

THOMAS MILLER & CO LTD
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2003

Registered no. 1898192



THOMAS MILLER & CO LTD

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

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THOMAS MILLER & CO LTD

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P Donnellan	Chief Executive
R M Grainger	
S J B James	
A Jenkinson	
B M Kesterton	
W H Main	Non-Executive
P T E Massey	
P F J Neagle	
R N Readman	
T M Seymour	Non-Executive
H C Wodehouse	
H J Wynn-Williams	

COMPANY SECRETARY

I R Jarrett

REGISTERED OFFICE

International House
26 Creechurch Lane
London

AUDITORS

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

THOMAS MILLER & CO LTD

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2003

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

1. Principal activity and business review

The principal activity of the company during the year has been the provision of services to subsidiary undertakings.

The main activities of the subsidiary undertakings have been the provision of agency services to managers of mutual insurance companies and acting as managers of mutual insurance companies. No material change is envisaged to these activities for 2004.

The company has continued to pursue the development of new business opportunities including joint ventures with external partners. In the future, the company will continue to seek business growth via strategic partnerships with external investors.

The main operations of the group were carried out from group company offices in Europe, the Far East and North America and from branches in Europe and the Middle East.

At the balance sheet date the company was wholly owned by Thomas Miller Holdings Ltd, a Bermuda incorporated company.

2. Results and dividends

The consolidated profit and loss account for the year is set out on page 6. The group made a profit after tax and minority interests of £3,499,000 in 2003 (2002 loss - £1,086,000).

The results of Thomas Miller & Co Ltd are consolidated in the accounts of its parent company Thomas Miller Holdings Ltd, which reported a profit after tax and minority interest of £2,800,000 (2002 profit - £2,249,000).

An interim dividend of £1,450,000 (2002 - £1,758,000) was paid during the year and the directors recommend a final dividend of £1,731,000 (2002 - £447,000), bringing the total dividends payable for the year to £3,181,000 (2002 - £2,205,000).

The profit and loss account reserve brought forward at 1 January 2003 was £227,000 and the reserve carried forward at 31 December 2003 was £479,000.

3. Directors

The present membership of the Board of Directors is shown on page 1, all of whom held office throughout the year.

4. Directors and their interests

(a) Directors' interests in the share capital of the ultimate parent company

The company's ultimate holding company is Thomas Miller Holdings Limited, a company incorporated in Bermuda. As the ultimate holding company is a body corporate registered outside Great Britain, the directors are exempt from the requirements to notify the company of interests in shares in other group companies incorporated outside Great Britain. There are no other interests requiring disclosure.

(b) Directors' interests in the shares of the company

None of the directors who held office during the year had a direct beneficial interest in the shares of the company.

(c) Directors' interests in the shares of subsidiary undertakings

None of the directors who held office during the year had a direct beneficial interest in the shares any subsidiary.

5. Employees

The company has continued its policy of giving disabled people full and fair consideration for all job vacancies for which they offer themselves as suitable candidates having regard to their particular aptitudes and abilities. Training and career development opportunities are available to all employees and the company endeavours to retrain any member of staff who develops a disability during employment. Information on employee matters is available on a Lotus Notes database and via periodic publications.

6. Donations

Charitable donations amounted to £26,000 (2002 - £26,000).

THOMAS MILLER & CO LTD

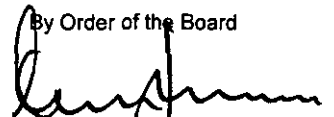
REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

7. Auditors

On 1 August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 26 September 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

International House,
26 Creechurch Lane,
London, EC3A 5BA.

By Order of the Board



I F Jarrett
Secretary

31 March 2004

THOMAS MILLER & CO LTD

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 and the group as at the end of the financial year and of the profit or loss of the group 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business; and
- state whether applicable United Kingdom accounting standards have been followed.

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 the group's system of internal control, for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

THOMAS MILLER & CO LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THOMAS MILLER & CO LTD

We have audited the financial statements of Thomas Miller & Co Ltd for the year ended 31 December 2003 which comprise the profit and loss account, the balance sheets, the statement of total recognised gains and losses, the reconciliation of movements in consolidated shareholder's funds and the related notes 1 to 25. 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 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 and other members of the group 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.

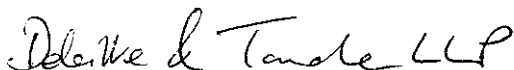
Basis of audit opinion

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 circumstances of the company and the group, 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 and the group as at 31 December 2003 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
31 March 2004

THOMAS MILLER & CO LTD

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003 £'000	2003 £'000	2002 £'000	2002 £'000
Turnover	1,2		55,335		50,937
Administrative expenses			(50,490)		(50,680)
Operating profit	3		4,845		257
Share of associates (losses) / profits			(9)		20
Profit on ordinary activities before interest			4,836		277
Interest receivable and similar income		318		279	
Interest payable and similar charges	6	(86)		(146)	
			232		133
Profit on ordinary activities before taxation			5,068		410
Tax on profit on ordinary activities	7		(1,483)		(1,482)
Profit / (loss) on ordinary activities after taxation			3,585		(1,072)
Minority interest attributable to equity interests	8		(86)		(14)
Profit / (loss) for the year			3,499		(1,086)
Dividends paid	9		(1,450)		(1,758)
Dividends proposed	9		(1,731)		(447)
Retained profit / (loss) for the year			318		(3,291)

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2003

	2003 £'000	2002 £'000
Profit / (loss) attributable to members of the company	3,499	(1,086)
Foreign exchange translation differences on foreign currency net investment in subsidiaries	(66)	(13)
Total recognised gains / (losses) for the year	3,433	(1,099)

All amounts derive from continuing activities.

The notes on pages 10 to 27 form an integral part of these financial statements.


