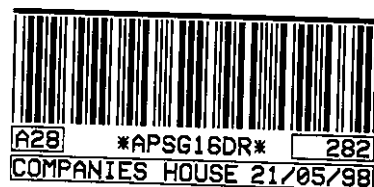


Specialty Risk Broking Limited

Reports And Financial Statements

31 December 1997



Report of the Directors

The directors present their report and the financial statements for the period from 1 July 1996 to 31 December 1997.

Change of Company Name

The Company changed its name to Specialty Risk Broking Limited on 12 December 1997.

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.

Subsequent to the end of the period, 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 eighteen month period ended 31 December 1997 are set out in the financial statements on pages 5 to 13

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 period from 1 July 1996 to 31 December 1997.

K A Carter	(resigned 3 March 1998)
G Bell	(resigned 19 May 1997)
R D L Edwards	
R J Konig	(appointed 3 December 1997)
E J Lloyd	(resigned 3 March 1998)
E C More	(appointed 3 December 1997)
G W Stuart-Clarke	(resigned 25 June 1997)

Mr R J O Barton, Mr A E Agnew and Mr R Higgins were appointed additional directors of the Company on 3 March 1998.

A statement of directors' interests is set out in note 13 to the accounts on page 12.

Auditors

Following the merger of Lloyd Thompson Group plc with JIB Group plc the auditors, Neville Russell, resigned on 24 April 1997 and Price Waterhouse were appointed to hold office until the next General Meeting of the Company at which accounts are laid. Price Waterhouse have signified their willingness to continue in office and a resolution proposing their reappointment will be put to the forthcoming Annual General Meeting.

Jardine House
6 Crutched Friars
LONDON EC3N 2HT

**BY ORDER OF THE BOARD
D J HICKMAN**



28th April 1998

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 13 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

As described above, 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 the loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

**Price Waterhouse
Chartered Accountants and Registered Auditors**

**Southwark Towers
32 London Bridge Street
London SE1 9SY**

28th April 1998

Profit and Loss Account

For the 18 months ended 31 December 1997

	Note	18 Months to 31 December 1997 £'s	12 Months to 30 June 1996 £'s
Turnover	2	4,796	27,901
Administrative Expenses	3	(52,835)	(33,612)
Operating Loss		<u>(48,039)</u>	<u>(5,711)</u>
Investment Income	4	27,123	29,423
(Loss) / Profit on Ordinary Activities before Taxation		<u>(20,916)</u>	<u>23,712</u>
Tax on (Loss) / Profit on Ordinary Activities	6	570	(29,065)
Loss on Ordinary Activities after Taxation		<u>(20,346)</u>	<u>(5,353)</u>
Retained Loss for the Financial Period		<u><u>(20,346)</u></u>	<u><u>(5,353)</u></u>

The Company's turnover and administrative expenses all relate to continuing operations.

The Company had no recognised gains or losses apart from the loss in the financial period of £20,346 (1996 - loss of £5,353).

Balance Sheet

At 31 December 1997

	Note	1997 £'s	1996 £'s
Fixed Assets			
Tangible assets	7	-	-
Investments in Subsidiary Undertakings	8	1,000	-
		<u>1,000</u>	<u>-</u>
Current Assets			
Debtors	9	12,960,019	12,952,297
Cash at bank and in hand		607,232	750,343
		<u>13,567,251</u>	<u>13,702,640</u>
Creditors - amounts falling due within one year	10	<u>(12,799,718)</u>	<u>(12,913,761)</u>
Net Current Assets	11	<u>767,533</u>	<u>788,879</u>
Total Assets Less Current Liabilities		768,533	788,879
Net Assets		<u><u>768,533</u></u>	<u><u>788,879</u></u>
Capital And Reserves			
Called up share capital	14	750,000	750,000
Profit and loss account	15	18,533	38,879
Total Shareholders' Funds (Equity Interests)	15	<u><u>768,533</u></u>	<u><u>788,879</u></u>

Approved by the Board of Directors on 28th April 1998

and signed on its behalf by:-



R D L Edwards

Director

The notes on pages 7 to 13 form an integral part of these financial statements

Notes To The Financial Statements

For the 18 months ended 31 December 1997

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 18 months ended 31 December 1997

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.

Financial Reporting Standard No.5 ('FRS5') requires that assets and liabilities should not be offset, except in specific circumstances. In the prior period, however, the company took advantage of the exemption available to all insurance brokers and insurers that paragraph 29 of FRS5 need not be applied in respect of balances arising from insurance broking transactions. The company is now able to comply with FRS5 and, accordingly, the prior year balances have been restated. The impact of this on the comparative balances is that total debtors have been restated to £12,952,297 (previously £6,825,233) and total creditors have been restated to £12,913,761 (previously £6,786,697).

