

Specialty Risk Broking Limited

Annual Report

31 December 1998

Company Registration Number: 2382909



Report of the Directors

The directors present their report and the financial statements for the year ending 31 December 1998.

Principle Activities

The principal activity of the Company is insurance and reinsurance broking.

Review Of The Business

During the period the Company continued the orderly run-off of its reinsurance broking business which was transferred to another group company on 11 November 1994.

On 9 February 1998, the Company entered into an agreement with

- 1) Mr A E Agnew (and others),
- 2) Jardine Lloyd Thompson Group plc,
- 3) Agnew Higgins & Company Limited ("Agnew Higgins") and
- 4) BGHPW Limited

whereby, inter alia, the Company acts as host broker to Agnew Higgins (Agency Broker).

On that date and pursuant to the above noted agreement, the share capital of the Company was altered by the conversion of 3,000 issued £1 shares into 'A' shares with rights attaching in accordance with amended Articles of Association adopted on the same date.

Under the agreement the Company will provide initial working capital to Agnew Higgins up to £200,000.

Agnew Higgins was incorporated on 26 September 1997 as "Tranet Limited" and the Company subscribed for 1,000 ordinary shares of £1 each (for cash at par value) in Tranet Limited on 12 November 1997. Tranet Limited changed its name to Agnew Higgins & Company Limited on 5 February 1998 and commenced trading on 9 February 1998.

Results And Dividends

The results of the company for the year ended 31 December 1998 are set out in the financial statements on pages 5 to 14.

The comparatives stated are for the eighteen month period from 1 July 1996 to 31 December 1997.

The directors do not recommend the payment of a final dividend.

Report of the Directors**Directors**

The directors set out in the table below held office during the year.

A B Pickering (Chairman)	(appointed 9 November 1998)
R J O Barton	(appointed 3 March 1998)
A E Agnew	(appointed 3 March 1998)
K A Carter	(resigned 3 March 1998)
R D L Edwards	(resigned 30 September 1998)
R Higgins	(appointed 3 March 1998)
R J Konig	(appointed 3 December 1997)
E J Lloyd	(resigned 3 March 1998)
E C More	
P J Walton	(appointed 1 October 1998)

A statement of directors' interests is set out in note 5 to the accounts on pages 9 and 10.

Auditors

Following the merger of Price Waterhouse and Coopers and Lybrand effected in July 1998, on 1 October 1998 Price Waterhouse formally resigned as auditors of the company. They confirmed that there were no circumstances which they felt should be brought to the attention of the company's members or creditors. On the same date PricewaterhouseCoopers were appointed to fill the casual vacancy.

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their appointment to be ratified will be proposed at the forthcoming Annual General Meeting.

Year 2000

The company is a member of the Jardine Lloyd Thompson Group plc group of companies. The Group has a formal Year 2000 programme underway, which is sponsored at the plc Board level. This programme is now well advanced and the initiatives are constantly monitored. The directors are confident that the systems necessary for the company to continue to transact insurance business will be Year 2000 compliant in good time. The company is also participating in a Year 2000 compliance programme instigated by its Regulatory authority. Any costs in relation to Year 2000 compliance are effectively covered by the Group's ongoing development strategy and are therefore not separable from those costs.

6 Crutched Friars
LONDON EC3N 2HT

BY ORDER OF THE BOARD
D J HICKMAN



28th April 1999

Secretary

Directors' Responsibilities In Respect Of The Preparation Of Financial Statements

The directors are required to prepare for each accounting period financial statements which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the period, and are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business. The financial statements must be prepared in compliance with the required formats and disclosures of the Companies Act 1985 and with applicable accounting standards. It is also the directors' responsibility to maintain adequate accounting records, to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements and that applicable accounting standards have been followed.

Auditors' Report To The Shareholders Of Specialty Risk Broking Limited

We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention and in accordance with the accounting policies set out on pages 7 to 8.

