

Reports and Financial Statements
Brockbank Syndicate Management Limited

Year Ended
31 December 1997

Registered Number: 1515647



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BROCKBANK SYNDICATE MANAGEMENT LIMITED

REPORT OF THE DIRECTORS

The directors present their report and financial statements for the year ended 31 December 1997

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with applicable accounting standards subject to any material departures disclosed and explained in the financial statements;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps that are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Review of the Business and Future Developments

The principal activity of the company continues to be that of a managing agent at Lloyd's. The company acts as managing agent for Syndicates 861, 588 and 1209. All Syndicates were underwriting throughout the period and will continue in 1998. There are no years of account left open beyond normal closing dates.

Total managed capacity in 1998 is £458m compared to £426m in 1997.

The directors are pleased to report that Syndicates 861 and 588 achieved profits of 23.0% and 23.9% of capacity on closure of the 1994 year of account (profit after personal expenses but before Members' Agents fees).

On 29 December 1995, the company's ultimate parent, The Brockbank Group plc, entered into an agreement with Mid Ocean Limited, a Bermuda based reinsurance company. Under the agreement, The Brockbank Group plc injected its business into an enlarged group, into which Mid Ocean contributed £50m of capital. Mid Ocean had a 51% interest in the enlarged group while the Brockbank Group plc had a 49% stake. Mid Ocean was committed to making an offer for the remaining 49% interest of the Brockbank Group plc which it achieved by virtue of its acquisition of all the share capital of The Brockbank Group plc on 7 August 1997.

Results and Dividends

The results for the year and the state of the company's affairs as at 31 December 1997 are shown in the financial statements.

The directors propose the payment of a final dividend of £10,000,000 (1996 - £379,277) which together with the interim dividend already paid of £655,132 (1996 - £1,285,000) gives a total of £10,655,132 (1996 - £1,664,277).

The directors propose to transfer £3,187,189 from retained reserves (1996 - £4,635,921 to retained reserves).

Fixed Assets

Details of changes in fixed assets are given in notes 7 and 8 to the financial statements.

BROCKBANK SYNDICATE MANAGEMENT LIMITED

Directors

The individuals who served as directors during the period from 1 January 1997 to the date of this report are listed below:

K J Allen
G A M Bonvarlet
M E Brockbank
Sir Brian Corby (appointed 5 November 1997)
J T Gerry
P A C Jaffe
A P N Lafont (resigned 26 March 1997)
A J R Mackay
I P Martin
N J Metcalf
M R D Reith
S G Rix (resigned 18 March 1997)
S E Spinney (resigned 4 November 1997)
W P Thompson

None of the directors have, according to the register of director's interests, any interests in the shares of the company.

BY ORDER OF THE BOARD



A J R Mackay
Secretary

Fitzwilliam House
10 St Mary Axe
London
EC3A 8BS

26 February 1998

BROCKBANK SYNDICATE MANAGEMENT LIMITED

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF BROCKBANK SYNDICATE MANAGEMENT LIMITED

We have audited the financial statements on pages 4 to 13.

Respective Responsibilities of Directors and Auditors

As described on page 1, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 Salisbury Square
London EC4Y 8BB

26 February 1998

BROCKBANK SYNDICATE MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1997

	Note	1997 £	12.12.95 to 31.12.96 £
TURNOVER	2	18,449,415	15,745,137
Administrative expenses		(7,481,472)	(6,294,939)
		<hr/>	<hr/>
OPERATING PROFIT		10,967,943	9,450,198
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	10,967,943	9,450,198
Taxation on ordinary activities	5	(3,500,000)	(3,150,000)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		7,467,943	6,300,198
Dividends	6	(10,655,132)	(1,664,277)
		<hr/>	<hr/>
RETAINED (LOSS) / PROFIT FOR THE PERIOD	13	£ (3,187,189)	£ 4,635,921
		<hr/>	<hr/>

All recognised gains and losses are included in the Profit and Loss Account above.

The company's turnover and expenses all related to continuing operations.

BROCKBANK SYNDICATE MANAGEMENT LIMITED

BALANCE SHEET as at 31 December 1997

	Note	31.12.97 £	31.12.96 £
FIXED ASSETS			
Intangible assets	7	-	5,946
Investments	8	800	800
		<hr/>	<hr/>
		800	6,746
CURRENT ASSETS			
Debtors	9	8,912,862	11,106,203
Cash at bank	10	886	1,068
		<hr/>	<hr/>
		8,913,748	11,107,271
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(5,642,879)	(4,655,159)
		<hr/>	<hr/>
NET CURRENT ASSETS		3,270,869	6,452,112
		<hr/>	<hr/>
NET ASSETS		£ 3,271,669	£ 6,458,858
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	12	575,000	575,000
Profit and loss account	13	2,696,669	5,883,858
		<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS		£ 3,271,669	£ 6,458,858
		<hr/>	<hr/>

K J Allen

K J Allen
Director

M E Brockbank

M E Brockbank
Director

26 February 1998

BROCKBANK SYNDICATE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1997

1. Accounting Policies

- a) The financial statements are prepared under the historical cost convention in accordance with applicable Financial Reporting Standards and Statements of Standard Accounting Practice.
- b) Turnover comprises underwriting agency fees and profit commissions.

