

Registered in England number 2515130

**BANKERS INSURANCE SERVICE
COMPANY LIMITED**

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2002



BANKERS INSURANCE SERVICE COMPANY LIMITED

YEAR ENDED 31 DECEMBER 2002

COMPANY INFORMATION

Directors:	M C Byron	(Operations Director)
	D J le Fleming	(Managing Director)
	K W Furlow	(Sales and Marketing Director)
	S Gvero	(Finance Director)
	S C Lemasters	

Company Secretary: T C W Hopkins

Registered Office: 117 – 119 Whitby Road
Slough
Berkshire
SL1 3DR

Registered Number: 2515130

Auditors: PricewaterhouseCoopers LLP
Southwark Towers
32 London Bridge Street
London
SE1 9SY

Solicitors: Lovells
65 Holborn Viaduct
London
EC1A 2DY

Bankers: Lloyds TSB Commercial
Lloyds TSB Bank Plc
1 – 2 Market Place
Reading
Berkshire
RG1 2EQ

BANKERS INSURANCE SERVICE COMPANY LIMITED

YEAR ENDED 31 DECEMBER 2002

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BANKERS INSURANCE SERVICE COMPANY LIMITED

YEAR ENDED 31 DECEMBER 2002

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is the provision of office space, personnel, administration, accounting and computing services to other group undertakings.

The directors consider the current level of activity to be satisfactory and intend to continue the business at a level which is in accordance with agreements between the Company and its clients.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 the financial statements comply with the above requirements.

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.

RESULTS AND DIVIDENDS

The results for the year ended 31 December 2002 and the state of the Company's affairs at that date are set out in the financial statements on pages 5 to 15. The retained profit of the year of £466,000 (2001 restated: £94,000) has been taken to reserves. The directors do not recommend the payment of a dividend.

TANGIBLE ASSETS

Details of fixed assets are given in note 6 to the financial statements.

BANKERS INSURANCE SERVICE COMPANY LIMITED

YEAR ENDED 31 DECEMBER 2002

REPORT OF THE DIRECTORS (CONTINUED)

DIRECTORS AND THEIR INTERESTS

The directors set out below have held office during the whole of the period from 1 January 2002 to the date of this report unless otherwise stated.

D J le Fleming	
S C Lemasters	
M C Byron	(appointed 21 February 2002)
K W Furlow	(appointed 10 April 2002)
S Gvero	(appointed 1 January 2003)
J Leslie	(resigned 15 February 2002)
S Patfield	(resigned 15 November 2002)

No directors held any interest in the shares of the Company throughout the period 1 January 2002 to 31 December 2002.

AUDITORS

The Company has elected, in accordance with Section 379A of the Companies Act 1985, to dispense with the obligation to appoint auditors annually.

On 1 January 2003, the auditors PricewaterhouseCoopers, converted to a Limited Liability Partnership (LLP). PricewaterhouseCoopers resigned on 28 February 2003, and the Directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. PricewaterhouseCoopers LLP have indicated their willingness to remain in office.

By Order of the Board



T C W Hopkins
Secretary

27 March 2003

BANKERS INSURANCE SERVICE COMPANY LIMITED

YEAR ENDED 31 DECEMBER 2002

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
BANKERS INSURANCE SERVICE COMPANY LIMITED**

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and related notes, which have been prepared in accordance with 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 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

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 at 31 December 2002 and its profit for the year then ended have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and
Registered Auditors
27 March 2003

Southwark Towers
32 London Bridge Street
London
SE1 9SY

BANKERS INSURANCE SERVICE COMPANY LIMITED

YEAR ENDED 31 DECEMBER 2002

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

		2002	2001
			restated
	<i>Notes</i>	£000	£000
Turnover		5,424	5,355
Administrative Expenses:			
- Other Administrative Expenses		(4,230)	(5,124)
- Write-off of fixed asset	6	(936)	-
Profit on ordinary activities before taxation	2	258	231
Tax on profit on ordinary activities	5	208	(137)
Profit on ordinary activities after tax		466	94
Retained profit brought forward		898	804
Retained profit carried forward		1,364	898

All amounts in the profit and loss account relate to continuing operations.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2002**

		2002	2001
			restated
	<i>Notes</i>	£000	£000
Profit on ordinary activities after tax		466	94
Prior year adjustment	1a & 5	136	
Total gains recognised since last report		602	

As there are no material differences between the results as described in the profit and loss account above and the results on a historic cost basis, no note of historical cost profits and losses for the year is given.

The notes on pages 7 to 15 form an integral part of these financial statements.

BANKERS INSURANCE SERVICE COMPANY LIMITED

YEAR ENDED 31 DECEMBER 2002

BALANCE SHEET

	NOTES	2002 £000	2001 restated £000
FIXED ASSETS			
Tangible Fixed Assets	6	<u>591</u>	<u>1,238</u>
CURRENT ASSETS			
Debtors	7	<u>1,655</u>	<u>889</u>
		1,655	889
CREDITORS: amounts falling due within one year	8	<u>(881)</u>	<u>(1,228)</u>
NET CURRENT ASSETS/(LIABILITIES)		774	(339)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>1,365</u></u>	<u><u>899</u></u>
CAPITAL AND RESERVES			
Share Capital	10	1	1
Profit and Loss Account		<u>1,364</u>	<u>898</u>
	11	<u><u>1,365</u></u>	<u><u>899</u></u>

The financial statements on pages 5 to 15 were approved by the Board of Directors on 27 March 2003 and signed on their behalf by:



S Gvero, Finance Director

The notes on pages 7 to 15 form an integral part of these financial statements.