THOMAS MILLER & CO LTD

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2003

	Note	2003 £'000	2003 £'000	2002 £'000	2002 £'000
Fixed assets					
Intangible fixed assets	10		315		467
Tangible fixed assets	11		2,294		3,009
Investments	12		3,732		1,651
			<u>6,341</u>		<u>5,127</u>
Current assets					
Debtors	14	12,484		12,030	
Investments	13	34		62	
Cash at bank and in hand		<u>9,679</u>		<u>9,746</u>	
		22,197		21,838	
Creditors: Amounts falling due within one year	16	<u>(25,114)</u>		<u>(23,048)</u>	
Net current (liabilities)			<u>(2,917)</u>		<u>(1,210)</u>
Total assets less current liabilities			3,424		3,917
Creditors: Amounts falling due after more than one year	16		(42)		(622)
Provisions for liabilities and charges	17		(2,317)		(2,568)
Equity minority interest	8		(86)		-
Total net assets			<u>979</u>		<u>727</u>
Capital and reserves					
Called up share capital	18		500		500
Profit and loss account			<u>479</u>		<u>227</u>
Equity shareholder's funds			<u>979</u>		<u>727</u>

The financial statements were approved by the Board of Directors on 31 March 2004 and signed on its behalf by:

P Donnellan



Director

A Jenkinson



Director

The notes on pages 10 to 27 form an integral part of these financial statements.

THOMAS MILLER & CO LTD

RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS FOR THE YEAR ENDED 31 DECEMBER 2003

	Share capital	Profit and loss account	Total
<u>Group</u>	£'000	£'000	£'000
Profit for the year	-	3,499	3,499
Dividends	-	(3,181)	(3,181)
Foreign exchange translation differences on translation of investments in foreign enterprises	-	(66)	(66)
Net increase in shareholder's funds	-	252	252
Opening shareholder's funds	500	227	727
Closing shareholder's funds	500	479	979

	Share capital	Profit and loss account	Total
<u>Company</u>	£'000	£'000	£'000
Profit for the year	-	2,990	2,990
Dividends	-	(3,181)	(3,181)
Net reduction in shareholder's funds	-	(191)	(191)
Opening shareholder's funds	500	1,719	2,219
Closing shareholder's funds	500	1,528	2,028

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company has not been presented as part of these financial statements.

The notes on pages 10 to 27 form an integral part of these financial statements.

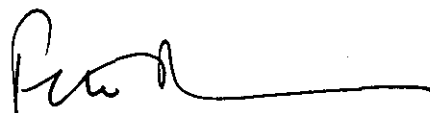
THOMAS MILLER & CO LTD

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2003

	Note	2003 £'000	2003 £'000	2002 £'000	2002 £'000
<u>Fixed assets</u>					
Tangible fixed assets	11		1,783		2,377
Investments	12		5,548		3,412
			<u>7,331</u>		<u>5,789</u>
<u>Current assets</u>					
Debtors	14	7,656		8,869	
Cash at bank and in hand		<u>5,966</u>		<u>5,541</u>	
		13,622		14,410	
<u>Creditors: Amounts falling due within one year</u>	16	<u>(16,640)</u>		<u>(14,842)</u>	
<u>Net current (liabilities)</u>			<u>(3,018)</u>		<u>(432)</u>
<u>Total assets less current liabilities</u>			4,313		5,357
<u>Creditors: Amounts falling due after more than one year</u>	16		(42)		(616)
<u>Provisions for liabilities and charges</u>	17		(2,243)		(2,522)
<u>Total net assets</u>			<u>2,028</u>		<u>2,219</u>
<u>Capital and reserves</u>					
Called up share capital	18		500		500
Profit and loss account			<u>1,528</u>		<u>1,719</u>
<u>Equity shareholder's funds</u>			<u>2,028</u>		<u>2,219</u>

The financial statements were approved by the Board of Directors on 31 March 2004 and signed on its behalf by

P Donnellan



Director

A Jenkinson



Director

The notes on pages 10 to 27 form an integral part of these financial statements.

THOMAS MILLER & CO LTD

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003

1. Accounting policies

The principal accounting policies of the group have remained unchanged from the previous year and are set out below.

1.1 Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention.

1.2 Basis of consolidation

The group financial statements consolidate the accounts of Thomas Miller & Co Ltd and all its subsidiary undertakings drawn up to 31 December each year.

Entities other than subsidiary undertakings, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence are treated as associates. In the group accounts, associates are accounted for using the equity method, where material.

1.3 Acquisitions and disposals

On the acquisition of a business, including an interest in an associated undertaking, fair values are attributed to the group's share of net separable assets. Where the cost of acquisition exceeds the fair values attributable to such net assets, the difference is treated as purchased goodwill and, is capitalised in the balance sheet in the year of acquisition.

The results relating to a business are included in the consolidated profit and loss account from the date of acquisition, or up to the date of disposal.

1.4 Goodwill

For acquisitions of a business, including an interest in an associated undertaking, purchased goodwill is capitalised in the year in which it arises and amortised over its estimated useful life up to a maximum of 20 years with the charge pro-rated in the year of acquisition, from the date of acquisition. The directors regard 20 years as a reasonable maximum for the estimated useful life of goodwill since it is difficult to make projections exceeding this period. Capitalised purchased goodwill in respect of subsidiaries is included within the intangible fixed assets. Capitalised purchased goodwill relating to associates is included within the carrying value of the associate. Provision is made for any impairment.

1.5 Intangible fixed assets

Licences are valued at cost on acquisition and are amortised in equal annual amounts over a period of two and half years which is their estimated useful economic lives. Provision is made for any impairment.

1.6 Tangible fixed assets

Depreciation is provided to write off the cost less estimated residual value of all tangible fixed assets over the estimated useful economic lives. The rates generally applicable are:

Leasehold improvements	Period to next lease review
Motor vehicles	Straight line over 3 years
Office machinery, fixtures and fittings	Straight line over 3 years
Leased equipment	By equal instalments over period of lease

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

1.7 Investments

Except as stated below, investments held as fixed assets are stated at cost less any provision for impairment.