The principal trading receipts are agency fees derived from underwriting Names at Lloyd's. These are charged annually to Names and allocated to the first twelve months of each closed underwriting account.

Profit commission on closed years is brought into the accounts in the period in which it is received. The profit commission brought into the 1997 financial statements of the company relates to the 1994 Lloyd's year of account.

- c) Other income and expenses are dealt with on an accruals basis.
- d) Goodwill represents the excess of cost of acquisition of the underwriting businesses of certain Lloyd's agencies over the fair value of net tangible assets of the businesses acquired. Goodwill is amortised over ten years, which the directors estimate to be the period over which the company will derive economic benefit.
- e) Comparative figures are for the period from 12 December 1995 to 31 December 1996.
- f) Group accounts have not been prepared as the company is a wholly owned subsidiary of another UK company.
- g) The company has not prepared a cashflow statement because a consolidated cashflow statement will be produced by The Brockbank Group plc.

2. Turnover

	1997 £	12.12.95 to 31.12.96 £
Net agency fees	2,130,670	2,176,363
Profit commissions	16,318,745	13,553,094
Other income	-	15,680
	<hr/>	<hr/>
	£ 18,449,415	£ 15,745,137
	<hr/>	<hr/>

The whole of the turnover arises in the United Kingdom.

BROCKBANK SYNDICATE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1997

3. Profit on Ordinary Activities Before Taxation

Profit on ordinary activities before taxation is stated after charging:

	1997	12.12.95 to 31.12.96
	£	£
Auditors' remuneration	7,700	9,250
Amortisation of goodwill	5,946	13,561
Exceptional item - Lloyd's R&R contribution	2,327,106	1,616,175
Operating lease rentals	2,794	3,182

The R&R contribution of £2,327,106 has been charged to the profit and loss account in respect of the 1994 Lloyd's year of account.

Staff are remunerated as employees of the company's parent company. A management charge is levied on the company which includes the company's proportion of group staff costs and directors' emoluments. An analysis of staff costs and numbers is provided in the accounts of the parent company.

4. Directors' Emoluments

	1997	12.12.95 to 31.12.96
	£	£
Emoluments	5,357,489	5,205,844
Company contributions paid to money purchase pension schemes	104,630	91,113
Compensation for loss of office	38,580	-
	<hr/>	<hr/>
	5,500,699	5,296,957
	<hr/>	<hr/>
Less: Charged to syndicates:		
Emoluments	2,752,738	2,965,643
Company contributions paid to money purchase pension schemes	96,515	71,622
Compensation for loss of office	37,650	-
	<hr/>	<hr/>
	2,886,903	3,037,265
	<hr/>	<hr/>
Borne by the company	£ 2,613,796	£ 2,259,692
	<hr/>	<hr/>

BROCKBANK SYNDICATE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1997

4. Directors' Emoluments (Continued...)

	1997 No.	12.12.95 to 31.12.96 No.
Members of money purchase pension schemes	9	9
Members of defined benefit pension schemes	2	2

The amounts in respect of the highest paid director before amounts recharged to managed syndicates were as follows:

Emoluments	£2,890,482	£2,725,891
Company contribution paid to money purchase pension schemes	£34,484	£33,768

5. Taxation on Profit On Ordinary Activities

	1997 £	12.12.95 to 31.12.96 £
United Kingdom Corporation Tax On profit for the period at 31% (1996 33%)	£ 3,500,000	£ 3,150,000

6. Dividends

	1997 £	12.12.95 to 31.12.96 £
Interim dividend paid at £1.1394 per share (1996 - £2.2348 per share)	655,132	1,285,000
Final dividend proposed at £17.3913 per share (1996 - £0.6596)	10,000,000	379,277
	£ 10,655,132	£ 1,664,277

BROCKBANK SYNDICATE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1997

7. Intangible Fixed Assets

	£
Cost of goodwill:	
At 31 December 1996	128,000
At 31 December 1997	128,000
Amortisation:	
At 31 December 1996	122,054
Charge for the period	5,946
At 31 December 1997	128,000
Net book value:	
At 31 December 1997	£nil
At 31 December 1996	£5,946

8. Fixed Asset Investments - Group Undertakings

	31.12.97 £	31.12.96 £
Shares in subsidiary undertakings at cost	£ 800	£ 800

The company holds 800 shares of £1 each in Admiral Insurance Services Limited, a company registered in England and Wales, representing 80% of the issued share capital. The company has a duty to account to the Names on Syndicates 861,253, 1209 and 2253 for any revenue or capital profits derived directly from the ownership of these shares.

