

JOHNSON, PUDDIFOOT & LAST LIMITED

(Registered No. 1136647)

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1998

DIRECTORS

EHR Fane
JM Pelly
NA Taylor
JED Vickers
P Wenham

SECRETARY

MP Chitty

REGISTERED OFFICE

Ten Trinity Square
London EC3P 3AX

AUDITORS

Ernst & Young
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH



DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998

The directors present their report, together with the accounts for the year ended 31 December 1998.

PRINCIPAL ACTIVITIES AND PERFORMANCE REVIEW

The Company is a Lloyd's broker engaged in international insurance and reinsurance broking.

The markets, in which the Company trades, were challenging throughout 1998 with continued pressure on premium rates.

Willis Corroon Group Limited (formerly Willis Corroon Group plc) became a wholly-owned subsidiary of Trinity Acquisition plc ("Trinity") effective from 10 November 1998. Trinity's ultimate parent company is TA I Limited ("TA I") and as from 2 September 1998 the Company became an indirect partly-owned subsidiary of Trinity and TA I.

RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation amounted to £194,000. The directors do not recommend the payment of a *final dividend*.

DIRECTORS

The present directors of the Company are named on page 1 which forms part of this report.

The directors who held office on 31 December 1998 and whose interests are not reported in the accounts of a parent company had the following interests in the Management Ordinary Shares of TA I Limited, the ultimate parent company, as recorded in the register kept for the purpose.

Director	Management ordinary shares of 10p each (1)	Options over management ordinary shares of 10p each (2)
EHR Fane	7,813	35,937
JED Vickers	6,000	138,000
P Wenham	4,063	35,937

Notes

- (1) No director had an interest in the shares of TA I Limited on 1 January 1998.
- (2) All options were granted effective from 18 December 1998.
- (3) The Willis Corroon Group Employee Share Ownership Plan, a discretionary trust established by the Company, held until 6 November 1998 ordinary shares of the Company. These shares were exchanged for cash as a consequence of the Company's acquisition by Trinity.

CREDITOR PAYMENT POLICY

The Company settles its insurance broking transactions in accordance with the terms and conditions of the market in which it trades and with its clients on the terms agreed with them.

The Company's supplies and purchases are administered by a fellow group undertaking, Willis Corroon Group Services Limited, who agrees the terms and conditions for its business transactions with suppliers.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998 (continued)**YEAR 2000 COMPLIANCE**

The Willis Corroon Group ("Group") has conducted a review of its computer systems, which include those used by the Company, to identify those that could be affected by the Year 2000 date change and are nearing completion of a plan to be Year 2000 compliant prior to 31 December 1999. As part of this review, external consultants working with the Group's information technology staff have tested computer systems and identified potential problem areas. The Group has budgeted £4.2 million for expenditures related to the Year 2000 compliance programme.

While the Company believes that appropriate steps have been taken to achieve Year 2000 compliance in a timely fashion, there can be no assurance that its computers (or those of third parties with whom the Company conducts business) will be Year 2000 compliant prior to 31 December 1999.

EURO

On 1 January 1999 the "euro" replaced the currencies of eleven member states of the European Union, including countries in which the Company operates. The Company's operating systems had been adapted to accommodate business conducted in euros from its date of introduction.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE ACCOUNTS

The directors are required to report on their responsibilities in relation to the preparation of accounts for each financial year and the following statement should be read in conjunction with the auditors' statement of their responsibilities set out on page 4.

The Companies Act 1985 (as amended) requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year.

In preparing the accounts on pages 5 to 11 the directors consider that:

- (a) they have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates;
- (b) all accounting standards which they consider to be applicable have been followed;
- (c) it is appropriate to prepare the accounts on the going concern basis.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the accounts comply with the Companies Act 1985 (as amended).

The directors are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

AUDITORS

An Elective Resolution dispensing with the requirement to re-appoint auditors annually was approved by shareholders at the Annual General Meeting in May 1992.

Ernst & Young are willing to continue in office and the directors have agreed to their so continuing.

By Order of the Board


MP Chitty
Secretary

26 April 1999

Ten Trinity Square
London EC3P 3AX

REPORT OF THE AUDITORS TO THE MEMBERS OF JOHNSON, PUDDIFOOT & LAST LIMITED

We have audited the accounts on pages 5 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3 the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

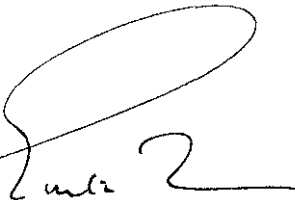
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Registered Auditor
London



26.4 1999

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1998**

	Notes	1998 £000	1997 £000
Turnover	3	633	916
Interest and investment income	4	106	116
OPERATING REVENUE		<u>739</u>	<u>1,032</u>
Operating expenses		<u>454</u>	<u>578</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	285	454
Tax on profit on ordinary activities	8	<u>91</u>	<u>146</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		194	308
Dividends	9	<u>-</u>	<u>530</u>
RETAINED EARNINGS/(LOSS)	13	<u>194</u>	<u>(222)</u>

RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 1998

There are no recognised gains or losses other than the profit attributable to shareholders of the Company of £194,000 in the year ended 31 December 1998 and of £308,000 in the year ended 31 December 1997.