Respective Responsibilities Of Directors And Auditors

The company's directors are responsible for the preparing the Annual Report, including as described above the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements


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 1998 and of the profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors

Southwark Towers
32 London Bridge Street
London SE1 9SY

28th April 1999

Profit and Loss Account

For the year ended 31 December 1998

	Note	12 Months to 31 December 1998 £'s	18 Months to 31 December 1997 £'s
Turnover	2	16	4,796
Administrative Expenses	3	(39,930)	(52,835)
Operating Loss		<u>(39,914)</u>	<u>(48,039)</u>
Investment Income	6	43,023	27,123
Profit / (Loss) on Ordinary Activities before Taxation		<u>3,109</u>	<u>(20,916)</u>
Tax on Profit / (Loss) on Ordinary Activities	7	2	570
Profit / (Loss) on Ordinary Activities after Taxation		<u>3,111</u>	<u>(20,346)</u>
Retained Profit / (Loss) for the Financial Period		<u>3,111</u>	<u>(20,346)</u>

The Company's turnover and administrative expenses all relate to the operations transferred to a sister company on 11 November 1994.

The Company had no recognised gains or losses apart from the profit in the financial period of £3,111 (1997 - loss of £20,346).

The notes on pages 7 to 14 form an integral part of these financial statements

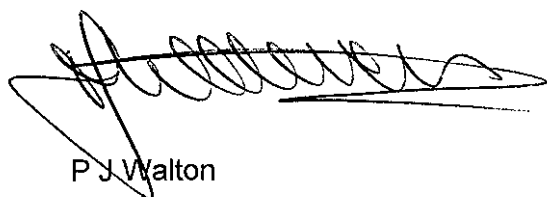
Balance Sheet

At 31 December 1998

	Note	1998 £'s	1997 £'s
Fixed Assets			
Tangible assets	8	-	-
Investments in Subsidiary Undertakings	9	1,000	1,000
		<u>1,000</u>	<u>1,000</u>
Current Assets			
Debtors	10	12,906,849	12,960,019
Cash at bank and in hand		647,940	607,232
		<u>13,554,789</u>	<u>13,567,251</u>
Creditors - amounts falling due within one year	11	<u>(12,784,145)</u>	<u>(12,799,718)</u>
Net Current Assets	12	<u>770,644</u>	<u>767,533</u>
Total Assets Less Current Liabilities		<u>771,644</u>	<u>768,533</u>
Net Assets		<u><u>771,644</u></u>	<u><u>768,533</u></u>
Capital And Reserves			
Called up share capital	13	747,000	750,000
Profit and loss account	14	21,644	18,533
Shareholders' Funds (Equity Interests)	14	<u>768,644</u>	<u>768,533</u>
Called up share capital	13	3,000	-
Shareholders' Funds (Non-Equity Interests)	14	<u>3,000</u>	<u>-</u>
Total Shareholders' Funds		<u><u>771,644</u></u>	<u><u>768,533</u></u>

Approved by the Board of Directors on 28th April 1999

and signed on its behalf by:-


P J Walton
Director

The notes on pages 7 to 14 form an integral part of these financial statements

Notes To The Financial Statements

For the year ended 31 December 1998

1. Accounting Policies**(a) Basis of Accounting**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Turnover

Turnover represents retained brokerage and fees receivable. Brokerage income is brought into account when the debit note is issued or at the inception date of the policy, whichever is the later. Where premiums are due in instalments, brokerage is deferred to the due date of such instalments. Fees receivable are recognised in the period to which they relate or, where this cannot be determined with reasonable accuracy, on a cash basis.

(c) Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation which is calculated to write off the cost of such assets on a straight line basis over their estimated useful lives. Long term leasehold premises are amortised over the period of the lease; furniture, equipment and vehicles at rates varying from 20 per cent to 50 per cent per annum.

(d) Deferred Taxation

Deferred tax is provided in respect of the tax effect of all timing differences to the extent that it is probable that a liability will crystallise or an asset will become recoverable in the foreseeable future at the rates of tax expected to apply when the timing differences reverse.

(e) Foreign Currencies

Revenue and expenses expressed in foreign currencies are translated into sterling at rates of exchange ruling on the date on which the transaction occurs or, in the case of transactions covered by related forward exchange contracts, the rate of exchange specified in the contract. Assets and liabilities are translated at the rates ruling at the balance sheet date. All exchange differences arising from the settlement of trading transactions are included in the profit and loss account.

(f) Related Party Transactions

The company is 100% owned by its parent undertaking. The company has therefore elected to make use of the exemption provided in the Financial Reporting Standard No. 8 ('Related Party Transactions') not to disclose related party transactions with other members of the Jardine Lloyd Thompson Group of companies.