BANKERS INSURANCE SERVICE COMPANY LIMITED

YEAR ENDED 31 DECEMBER 2002

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards.

a) Change in accounting policy

The provisions of FRS19 "Deferred Taxation" 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 5 (Taxation) and Note 11 (Reconciliation of movement in shareholder's funds).

b) Basis of Accounting

The financial statements are prepared under the historical cost convention.

c) Turnover

Turnover represents the amounts invoiced, excluding value added tax, in respect of supplies of services to clients. All turnover related to work carried out in the United Kingdom.

d) Investment Income

Investment income is accounted for on the accruals basis.

e) Taxation

Corporation tax is provided at the current rate of taxation on the result for the year as adjusted for items of income and expenditure which are disallowable for taxation purposes.

f) Deferred Taxation

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

BANKERS INSURANCE SERVICE COMPANY LIMITED

YEAR ENDED 31 DECEMBER 2002

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

g) Fixed Assets

Expenditure above a de minimis amount on office furniture, equipment, fixtures and fittings and computer hardware is capitalised.

Expenditure on software and software development is capitalised if it exceeds, or the project is expected to exceed, 500,000 US dollars. Software development costs are deferred until systems are brought into use.

Depreciation is provided on a straight-line basis over the estimated useful life of the asset.

Office Furniture & Equipment	5 years
Fixtures and Fittings	5 years
Computer Hardware and Software	3 years

Assets under construction are capitalised as expenditure occurs. Depreciation is not provided until the asset is complete.

h) Leasing

Rentals paid under operating leases are charged to income on a straight-line basis over the lease term.

i) Pension Fund

The Company operates a portable defined contribution pension scheme, the assets of which are invested in a managed fund and are completely separate from the assets and business of the Company. The scheme is funded partly by its members and partly by the Company at a rate established by the Company. The Company contributions are expensed and paid in the period in which they are incurred.

j) Cash Flow Statement

As the company is a wholly owned undertaking, it has taken advantage of the exemption granted under Financial Reporting Standard 1 (Revised) ("Cash Flow Statements"), and a cash flow statement has not been prepared.

BANKERS INSURANCE SERVICE COMPANY LIMITED**YEAR ENDED 31 DECEMBER 2002****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****2. OPERATING PROFIT**

Profit on ordinary activities before tax is stated after charging:

	2002 £000	2001 £000
Auditors remuneration:		
Audit fees	60	45
Fees for non audit services – Taxation advice	50	57
Operating lease rentals – Other operating leases	348	344
Depreciation	199	222

The Company has borne the audit fees and expenses for all companies in the UK group.

3. STAFF COSTS

	2002 £000	2001 £000
Wages and Salaries	1,859	2,114
Social Security	191	219
Other Pension Costs	92	65
	<u>2,142</u>	<u>2,398</u>

The average number of persons including executive directors employed by the Company during the year was as follows:

	2002 Number	2001 Number
Executive & Finance	21	19
Information Services	7	7
Marketing	5	5
Operations	28	30
	<u>61</u>	<u>61</u>

BANKERS INSURANCE SERVICE COMPANY LIMITED**YEAR ENDED 31 DECEMBER 2002****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****4. DIRECTORS' EMOLUMENTS**

	2002	2001
	£000	£000
Emoluments paid to directors	464	346
Pension Contributions	20	18
	<u>484</u>	<u>364</u>

The emoluments of directors disclosed above include amounts attributable to the highest paid director in each year of:

	2002	2001
	£000	£000
Emoluments	149	127
Pensions Contributions	11	10

5. TAXATION

UK Corporation tax at 30% (2001: 30%) has been provided for, giving a total charge for the year, after group relief, of £0 (2001: £14,000).

a) Analysis of charge in the period

	2002	2001
		restated
	£000	£000
UK Corporation Tax:		
Current Year	0	0
Prior Year	0	14
Current tax charge/(credit)	<u>0</u>	<u>14</u>
Deferred Tax:		
Origination and reversal of timing differences	(208)	123
Total tax charge / (Credit)	<u>(208)</u>	<u>137</u>

BANKERS INSURANCE SERVICE COMPANY LIMITED**YEAR ENDED 31 DECEMBER 2002**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**b) Factors affecting tax charge for the period**

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

	2002	2001 restated
	£000	£000
Profit on activities before taxation	258	231
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001: 30%)	77	69
Effects of:		
Non deductible expenses	20	121
Deferred Tax	208	(123)
Prior year adjustments -deferred tax	(56)	(9)
Prior year adjustments -current tax	-	14
Group relief claimed	(249)	(58)
Current tax charge for period	-	14

In accordance with the provisions of FRS19 "Deferred Tax", full provision has been made for deferred tax on assets and liabilities arising on timing differences. The effect of this change in accounting policy was to increase the provision by £208,000 (2001 restated (decrease): £123,000). The effect of this change on the result for 2000 was to increase retained profit by £259,000, for 2001, increase by £136,000 and for 2002, increase by £344,000.

