

LAMBERT FENCHURCH LIMITED

REPORT & ACCOUNTS

31 MARCH 1998

REGISTERED NUMBER: 1199129



DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1998

The directors present their annual report together with the audited accounts of the company for the year ended 31 March 1998.

ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the company, an approved Lloyd's Broker, continued to be that of insurance broking and the provision of a full range of insurance broking services in the United Kingdom and abroad.

Following the acquisition of Fenchurch plc by Lambert Fenchurch Group plc, the assets and liabilities of Fenchurch Insurance Brokers Limited were transferred at net book value to Lambert Fenchurch Limited on 1 April 1998.

The directors are confident that the management and staff will continue to take advantage of any opportunities that present themselves to enhance both the reputation and the profitability of the Lambert Fenchurch Group.

YEAR 2000

The company is part of a Group-wide programme to ensure that all computer systems and microprocessor reliant equipment are year 2000 compliant. The profit and loss account for the year ended 31 March 1998 includes a charge of £0.2m for costs incurred in testing and amending software to ensure Year 2000 compliance. Current estimates are that the total cost of this work will not exceed £0.7m.

EURO

It is the company's intention to be able to make and receive payments in the Euro with effect from 1 January 1999 in accordance with client and underwriter requirements. The cost of systems conversion to achieve this will not be significant.

RESULTS AND DIVIDENDS

The company's profit after taxation amounted to £ 444,000 (1997: £3,691,000). No interim dividend was paid during the year (1997: £Nil). The directors have proposed a final dividend for the year of £Nil (1997: £2,200,000). The retained profit of £444,000 (1997 : £1,491,000) has been transferred to reserves.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1998 (Continued)

DIRECTORS

The directors of the company who held office during the year were:-

M A Barnfield	M C Hooper (Appointed 25 August 1997)
G R L K Becker (Resigned 30 April 1997)	A Hopwood
B J Blacker (Appointed 25 August 1997)	A G Jones
B P Blackshields	P A Little
M J Caley	D B Margrett
H C Champion	R W Merttens
J A Champness (Resigned 17 April 1998)	C R Mitchell (Appointed 25 August 1997)
J R Clements	J M Pexton (Appointed 25 August 1997)
A Colosso (Appointed 25 August 1997)	G F Taylor (Appointed 25 August 1997)
J R Crisford	D Thornton (Appointed 25 August 1997)
D W H Edwards (Resigned 16 February 1998)	G P Townsend (Appointed 25 August 1997)
J D Forder	W H G Wilks
C J H Gault	S R D Wilson
M K Godfrey	D C Woodward

DIRECTORS' INTERESTS

None of the directors held any beneficial interest in the share capital of Lambert Fenchurch Limited. The interests of those directors of Lambert Fenchurch Group plc who are also directors of Lambert Fenchurch Limited are as shown in the Group accounts. The interests of the remaining directors in the shares of Lambert Fenchurch Group plc at 31 March 1998 were as follows :-

	Number of Shares at 31 March 1998		Number of Shares at 31 March 1997	
	Ordinary Shares of 5p each		Ordinary Shares of 5p each	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
G R L K Becker	-	-	-	51,004
H C Champion	500,542	76,310	263,492	38,295
J R Clements	-	-	32,538	10,650
A Colosso	13,848	7,644	13,848*	7,644*
J R Crisford	39,980	39,720	30,980	39,720
D W H Edwards	138,168	29,674	173,880	-
J D Forder	77,185	25,285	111,900	-
M K Godfrey	447,777	275,698	675,318	-
M C Hooper	-	4,740	-	4,740*
R W Merttens	58,140	78,000	58,140	78,000
J M Pexton	128,174	124,344	128,174*	124,344*
G F Taylor	47,182	-	47,182*	-
G P Townsend	322,930	-	322,930*	-
D C Woodward	92,000	-	92,000	-

* Held on appointment.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1998 (Continued)**DIRECTORS' INTERESTS (Continued)**

