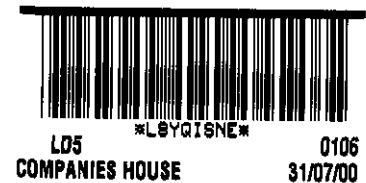

Reports and Financial Statements

Brockbank Syndicate Management Limited

Year Ended

31 December 1999

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 1999.

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 2000. There are no years of account left open beyond normal closing dates.

Total managed capacity in 2000 is £458m which is the same as in 1999.

The directors are pleased to report that Syndicates 861 and 588 achieved profits of 12.16% and 14.24% of capacity on closure of the 1996 year of account (profit after personal expenses but before Members' Agents fees).

In November 1999 the company disposed of its shares in Admiral Insurance Services Limited. The company had 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 those shares.

Year 2000

The company experienced no significant disruption or malfunction since the turn of the year arising from its own computer systems and equipment or third party failures.

Results and Dividends

The results for the year and the state of the company's affairs as at 31 December 1999 are shown in the financial statements.

The directors propose the payment of a final dividend of £5,000,000 (1998 - £10,000,000). No interim dividend was paid during the year (1998 - £nil).

The directors propose to transfer £194,611 to retained reserves (1998 - £1,323,517 transferred from retained reserves).

Fixed Assets

Details of changes in fixed assets are given in note 7 to the financial statements.

BROCKBANK SYNDICATE MANAGEMENT LIMITED

REPORT OF THE DIRECTORS (continued)

Directors

The individuals who served as directors during the period from 1 January 1999 to the date of this report are listed below:

Sir Brian Corby*

K J Allen (resigned 29 February 2000)

G A M Bonvarlet (resigned 29 February 2000)

M E Brockbank

R. W. Clifford^{xx} (appointed 1 March 2000)

D A Edward (appointed 4 March 1999)

J T Gerry (resigned 22 January 1999)

P A C Jaffe

A J R Mackay

I P Martin (resigned 22 January 1999)

N J Metcalf

M R D Reith

J C C Slipper (appointed 4 March 1999)

P. J. Sowray^{xx} (appointed 1 March 2000)

A. R. Stears^{xx} (appointed 1 March 2000)

J P Tay (appointed 4 March 1999,
resigned 10 June 1999)

W P Thompson*

J R Weatherstone (appointed 30 November 1999)

* Non-executive

^{xx} Appointment subject to Lloyds approval

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

Auditors

The auditors, KPMG Audit plc, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD



A J R Mackay
Secretary

Fitzwilliam House
10 St Mary Axe
London
EC3A 8NL

16 March 2000

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 11.

Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the directors' report and, as described on page 1, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of 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 1999 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 Auditors
8 Salisbury Square
London EC4Y 8BB

16 March 2000

BROCKBANK SYNDICATE MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1999

	Note	1999 £	1998 £
TURNOVER	2	11,460,342	18,811,325
Administrative expenses		(4,103,687)	(6,134,842)
		<hr/>	<hr/>
OPERATING PROFIT		7,356,655	12,676,483
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	7,356,655	12,676,483
Taxation on ordinary activities	5	(2,162,044)	(4,000,000)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		5,194,611	8,676,483
Dividends paid and proposed	6	(5,000,000)	(10,000,000)
		<hr/>	<hr/>
TRANSFER TO/(FROM) RESERVES FOR THE PERIOD		£194,611	£(1,323,517)
		<hr/>	<hr/>

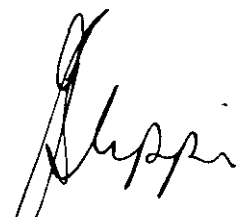
All recognised gains and losses are included in the Profit and Loss Account above.


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

BROCKBANK SYNDICATE MANAGEMENT LIMITED

BALANCE SHEET as at 31 December 1999

	Note	31.12.99 £	31.12.98 £
FIXED ASSETS			
Investments	7	100	800
CURRENT ASSETS			
Debtors	8	3,412,817	6,018,844
Cash at bank	9	1,723	538
		<hr/>	<hr/>
		3,414,540	6,019,382
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(1,271,877)	(4,072,030)
		<hr/>	<hr/>
NET CURRENT ASSETS		2,142,663	1,947,352
		<hr/>	<hr/>
NET ASSETS		£2,142,763	£1,948,152
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	11	575,000	575,000
Profit and loss account	12	1,567,763	1,373,152
		<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS		£2,142,763	£1,948,152
		<hr/>	<hr/>


J. C. C. Slipper
Director


M. R. D. Reith
Director

16 March 2000

BROCKBANK SYNDICATE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1999

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 1999 financial statements of the company relates to the 1996 Lloyd's year of account.

- c) Other income and expenses are dealt with on an accruals basis.
- d) Group accounts have not been prepared as the company is a wholly owned subsidiary of The Brockbank Group plc, a company incorporated in the UK.
- e) The company is a wholly owned subsidiary of The Brockbank Group plc, whose ultimate parent company is XL Capital Ltd, and is included in the consolidated financial statements of XL Capital Ltd, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cashflow statement under the terms of the Financial Reporting Standard 1 (revised 1996). The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of The Brockbank Group plc group.

