

Company Registration No. 4774970

PEEL THOMPSON FLETCHER LIMITED

(formerly WM 02 Limited)

Report and Financial Statements

For the period from 22 May 2003 to 31 March 2004



Deloitte & Touche LLP
London

PEEL THOMPSON FLETCHER LIMITED

REPORT AND FINANCIAL STATEMENTS 31 MARCH 2004

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PEEL THOMPSON FLETCHER LIMITED

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P Cullum
A Homer
K Maciver
T Philip
E Fletcher

SECRETARY

D Savage (appointed 22 May 2003, resigned 23 May 2003)
E Thompson (appointed 23 May 2003, resigned 3 June 2003)
T Craton (appointed 3 June 2003)

REGISTERED OFFICE

Scotswood House
Teesdale South
Thornaby Place
Stockton
TS17 6SB

BANKERS

The Royal Bank of Scotland plc
62/63 Threadneedle Street
PO Box 412
London EC2P 8LA

AUDITORS

Deloitte & Touche LLP
London

PEEL THOMPSON FLETCHER LIMITED

REPORT AND FINANCIAL STATEMENTS 31 MARCH 2004

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the period from incorporation on 22 May 2003 to 31 March 2004. The company was formed as WM 02 Limited and changed its name on 2 June 2003 to Peel Thompson Fletcher Limited.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The company's principal activity is insurance broking.

Following an agreement reached on 5 June 2003, 100% of the shares in the company were sold to Willett & Ross Limited (note 17).

On 1 April 2004, the trade and assets of Peel Thompson Fletcher Limited were sold to Willett & Ross Limited and the company ceased to trade. The directors do not anticipate that the company will resume trading for the foreseeable future.

Pursuant to certain financing arrangements between The Royal Bank of Scotland plc and certain of its subsidiary companies ("RBS"), and The Folgate Partnership Limited (note 17), the company has granted security to RBS in respect of monies owed via a guarantee and debenture in favour of RBS pursuant to which, among other things, the company guarantees all monies and liabilities now or at any time hereafter due, owing or incurred from and by The Folgate Partnership Limited and its subsidiaries to RBS and has granted fixed and floating charges over the whole of its assets and undertakings.

Details of post balance sheet events are provided in note 14 to the financial statements.

DIVIDENDS

The directors do not propose the payment of a dividend.

DIRECTORS AND THEIR INTERESTS

The present membership of the Board is set out on page 1. The directors served throughout the period, except where indicated below. The directors holding office at 31 March 2004 did not hold any beneficial interests in the issued share capital of the company at 31 March 2004. The beneficial interests of the directors in the share capital of the ultimate parent company (note 17) are shown in the annual report of that company. None of the directors had an interest in the share capital of the company or any other group undertaking at any time during the period other than as already noted.

Director	Date of appointment	Date of resignation
P Cullum	5 June 2003	
A Homer	5 June 2003	
K Maciver	5 June 2003	
T Philip	5 June 2003	
E Fletcher	23 May 2003	
G Thompson	23 May 2003	5 June 2004
D Savage	22 May 2003	23 May 2003
J Hamer	22 May 2003	23 May 2003

PEEL THOMPSON FLETCHER LIMITED

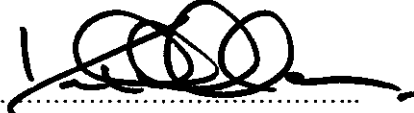
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DIRECTORS' REPORT

POLITICAL AND CHARITABLE DONATIONS

The company made no political or charitable contributions during the period.

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


..... 1 October 2004
Director J. Maciver Date

PEEL THOMPSON FLETCHER LIMITED

REPORT AND FINANCIAL STATEMENTS 31 MARCH 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period 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; 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 the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PEEL THOMPSON FLETCHER LIMITED

REPORT AND FINANCIAL STATEMENTS 31 MARCH 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PEEL THOMPSON FLETCHER LIMITED

We have audited the financial statements of Peel Thompson Fletcher Limited for the period from incorporation on 22 May 2003 to 31 March 2004 which comprise the profit and loss account, the balance sheet, the reconciliation of movement in shareholders' funds and the related notes 1 to 17. 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable 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 period 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 circumstances of the company, 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 as at 31 March 2004 and of the profit of the company for the period from incorporation on 22 May 2003 to 31 March 2004 and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and
Registered Auditors
London

1. October 2004

PEEL THOMPSON FLETCHER LIMITED

PROFIT AND LOSS ACCOUNT

Period ended 31 March 2004

	Note	From 22 May 2003 to 31 March 2004 £
TURNOVER – DISCONTINUED ACTIVITIES	2	1,085,411
Interest receivable – discontinued activities		12,159
OPERATING REVENUE – DISCONTINUED ACTIVITIES		1,097,570
Administrative expenses – discontinued activities		(1,088,215)
OPERATING PROFIT – DISCONTINUED ACTIVITIES	3	9,355
Interest payable and similar charges	6	(749)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		8,606
Tax charge on profit on ordinary activities	7	(5,366)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		3,240
Dividends		-
RETAINED PROFIT FOR PERIOD	13	3,240

There are no recognised gains or losses for the current period other than as stated above. Accordingly, no statement of total recognised gains and losses is given.