None of the directors held any share options in Lambert Fenchurch Limited. Details of the options held over shares in Lambert Fenchurch Group plc by directors who are also directors of Lambert Fenchurch Limited are disclosed in the Group accounts. At 1st April 1997, the remaining directors held options over the shares of Lambert Fenchurch Group plc as shown in the table below. In September 1997 these options were surrendered in order to clear the way for the introduction of the Long Term Incentive Plan approved by shareholders of Lambert Fenchurch Group plc at the Annual General Meeting on 28th July 1997. The amounts received by the directors concerned in compensation for these surrenders are shown in the right-hand column of the table. The market price at 15th September 1997 was 126.5p. The compensation amounts were calculated by outside actuaries using the Black Sholes formula.

	Number	Exercise Price	Date from which exercisable	Expiry Date	Compensation received
J R Crisford	15,000	166p	8 December 1994	8 December 2004	£2,187
D A Hopwood	15,000	166p	8 December 1994	8 December 2004	£2,187

The market value of the shares at 31 March 1998 was 112.5p and the range during 1997/1998 was 107.5p to 137.5p. The directors held no other options at 31 March 1998, nor had any further options been granted, exercised or lapsed during the year.

FIXED ASSETS

Movements in intangible and tangible fixed assets and investments are set out in notes 8,9 and 10 of the accounts.

EMPLOYMENT OF DISABLED PERSONS

It is the company's policy not to discriminate against the disabled in recruitment, career development or promotion.

EMPLOYEE INVOLVEMENT

Information on the company's activities is provided regularly through various normal management communication channels including the circulation of internal bulletins, notices, and press releases, and through face to face meetings and presentations by senior management at major location centres and provincial offices.

A general awareness of the company's performance is maintained by regular dissemination of the details of the financial and economic factors affecting the company's performance through divisional management channels.

Consultation with staff takes place through various committees and working parties on particular matters of concern, through face to face meetings and presentations which enable employees to question senior management on the company's activities and progress, and through individual performance appraisals where employees are made aware of their individual contribution to the company.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1998 (Continued)**DONATIONS**

During the year donations to charities by the company amounted to £86,289 (1997: £64,857). There were no political donations made in 1998 (1997: £Nil).

RESPONSIBILITIES OF THE DIRECTORS

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;
- state whether applicable accounting standards have been followed, 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

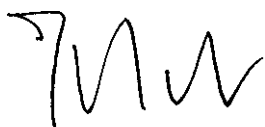
PAYMENTS TO SUPPLIERS

The company conforms wherever possible to the payment terms agreed with its suppliers. At the year end the balance owing to non-insurance related creditors represented 37 days of the invoiced supplies for the year (1997 : 35).

AUDITORS

Our auditors, Price Waterhouse, merged with Coopers & Lybrand on 1st July 1998 and a resolution to appoint the new firm, PricewaterhouseCoopers, as auditors to the company will be proposed at the annual general meeting.

By Order of the Board



Lambert Fenchurch Group Servives Limited
Corporate Secretary
Friary Court
Crutched Friars
London EC3N 2NP

31 July 1998

Price Waterhouse



AUDITORS' REPORT

5

To the members of Lambert Fenchurch Limited.

We have audited the accounts on pages 6 to 22 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 11.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of 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 the 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 March 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse
Chartered Accountants
and Registered Auditors
Thames Court
1 Victoria Street
Windsor
SL4 1HB

31 July 1998

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 1998

	Notes	<u>1998</u> £'000	<u>1997</u> £'000
Turnover:			
Continuing operations	3	95,580	66,635
Operating expenses		<u>(104,616)</u>	<u>(65,792)</u>
Broking (loss) / profit		(9,036)	843
Other operating income	5	<u>8,945</u>	<u>3,386</u>
Operating (Loss) / Profit:			
Continuing operations	4	(91)	4,229
Interest receivable	6	2,805	1,902
Interest payable	6	<u>(563)</u>	<u>(341)</u>
Profit On Ordinary Activities Before Taxation		2,151	5,790
Taxation On Profit On Ordinary Activities	7	<u>(1,707)</u>	<u>(2,099)</u>
Profit On Ordinary Activities After Taxation		444	3,691
Dividends paid		<u>-</u>	<u>(2,200)</u>
Profit For The Financial Year	17,19	<u>444</u>	<u>1,491</u>

There are no recognised gains and losses in 1998 or 1997, other than the profit for the year.