JOHNSON, PUDDIFOOT & LAST LIMITED

6

BALANCE SHEET AT 31 DECEMBER 1998

	Notes	1998 £000	1997 £000
CURRENT ASSETS			
Debtors	10	1,599	3,430
Deposits and cash		619	853
		<u>2,218</u>	<u>4,283</u>
CURRENT LIABILITIES			
CREDITORS : amounts falling due within one year	11	<u>1,518</u>	<u>3,777</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>700</u>	<u>506</u>
CAPITAL AND RESERVES			
Called up share capital	12	498	498
Profit and loss account	13	<u>202</u>	<u>8</u>
SHAREHOLDERS' FUNDS		<u>700</u>	<u>506</u>

Approved on behalf of the Board on *26 April* 1999.


Director

**MOVEMENT IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1998**

	1998 £000	1997 £000
Earnings for the financial year	194	308
Dividends	-	530
Net movement in shareholders' funds for the year	194	(222)
Shareholders' funds at 1 January	506	728
Shareholders' funds at 31 December	700	506

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1998

1. ULTIMATE PARENT COMPANY

The Company is a wholly-owned subsidiary of Carter Wilkes & Fane (Holdings) Limited. From 2 September 1998 the ultimate parent company is TAI Limited and the ultimate controlling party is KKR 1996 Overseas, Limited. The largest group in which the results of the Company are consolidated is that headed by TAI Limited, with the smallest group being headed by Willis Corroon Group Limited. The consolidated accounts for these groups are available to the public from the Company Secretary, Ten Trinity Square, London EC3P 3AX.

2. ACCOUNTING POLICIES

(a) Basis of preparation

These accounts have been prepared on the going concern basis under the historical cost convention and comply with accounting standards applicable in the United Kingdom.

(b) Turnover

The Company takes credit for brokerage income (including fees in lieu) at the date when the insured is debited or at the inception date of the policy, whichever is the later. Brokerage on return and additional premiums and adjustments are brought into account as and when these occur. Fees and other commissions are accounted for on a receivable basis.

(c) Currency Translation

Transactions in foreign currencies are recorded at the rate of exchange at the date of transaction or in the case of forward contracts in respect of the current year's income, at the contracted rate. Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date.

(d) Insurance broking debtors and creditors

Insurance brokers usually act as agents in placing the insurable risks of their clients with insurers and, as such, generally are not liable as principals for amounts arising from such transactions. Notwithstanding the legal relationships with clients and insurers, insurance brokers are entitled to retain investment income on any cashflows arising from insurance broking transactions and, consequently, debtors and creditors arising from such transactions are shown as assets and liabilities.

As required by FRS 5 debit and credit balances arising from insurance broking transactions are reported as separate assets or liabilities unless such balances are due to or from the same party and the offset would survive the insolvency of that party, in which case they are aggregated into a single net balance.

3. TURNOVER

The table below analyses the Company's turnover by the address of the client from whom the business is derived. This does not necessarily reflect the original source or location of the business.

	1998 £000	1997 £000
United Kingdom	570	801
Rest of the world	63	115
	<hr/> 633 <hr/>	<hr/> 916 <hr/>

4. INTEREST RECEIVABLE

	1998 £000	1997 £000
Interest receivable	95	97
Interest receivable from group undertakings	11	19
	<hr/> 106 <hr/>	<hr/> 116 <hr/>

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1998 (continued)

5.	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1998 £000	1997 £000
	Profit on ordinary activities before taxation was arrived at after charging:		
	Auditors' remuneration		
	Audit fees	1	2

6.	EMPLOYEES	1998 £000	1997 £000
	Employees costs incurred during the year consisted of :		
	Salaries	257	302
	Social security costs	15	23
	Other pension costs	18	25
		290	350

		1998 Number	1997 Number
	Number of employees - average for the year	6	12

The staff working for the Company are employed by other subsidiary undertakings of T A I Limited. The Company bears the cost of the salaries, social security payments and pension contributions relating to such staff and reimburses the employing company for the full amount of the costs incurred, as shown above.

7.	DIRECTORS' EMOLUMENTS	1998 £000	1997 £000
	Remuneration, excluding pension contributions	52	53
	Benefits	6	6
		58	59

The remuneration of the highest paid director of the Company (excluding pension contributions) was £58,162. (1997: £56,566).