BANKERS INSURANCE SERVICE COMPANY LIMITED

YEAR ENDED 31 DECEMBER 2002

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FIXED ASSETS

	Office Equipment	Fixtures & Fittings	Furniture	Computer Hardware	Software Development	Leasehold Improvements	Total
	£000	£000	£000	£000	£000	£000	£000
Cost							
At 1 January 2002	111	407	155	521	578	-	1,772
Additions	-	25	3	48	387	25	488
Written Off	-	-	-	-	(936)	-	(936)
Transfers	-	-	-	29	(29)	-	-
At 31 December 2002	111	432	158	598	-	25	1,324
Depreciation							
At 1 January 2002	59	67	41	367	-	-	534
Charge for the year	19	70	29	81	-	-	199
At 31 December 2002	78	137	70	448	-	-	733
Net Book Value							
At 31 December 2002	33	295	88	150	-	25	591
At 31 December 2001	52	340	114	154	578	-	1,238

Leasehold improvements represent work commenced on leasehold premises which have yet to be completed and brought into use.

At the year-end, the software under development was abandoned and amounts capitalised to that date were written off. Assets remaining have been reclassified and will be brought into use and depreciated in accordance with the accounting policy on page 8.

BANKERS INSURANCE SERVICE COMPANY LIMITED

YEAR ENDED 31 DECEMBER 2002

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. DEBTORS

	2002	2001
	£000	restated
		£000
Amounts owed by group undertakings	1,017	539
Other debtors	69	30
Prepayments and accrued income	181	165
Corporation Tax Recoverable	44	19
Deferred Taxation (see below)	344	136
	<u>1,655</u>	<u>889</u>

A deferred tax asset of £344,000 (2001 restated: £136,000) has been recognised in respect of accelerated capital allowances on the basis that future taxable profits are expected.

	At 1 January	Movement in	At 31 December
	restated	year	
	£000	£000	£000
Movement on Deferred Taxation	136	208	344
Total	<u>136</u>	<u>208</u>	<u>344</u>

	2002	2001
	£000	restated
		£000
Analysis of deferred taxation balances at 31 December:		
Accelerated capital allowances	304	120
Other timing differences	40	16
Undiscounted provision for deferred tax as above	<u>344</u>	<u>136</u>

BANKERS INSURANCE SERVICE COMPANY LIMITED**YEAR ENDED 31 DECEMBER 2002****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2002 £000	2001 £000
Bank loans and overdrafts	174	34
Amounts owed to group undertakings	13	13
Other creditors including taxation and social security	53	50
Accruals and deferred income	641	1,131
	<u>881</u>	<u>1,228</u>

9. OBLIGATIONS UNDER OPERATING LEASES

Annual commitments payable in the next year are as follows:

	Leases expiring within one year £000	Leases expiring within two to five years £000	Leases expiring Over five years £000	Total £000
Land and buildings	-	-	300	300
Other operating leases	20	13	-	33
	<u>20</u>	<u>13</u>	<u>300</u>	<u>333</u>

10. SHARE CAPITAL

The authorised, allotted, issued and fully paid share capital of the Company comprises £1,000 (2001 : £1,000) in shares of £1 each.

BANKERS INSURANCE SERVICE COMPANY LIMITED**YEAR ENDED 31 DECEMBER 2002****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****11. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	2002			2001 restated
	Share Capital	Profit & Loss Account	Total	Total
	£000	£000	£000	£000
Balance at beginning of year	1	762	763	546
Prior year adjustment (see note 5)	-	136	136	259
Balance at beginning of year as restated	1	898	899	805
Profit for the year	-	466	466	94
Balance at end of year	1	1,364	1,365	899

12. PENSIONS AND SIMILAR OBLIGATIONS

The charge against profit of £92,000 (2001: £65,000) is the amount of contributions payable to the pension scheme by the Company in respect of the accounting period. There are no outstanding or prepaid contributions.

13. IMMEDIATE AND ULTIMATE PARENT UNDERTAKINGS

The immediate parent undertaking is Bankers Insurance Company Limited, a company registered in England and Wales.

The Company's ultimate holding undertaking is Fortis N.V., a company incorporated in the Netherlands jointly owned by Fortis (NL) N.V., incorporated in the Netherlands, and Fortis S.A./N.V., incorporated in Belgium.

Copies of the above accounts can be obtained from the Company Secretary, Assurant Group Limited, 117 - 119 Whitby Road, Slough, SL1 3DR.

14. RELATED PARTY TRANSACTIONS

As the company is a wholly owned undertaking it has taken advantage of the exemption granted under Financial Reporting Standard 8 ("Related Party Transactions") whereby subsidiary undertakings do not have to disclose transactions with group undertakings qualifying as related parties provided that consolidated financial statements are made publicly available.