All operations derive from the discontinued activities of the company in the current period as the trade of Peel Thompson Fletcher Limited was sold by the company on 1 April 2004 (note 14).

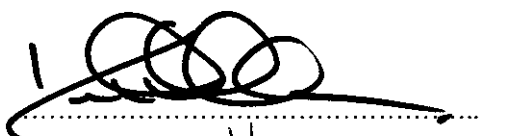
PEEL THOMPSON FLETCHER LIMITED

BALANCE SHEET 31 March 2004

	Note	At 31 March 2004 £
FIXED ASSETS		
Tangible fixed assets	8	19,607
CURRENT ASSETS		
Debtors	9	2,871,289
Cash at bank and in hand		167,006
		3,038,295
CREDITORS: amounts falling due within one year	10	(2,472,896)
NET CURRENT ASSETS		565,399
TOTAL ASSETS LESS CURRENT LIABILITIES		585,006
PROVISIONS FOR LIABILITIES AND CHARGES	11	(531)
NET ASSETS		584,475
CAPITAL AND RESERVES		
Called up share capital	12	10,000
Other reserve	13	571,235
Profit and loss account	13	3,240
EQUITY SHAREHOLDERS' FUNDS	13	584,475

These financial statements were approved by the Board of Directors on 1 October 2004.

Signed on behalf of the Board of Directors


Director

PEEL THOMPSON FLETCHER LIMITED

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

Period ended 31 March 2004

	Note	From 22 May 2003 to 31 March 2004 £
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		3,240
New shares issued		10,000
Non-distributable reserves acquired	13	571,235
NET MOVEMENT IN SHAREHOLDERS' FUNDS		584,475
OPENING EQUITY SHAREHOLDERS' FUNDS	13	-
CLOSING EQUITY SHAREHOLDERS' FUNDS	13	584,475

PEEL THOMPSON FLETCHER LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2004

1. ACCOUNTING POLICIES

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of reporting

Under Financial Reporting Standard 1 (revised 1996), the company is exempt from the requirement to prepare a cash flow statement, on the grounds that more than 90% of the company's voting rights are controlled by The Folgate Partnership Limited (note 17) which prepares a consolidated cash flow statement.

Turnover

Turnover represents brokerage and fees for services provided. Brokerage is recognised on the inception or renewal date of a risk, with an element of brokerage deferred to match any significant post placement obligations. Profit or volume based commission, which is received periodically, is recognised when the amount can be measured with reasonable certainty, which is typically the earlier of confirmation of the amount with the relevant provider or receipt of cash.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation which is calculated to write off the cost of such assets over their estimated useful lives. The principal rates of depreciation are as follows:

Furniture & equipment	20% straight line
Motor vehicles	25% straight line

Leased assets

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Insurance broking debtors and creditors

Under the provisions of Financial Reporting Standard 5 "Reporting the Substance of Transactions", trade debtors and creditors arising from insurance broking transactions are presented gross.

Pension costs

The company's contributions to a defined contribution scheme are charged to the profit and loss account as incurred.

Deferred taxation

In accordance with Financial Reporting Standard 19, 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 the financial statements. Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

2. TURNOVER AND SEGMENTAL ANALYSIS

Turnover represents retained brokerage and fees receivable and is derived from discontinued activity in the United Kingdom (note 14).

PEEL THOMPSON FLETCHER LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2004

3. OPERATING PROFIT

	2004 £
Operating profit is stated after charging:	
Auditors' remuneration for audit	6,000
Depreciation on owned assets	3,120
Operating lease rentals - land & buildings	17,381
Operating lease rentals - other	134
	<u>26,635</u>

4. DIRECTORS' REMUNERATION

	2004 £
Total remuneration of all directors:	
Aggregate emoluments	119,722
Company pension contributions to money purchase schemes	8,680
	<u>128,402</u>
Remuneration of the highest paid director:	
Aggregate emoluments	60,556
Company pension contributions to money purchase schemes	4,340
	<u>64,896</u>

During the period 2 directors received benefits by way of pension contributions to money purchase schemes.

P Cullum, A Homer, K Maciver and T Philip are employees of the ultimate parent company, The Folgate Partnership Limited. Their emoluments are paid directly by The Folgate Partnership Limited. Accordingly, the above details include no emoluments in respect of the above named directors. Their total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of The Folgate Partnership Limited.