In the consolidated accounts, shares in associated undertakings are accounted for using the equity method. The consolidated profit and loss account includes the group's share of the pre-tax profits and attributable taxation of the associated undertakings based on the financial statements for the financial year. In the consolidated balance sheet, the investment in associated undertakings is shown at the group's share of the net assets of the associated undertakings. Goodwill arising on the acquisition of an associate is capitalised, as part of the carrying amount in the consolidated balance sheet, and amortised over its estimated useful life.

Shares in the parent company held by the employee share trusts are valued in the balance sheet at average cost less amortisation, subject to provision for impairment.

Current asset investments are stated at market value. Gains and losses are dealt with through the profit and loss account.

1.8 Foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rate ruling at the date of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. The translation differences are dealt with through the profit and loss account.

The financial statements of foreign subsidiaries are translated into sterling at the closing rate of exchange and the difference arising from the translation of the opening net investment in subsidiaries is taken direct to reserves.

Forward exchange contracts are used to hedge foreign exchange exposures arising on forecast receipts and payments in foreign currencies. Gains and losses arising on these contracts are recognised in the profit and loss account when the contract matures.

1.9 Leases and assets

Leases are treated in accordance with the provisions of SSAP 21 "Accounting for leases and hire purchase contracts". Assets held under finance leases are capitalised in the balance sheet and depreciated over the shorter of the period of the lease and their expected useful economic lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the primary period of the lease. All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the period of the lease.

1.10 Deferred taxation

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 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 financial statements.

Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be received. Deferred tax assets and liabilities are not discounted.

1.11 Pensions

The expected costs of providing pensions and other post retirement benefits, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the schemes operated within the group in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll. The group continues to report under SSAP 24 "Accounting for pension costs." Disclosures required by the transitional arrangements of FRS 17 "Retirement benefits" have been provided in note 21.

1.12 Turnover

Turnover, which excludes value added tax, represents the value of agency and management fees attributable to the accounting year.

THOMAS MILLER & CO LTD

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

2. Analysis of turnover

Turnover by geographical origin is shown below:

	2003 £'000	2002 £'000
Bermuda	28,967	29,356
United Kingdom	25,695	21,416
Americas	223	107
Asia Pacific	450	58
Turnover	55,335	50,937

3. Operating profit

The consolidated profit and loss account for the year is set out on page 6. The group made a profit after tax and minority interests of £3,499,000 in 2003 (2002 loss - £1,086,000).

The results of Thomas Miller & Co Ltd are consolidated in the accounts of its parent company Thomas Miller Holdings Ltd, which reported a profit after tax and minority interest of £2,800,000 (2002 - £2,249,000).

	2003 £'000	2002 £'000
Operating profit is stated after charging:		
Cost of funding employee share option scheme	-	3,442
Directors' remuneration	1,806	1,735
Depreciation - owned assets	596	408
- leased/financed assets	827	949
- leasehold improvements	182	253
Amortisation of goodwill	64	41
Amortisation of licences	103	52
Amortisation of parent company shares	219	-
Current auditors' remuneration - group audit fees	167	201
- other services	237	111
Other auditors' remuneration - group audit fees	1	-
- other services	2	-
Rentals under operating leases	3,201	3,124
Loss on disposal of tangible fixed assets	6	2

4. Directors' remuneration

Directors' remuneration

The directors' remuneration for the year ended 31 December 2003 was as follows:

(i) Directors' emoluments

The emoluments paid to the directors by the company and its subsidiaries were as follows:

	2003 £'000	2002 £'000
Aggregate directors' emoluments, excluding pension contributions	1,654	1,602

The emoluments of the highest paid director were £233,000. The highest paid director did not receive money purchase contributions in the year and is a member of the defined benefit scheme.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

4. Directors' remuneration (continued)

(ii) Options

None of the directors exercised options in the company.

(iii) Value of pension contributions and directors' qualifying services

The value of contributions paid, or treated as paid, by a person other than the director to whom retirement benefits are accruing in respect of directors' qualifying services to the extent that the contributions might lead to money purchase benefits being payable was £nil (2002 - £nil).

(iv) Directors and retirement benefits

The number of directors to whom retirement benefits are accruing in respect of qualifying services was:

	2003 No.	2002 No.
Defined benefit schemes	6	6
Defined contribution schemes	-	-

5. Employee information

The average number of persons employed by the group during the year was 557 (2002 - 550).

Geographical area	Number of employees 2003	Number of employees 2002
Europe	449	446
Asia	60	58
America	48	46
	557	550

The total payroll costs of these persons were as follows

	2003 £'000	2002 £'000
Wages and salaries	27,010	26,248
Redundancy	222	257
Social security costs	2,240	2,008
Other pension costs	3,442	2,338
	32,914	30,851

THOMAS MILLER & CO LTD

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

6. Interest payable and similar charges

	2003 £'000	2002 £'000
Bank interest	10	13
Finance leases	76	133
	<u>86</u>	<u>146</u>

7. Tax on profit on ordinary activities

Analysis of charge for the year	2003 £'000	2002 £'000
UK corporation tax:		
Current tax on income for the year	1,922	1,422
Group relief	-	(120)
Associated companies	-	7
Adjustments in respect of prior years	(115)	84
	<u>1,807</u>	<u>1,393</u>
Double taxation relief	(130)	(103)
	<u>1,677</u>	<u>1,290</u>
Foreign tax:		
Current tax on income for the year	289	325
Adjustments in respect of prior years	13	-
	<u>1,979</u>	<u>1,615</u>
Deferred tax:		
Origination and reversal of timing differences	(496)	(133)
	<u>1,483</u>	<u>1,482</u>