The notes on pages 8 to 22 form part of these accounts.

BALANCE SHEET - 31 March 1998

	Notes	<u>1998</u> £'000	<u>1997</u> £'000
Fixed Assets			
Intangible assets	8	7,454	5,962
Tangible assets	9	14,366	15,095
Investments	10	13,582	7,985
		<u>35,402</u>	<u>29,042</u>
Current Assets			
Debtors	11	1,028,149	590,903
Deposits, cash and short-term investments	12	52,912	38,358
		<u>1,081,061</u>	<u>629,261</u>
Creditors			
Amounts falling due within one year	13	(1,046,483)	(614,028)
Net Current Assets		<u>34,578</u>	<u>15,233</u>
Total Assets Less Current Liabilities		69,980	44,275
Creditors			
Amounts falling due after more than one year	14	(48,847)	(22,861)
Provisions For Liabilities and Charges	15	(416)	(569)
		<u>20,717</u>	<u>20,845</u>
Capital and Reserves			
Called up share capital	16	15,000	15,000
Profit and loss account	17	10,435	9,991
Goodwill written off	18	(4,718)	(4,146)
Equity Shareholders' Funds	19	<u>20,717</u>	<u>20,845</u>

Approved by the Board
on 31 July 1998

DIRECTORS: D B Margrett

W H G Wilks

The notes on pages 8 to 22 form part of these accounts

NOTES TO THE ACCOUNTS - 31 March 1998**1. TRADING ACTIVITIES**

During the year the company's business was, in part, carried on by certain insurance broking subsidiary undertakings acting as agents for the company. No remuneration was payable to these subsidiary undertakings and each was indemnified for all expenses and liabilities arising out of such agency.

2. ACCOUNTING POLICIES**(a) GROUP ACCOUNTS**

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards. Group accounts have not been prepared at 31 March 1998 as the company is a wholly owned subsidiary undertaking of another body corporate incorporated in Great Britain and these accounts are publicly available. The results of the company and its subsidiaries have been included in the group accounts of the ultimate parent company.

(b) TURNOVER

Turnover comprises brokerage and fees, net of commissions payable, which are taken to income when premiums are debited to the client or at the date of inception of the policy; brokerage on return or additional premiums is recognised when it arises.

(c) SYSTEMS DEVELOPMENT COSTS

Costs in connection with the development of improved data handling systems are capitalised as they are incurred. These costs are then written off in equal annual instalments over four years, commencing with the initial year, as benefits arise from the introduction of these systems. The carrying value is assessed annually and further provision, where appropriate, is made for any diminution in value.

(d) GOODWILL

Goodwill arising on the acquisition of business portfolios is eliminated against reserves.

NOTES TO THE ACCOUNTS - 31 March 1998 (Continued)**2. ACCOUNTING POLICIES (Continued)****(e) TANGIBLE FIXED ASSETS AND DEPRECIATION**

Tangible assets are depreciated in equal annual instalments at rates calculated to provide for the cost of the assets over their anticipated useful lives as follows:

Short leasehold land and buildings	Period of Lease
Furniture and equipment	5 to 20 years
Motor vehicles	4 years

(f) DEFERRED TAXATION

Provision for deferred taxation, using the liability method, arising from timing differences between taxable and booked income and expenditure is not made unless, in the opinion of the directors, such deferred taxation will be payable in the foreseeable future.

(g) FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are expressed in sterling at exchange rates ruling at the balance sheet date. Income earned in foreign currencies is recognised in the profit and loss account at the exchange rate ruling at the date of the transaction or, where a related forward exchange contract has been entered into, at the rate specified in the forward contract. All realised exchange differences are dealt with in the result before taxation.

