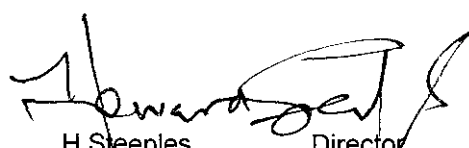
SBJ STEPHENSON LIMITED

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BALANCE SHEET at 31 December 2002

	Note	2002 £	2001 as restated (see note 18) £
Fixed assets			
Tangible fixed assets	10	330,449	127,016
Investment in subsidiary undertakings	11	2,057,058	505,383
		<hr/>	<hr/>
		2,387,507	632,399
Current assets			
Debtors	12	35,699,979	30,637,096
Cash at bank		14,426,945	16,238,255
		<hr/>	<hr/>
		50,126,924	46,875,351
Creditors: amounts falling due within one year	13	(49,123,277)	(44,877,571)
		<hr/>	<hr/>
Net current assets		1,003,647	1,997,780
		<hr/>	<hr/>
Total assets less current liabilities		3,391,154	2,630,179
Creditors: amounts falling due after more than one year	14	-	(800,000)
		<hr/>	<hr/>
Net assets		<u>3,391,154</u>	<u>1,830,179</u>
Capital and reserves			
Called up share capital	15	50,000	50,000
Profit and loss account		3,341,154	1,780,179
		<hr/>	<hr/>
Equity shareholders' funds		<u>3,391,154</u>	<u>1,830,179</u>

These financial statements were approved by the Board on 24 April 2003 and signed on its behalf


 H Steeples Director

NOTES TO THE ACCOUNTS
for the year ended 31 December 2002**1. ACCOUNTING POLICIES****Accounting convention**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards.

Basis of accounting

The financial statements are prepared under the historical cost convention.

Turnover

Net retained brokerage and fees are generally credited when the client is debited, or at the inception date of the policy, whichever is the later. Where premiums are due in instalments, brokerage is deferred to the due date of such instalments. Premium finance fees are credited in full at the inception of the contract.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Short leasehold improvements are amortised on a straight line basis over the period of the lease or five years, whichever is shorter. Fixtures and equipment are depreciated on a straight line basis over their estimated useful lives, at rates varying from 10% to 33% per annum.

Subsidiaries

Investments in subsidiaries are stated in the balance sheet at cost, less provisions for any impairment. The company takes advantage of s. 228 of the Companies Act 1985 not to prepare group accounts. The company's financial statements presents information about it as an individual undertaking and not as a group.

Foreign currencies

Foreign currency transactions are translated into sterling at the rates of exchange ruling at the end of the month in which the transaction occurred.

Foreign currency monetary assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. The rate of exchange for the US Dollar at 31 December 2002 was £1 = \$1.61 (31 December 2001: £1 = \$1.46). Exchange differences are taken to the profit and loss account.

Gains or losses arising from foreign exchange transactions are included in turnover. Contracts for the future sale of foreign currency are accounted for on maturity.

Operating leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the leases.

Cash flow statement

As a wholly owned subsidiary of SBJ Group Limited, whose group accounts contain a consolidated cash flow statement, the company takes advantage of the exemption not to produce such a statement.

Insurance assets and liabilities

Insurance brokers usually 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 these relationships with clients and insurers; debtors, cash, and investments and creditors arising from *insurance broking transactions are recorded as assets and liabilities in the balance sheet of the broker in view of the investment income capable of being earned from the cash flows derived from these transactions.*

Debit and credit balances arising from insurance broking transactions are required to be and have been reported as separate assets and liabilities unless there is a definite legal basis to permit the offset of such balances with a particular counterparty.

Pension costs

The company subscribes to a defined contribution scheme. The amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

NOTES TO THE ACCOUNTS

for the year ended 31 December 2002
(continued)

1. ACCOUNTING POLICIES (continued)
Taxation

During the year the company adopted Financial Reporting Standard 19 *Deferred Tax*.

Deferred taxation is provided in full on timing differences that 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 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 the financial statements.

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.

2. TURNOVER

	2002 £	2001 £
Insurance broking and consultancy	14,702,093	12,203,660
Exchange (loss) / gain	(269)	3,475
	<u>14,701,824</u>	<u>12,207,135</u>

The whole of the company's turnover arises from clients in the United Kingdom. All turnover derives from the principal activity of the company.

3. OTHER OPERATING INCOME - EXCEPTIONAL ITEM

The company is performing a review of its insurance broking ledgers during which recorded liabilities have been identified for which the directors believe no transfer of economic benefit is expected to occur. Consequently £436,039 (2001: £211,291) has been written back.