Factors affecting the tax charge for the period

	2003 £'000	2002 £'000
Profit on ordinary activities before tax	<u>5,068</u>	<u>410</u>
UK corporation tax at 30% (2002: 30%)	1,521	123
Expenses not deductible for tax purposes	79	1,276
Depreciation in excess of capital allowances	106	84
Retirement and annuity provisions	(27)	26
Losses not utilised	(45)	-
Adjustments in respect of prior years	(102)	84
Other short term timing differences	364	15
Associates	-	7
Remittance of untaxed prior year profits of overseas subsidiaries	35	-
Profits of subsidiaries taxed at different tax rates	48	-
Group current tax charge for the year	<u>1,979</u>	<u>1,615</u>

8. Equity minority interest

As indicated in note 12, the company owns majority stakes in the ordinary shares of several subsidiary undertakings. The financial results of these companies are included in the consolidation. The minority interest represents the interests of external shareholders in TMS (Italia) Srl, Dex Serv Limited and The HR People.

THOMAS MILLER & CO LTD

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

9. Dividends

	2003 £'000	2002 £'000
Interim payable – £2.900 per ordinary share (2002 – £3.516)	1,450	1,758
Final proposed – £3.462 per ordinary share (2002 – £0.894)	1,731	447
	<u>3,181</u>	<u>2,205</u>

10. Intangible fixed assets

<u>Group</u>	Goodwill £'000	Licences £'000	Total £'000
Cost			
As at 1 January 2003	735	258	993
Additions in the year	15	-	15
As at 31 December 2003	<u>750</u>	<u>258</u>	<u>1,008</u>
Amortisation			
As at 1 January 2003	474	52	526
Provided in the year	64	103	167
As at 31 December 2003	<u>538</u>	<u>155</u>	<u>693</u>
Net book amount			
As at 31 December 2003	<u>212</u>	<u>103</u>	<u>315</u>
As at 31 December 2002	<u>261</u>	<u>206</u>	<u>467</u>

The goodwill primarily relates to the acquisition of International Transport Intermediaries Management Company Limited, The HR People and Dex Serv Limited and is being amortised over the directors' estimate of their useful economic life of five years.

THOMAS MILLER & CO LTD

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

11. Tangible fixed assets

<u>Group</u>	Leasehold improvements	Office machinery, fixtures & fittings	Office machinery, fixtures & fittings	Motor vehicles	Motor vehicles	Total
		Leased/ Financed	Owned	Leased/ Financed	Owned	
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
As at 1 January 2003	465	3,265	5,101	90	33	8,954
Foreign exchange differences	(29)	-	(31)	3	-	(57)
Transfers	265	(207)	(75)	17	-	-
Additions	380	-	582	-	8	970
Disposals	-	(35)	(56)	(90)	-	(181)
As at 31 December 2003	1,081	3,023	5,521	20	41	9,686
Depreciation						
As at 1 January 2003	311	1,735	3,843	48	8	5,945
Foreign exchange differences	(15)	-	(4)	1	-	(18)
Transfers	120	(66)	(61)	7	-	-
Disposals	-	(35)	(50)	(55)	-	(140)
Provided in the year	182	816	587	11	9	1,605
As at 31 December 2003	598	2,450	4,315	12	17	7,392
Net book amount						
As at 31 December 2003	483	573	1,206	8	24	2,294
As at 31 December 2002	154	1,530	1,258	42	25	3,009

Net obligations under finance leases and hire purchase contracts are secured on the assets acquired.

<u>Company</u>	Leasehold improvements	Office machinery, fixtures & fittings	Office machinery, fixtures & fittings	Motor vehicles	Motor vehicles	Total
		Leased/ Financed	Owned	Leased/ Financed	Owned	
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
As at 1 January 2003	465	3,023	3,799	90	33	7,410
Additions	380	-	403	-	8	791
Disposals	-	-	-	(90)	-	(90)
As at 31 December 2003	845	3,023	4,202	0	41	8,111
Depreciation						
As at 1 January 2003	312	1,634	3,031	48	8	5,033
Disposals	-	-	-	(55)	-	(55)
Provided in the year	143	816	375	7	9	1,350
As at 31 December 2003	455	2,450	3,406	-	17	6,328
Net book amount						
As at 31 December 2003	390	573	796	-	24	1,783
As at 31 December 2002	153	1,389	768	42	25	2,377

THOMAS MILLER & CO LTD

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

12. Investments held as fixed assets

Group

	Share of net assets £'000	Other fixed asset investments £'000	Investments in parent company shares £'000	Total £'000
At 1 January 2003	138	3	1,510	1,651
Share of profits less losses from associated undertakings	(9)	-	-	(9)
Dividends received from associated undertakings	(31)	-	-	(31)
Additions	-	-	2,719	2,719
Shares vested to employees	-	-	(379)	(379)
Amortisation charge	-	-	(219)	(219)
At 31 December 2003	98	3	3,631	3,732

Company

	Shares in subsidiary undertakings £'000	Shares in associates £'000	Investments in parent company shares £'000	Total £'000
At 1 January 2003	1,759	143	1,510	3,412
Additions	15	-	2,719	2,734
Shares vested to employees	-	-	(379)	(379)
Amortisation charge	-	-	(219)	(219)
At 31 December 2003	1,774	143	3,631	5,548

Details of the investments in which the group or the company holds more than 10% of the nominal value of any class of share capital are shown below. The various undertakings provide services to mutual insurance companies, unless otherwise stated. Unless indicated to the contrary, all investments are held by the company and incorporated in Great Britain and registered in England and Wales.

Investments in parent company shares represent shares in the Thomas Miller Holdings Ltd group held through the employee benefit trusts. Thomas Miller & Co Ltd is now treated as being the sponsoring company for the trusts. Certain prior year company and group balance sheet items have been reclassified to reflect this.