Notes To The Financial Statements

For the year ended 31 December 1998

1. Accounting Policies*(continued)***(g) Insurance Debtors and Creditors**

Insurance brokers normally 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 such legal relationships, debtors and creditors arising from insurance broking transactions are shown as assets and liabilities in recognition of the fact that the insurance broker is entitled to retain investment income on any cash flows arising from such transactions.

In the ordinary course of business settlement is required to be made with certain markets, market settlement bureaux or insurance intermediaries on the basis of the net settlement due to or from such markets, bureaux or intermediaries, rather than the amounts due to or from the individual parties they represent. Nevertheless the company does not offset these balances for presentation purposes, unless the ability to insist upon net settlement is assured beyond all doubt.

(h) Finance Leases

Assets held under finance leases are included in fixed assets at the cost to the lessor. Depreciation on leased assets is calculated to write off this amount less the residual value on a straight line basis over the lease term. Rentals payable are apportioned between the finance charge and the outstanding obligation for future amounts payable, on a straight line basis over the term of the lease.

(i) Operating Leases

Rentals payable under operating leases are charged on a straight-line basis over the term of the lease.

(j) Cash Flow Statement

The Company is a wholly owned subsidiary of Jardine Lloyd Thompson Group plc, which prepares a consolidated Cash Flow Statement. The Company has therefore elected to make use of the exemption provided in Financial Reporting Standard No. 1 ('Cash Flow Statements') not to produce a Cash Flow Statement.

Notes To The Financial Statements

For the year ended 31 December 1998

2 Turnover

	1998	1997
	£'s	£'s
Marine reinsurance brokerage from outside of the UK	16	4,796

3 Administrative Expenses

	1998	1997
	£'s	£'s
Rental payments	-	34,415
Exchange losses	4,920	12,529
Other trading expenses	35,010	5,891
	<u>39,930</u>	<u>52,835</u>

During the period Auditors' remuneration was met by a fellow group undertaking.

4 Directors and Employees

No directors received any remuneration during the period in respect of their services to the Company (1997 - £Nil).

The Company had no employees during the period (1997 - Nil).

5 Directors' Interests

Mr RJO Barton is a director of Jardine Lloyd Thompson Group plc. Any relevant directors' interests for this director which are disclosable in accordance with Section 324 of the Companies Act 1985 are disclosed in the accounts of that company.

The interests of the remaining directors in the Ordinary Shares of Jardine Lloyd Thompson Group plc are set out below. All are held beneficially.

Notes To The Financial Statements

For the year ended 31 December 1998

5 Directors' Interests *(continued)*

	31 December 1998			1 January 1998 (or later appointment)	
	Ordinary Shares	No of Options	Options Granted (Exercised) [Lapsed]	Ordinary Shares	No of Options
R J Konig	1,150,000	-	-	1,150,000	-
E C More	157,198	-	-	157,198	-
P J Walton	-	75,883	18,896	-	56,987

Options granted over Ordinary shares of 5p each in Jardine Lloyd Thompson Group plc. All options granted since February 1997 have a performance criteria attached.

6 Investment Income

	1998 £'s	1997 £'s
Interest receivable and similar income:		
Bank deposits and certificates of deposit	43,023	27,123

7 Taxation

	1998 £'s	1997 £'s
Adjustment in respect of prior years	(2)	(570)

Notes To The Financial Statements

For the year ended 31 December 1998

8 Tangible Fixed Assets

	Short Term Leasehold Premises £'s	Furniture and Equipment £'s	Motor Vehicles £'s	Total £'s
Cost				
1 January 1998	25,951	203,756	-	229,707
Additions	-	-	-	-
Disposals	(25,951)	(203,756)	-	(229,707)
31 December 1998	-	-	-	-
Depreciation				
1 January 1998	25,951	203,756	-	229,707
Charge for the Period	-	-	-	-
Disposals	(25,951)	(203,756)	-	(229,707)
31 December 1998	-	-	-	-
Net Book value				
31 December 1998	-	-	-	-
31 December 1997	-	-	-	-

9 Investments**Investments In Subsidiary Undertakings**

£'s

Cost:

At 1 January 1998	1,000
Additions during the period	-
At 31 December 1998	1,000

The above investment relates to a 100% holding in Agnew Higgins Pickering & Company Limited (formerly Agnew Higgins & Company Limited and Tranet Limited) an Agency Insurance Broker registered in England.