(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 18 months ended 31 December 1997

	1997 £'s	1996 £'s
2 Turnover		
Marine reinsurance brokerage from outside of the UK	4,796	27,901
3 Administrative Expenses		
Depreciation of owned tangible fixed assets	-	29,961
Auditors' remuneration		
Audit fee and expenses	-	7,250
Other services	-	-
Rental payments	34,415	-
Exchange (gains) / losses	12,529	(4,024)
Other trading expenses	5,891	425
	52,835	33,612
During the period Auditors' remuneration was met by a fellow group undertaking.		
4 Investment Income		
Interest receivable and similar income:		
Bank deposits and certificates of deposit	27,123	29,423
5 Directors and Employees		
No directors received any remuneration during the period in respect of their services to the Company (1996 - £Nil).		
The Company had no employees during the period (1996 - nil).		
6 Taxation		
Adjustment in respect of prior years	(570)	12,222
Deferred taxation (see note 12)	-	16,843
	(570)	29,065

Notes To The Financial Statements

For the 18 months ended 31 December 1997

7 Tangible Fixed Assets

	Short Term Leasehold Premises £'s	Furniture and Equipment £'s	Motor Vehicles £'s	Total £'s
Cost				
1 July 1996	25,951	203,756	-	229,707
Additions	-	-	-	-
Disposals	-	-	-	-
31 December 1997	<u>25,951</u>	<u>203,756</u>	<u>-</u>	<u>229,707</u>
Depreciation				
1 July 1996	25,951	203,756	-	229,707
Charge for the Period	0		-	-
Disposals			-	-
31 December 1997	<u>25,951</u>	<u>203,756</u>	<u>-</u>	<u>229,707</u>
Net Book value				
31 December 1997	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1 July 1996	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Investments In Subsidiary Undertakings

£'s

8 Investments

Cost:

At 1 July 1996

-

Additions during the period

1,000

At 31 December 1997

1,000

The above investment relates to a 100% holding in Agnew Higgins & Company Limited an Agency Insurance Broker registered in England.

Notes To The Financial Statements

For the 18 months ended 31 December 1997

	1997	1996
	£'s	£'s
9 Debtors		
Due Within One Year		
Insurance debtors (see note 11)	12,916,526	12,852,139
Other debtors	43,493	46,140
Prepayments and accrued income	-	54,018
	<u>12,960,019</u>	<u>12,952,297</u>

10 Creditors - Amounts Falling Due Within One Year

Insurance creditors (see note 11)	12,774,176	12,856,137
Amounts due to fellow group undertakings	15,455	20,124
Other creditors	10,087	37,500
	<u>12,799,718</u>	<u>12,913,761</u>

11 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 1997 amounted to £12,774,176 (1996 - £12,856,137). The charge only becomes enforceable under certain circumstances as set out in the deed. The assets subject to this charge were:-

Insurance debtors	12,916,526	12,852,139
Cash and deposits	428,097	568,293
	<u>13,344,623</u>	<u>13,420,432</u>

12 Deferred Taxation

Deferred taxation movements:

At 01 July 1996 / 01 July 1995	-	16,843
Transfer to profit and loss account (see note 6)	-	(16,843)
At 31 December 1997 / 30 June 1996	<u>-</u>	<u>-</u>

Notes To The Financial Statements

For the 18 months ended 31 December 1997

13 Directors' Interests

Messrs K A Carter, E J Lloyd and G Stuart-Clarke are directors of Jardine Lloyd Thompson Group plc. Any relevant directors' interests for these directors 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.

	31 December 1997				1 July 1996 (or later appointment)		
	Ordinary Shares	No of options	Options granted	Options Exercised	Ordinary shares	No of options	Note
R D L Edwards	79,211	14,139	14,139	-	78,761	-	a)
R J Konig	1,150,000	-	-	-	1,150,000	-	
E C More	157,198	-	-	-	157,198	-	

a) Options over Jardine Lloyd Thompson Group plc shares of 5p each.

14 Share Capital

	1997	1996
	Number	Number
Ordinary shares of £1 each:		
Authorised shares	750,000	750,000
Allotted, issued and fully paid	750,000	750,000
	1997	1996
	£'s	£'s
Ordinary shares of £1 each:		
Authorised shares	750,000	750,000
Allotted, issued and fully paid	750,000	750,000

Notes To The Financial Statements

For the 18 months ended 31 December 1997

15 Reconciliation of Movements in Shareholders' Funds

	Share Capital	Profit & Loss Account	Total Shareholders Funds
	£'s	£'s	£'s
Balance at 30 June 1995	750,000	44,232	794,232
Loss for the year	-	(5,353)	(5,353)
Balance at 1 July 1996	750,000	38,879	788,879
Loss for the period	-	(20,346)	(20,346)
Balance at 31 December 1997	750,000	18,533	768,533

16 Financial Commitments

At 31 December 1997 there were no future commitments under non cancellable operating leases (1996 - £34,375).

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:

Jardine House
6 Crutched Friars
London
EC3N 2HT