(h) 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 these legal relationships, debtors and creditors arising from insurance broking transactions are shown as assets and liabilities. This recognises that the insurance broker is entitled to retain the investment income on any cash flows arising from these transactions.

Debtors and creditors arising from transactions between clients and insurers (e.g. a premium or a claim) are recorded simultaneously. Consequently, there is a high level of correlation between the totals reported in respect of insurance broking debtors and insurance broking creditors.

NOTES TO THE ACCOUNTS - 31 March 1998 (Continued)**2. ACCOUNTING POLICIES (Continued)****(h) INSURANCE BROKING DEBTORS AND CREDITORS (Continued)**

The position of the insurance broker as agent means that the credit risk is borne by the principals. There can be circumstances where the insurance broker acquires credit risk - through statute, or through the act or omission of the insurance broker or one of the principals. There is much legal uncertainty surrounding the circumstances and the extent of such exposures and consequently they cannot be evaluated. However, the total of insurance broking debtors appearing in the balance sheet is not an indication of credit risk.

It is normal practice for insurance brokers to settle accounts with other intermediaries, clients, insurers and market settlement bureaux on a net basis. Thus, large changes in both insurance broking debtors and creditors can result from comparatively small cash settlements. For this reason, the totals of insurance broking debtors and creditors give no indication of future cash flows.

The legal status of this practice of net settlement is uncertain and in the event of insolvency it is generally abandoned. Financial Reporting Standard No. "Reporting the Substance of Transactions" requires that offset of assets and liabilities should be recognised in financial statements where, and only where, the offset would survive the insolvency of the other party. Accordingly, only such offsets have been recognised in calculating insurance broking debtors and creditors.

(i) INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Investments in subsidiary and associated undertakings in the accounts of the company are stated at cost less provision for any permanent diminution in value.

(j) SHORT TERM INVESTMENTS

Investments in short-term securities held to maturity are valued at cost, adjusted for the amortisation of discounts or premiums to redemption. The difference between cost and the redemption principal amount is amortised to the profit and loss account on a straight line basis over the life of the security.

(k) OPERATING LEASES

Lease payments in respect of operating leases are charged against profit as incurred.

NOTES TO THE ACCOUNTS - 31 March 1998 (Continued)

2. ACCOUNTING POLICIES (Continued)

(l) FINANCE LEASES

Assets acquired under finance leases are capitalised as tangible fixed assets and stated at cost less accumulated depreciation. Interest included within lease payments is charged to the profit and loss account over the period of the lease at a rate which reflects the capital repayments outstanding.

(m) INTEREST RECEIVABLE

Interest receivable is recognised in the profit and loss account as earned.

(n) PENSION COSTS

The regular costs and variations thereto of providing retirement pensions are charged to the profit and loss account over the periods benefiting from the employees' service on the basis of a constant percentage of current and estimated future salaries.

(o) CASH FLOW STATEMENT AND RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary of Lambert Fenchurch Group plc and is included in the consolidated financial statements of Lambert Fenchurch Group plc which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996). The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions (but not balances) with entities that are part of the Lambert Fenchurch Group plc group or investees of the Lambert Fenchurch Group plc group.

3. SEGMENTAL REPORTING

All turnover is derived from within the United Kingdom from one class of business. Profit before taxation and net assets of the company all relate to UK activities.