The parent company shares purchased are intended to be used to satisfy share options, to distribute as bonuses and to distribute to employees on reaching three years continuous service with the group. More details are available in Note 19.

THOMAS MILLER & CO LTD

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

12. Investments held as fixed assets (continued)

<u>Name of company</u>	<u>Proportion of ordinary shares held and voting rights</u>	<u>Nature of business</u>
<u>Principal subsidiary undertakings</u> (All 100% owned and incorporated in Great Britain unless otherwise stated.)	(If not 100%)	
Agency, management and general service companies: Thomas Miller P&I Limited		Agency services
Thomas Miller Defence Limited		
International Transport Intermediaries Management Company Limited		
Thomas Miller War Risks Services Limited		
Signum Services Limited		Investigation services
HAPM Management Company Limited		
Through Transport Mutual Services (UK) Limited		
Thomas Miller Investment Limited		
Thomas Miller Services Limited		
Transport Intermediaries Services		Management services
Transport Intermediaries Services (UK) Limited		Management services
Dex Serv Limited	79%	Insurance services
The Occupational Pensions Defence Union Limited		Advisory services to pension fund trustees and managers
Trustee Risk Management Limited (wholly owned by the Occupational Pensions Defence Union Limited)		Risk management services to pension fund trustees
Thomas Miller Managing Agency Limited		Managing agent for Lloyd's syndicate
Constructive Health Ltd		
Thomas Miller Professional Indemnity Holdings Limited		
Thomas Miller Professional Indemnity*		
SIMIA Management Company*		
HAMIA Management Company*		
Bar Mutual Management Company*		
Transport Mutual Services (UK) Limited*		Claims handling services
Thomas Miller Litigation Management Limited*		Claims handling services
Thomas Miller Risk Management (UK) Limited		Risk management consultancy
Entremain Limited		
TMS (Italia) Srl. (incorporated in Italy)*	70%	
Thomas Miller (Asia Pacific) Limited*		
Thomas Miller (South East Asia) Pte Limited*		
Thomas Miller (Taiwan) Limited*		
Thomas Miller Hong Kong Limited*		
Transport Services Asia Limited*		
Thomas Miller (Australasia) Pty Limited*		
Thomas Miller (Americas) Inc. (USA)*		
Thomas Miller & Co (Executive Scheme 1987) Trustee Company Limited		
Thomas Miller & Co Trustee Company Limited		
The HR People Limited	80%	HR consultancy
<u>Associated undertakings</u>		
Through Transport Mutual Services (Iberica) S.L. (Spain)*	50%	Service company
Through Transport Mutual Services (Gulf) (United Arab Emirates)*	50%	Service company
Building LifePlans Limited	50%	Construction related audit services company
TTMS (Argentina) SA USA*	50%	Service company
China Marine Services Co Ltd (Beijing, People's Republic of China)	50%	Marine services company
China Marine Services Co Ltd (Shanghai, People's Republic of China)	40%	Marine services company

* Held via an intermediate holding company

THOMAS MILLER & CO LTD

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

13. Current assets investments

<u>Group</u>	Market value 2003 £'000	Market value 2002 £'000
Units in Unit Trusts: UCITS	34	62

Undertakings for Collective Investment in Transferable Securities ("UCITS") are cash funds held for the short term.

14. Debtors

	Company 2003 £'000	Group 2003 £'000	Company 2002 £'000	Group 2002 £'000
Amounts owed by fellow subsidiary undertakings	342	685	510	1,420
Amounts owed by subsidiary undertakings	3,633	-	4,237	-
Amounts owed by associate undertakings	141	143	97	97
Trade debtors	576	7,802	1,140	6,777
Other debtors	716	1,292	1,063	1,639
Corporation tax receivable	-	-	145	-
Group tax relief	-	-	-	120
Deferred tax (note 15)	983	1,240	577	716
Prepayments	1,238	1,295	529	690
Accrued income	27	27	83	83
Other loans	-	-	488	488
	7,656	12,484	8,869	12,030

Other loans are 2002 is loans to employees for the purchase of Thomas Miller shares in the external market.

15. Deferred taxation

The amounts of deferred taxation in the accounts are as follows:

	Company 2003 £'000	Group 2003 £'000	Company 2002 £'000	Group 2002 £'000
Early retirement provision	42	214	143	253
Obligation for annuities to former partners	212	211	201	201
Depreciation in excess of capital allowances	229	266	233	221
Other	500	549	-	41
	983	1,240	577	716
Less provision (note 17)	-	(74)	-	(46)
Total	983	1,166	577	670
Net asset at start of period	577	670		
Current year credit / (charge)	406	496		
Adjustment in respect of prior years	-	-		
Net asset at end of period	983	1,166		

No provision has been made for taxation that would arise in the event of overseas subsidiaries distributing the balance of their reserves as there is currently no commitment to do so. At current tax rates such a provision would amount to £37,000 (2002 - £125,000).

THOMAS MILLER & CO LTD

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

16. Creditors

	Company 2003 £'000	Group 2003 £'000	Company 2002 £'000	Group 2002 £'000
Amounts falling due within one year				
Trade creditors	52	6,728	-	6,454
Amount owed to parent undertaking	6,273	6,292	2,926	2,926
Amounts owed to fellow subsidiary undertakings	686	949	5,571	5,921
Amounts owed to subsidiary undertakings	1,152	-	933	-
Amounts due under finance leases and hire purchase agreements	574	582	878	882
Corporation tax payable	386	1,497	-	1,087
PAYE and social security	700	715	11	14
Other creditors	99	207	211	416
Accruals and deferred income	4,987	6,413	3,865	4,901
Proposed dividend	1,731	1,731	447	447
	<u>16,640</u>	<u>25,114</u>	<u>14,842</u>	<u>23,048</u>
Amounts falling due after one year				
Amounts due under finance leases and hire purchase agreements	<u>42</u>	<u>42</u>	<u>616</u>	<u>622</u>
Finance leases and hire purchase agreements				
	Office machinery 2003 £'000	Office machinery 2002 £'000	Motor vehicles 2003 £'000	Motor vehicles 2002 £'000
Capital commitments due:				
Within one year	574	838	8	43
Between one and five years	42	622	-	-
	<u>616</u>	<u>1,460</u>	<u>8</u>	<u>43</u>