Notes To The Financial Statements

For the year ended 31 December 1998

10 Debtors

	1998	1997
	£'s	£'s
Due Within One Year		
Insurance debtors (see note 12)	12,848,727	12,916,526
Amounts due from fellow group undertakings	50,000	-
Other debtors	-	43,493
Prepayments and accrued income	8,122	-
	<u>12,906,849</u>	<u>12,960,019</u>

11 Creditors - Amounts Falling Due Within One Year

	1998	1997
	£'s	£'s
Insurance creditors (see note 12)	12,730,820	12,774,176
Amounts due to fellow group undertakings	53,325	15,455
Other creditors	-	10,087
	<u>12,784,145</u>	<u>12,799,718</u>

12 Net Current Assets

As required by Lloyd's Brokers By-Law (No 5 of 1988) the Company has entered into a trust deed 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 insurance creditors, which at 31 December 1998 amounted to £12,730,820 (1997 - £12,774,176). The charge only becomes enforceable under certain circumstances as set out in the deed. The assets subject to this charge were:-

	1998	1997
	£'s	£'s
Insurance debtors	12,848,727	12,916,526
Cash and deposits	474,819	428,097
	<u>13,323,546</u>	<u>13,344,623</u>

Notes To The Financial Statements

For the year ended 31 December 1998

13 Share Capital

	1998	1997
	Number	Number
Authorised:		
Ordinary shares of £1 each (<i>equity shares</i>):	747,000	750,000
'A' shares of £1 each (<i>non-equity shares</i>):	3,000	-
Allotted, issued and fully paid:		
Ordinary shares of £1 each (<i>equity shares</i>):	747,000	750,000
'A' shares of £1 each (<i>non-equity shares</i>):	3,000	-
	1998	1997
	£'s	£'s
Authorised:		
Ordinary shares of £1 each (<i>equity shares</i>):	747,000	750,000
'A' shares of £1 each (<i>non-equity shares</i>):	3,000	-
	<u>750,000</u>	<u>750,000</u>
Allotted, issued and fully paid:		
Ordinary shares of £1 each (<i>equity shares</i>):	747,000	750,000
'A' shares of £1 each (<i>non-equity shares</i>):	3,000	-
	<u>750,000</u>	<u>750,000</u>

The 'A' shares carry no rights to receive notice of, attend or vote at any general meeting of the Company. The Ordinary shares carry rights to receive notice of, attend and vote at general meetings of the Company.

The Company's Articles of Association provide that the holders of the 'A' shares are restricted in dividends to the total available profit from a particular income stream. The holders of the Ordinary shares are not entitled to dividends from this income stream but are entitled to receive dividends from all other income streams. Under specific circumstances the holders of 'A' shares will be entitled to receive a restricted dividend. On the occurrence of certain other specific events identified in the Articles of Association a special dividend becomes payable to the holders of the 'A' shares.

On a return of assets in a winding up or otherwise the assets available for distribution amongst members shall be applied so that the 'A' share holders receive certain identified and identifiable assets. Any remainder will be distributed to the Ordinary share holders.

Notes To The Financial Statements

For the year ended 31 December 1998

14 Reconciliation of Movements in Shareholders' Funds

	Equity Share Capital	Non-Equity Share Capital	Profit & Loss Account	Total Shareholders Funds
	£'s	£'s	£'s	£'s
At 1 September 1996	750,000	-	38,879	788,879
Loss for the period	-	-	(20,346)	(20,346)
At 31 December 1997	750,000	-	18,533	768,533
Profit for the period			3,111	3,111
Amendment to share capital structure	(3,000)	3,000	-	-
At 31 December 1998	747,000	3,000	21,644	771,644

15 Financial Commitments

The Company has committed to provide its subsidiary undertaking Agnew Higgins Pickering & Company Limited with up to £200,000 in working capital. At 31 December 1998 the amount provided was £Nil.

16 Guarantee

Under an agreement dated 27 February 1998 the Company has provided a guarantee to Lloyd's of London that its total shareholders' funds will be maintained at a level of at least £750,000.

17 Parent Undertakings

The Company's immediate parent is Jardine Lloyd Thompson Group plc, a company registered in England, which is also the largest and smallest group for which group accounts are prepared and of which the Company is a member.

Copies of the group accounts can be obtained from:

6 Crutched Friars
London
EC3N 2HT