5. STAFF COSTS AND OTHER INFORMATION

	2004 £
Staff costs including directors' remuneration:	
Wages and salaries	313,691
Social security costs	49,876
Other pension costs	12,146
Other related employment costs	328
	<u>376,041</u>
Average monthly number of persons employed (including directors):	<u>19</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £
Bank interest and similar charges	<u>749</u>

PEEL THOMPSON FLETCHER LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2004

7. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2004 £
UK corporation tax	-
Group relief	4,835
UK corporation tax on profit on ordinary activities for the period	4,835
Deferred taxation (note 11)	531
Tax charge on profit on ordinary activities	5,366

The standard rate of tax for the period, based on the UK standard rate of corporation tax, is 30%. The actual tax charge for the current period is different from the standard rate for the reasons set out below:

	2004 £
Profit on ordinary activities before tax	8,606
Corporation tax on profit on ordinary activities at standard rate	2,582
Factors affecting the charge for the period:	
Expenses not deductible for tax purposes	2,784
Capital allowances in excess of depreciation	(531)
UK corporation tax on profit on ordinary activities for the period	4,835

PEEL THOMPSON FLETCHER LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2004

8. TANGIBLE FIXED ASSETS

	Furniture & equipment £	Motor vehicles £	Total £
Cost			
At 22 May 2003	-	-	-
Additions	18,127	4,600	22,727
At 31 March 2004	18,127	4,600	22,727
Accumulated depreciation			
At 22 May 2003	-	-	-
Charge for the period	2,257	863	3,120
At 31 March 2004	2,257	863	3,120
Net book value			
At 22 May 2003	-	-	-
At 31 March 2004	15,870	3,737	19,607

9. DEBTORS: AMOUNTS DUE WITHIN ONE YEAR

	2004 £
Insurance debtors	2,176,825
Amounts due from parent undertaking	634,988
Other debtors	35,285
Prepayments and accrued income	24,191
	2,871,289

Included within amounts due from parent undertaking is an amount of £10,000 in relation to unpaid share capital.

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £
Insurance and trade creditors	2,431,463
Amounts due to fellow subsidiary undertakings	4,835
Other taxes and social security	10,113
Other creditors and accruals	26,485
	2,472,896

PEEL THOMPSON FLETCHER LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2004

11. PROVISIONS FOR LIABILITIES AND CHARGES

	£
Deferred tax provision at 22 May 2003	-
Charge to profit and loss account in the period	531
Deferred tax provision at 31 March 2004	531
Total provision for liabilities and charges at 22 May 2003	-
Total provision for liabilities and charges at 31 March 2004	531

The deferred tax liability at 31 March 2004 can be further analysed as follows:

	£
Accelerated capital allowances	531
Deferred tax provision at 31 March 2004	531

12. CALLED UP SHARE CAPITAL

	2004 No. of shares	2004 £
Authorised:		
Ordinary shares of £1 each	10,000	10,000
Called up, allotted and unpaid:		
Ordinary shares of £1 each	10,000	10,000

On 22 May 2003, 10,000 shares of £1 each were issued at par.

13. RESERVES

	Share capital called up and unpaid	Other reserve	Profit and loss reserve	Equity share- holders' funds
	£	£	£	£
At 22 May 2003	-	-	-	-
Non-distributable reserves acquired	-	571,235	-	571,235
Retained profit for the period	-	-	3,240	3,240
Issue of new shares	10,000	-	-	10,000
At 31 March 2004	10,000	571,235	3,240	584,475

The non-distributable reserves of £571,235 were created upon the signing of a liquidation agreement for WM01 Limited on 30 May 2003, which divided the assets and liabilities of WM01 Limited between the company and WM03 Limited. On 5 June 2003, 100% of the shares in the company were sold to Willett & Ross Limited and trading commenced.

PEEL THOMPSON FLETCHER LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2004

14. POST BALANCE SHEET EVENTS

On 1 April 2004, the trade and assets of Peel Thompson Fletcher Limited were sold to Willett & Ross Limited.

15. RELATED PARTY TRANSACTIONS

P Cullum, the Chairman of The Folgate Partnership Limited, has a controlling interest in the Towergate Underwriting Group Limited (Towergate). All transactions between the company and Towergate during the period have been negotiated on an arm's length basis.

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 Folgate Partnership Limited (note 17).

16. FINANCIAL COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

	Other £
Operating leases which expire within one year	-
In two to five years	229
	<hr/>
	229
	<hr/>

17. PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is Willett & Ross Limited and ultimate parent undertaking and controlling party is The Folgate Partnership Limited, a company incorporated in Great Britain and registered in England and Wales. The Folgate Partnership Limited is the parent of the largest and smallest groups for which group financial statements are prepared and of which the company is a member. Copies of the group financial statements are available from its registered office at Folgate House, 26-28 Pembroke Road, Sevenoaks, Kent TN13 1XR.