17. Provisions for liabilities and charges

	Balance at 1 January 2003 £'000	Profit and loss account charge £'000	Amounts paid £'000	Balance at 31 December 2003 £'000
Group				
Obligation for annuities to former partners	2,068	281	(247)	2,102
Deferred tax (note 15)	46	28	-	74
Early retirement provision	454	-	(313)	141
	<u>2,568</u>	<u>309</u>	<u>(560)</u>	<u>2,317</u>
	Balance at 1 January 2003 £'000	Profit and loss account charge £'000	Amounts paid £'000	Balance at 31 December 2003 £'000
Company				
Obligation for annuities to former partners	2,068	281	(247)	2,102
Early retirement provision	454	-	(313)	141
	<u>2,522</u>	<u>281</u>	<u>(560)</u>	<u>2,243</u>

The group assumed a liability to pay annuities to those former partners of Thos R. Miller & Son who had retired prior to 1989. The total provision has been calculated according to standard actuarial methods using an assumption of future investment returns of 3.7% (2002 - 4.0%). The total amount paid by the group during 2003 was £247,000 (2002 - £249,000).

The early retirement provision of £141,000 (2002 - £454,000) relates to arrangements made with some members of senior management.

THOMAS MILLER & CO LTD

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

18. Share capital

	2003 £'000	2002 £'000
Authorised		
Equity interests: 1,000,000 ordinary shares of £1	1,000	1,000
Allotted, called up and fully paid		
Equity interests: 500,000 ordinary shares of £1	500	500

The Company is incorporated in Great Britain with limited liability and registered in England and Wales.

19. Employee share trust

The Thomas Miller Employee Benefit Trust was established to acquire shares in order to make them available to group employees under profit sharing schemes, share option schemes, an employee share ownership plan and other schemes as they become available. The shares are Thomas Miller Holdings Ltd Ordinary shares.

The profit sharing schemes are:

i) The Thomas Miller UK Profit Sharing Scheme

The scheme trustees are Miller Profit Sharing Scheme Trustees Limited. Group employees subject to UK income tax are eligible to participate in this scheme. The purpose of the scheme is to distribute 1000 ordinary shares to each employee who has had three years continuous service with a Miller Group company by the relevant qualification date. All the shares held by this trust are held on behalf of specific individuals except for 25,000 shares. The cost of the shares is included in administration costs within the consolidated profit and loss account. This scheme is now closed to new entrants following changes in tax legislation.

ii) The Thomas Miller Overseas Profit Sharing Scheme

The scheme trustees are Harrington Trust Limited. Group employees not subject to UK income tax are eligible to participate in this scheme. The purpose of the scheme is to distribute 1000 ordinary shares to each employee who has had three years continuous service with a Miller Group company by the relevant qualification date. All shares held by this trust are held on behalf of specific individuals except for 21,000 shares. The cost of the shares is included in administration costs within the consolidated profit and loss account.

iii) The Thomas Miller Share Incentive Plan (Free shares)

The scheme trustees are Miller Profit Sharing Scheme Trustees Limited. Group employees subject to UK income tax are eligible to participate in this plan. The plan has tax advantages for employees who choose to hold shares in the company. All the shares held by this trust are held on behalf of named employees. The cost of the shares is included in administration costs within the consolidated profit and loss account.

Employees can receive free shares up to a maximum value of £3,000 in any tax year. There are currently two ways this can take place:

a) Service awards - where an employee has had three years continuous service with a Thomas Miller Holdings Ltd group company by the relevant qualification date shares to the value of £3,000 are appropriated to the employee.

b) Bonus awards - employees can chose to use up to a maximum of £3,000 awarded as a bonus under the company's performance management system to purchase shares which are then held in trust.

The £3,000 limit is an aggregate limit for both types of free share award.

THOMAS MILLER & CO LTD

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

19. Employee share trust (continued)

The share options schemes are:

i) The Thomas Miller Executive Share Option Scheme

Under this scheme options are granted to selected employees of Thomas Miller Holdings Ltd group companies enabling them to acquire ordinary shares at market value at the date of grant. Options are exercisable after three years from the date of grant and up to ten years less one day from the date of grant.

ii) The Thomas Miller Savings Related Share Option Scheme

The options granted under this scheme were all granted at market value at the date of grant. Each option is linked to a SAYE contract.

iii) The Thomas Miller Non UK Share Option Scheme

Under this scheme options can be granted to qualifying group employees to acquire ordinary shares at a discount of up to 20% to market value at the date of grant. To date the options granted under this scheme have all been granted at market value at date of grant.

In respect of investments in own shares intended to be used to satisfy share options, the difference between book value and the option exercise price is charged to the profit and loss account as an operating expense over the period between option grant and the earliest possible exercise date.

Unvested shares held in trust

In addition to the above the trusts hold shares which are not specifically vested in employees:

	Number of shares 2003	Market value 2003 £000	Book value 2003 £000	Number of shares 2002	Market value 2002 £000	Book value 2002 £000
Thomas Miller Employee Benefit Trust	1,222,843	3,791	3,864	443,132	1,329	1,524
Overseas Profit Sharing Scheme	21,000	65	68	21,000	63	68
UK Profit Sharing Scheme	25,000	78	81	25,000	75	81
Total	<u>1,268,843</u>	<u>3,934</u>	<u>4,013</u>	<u>489,132</u>	<u>1,467</u>	<u>1,673</u>

The above shares are valued in the balance sheet at average cost less amortisation.