The geographic analysis of turnover by location of client is as follows:

	<u>1998</u>	<u>1997</u>
	£'000	£'000
UK	57,987	40,385
Continental Europe	12,563	11,630
Asia & Australasia	7,328	3,655
The Americas	17,702	10,965
	<u>95,580</u>	<u>66,635</u>

NOTES TO THE ACCOUNTS - 31 March 1998 (Continued)

4. OPERATING (LOSS) / PROFIT

Operating (loss)/profit is arrived at after charging the following:	<u>1998</u> £'000	<u>1997</u> £'000
Salaries	49,235	28,593
Social security costs	6,748	2,391
Other pension costs (Note 24)	4,766	2,668
Amortisation of systems development costs (Note 8)	2,176	1,489
Write-off of intangible fixed assets	-	149
Lloyd's R & R contribution	750	1,400
Depreciation:		
On owned assets (Note 9)	2,526	1,657
On assets held under finance leases (Note 9)	439	193
Operating lease charges:		
Plant and machinery	1,455	1,365
Other	3,768	2,340
Auditors' remuneration - audit services	<u>195</u>	<u>220</u>

Auditors remuneration for non-audit services amounted to £130,000 (1997: £ 134,000).

The current year charge for Lloyd's Reconstruction and Renewal ('R & R') contribution arises from the transfer of business from Fenchurch Insurance Brokers Limited, who had not fully provided for their estimated liability over the 5 year period. The prior year charge represents provision for the full estimated contribution of the former Lowndes Lambert Group Limited over 5 years.

5. OTHER OPERATING INCOME

	<u>1998</u> £'000	<u>1997</u> £'000
Rent receivable	457	-
Management charges to group undertakings	8,331	3,308
Other income	<u>157</u>	<u>78</u>
	<u>8,945</u>	<u>3,386</u>

6. INTEREST

	<u>1998</u> £'000	<u>1997</u> £'000
RECEIVABLE		
Interest receivable on cash deposits and short term investments	2,805	1,555
Interest receivable from group undertakings	<u>-</u>	<u>347</u>
	<u>2,805</u>	<u>1,902</u>
PAYABLE		
Finance lease charges	75	118
Interest payable to fellow subsidiary undertakings	<u>488</u>	<u>223</u>
	<u>563</u>	<u>341</u>

NOTES TO THE ACCOUNTS - 31 March 1998 (Continued)

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge represents UK corporation tax calculated at 31% (1997: 33%) of profits chargeable to tax.

	<u>1998</u>	<u>1997</u>
	£'000	£'000
Current year		
Corporation tax at 31% (1997: 33%)	1,698	1,877
Deferred tax charge	-	454
	<u>1,698</u>	<u>2,331</u>
Prior year		
Corporation tax	92	(248)
Deferred tax	(83)	16
	<u>1,707</u>	<u>2,099</u>

8. INTANGIBLE ASSETS

	Systems development costs £'000
Cost	
Balance at 1 April 1997	8,767
Additions	3,668
Balance at 31 March 1998	<u>12,435</u>
Amortisation	
Balance at 1 April 1997	(2,805)
Charge for the year	(2,176)
Balance at 31 March 1998	<u>(4,981)</u>
Net Book Amount	
At 31 March 1998	<u>7,454</u>
At 31 March 1997	<u>5,962</u>

NOTES TO THE ACCOUNTS - 31 March 1998 (Continued)

9. TANGIBLE ASSETS

	Short leasehold land and buildings	Furniture and equipment	Motor Vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 1997	685	17,812	3,224	21,721
Reclassification	(243)	243	-	-
Additions	-	3,784	137	3,921
Disposals	(94)	(605)	(1,881)	(2,580)
At 31 March 1998	<u>348</u>	<u>21,234</u>	<u>1,480</u>	<u>23,062</u>
Depreciation				
At 1 April 1997	(111)	(5,777)	(738)	(6,626)
Reclassification	45	(45)	-	-
Disposals	94	205	596	895
Charge for the year	(65)	(2,344)	(556)	(2,965)
At 31 March 1998	<u>(37)</u>	<u>(7,961)</u>	<u>(698)</u>	<u>(8,696)</u>
Net Book Amount				
At 31 March 1998	<u>311</u>	<u>13,273</u>	<u>782</u>	<u>14,366</u>
At 31 March 1997	<u>574</u>	<u>12,035</u>	<u>2,486</u>	<u>15,095</u>

The net book amount of furniture and equipment included in fixed assets held under finance leases was £1,857,261 (1997 : £2,027,867).

