

AEQUANIMITER LIMITED

Report and Financial Statements

Aequanimiter Limited

Registered Number: 3365130

31 December 2002



AEQUANIMITER LIMITED

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AEQUANIMITER LIMITED

Report of the Directors

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

Review of the Business and Future Developments

The principal activity of Aequanimiter Ltd is that of a holding company for a group of companies whose primary activity was that of Lloyd's members' agents. It also acts as company secretary for a number of Namecos where CBS Private Capital Ltd, a fellow subsidiary of CBS Insurance Holdings PLC acts as members' agent.

The business of the main trading company, Christie Brockbank Shipton Ltd, was transferred with effect from 1 January 2001 to CBS Private Capital Ltd.

Results and Dividends

The results for the year and the state of the company's affairs as at 31 December 2002 are shown in the financial statements. The directors do not recommend the payment of a dividend (2001:£2.65 million).

Directors

The following have served as directors during the period from 1 January 2002 to the date of this report.

DJ Ewart	
CAA Harbord-Hamond	
Mrs EL Royds	
TH Holbech	(resigned 3/7/02)
AJ Sparrow	
MJB Watson	(resigned 9/5/03)

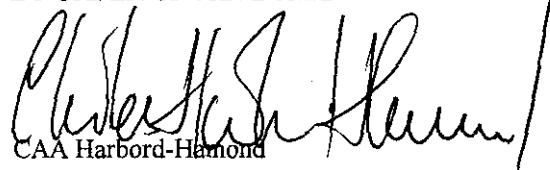
Directors' Interests

No director has had an interest in the share capital of the company in 2001 or 2002. The interests of the directors in CBS Insurance Holdings PLC are disclosed in the directors' report of that company of which they are also directors.

The director noted below holds the following loan notes in Aequanimiter Ltd.

	Unsecured Loan Notes 1998	
	at 31.12.2002	at 31.12.2001
	£	£
Mrs EL Royds	13,376	21,076

BY ORDER OF THE BOARD



CAA Harbord-Hamond
Director
Peninsular House
36 Monument Street
London EC3R 8LJ

28 May 2003

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;
- comply with applicable accounting standards subject to any material departures disclosed and explained in the financial statements; and
- 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 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 auditor's report to the members of Aequanimiter Limited

We have audited the financial statements on pages 4 to 9.

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 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 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 are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

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 the company's affairs as at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

8 Salisbury Square
London EC4Y 8BB

28 May 2003

AEQUANIMITER LIMITED

Profit and Loss Account for the year ended 31 December 2002

	Note	12 months to 31.12.02 £	12 months to 31.12.01 £
Administrative expenses		<u>(1,500)</u>	<u>(367,468)</u>
OPERATING LOSS	2	(1,500)	(367,468)
Dividends receivable		-	2,650,000
Loan notes interest payable		<u>(694)</u>	<u>(1,006)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,194)	2,281,526
Taxation on ordinary activities	4	<u>658</u>	<u>1,689</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(1,536)	2,283,215
Dividends paid	5	-	(2,650,000)
RETAINED LOSS FOR THE YEAR	11	<u>(1,536)</u>	<u>(366,785)</u>

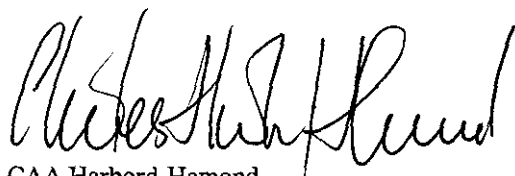
All recognised gains and losses are included in the Profit and Loss Account above; hence no Statement of Recognised Gains and Losses has been provided. All of the company's activities are in respect of continuing operations.

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Balance Sheet as at 31 December 2002

	Note	31.12.02 £	31.12.01 £
FIXED ASSETS			
Investments	6	<u>626,079</u>	<u>1,407,656</u>
		626,079	1,407,656
CURRENT ASSETS			
Debtors	7	-	1,572
CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR	8	<u>32,383</u>	<u>813,996</u>
NET CURRENT LIABILITIES		(32,383)	(812,424)
NET ASSETS		<u>593,696</u>	<u>595,232</u>
CAPITAL AND RESERVES			
Called up share capital	9	123,000	123,000
Share premium account	10	210,000	210,000
Merger reserve	10	217,270	217,270
Capital Redemption Reserve	10	100	100
Profit and loss account	10	43,326	44,862
SHAREHOLDERS' FUNDS	11	<u>593,696</u>	<u>595,232</u>

Approved by the board on 28 May 2003 and signed on its behalf by



CAA Harbord-Hamond
Director

Notes to the Financial Statements for the year ended 31 December 2002

1. Accounting Policies

- a) The financial statements are prepared under the historical cost convention and in accordance with applicable Financial Reporting Standards and Statements of Standard Accounting Practice.
- b) Investment income is dealt with on an accruals basis.
- c) Other income and expenses are dealt with on an accruals basis.
- d) Group accounts have not been prepared because the company is an intermediate parent company. The results of the company and its subsidiaries have been consolidated into the accounts of the ultimate parent company, CBS Insurance Holdings PLC.
- e) CBS Insurance Holdings PLC owns 100% of the company's voting rights; therefore the company has taken advantage of the exemption from the related party disclosure requirements given in Financial Reporting Standard 8.
- f) The company has relied on the exemption given in Financial Reporting Standard 1 (Revised) not to prepare a cashflow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.
- g) The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

2. Operating Loss

Operating Loss is stated after charging:

	12 months to 31.12.02 £	12 months to 31.12.01 £
Investment write off	-	362,843
Auditors' remuneration - audit fee	700	3,025
- non audit services	800	1,600

The company bore the auditor's remuneration for its subsidiary company BS Underwriting Agents Limited in 2001.