Loans have been made by Thomas Miller & Co Ltd to Harrington Trust Limited and Miller Profit Sharing Scheme Trustees Ltd to purchase these shares. The trusts have not waived their rights to dividends on these shares. Dividends paid to the trusts in 2003 were £149,212 (2002 - £61,468).

The Group paid £1,042,992 for 336,449 shares in January 2004 which were placed in the Thomas Miller Employee Benefit Trust.

20. Leases

Operating leases

	Land and buildings 2003 £'000	Land and buildings 2002 £'000
Rentals paid for the year	<u>3,201</u>	<u>3,124</u>
Rentals payable during next year on leases expiring:		
Within one year	150	298
Between one and five years	<u>3,262</u>	<u>3,262</u>
	<u>3,412</u>	<u>3,560</u>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

21. Pension scheme

Pensions arrangements

The pension cost figures used in these accounts comply with the current accounting standard SSAP 24 "Accounting for pension costs". A new accounting standard, FRS 17 "Retirement benefits", has been issued and applies to accounting periods ending on or after 1 January 2005, with transitional requirements applying this year.

The group operates and contributes to a number of defined benefit pension schemes for certain employees. The assets of each scheme are held in separate trustee administered funds. The total pension cost for defined benefit schemes of the group for the year ended 31 December 2003 was £3,261,000 (2002 - £2,259,000).

SSAP 24 Accounting for pension costs

SSAP 24 Accounting for pension costs - The UK scheme

The group operates a pension scheme in the United Kingdom providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the company and are invested with insurance companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

The contributions are determined by a qualified actuary on the basis of valuations using the projected unit method. The most recent SSAP24 valuation was as at 1 July 2002. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions.

It was assumed at that time that future investment returns would be 6.5% per annum, that future salary increases would be between 4.5% and 5.5% per annum, and that there would be no discretionary pension increases beyond those described in the scheme rules.

The pension charge for the year was £2,954,000 (2002 - £1,893,000) and there was no accrual at 31 December 2003. The actuarial valuation dated 1 July 2002 showed that the market value of the scheme's assets was £53,583,000 and that the actuarial value of those assets, depending on the assumption used for salary increases, represented between 90% and 93% of the value of accrued liabilities. The recommended future contribution levels in the actuarial report also vary according to the assumption used for salary increases and were between 17.9% and 16.3% for the company and 5% for employees. The average contributions of the company and employees for 2003 were 17% and 5% (2002 - 12% and 5%) respectively.

SSAP 24 Accounting for pension costs - The US scheme

The group also operates a non-contributory defined benefit pension scheme in the United States with pension benefits based on years of service and salary. The pension cost of the Group's US subsidiary has been determined in accordance with the accounting standards of that country. The impact on the profit and loss account and shareholder's funds is not materially different to that under United Kingdom accounting standards following SSAP 24. The pension charge for the period as determined by a qualified actuary was £307,000 (2002 - £366,000). The market value of the scheme's assets at 31 December 2003 was £3,469,000 (2002 - £3,603,000) and the value of accrued liabilities was £5,021,000 (2002 - £4,867,000). At 31 December 2003 the US subsidiary had provided £785,000 (2002 - £780,000) for pension costs in its balance sheet.

FRS 17 Retirement benefits

Under the transitional arrangements of FRS 17, the group is required to disclose the following information about the schemes and the figures that would have been shown in the group balance sheet if FRS 17 applied in full today.

FRS 17 Retirement benefits - Group summary

If the pension liability for the UK scheme was recognised in the group financial statements at 31 December 2003, the group's profit and loss reserve and net assets/(liabilities) would be as follows:

	2003 £'000	2002 £'000	2001 £,000
Profit and loss reserve excluding pension liability as reported	479	227	531
Pension liability	(18,015)	(17,148)	(485)
Profit and loss reserve including pension liability	(17,536)	(16,291)	46

THOMAS MILLER & CO LTD

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

21. Pension scheme (continued)

	2003 £'000	2002 £'000	2001 £,000
Net assets/(liabilities) as reported	979	727	1,031
Pension liability	(18,015)	(17,148)	(485)
Net assets/(liabilities) including pension liability	(17,036)	(16,421)	546

FRS 17 Retirement benefits - The UK scheme

The full actuarial valuation at 1 July 2002 was updated to 31 December 2003 by a qualified actuary and showed that the market value of the scheme's assets was £56,512,000 and that the actuarial value of these assets represented 70.0% of the benefits that had accrued to members.

The assets in the scheme and the expected rates of return at 31 December 2003 were:

	2003 Long term rate of return expected	2003 Value £'000	2002 Long term rate of return expected	2002 Value £'000	2001 Long term rate of return expected	2001 Value £'000
Equities	7.50%	39,726	6.50%	36,181	7.00%	47,270
Bonds	5.25%	13,396	4.75%	6,427	5.50%	6,039
Other	3.75%	3,390	4.00%	4,731	4.00%	3,717
Total market value of assets		56,512		47,339		57,026
Present value of scheme liabilities		(80,917)		(70,753)		(56,857)
(Deficit)/surplus in scheme		(24,405)		(23,414)		169
Related deferred tax asset/(liability)		7,322		7,024		(51)
Net pension (liability)/asset		(17,083)		(16,390)		118

The figures shown above were calculated on the basis of the following assumptions:

	2003	2002	2001
Discount rate	5.40%	5.50%	6.75%
Rate of increase in salaries	3.75%	4.00%	4.25%
Rate of increase in deferred pensions	nil	nil	nil
Rate of increase in pensions in payment	2.75%	2.50%	2.75%
Inflation assumption	2.75%	2.50%	2.75%
Analysis of the movement in the scheme deficit during the year	2003 £'000	2002 £'000	
Opening (deficit) / surplus in the scheme	(23,414)	169	
Current service cost	(3,034)	(2,679)	
Contributions	2,954	1,793	
Past service costs	-	-	
Other finance return	(1,044)	376	
Actuarial gains	133	(23,073)	
Closing deficit in the scheme	(24,405)	(23,414)	