2. Turnover

	1999 £	1998 £
Net agency fees	2,284,572	2,284,995
Profit commissions	9,175,770	16,526,330
	<hr/>	<hr/>
	£11,460,342	£18,811,325
	<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 1999

3. Profit on Ordinary Activities Before Taxation

Profit on ordinary activities before taxation is stated after charging:

	1999 £	1998 £
Auditors' remuneration	8,000	8,000
Exceptional item - Lloyd's R&R contribution	-	2,168,730
Operating lease rentals	1,075	2,051

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

	1999 £	1998 £
Emoluments	2,289,032	3,320,650
Amounts receivable under long term incentive scheme	2,512,750	-
Company contributions paid to money purchase pension schemes	100,576	109,464
	<hr/> 4,902,358	<hr/> 3,430,114
Less: Charged to syndicates:		
Emoluments	2,178,578	3,223,925
Amounts receivable under long term incentive scheme	2,333,500	-
Company contributions paid to money purchase pension schemes	90,114	100,689
	<hr/> 4,602,192	<hr/> 3,324,614
Borne by the company	<hr/> £300,166	<hr/> £105,500

BROCKBANK SYNDICATE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1999

4. Directors' Emoluments (continued)

	1999 No.	1998 No.
Members of money purchase pension schemes	10	8
Members of defined benefit pension schemes	3	1

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

Emoluments	£888,130	£839,032
Company contribution paid to money purchase pension schemes	£23,290	£17,460

5. Taxation on Profit On Ordinary Activities

	1999 £	1998 £
United Kingdom Corporation Tax		
On profit for the period at 30.25% (1998 31%)	2,230,000	4,000,000
Overprovided in previous years	(67,956)	-
	£2,162,044	£4,000,000

6. Dividends

	1999 £	1998 £
Final dividend proposed at £8.6957 per share (1998 - £17.3913)	5,000,000	10,000,000
	£5,000,000	£10,000,000

BROCKBANK SYNDICATE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1999

7. Fixed Asset Investments - Group Undertakings

	£
Shares in subsidiary undertakings at cost	
At 1 January 1999	800
Additions	100
Disposals	(800)
	<hr/>
At 31 December 1999	£100
	<hr/>

The company holds 100 shares of £1 each in Brockbank Syndicate Services Limited, a company registered in England and Wales, representing 100% of the issued share capital.

8. Debtors

	31.12.99 £	31.12.98 £
Due within one year:		
Amounts owed by group undertakings	3,412,008	6,018,844
Prepayments and accrued income	809	-
	<hr/>	<hr/>
	£3,412,817	£6,018,844
	<hr/>	<hr/>

9. 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.

10. Creditors

	31.12.99 £	31.12.98 £
Amounts due within one year:		
Corporation taxation	1,270,535	4,072,030
Other creditors	1,342	-
	<hr/>	<hr/>
	£1,271,877	£4,072,030
	<hr/>	<hr/>

BROCKBANK SYNDICATE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1999

11. Share Capital

	31.12.99 £	31.12.98 £
Authorised: 675,000 ordinary shares of £1	£ 675,000	£ 675,000
Issued and fully paid: 575,000 ordinary shares of £1	£ 575,000	£ 575,000

12. Reconciliation of Movements in Shareholders' Funds

	Share Capital £	Profit & Loss Account £	Total Share- holders' Funds £
Balance at 31 December 1998	575,000	1,373,152	1,948,152
Profit for the period	-	5,194,611	5,194,611
Dividends paid and proposed	-	(5,000,000)	(5,000,000)
Balance at 31 December 1999	£575,000	£1,567,763	£2,142,763

BROCKBANK SYNDICATE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1999

13. 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 1999 year of account their participations were:

	Syndicate 861 Premium Limit	Syndicate 588 Premium Limit
	£	£
M E Brockbank	1,098,950	400,000
I P Martin	32,000	15,000

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 1996 year of account with Dornoch Limited (a subsidiary of The Brockbank Group plc) which is the corporate member of Syndicate 1209.

14. Parent Undertaking

The company's ultimate parent company is XL Capital Ltd 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 XL Capital Ltd can be obtained from the Company Secretary, Fitzwilliam House, 10 St Mary Axe, London EC3A 8NL.

15. Pension Commitments

The company is a member of the group's defined benefit funded pension scheme. The assets are held separately from those of the company, being invested with General Accident 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 who is independent of the company on the basis of triennial valuations using the attained age method. The most recent valuation was at 1 July 1997. 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 8.75% per annum and that present and future salaries and pensions would increase at the rate of 6.5% per annum.

The most recent actuarial valuation showed that the market value of the scheme's assets was £2,003,929, and that the actuarial value of those assets represented 102% 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 1999

	1999 £	1998 £
INCOME		
Agency Fees	2,284,572	2,284,995
Profit commission	9,175,770	16,526,330
	<hr/>	<hr/>
	11,460,342	18,811,325
	<hr/>	<hr/>
EXPENDITURE		
Management fee	4,103,687	3,965,942
Bank charges	-	170
Lloyd's R&R Contribution	-	2,168,730
	<hr/>	<hr/>
	4,103,687	6,134,842
	<hr/>	<hr/>
PROFIT BEFORE TAXATION	£7,356,655	£12,676,483
	<hr/>	<hr/>