NOTES TO THE ACCOUNTS - 31 March 1998 (Continued)

10. INVESTMENTS

	Group Under- takings	Shares in Associated Under- takings	Loans to Group Under- takings	Other Invest- ments	Total
	£'000	£'000	£'000	£'000	£'000
Costs					
At 1 April 1997	7,726	29	132	289	8,176
Additions	93	-	-	-	93
Disposals	(283)	-	-	-	(283)
Transfers from group undertakings	5,752	5	-	30	5,787
At 31 March 1998	<u>13,288</u>	<u>34</u>	<u>132</u>	<u>319</u>	<u>13,773</u>

Provision For Diminuation in Value

At 1 April 1997 & 31 March 1998	<u>(103)</u>	<u>(29)</u>	<u>-</u>	<u>(59)</u>	<u>(191)</u>
------------------------------------	--------------	-------------	----------	-------------	--------------

Net Book Amount

At 31 March 1998	13,185	5	132	260	13,582
At 31 March 1997	<u>7,623</u>	<u>-</u>	<u>132</u>	<u>230</u>	<u>7,985</u>

As at 1 April 1997 the assets and liabilities of Fenchurch Insurance Brokers Limited, a fellow subsidiary, were transferred to Lambert Fenchurch Limited at book value.

During the year the company paid deferred consideration to Harris Phillips & Partners Ltd, an insurance broker, and Harris McClelland Life and Pensions Consultants Ltd of £93,000. The company also sold at cost to Lambert Fenchurch Overseas Limited, the subsidiaries LL Finland (£199,926) and LL Norway (£77,960).

Other investments are unlisted securities and other marketable investments..

NOTES TO THE ACCOUNTS - 31 March 1998 (Continued)**10. INVESTMENTS (Continued)**

The company has the following principal subsidiary undertaking, other than those which act as agent for the company as described in note 1, the ordinary share capital of which is 100% owned .

Company	Type of Business	Country of Incorporation
Lambert Fenchurch Insurance Management (Guernsey) Limited	Insurance Management Company	Guernsey

A full list of the subsidiary undertakings of Lambert Fenchurch Limited has been lodged with the Registrar of Companies.

The company also holds more than 10% of the ordinary share capital of the following companies.

Name of Company	Country of Incorporation	Holding	Activity
The Independent Insurance Company of Saudi Arabia Limited	Bermuda	15%	Insurance Broker
Calpe Risk Management Limited	Gibraltar	22.5%	Insurance Broker
A/S Julius Heckscher	Denmark	33.3%	Insurance Broker

In the opinion of the directors the value of the company's investments in its subsidiary and associated undertakings is not less than the aggregate amount shown in the balance sheet.

NOTES TO THE ACCOUNTS - 31 March 1998 (Continued)

11. DEBTORS

	<u>1998</u>	<u>1997</u>
	£'000	£'000
Amounts falling due within one year:		
Insurance broking debtors	981,145	563,331
Amounts owed by group undertakings	23,094	16,780
Other debtors	1,056	2,189
Prepayments and accrued income	1,648	5,252
	<u>1,006,943</u>	<u>587,552</u>
Amounts falling due after more than one year:		
Amounts owed by group undertakings	14,262	3,142
Amounts owed by subsidiary undertakings	6,944	209
	<u>21,206</u>	<u>3,351</u>
	<u>1,028,149</u>	<u>590,903</u>

Insurance broking debtors include amounts owed by group undertakings as follows:-

	<u>1998</u>	<u>1997</u>
	£'000	£'000
Group undertakings	5,832	4,322
Associated undertakings	1,045	1,805

12. DEPOSITS, CASH AND SHORT TERM INVESTMENTS

	<u>1998</u>	<u>1997</u>
	£'000	£'000
Deposits	22,962	15,065
Cash and bank accounts	18,557	14,451
Short term investments	11,393	8,842
	<u>52,912</u>	<u>38,358</u>