		1998 Number	1997 Number
	Directors exercising share options	4*	1
	Directors receiving shares under long term incentive plans	2*	4
	Directors eligible for defined benefit pension schemes	5	7

* This figure includes the highest paid director

8.	TAX ON PROFIT ON ORDINARY ACTIVITIES	1998 £000	1997 £000
	Charge for the year:		
	UK corporation tax @ 31% (1997 : 31.5%)	91	146

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1998 (continued)

9.	DIVIDENDS	1998 £000	1997 £000
	First interim	-	230
	Second interim	-	300
		<hr/>	<hr/>
		-	530
10.	DEBTORS	1998 £000	1997 £000
	Due within one year:		
	Trade debtors	1,282	3,416
	Amounts owed by group undertakings	317	14
		<hr/>	<hr/>
		1,599	3,430

The level of insurance broking debtors is not an indication of credit risk because the position of the insurance broker as agent means that generally the credit risk is borne by the principals. Nor is it an indication of future cashflows as it is normal practice for insurance brokers to settle accounts with clients, insurers, other intermediaries and market settlement bureaux on a net basis. The simultaneous recording of an insurance broking transaction between client and insurer results in a high level of correlation between insurance broking debtors and creditors.

11.	CREDITORS : amounts falling due within one year	1998 £000	1997 £000
	Trade creditors	1,350	3,585
	Amounts owed to group undertakings	74	43
	Corporate tax	91	146
	Accruals and deferred income	2	2
	Other creditors	1	1
		<hr/>	<hr/>
		1,518	3,777
12.	CALLED UP SHARE CAPITAL	1998 £000	1997 £000
	Authorised:		
	500,000 ordinary shares of £1 each	500	-
	107,140 ordinary 'A' voting shares of £1 each	-	107
	342,860 ordinary 'A' non-voting shares of £1 each	-	343
	50,000 ordinary 'C' non-voting shares of £ each	-	50
		<hr/>	<hr/>
		500	500
	Allotted, issued and fully paid:		
	497,815 ordinary shares of £1 each	498	-
	107,140 ordinary 'A' voting shares of £1 each	-	107
	342,860 ordinary 'A' non-voting shares of £1 each	-	343
	47,816 ordinary 'C' non-voting shares of £ each	-	48
		<hr/>	<hr/>
		498	498

The authorised and issued share capital of the Company was re-organised on 23 October 1998 by the conversion of each of the ordinary 'A' shares and ordinary 'C' shares of £1 each in the capital of the Company into an ordinary share of £1 each.

Until 23 October 1998 the Company's share capital comprised of three classes of share being ordinary 'A' voting shares, ordinary 'A' non-voting shares and ordinary 'C' non-voting shares. The classes of share were identical in every respect except that the ordinary 'A' voting shares had one vote per share; the other two classes had no voting rights.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1998 (continued)

13.	PROFIT AND LOSS ACCOUNT	1998 £000	1997 £000
	Balance at 1 January	8	230
	Retained earnings/(loss)	194	(222)
	Balance at 31 December	<u>202</u>	<u>8</u>

14. CONTINGENT LIABILITIES

Assets Subject to Floating Charge

The Company has entered into a Deed as required by the Lloyd's brokers bye-law under which all insurance broking account assets are subject to a floating charge held on trust by the Society of Lloyd's for the benefit of the Company's insurance broking creditors. The charge only becomes enforceable under certain circumstances as defined in the Deed. The assets subject to this charge at 31 December 1998 amounted to £1,901,000 (1997 : £4,273,000) and the Company's insurance broking creditors at that date amounted to £1,350,000 (1997 : £3,586,000).

The Company has guaranteed on a joint and several basis the prompt and complete performance of a fellow subsidiary company in respect of credit facilities ("facilities") made available to that company. As at 31 December 1998 these facilities amounted to US\$1,175 million. The Company's maximum liability under the guarantees cannot cause it to breach the minimum financial resources requirements placed on it by its regulator.

15. RELATED PARTY TRANSACTIONS

Financial Reporting Standard 8 exempts the reporting of transactions between Group companies. The Company has taken advantage of this exemption.

16. DIRECTORS' INTERESTS IN CONTRACTS

The undermentioned directors who held office during the year and, where applicable, connected persons (as defined in section 346 of the Companies Act 1985 (as amended)) are Underwriting Members of Lloyd's.

AB Hedgecock	JED Vickers
EHR Fane	P Wenham
JM Pelly	

The Company and other insurance broking subsidiary undertakings of T A I Limited place risks with syndicates in which the directors or connected persons (as defined above) participate in the normal course of their broking activities on the same basis as they do with other Lloyd's syndicates.