4. ADMINISTRATIVE EXPENSES

	2002 £	2001 £
Administrative expenses include:		
Staff costs, including directors' remuneration:		
Wages and salaries	7,356,827	6,474,601
Social security costs	805,309	695,715
Other pension costs	696,465	600,426
	<u>8,858,601</u>	<u>7,770,742</u>
Depreciation of owned tangible fixed assets	109,211	128,000
Loss on sale of tangible fixed assets	422	121,140
Auditors' remuneration - audit	33,520	24,432
Operating lease rentals on land and buildings	541,790	468,903
Operating lease rentals on fixtures and equipment	14,249	13,378
Provision against investment in subsidiaries	2,360	-
Other operating expenses	2,910,056	2,830,381
	<u>12,470,209</u>	<u>11,356,976</u>

NOTES TO THE ACCOUNTS
for the year ended 31 December 2002
(continued)

5. REMUNERATION OF DIRECTORS

	2002 £	2001 £
Directors' remuneration (excluding pension contributions)	<u>4,236,912</u>	<u>3,473,358</u>
Directors' pension contributions	<u>42,480</u>	<u>344,066</u>
The remuneration of directors disclosed above included amounts paid to:		
- The highest paid director - Emoluments	<u>215,072</u>	<u>228,894</u>
- Pension contributions	<u>30,000</u>	<u>17,110</u>

	2002 Number	2001 Number
The number of directors for whom retirement benefits are accruing under a defined contribution scheme:	<u>41</u>	<u>36</u>

6. ANALYSIS OF EMPLOYEES

	2002 Number	2001 Number
The average number of persons employed by the company during the year was as follows:		
Broking and technical	155	148
Administration and management	54	56
	<u>209</u>	<u>203</u>

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2002 £	2001 £
Interest receivable	676,405	793,419
Rent and service charges receivable	107,385	114,400
Dividends from subsidiary undertakings	1,225,409	680,000
Other Income	212	-
	<u>2,009,411</u>	<u>1,587,819</u>

NOTES TO THE ACCOUNTS

for the year ended 31 December 2002

(continued)

8. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2002	2001
	£	as restated (see note 18) £
Analysis of tax charge on ordinary activities		
Current taxation charge		
UK corporation tax for the year	1,081,596	666,314
Adjustment in respect of prior years	13,250	54,579
Total current tax	1,094,846	720,893
Deferred taxation		
Origination and reversal of timing differences	21,244	(33,870)
Tax charge on profit on ordinary activities	1,116,090	687,023

Adoption of FRS19 has required a change in the method of accounting for deferred tax. As a result the comparative figure for the tax on profit on ordinary activities for 2001 has been restated from the previously reported amount of £720,893 to £687,023. The impact of adopting FRS19 on the 2002 results is an increase to the tax charge of £21,244.

Reconciliation of tax charge for the year

The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the UK of 30% (2001: 30%). The differences are explained below:

Profit on ordinary activities before tax	4,677,065	2,649,269
Profit on ordinary activities at standard rate of corporation tax in the UK of 30% (2001: 30%)	1,403,120	794,781
Tax adjusted for:		
Expenses not deductible for tax purposes	66,635	41,663
Capital allowances in excess of depreciation	(21,371)	(2,472)
Loss on sale of tangible fixed assets	127	36,342
Provision against investment in subsidiaries	708	-
UK dividend income	(367,623)	(204,000)
Prior period adjustments	13,250	54,579
	1,094,846	720,893

9. DIVIDENDS

	2002	2001
	£	£
On ordinary shares:		
Interim dividend - paid	-	3,200,000
Final dividend - paid	2,000,000	-
	2,000,000	3,200,000

NOTES TO THE ACCOUNTS

for the year ended 31 December 2002
(continued)

10. TANGIBLE FIXED ASSETS

	Short leasehold improvements £	Fixtures and equipment £	Total £
COST			
At 1 January 2002	39,894	1,277,451	1,317,345
Additions	-	313,066	313,066
Disposals	(39,894)	(307,946)	(347,840)
	<hr/>	<hr/>	<hr/>
At 31 December 2002	-	1,282,571	1,282,571
	<hr/>	<hr/>	<hr/>
DEPRECIATION			
At 1 January 2002	39,894	1,150,435	1,190,329
Charge for the year	-	109,211	109,211
Disposals	(39,894)	(307,524)	(347,418)
	<hr/>	<hr/>	<hr/>
At 31 December 2002	-	952,122	952,122
	<hr/>	<hr/>	<hr/>
NET BOOK VALUE			
At 31 December 2002	-	330,449	330,449
	<hr/>	<hr/>	<hr/>
At 31 December 2001	-	127,016	127,016
	<hr/>	<hr/>	<hr/>

11. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

	2002 £	2001 £
COST		
At 1 January	505,383	505,383
Additions	1,554,035	-
	<hr/>	<hr/>
At 31 December	2,059,418	505,383
	<hr/>	<hr/>
PROVISION FOR IMPAIRMENT		
At 1 January	-	-
Charge for the year	2,360	-
	<hr/>	<hr/>
At 31 December	2,360	-
	<hr/>	<hr/>
NET BOOK VALUE		
At 31 December 2001	505,383	505,383
	<hr/>	<hr/>
At 31 December 2002	2,057,058	505,383
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS

for the year ended 31 December 2002

(continued)

11. INVESTMENT IN SUBSIDIARY UNDERTAKINGS (continued)

Investment in subsidiary undertakings represents ownership of 100% of the issued share capital of SBJ GL Limited and of Tricorn (Adjusters) Limited, both incorporated in Great Britain.