NOTES TO THE ACCOUNTS - 31 March 1998 (Continued)

12. DEPOSITS, CASH AND SHORT TERM INVESTMENTS (Continued)

As required by Lloyd's Brokers Bye Law (number 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 broking creditors, which at 31 March 1998 amounted to £1,027,299,000 (1997: £596,436,000). The charge only becomes enforceable under certain circumstances as set out in the Deed. The assets subject to this charge were:

	1998 £'000	1997 £'000
Bank balances and short term investments	52,492	38,235
Insurance broking debtors	981,145	563,331
	<u>1,033,637</u>	<u>601,566</u>

13. CREDITORS

Amounts falling due within one year:	1998 £'000	1997 £'000
Bank overdraft	4,798	3,352
Insurance broking creditors	1,027,299	596,436
Amounts owing to group undertaking	7,304	4,144
Amounts owing to subsidiary undertakings	54	54
Other creditors	1,890	2,263
Taxation and social security	2,379	2,369
Accruals and deferred income	1,871	4,309
Obligations under finance leases (Note 23)	888	1,101
	<u>1,046,483</u>	<u>614,028</u>

Insurance broking creditors include amounts owing to group undertakings as follows:-

	1998 £'000	1997 £'000
Group undertakings	112	673
Associated undertakings	-	283

14. CREDITORS

Amounts falling due after more than one year:	1998 £'000	1997 £'000
Amounts owing to group undertaking	28,513	17,674
Amounts owing to subsidiary group undertakings	15,628	1,623
Other creditors	2,354	2,037
Obligations under finance leases (Note 23)	2,352	1,527
	<u>48,847</u>	<u>22,861</u>

NOTES TO THE ACCOUNTS - 31 March 1998 (Continued)

14. CREDITORS (Continued)

All amounts owing to group undertakings (including those in note 13) are interest free, with the exception of a loan to Lambert Fenchurch Overseas Limited which bears interest at 7.25%. All amounts falling due after more than one year are repayable only on receipt of 36 months' notice.

15. PROVISIONS FOR LIABILITIES AND CHARGES

Movements in provisions are as follows:	Deferred Taxation £'000	Claims Provision £'000	Total £'000
Balance at 1 April 1997	512	57	569
Profit and loss movement	(83)	-	(83)
Transfer from group undertakings	(70)	-	(70)
Balance at 31 March 1998	<u>359</u>	<u>57</u>	<u>416</u>

	<u>1998</u> £'000	<u>1997</u> £'000
Deferred Taxation		
Accelerated capital allowances	1,673	1,295
Short term and other timing differences	(1,314)	(783)
Deferred tax liability	<u>359</u>	<u>512</u>

Deferred taxation is provided in respect of all known timing differences.

16. CALLED UP SHARE CAPITAL

	<u>1998</u> £'000	<u>1997</u> £'000
Authorised, allotted and fully paid ordinary shares of £1 each	<u>15,000</u>	<u>15,000</u>

17. PROFIT AND LOSS ACCOUNT

	<u>1998</u> £'000
At 1 April 1997	9,991
Retained profit for the year	444
At 31 March 1998	<u>10,435</u>

NOTES TO THE ACCOUNTS - 31 March 1998 (Continued)

18. GOODWILL WRITTEN OFF

	£'000
At 1 April 1997	(4,146)
Written off in the year	(572)
At 31 March 1998	<u>(4,718)</u>

During the year the company acquired an international portfolio from Windsor Insurance Brokers for consideration of £138,000. Other amounts represent deferred payments in respect of prior year acquisitions.

19. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	<u>1998</u> £'000	<u>1997</u> £'000
Profit for the year	444	3,691
Dividends	-	(2,200)
Goodwill written off in the year	(572)	(266)
Net (reduction)/addition to shareholders' funds	<u>(128)</u>	<u>1,225</u>
Opening shareholders' funds	20,845	19,620
Closing shareholders' funds	<u>20,717</u>	<u>20,845</u>

20. EMPLOYEES

The average number of persons employed by the company during the year was 1,916 (1997: 1,271).