Amounts that would have been included within the financial statements for the year ended 31 December 2003 had FRS 17 been applied are as follows:

	2003 £'000	2002 £'000
Amounts included within operating profit:		
Current service cost	(3,034)	(2,679)

THOMAS MILLER & CO LTD

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

21. Pension scheme (continued)

	2003 £'000	2002 £'000
Amounts included as other finance return		
Expected return on scheme assets	2,891	3,819
Interest discount on scheme liabilities	(3,935)	(3,443)
Net finance return	(1,044)	376

Amounts that would have been included within the Statement of Total Recognised Gains and Losses ("STRGL") in the year to 31 December 2003 had FRS 17 been applied are shown below, expressed in monetary amounts and as a percentage of:

- (i) scheme assets at the balance sheet date;
- (ii) present value of the scheme liabilities at the balance sheet date.

	2003 £'000	2003 %	2002 £'000	2002 %
Difference between actual and expected return on scheme assets				
(i)	4,763	8.4%	(14,386)	(30.4%)
Experience (losses) /gains arising on scheme liabilities (ii)	(788)	(1.7%)	507	0.7%
Effects of changes in assumptions underlying the present value of scheme liabilities (ii)	(3,842)	(4.7%)	(9,194)	(13.0%)
Total actuarial net gains / (losses) recognised in the STRGL (ii)	133	0.4%	(23,073)	(32.6%)

FRS 17 Retirement benefits - The US scheme

	2003 Long term rate of return expected	2003 Value £'000	2002 Long term rate of return expected	2002 Value £'000	2001 Long term rate of return expected	2001 Value £'000
Equities	9.00%	1,647	9.00%	1,814	8.00%	1,566
Bonds	4.00%	1,821	6.00%	1,789	5.25%	2,468
Total market value of assets		3,468		3,603		4,034
Present value of scheme liabilities		(5,021)		(4,867)		(4,976)
Deficit in scheme		(1,553)		(1,264)		(942)
Related deferred tax asset		621		506		339
Net pension liability		(932)		(758)		(603)

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

21. Pension scheme (continued)

The figures shown above were calculated on the basis of the following assumptions:

	2003 %	2002 %	2001 %
Discount rate	5.50%	6.00%	6.75%
Rate of increase in salaries	3.00%	3.00%	5.00%
Rate of increase in pensions in payment	0.00%	0.00%	0.00%
Inflation assumption	3.00%	3.00%	3.00%

The contributions to the US scheme are calculated by the scheme actuary at the end of the financial year.

	2003 £'000	2002 £'000
Analysis of the movement in the scheme deficit during the year		
Opening deficit in the scheme	(1,264)	(942)
Revaluation of opening deficit	127	90
Current service cost	(230)	(309)
Contributions	223	234
Past service costs	59	(16)
Other finance income	(15)	(12)
Actuarial gains	(453)	(309)
Closing deficit in the scheme	(1,553)	(1,264)

Amounts that would have been included within the financial statements for the year ended 31 December 2003 had FRS 17 been applied are as follows:

	2003 £'000	2002 £'000
Amounts included within operating profit:		
Current service cost	(230)	(309)
Past service costs	59	(16)
Total included within operating profit	(171)	(325)
Amounts included as other finance costs:		
Expected return on scheme assets	243	288
Interest cost on scheme liabilities	(258)	(300)
Net finance charge	(15)	(12)

Amounts that would have been included within the Statement of Total Recognised Gains and Losses in the year to 31 December 2003 had FRS 17 been applied are shown below, expressed in monetary amounts and as a percentage of:

- (iii) scheme assets at the balance sheet date;
- (iv) present value of the scheme liabilities at the balance sheet date.

	2003 £'000	2003 %	2002 £'000	2002 %
Difference between actual and expected return on scheme assets (iii)	118	3.6%	(360)	(10.0%)
Experience gains arising on scheme liabilities (iv)	(231)	(4.6%)	(188)	(3.9%)
Effects of changes in assumptions underlying the present value of scheme liabilities (iv)	(340)	(6.8%)	239	4.9%
Total actuarial gains and losses recognised in the STRGL (iv)	(453)	9.0%	(309)	(6.4%)

THOMAS MILLER & CO LTD

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

22. Related party transactions

The company has taken advantage of the exemption available under FRS 8 "Related party disclosures" not to disclose transactions between entities, 90% or more of whose voting rights are controlled within the Thomas Miller Holdings group.

There are no other transactions requiring disclosure.

23. Commitments

Forward currency contracts

The following forward contract to sell US dollars for sterling during 2004 was purchased in 2002.

<u>Exercise date</u>	<u>Currency (US\$)</u>	<u>Contract rate</u>
01 March 2004	1,500,000	1.3896

Purchase of parent company shares

The Group paid £1,042,992 for 336,449 shares in January 2004 which were placed in the Thomas Miller Employee Benefit Trust.

24. Litigation

The Group is subject to certain claims and litigation arising in the normal course of its mutual management business. Significant damages are sought in these claims and litigation. However, on the basis of current information and legal advice, the Directors do not expect that these claims and litigation will have a material impact on the financial position of the Group.

25. Parent Undertaking

Thomas Miller & Co Ltd is wholly owned by Thomas Miller Holdings Ltd, a company registered in Bermuda and the ultimate controlling company. Copies of the Directors' Report and Financial Statements for Thomas Miller Holdings Ltd may be obtained from the company secretary, Thomas Miller Holdings Ltd, 18 Queen Street, PO Box HM 665, Hamilton, Bermuda.