During the year the company acquired the 'B' shares of SBJ GL Limited for a total consideration and costs of £1,554,035.

Both subsidiary undertakings are registered in England and Wales and operate from the United Kingdom. SBJ GL Limited acts as agent for the company in the introduction of professional indemnity and other corporate risks. Tricorn (Adjusters) Limited does not trade.

In the opinion of the directors the aggregate value of the investments is not less than the amount stated above.

12. DEBTORS

	2002	2001 as restated (see note 18)
	£	£
Amounts due within one year:		
Insurance debtors	34,330,796	27,524,479
Amounts owed by fellow subsidiary undertakings	718,668	2,312,951
Other debtors	12,188	186,731
Prepayments and accrued income	575,059	528,423
	<hr/>	<hr/>
	35,636,711	30,552,584
Amounts due after more than one year:		
Deferred tax asset (Note 18)	63,268	84,512
	<hr/>	<hr/>
	<u>35,699,979</u>	<u>30,637,096</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	2001
	£	£
Insurance creditors	46,406,160	41,910,670
Amounts owed to fellow subsidiary undertakings	455,046	1,242,488
Corporation tax	497,362	308,826
Other taxation and social security	218,502	197,369
Other creditors	159,354	178,643
Accruals and deferred income	1,386,853	1,039,575
	<hr/>	<hr/>
	<u>49,123,277</u>	<u>44,877,571</u>

NOTES TO THE ACCOUNTS

for the year ended 31 December 2002

(continued)

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR
2002
£
2001
£

Amounts owed to fellow subsidiary undertakings

- 800,000

15. CALLED UP SHARE CAPITAL
2002
£
2001
£
Authorised, allotted, called up and fully paid:

50,000 ordinary shares of £1 each

50,000 50,000

16. CAPITAL COMMITMENTS
2002
£
2001
£

Capital expenditure that has been contracted for but has not been provided for in the financial statements.

198,300 81,458

17. OPERATING LEASE COMMITMENTS

The rentals payable in the next year under operating lease arrangements are as follows:

Land and
buildings
2002
£
Land and
buildings
2001
£

Expiring after one year and within five years

69,300 33,195

Expiring in five or more years

389,361 402,784

458,661 435,979

18. DEFERRED TAXATION
2002
£
2001
£
Deferred taxation asset

At 1 January

84,512 50,642

Movement during the year

(21,244) 33,870

At 31 December

63,268 84,512

The balance comprises the effect of timing differences arising on:

Excess of depreciation over capital allowances

63,268 84,512

The deferred tax asset is included in debtors (Note 12). There is no unprovided deferred tax.

NOTES TO THE ACCOUNTS

for the year ended 31 December 2002

(continued)

18. DEFERRED TAXATION (continued)

The adoption of Financial Reporting Standard 19 'Deferred Tax' (FRS19) has required changes in the method of accounting for deferred tax assets and liabilities. As a result of this change in accounting policy the comparatives have been restated as follows:

	Debtors - Deferred tax asset £	Profit and loss account reserve £	Equity shareholders' funds £
2001 as previously reported	-	1,695,667	1,745,667
Adoption of FRS19 at 1 January 2001	50,642	50,642	50,642
During the year ended 31 December	<u>33,870</u>	<u>33,870</u>	<u>33,870</u>
Adoption of FRS19 at 31 December 2001	84,512	84,512	84,512
2001 as restated	<u>84,512</u>	<u>1,780,179</u>	<u>1,830,179</u>

19. PENSION COMMITMENTS

The company bears the total cost of a defined contribution pension scheme for all eligible employees (note 3). The assets of the scheme are held separately from those of the company and other group companies in independently administered funds.

20. RELATED PARTY TRANSACTIONS

The company has taken advantage of the disclosure exemptions in Financial Reporting Standard No.8 not to disclose transactions between entities, 90% or more of whose voting rights are controlled by the same group.

21. GUARANTEES

On 31 December 2002, the company entered into a supplemental deed under which a composite guarantee and a mortgage debenture given to National Westminster Bank plc ("NatWest") on 9 June 1999 would respectively guarantee the obligations of SBJ Group Limited, the ultimate parent company, and certain of its subsidiaries arising under a loan facility for £25,300,000 made available by NatWest to SBJ Group Limited and charge certain property by way of security for all its obligations to NatWest under the guarantee and the mortgage debenture. On 23 January 2002, the company entered into an intra group loan agreement with SBJ Group Limited and certain of its other subsidiaries under which it and those other subsidiaries agreed to making loans of up to an aggregate of £25,300,000 to SBJ Group Limited.

22. PARENT COMPANY

The immediate parent company of SBJ Stephenson Limited is SBJ Stephenson Group Limited. The ultimate parent company and controlling entity is SBJ Group Limited, a company incorporated in Great Britain and registered in England and Wales. The largest and smallest group of which the company is a member and for which group accounts are drawn up is that of SBJ Group Limited.

A copy of the accounts can be obtained from :

The Secretary
SBJ Group Limited
One Hundred Whitechapel
London
E1 1JG