9. Debtors

	31.12.97 £	31.12.96 £
Due within one year:		
Amounts owed by group undertakings	8,654,260	11,011,384
Advance corporation tax recoverable	258,602	94,819
	£ 8,912,862	£ 11,106,203

BROCKBANK SYNDICATE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1997

10. Cash at Bank

It is group policy that all cash surplus to daily operating requirements is transferred to a single pooled account maintained by the parent company.

11. Creditors

	31.12.97 £	31.12.96 £
Amounts due within one year:		
Corporation taxation	3,543,720	2,944,165
Advance Corporation Tax payable	-	94,819
Accruals and deferred income	2,099,159	1,616,175
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	£ 5,642,879	£ 4,655,159
	<hr/>	<hr/>

12. Share Capital

	31.12.97 £	31.12.96 £
Authorised:		
675,000 ordinary shares of £1	£ 675,000	£ 675,000
	<hr/>	<hr/>
Issued and fully paid:		
575,000 ordinary shares of £1	£ 575,000	£ 575,000
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BROCKBANK SYNDICATE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1997

13. Reconciliation of Movements in Shareholders' Funds

	Share Capital £	Profit & Loss Account £	Total Share- holders' Funds £
Balance at 12 December 1995	575,000	1,247,937	1,822,937
Profit for the period	-	6,300,198	6,300,198
Dividends paid and proposed	-	(1,664,277)	(1,664,277)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 1996	575,000	5,883,858	6,458,858
Profit for the period	-	7,467,943	7,467,943
Dividends paid and proposed	-	(10,655,132)	(10,655,132)
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Balance at 31 December 1997	<u>£ 575,000</u>	<u>£ 2,696,669</u>	<u>£ 3,271,669</u>

BROCKBANK SYNDICATE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1997

14. Related Party Transactions

(a) Transactions with Directors

The following directors are underwriting members of Lloyd's and participated on Syndicates 861 and 588. For the 1997 year of account their participations were:

	Syndicate 861 Premium Limit £	Syndicate 588 Premium Limit £
M E Brockbank	1,248,950	400,000
A P N Lafont	577,000	110,000
I P Martin	28,500	15,000
N J Metcalf	135,000	27,000
M R D Reith	35,000	10,000
S E Spinney	25,000	50,000

They are charged the same fees and rate of profit commission as any other members of the syndicates.

(b) Transactions with related companies

The company has entered into a managing agency agreement commencing for the 1997 year of account with Dornoch Limited (a subsidiary of The Brockbank Group plc) which is the corporate member of Syndicate 1209.

15. Parent Undertaking

The company's ultimate parent company is Mid Ocean Limited which is incorporated in the Cayman Islands.

The results of Brockbank Syndicate Management Limited are consolidated within the accounts of The Brockbank Group plc which is the smallest group of undertakings for which group accounts are drawn up. Copies of the audited accounts of The Brockbank Group plc and Mid Ocean Limited can be obtained from the Company Secretary, Fitzwilliam House, 10 St Mary Axe, London EC3A 8BS.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1997

16. Pension Commitments

The company is a member of the group's defined benefit pension scheme. The assets are held separately from those of the company, being invested with Provident Mutual Managed Pension Funds Limited. Contributions to the scheme are charged to the profit and loss account so as to spread the cost over employees' expected working lives with the company. The contributions are determined by an actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 31 December 1994. The assumptions which have the most significant effects 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 that investment returns would average 9% per annum and that present and future salaries and pensions would increase at the rate of 8% per annum.

The most recent actuarial valuation showed that the market value of the scheme's assets was £1,281,463, and that the actuarial value of those assets represented 116% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the company and employees will remain at 9.7% and 3% of earnings respectively.

In addition, the group operates defined contribution pension schemes for certain employees. The assets of the schemes are held separately from those of the company in independently administered funds.

BROCKBANK SYNDICATE MANAGEMENT LIMITED

DETAILED PROFIT AND LOSS ACCOUNT for the year ended 31 December 1997

	1997 £	12.12.95 to 31.12.96 £
INCOME		
Agency Fees	2,130,670	2,176,363
Profit commission	16,318,745	13,553,094
Other fees and commission	-	15,680
	<hr/>	<hr/>
	18,449,415	15,745,137
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EXPENDITURE		
Profit commission	2,441,496	2,032,964
Management fee	2,706,671	2,592,978
Subscriptions and donations	-	38,994
Bank charges	253	267
Goodwill amortised	5,946	13,561
Lloyd's R&R Contribution	2,327,106	1,616,175
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	7,481,472	6,294,939
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PROFIT BEFORE TAXATION	£ 10,967,943	£ 9,450,198
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