3. Directors' Emoluments

The directors did not receive any remuneration in respect of the work performed for the company during the year.

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Notes to the Financial Statements for the year ended 31 December 2002 (continued)

4. Taxation

	12 months to 31.12.02 £	12 months to 31.12.01 £
i) Analysis of tax charge on year		
UK Corporation tax @ 30%	658	1,689
	<u>658</u>	<u>1,689</u>
ii) Factors affecting the tax charge for the year		
(Loss)/profit on ordinary activities for the year	(2,194)	2,281,526
Tax charge at 30%	658	(684,458)
Effects of:		
Dividend income	-	795,000
Capital loss carried forward to future periods	-	(108,853)
	<u>658</u>	<u>1,689</u>

5. Dividends Paid

	12 months to 31.12.02 £	12 months to 31.12.01 £
Ordinary shares – nil per share (2001:£2.15 per share)	-	2,650,000
	<u>-</u>	<u>2,650,000</u>

6. Fixed Asset Investments

	£
Cost	
At 1 January 2002	1,770,499
Disposals	(946,888)
At 31 December 2002	<u>823,611</u>
	£
Provision for diminution in value	
At 1 January 2002	362,843
Disposals	(165,311)
At 31 December 2002	<u>197,532</u>
	£
Net book value	
At 31 December 2001	<u>1,407,656</u>
At 31 December 2002	<u>626,079</u>

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Notes to the Financial Statements for the year ended 31 December 2002 (continued)

6. Fixed Asset Investments (continued)

The subsidiary companies as listed below were all registered in England and Wales at 31 December 2001. The investments are unlisted.

Name	Business	Percentage Owned	Shares
Christie Brockbank Shipton Ltd	Lloyd's Members' Agent	100%	Ordinary
CBS Analysts Limited	Lloyd's Syndicate Analysts	100% #*	Ordinary

* held by a subsidiary undertaking

dormant company

BS Underwriting Agents Ltd was dissolved on the 18 June 2002. Chatset Limited was sold by Christie Brockbank Shipton Ltd on 18 April 2002 (with effect from 1 January 2002) for the consideration of £1.

In the opinion of the directors the value of the fixed asset investments in Group undertakings is not less than the amounts at which they are included in the accounts.

7. Debtors

	31.12.02 £	31.12.01 £
Amounts owed by group undertakings	-	1,572
	<u>-</u>	<u>1,572</u>

8. Creditors

	31.12.02 £	31.12.01 £
Amounts falling due within one year:		
Amounts due to group undertakings	15,498	786,851
Accruals & deferred income	3,509	6,069
Unsecured Loan Notes 1998	13,376	21,076
	<u>32,383</u>	<u>813,996</u>

9. Share Capital

	31.12.02 £	31.12.01 £
Authorised:		
1,999,000 ordinary shares of 10p each	199,900	199,900
1,000 preference shares of 10p each	100	100
	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
1,230,000 ordinary shares of 10p each	123,000	123,000
	<u>123,000</u>	<u>123,000</u>

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Notes to the Financial Statements for the year ended 31 December 2002 (continued)

10. Reserves

	Share Premium £	Merger Reserve £	Capital Redemption Reserve £	Profit & Loss Account £	Total £
At 1 January 2002	210,000	217,270	100	44,862	472,232
Loss for the year	-	-	-	(1,536)	(1,536)
At 31 December 2002	<u>210,000</u>	<u>217,270</u>	<u>100</u>	<u>43,326</u>	<u>470,696</u>

11. Reconciliation of Movements in Shareholders' Funds

	2002 £	2001 £
(Loss)/Profit for the period	(1,536)	2,283,215
Dividends paid	-	(2,650,000)
Net reduction to Shareholders' Funds	(1,536)	(366,785)
Opening Shareholders' Funds	<u>595,232</u>	<u>962,017</u>
Closing Shareholders' Funds	<u>593,696</u>	<u>595,232</u>

The total of shareholder's funds comprises:

	2002 £	2001 £
Equity Interests	<u>593,696</u>	<u>595,232</u>

12. Contingent Liabilities

The company is party to a guarantee given to CBS Underwriting Ltd, CBS Underwriting 2001 Ltd and CBS Underwriting 2002 PLC, fellow subsidiaries of CBS Insurance Holdings PLC, in respect of the letters of credit supporting their Funds at Lloyd's. This guarantee is secured by a fixed and floating charge over the company's assets.

13. Ultimate Parent Undertaking

The company is a subsidiary of CBS Insurance Holdings PLC, a company registered in England & Wales. The company's results are consolidated in the group accounts of CBS Insurance Holdings PLC, copies of which are available at Peninsular House, 36 Monument Street, London EC3R 8LJ.