21. DIRECTORS' EMOLUMENTS

The aggregate amount of directors' emoluments, excluding pension contributions, was £3,997,017 (1997 : £3,179,669). The aggregate amount of company contributions paid to money purchase pension schemes was £45,900 (1997 : £23,580). The emoluments of the highest paid director were £391,816 (1997 : £400,893). His accrued pension entitlement at 31 March 1998 amounted to £184,000 per annum (1997 : £155,800). Retirement benefits are accruing to 2 (1997: 1) directors under money purchase pensions schemes, and 24 (1997 : 19) under the Group defined benefit scheme.

22. TRANSACTIONS INVOLVING DIRECTORS AND OTHERS

Risks may be placed with Lloyd's Syndicates in which directors and senior employees participate in the normal course of the company's broking activities on the same basis as such risks are placed with other Lloyd's Syndicates.

NOTES TO THE ACCOUNTS - 31 March 1998 (Continued)

23. COMMITMENTS AND CONTINGENT LIABILITIES

There were no capital commitments in respect of future capital expenditure on fixed assets at 31 March 1998 (1997: £ Nil).

The company had annual commitments under non-cancellable operating leases asset out below:

	1998		1997	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Operating leases which expire:				
- within one year	852	302	99	380
- in the second to fifth years inclusive	1,470	1,070	15	718
- over five years	3,182	-	3,071	-
	<u>5,504</u>	<u>1,372</u>	<u>3,185</u>	<u>1,098</u>

The majority of leases of Land and Buildings are subject to rent reviews.

Obligations under finance leases:	<u>1998</u> £'000	<u>1997</u> £'000
- due within one year	888	1,101
- due within two to five years	2,352	1,527
	<u>3,240</u>	<u>2,628</u>

At 31 March 1998 the company had forward foreign exchange contract commitments to sell US\$ 46,000,000 (1997: US\$ 22,500,000) These contracts are at an average exchange rate of US\$ 1.57, all maturing prior to 30 June 1999.

NOTES TO THE ACCOUNTS - 31 March 1998 (Continued)**24. PENSION COMMITMENTS****Lowndes Lambert Group Staff Pension Scheme**

The Lowndes Lambert Group Staff Pension Scheme (LLGSPS) is a UK based funded defined benefit arrangement. The pension cost is assessed in accordance with the advice of external, professionally qualified, consulting actuaries.

The latest actuarial valuation of LLGSPS was as at 1 July 1996, using the projected unit method. The main assumptions used to set the contribution rates were that the annual rate of return on investments would be 9% per annum and that the annual increase in pensions, earnings and dividends would be 3.0%, 6.5% and 4.5% per annum respectively.

The aggregate market value of the scheme's assets at the valuation date was £40.7 million and the actuarial value of those assets represented 101% of the accrued liabilities at that date.

Fenchurch Group Pension Scheme

The Fenchurch Group Pension Scheme is a UK based funded defined benefit arrangement. The pension cost is assessed in accordance with the advice of external, professionally qualified, consulting actuaries.

The latest actuarial valuation was carried out as at 5 October 1996, using the projected unit method. The main assumptions used to set the contribution rates were that the annual rate of return on investments would be 9% per annum and that the annual increase in pensions, earnings and dividends would be 3.0% (5.0% for ex-Holders members), 7% and 5% per annum respectively.

The aggregate market value of the scheme's assets at the valuation date was £48.0 million and the actuarial value of those assets represented 106% of the accrued liabilities at that date.

The pension cost for the company for the year ended 31 March 1998 was £4,766,000 (1997: £2,668,000).

25. ULTIMATE PARENT COMPANY

The immediate and ultimate parent company of Lambert Fenchurch Limited is Lambert Fenchurch Group plc, a company registered in England. Copies of the group accounts may be obtained from the company secretary at Friary Court, Crutched Friars, London EC3N 2NP.

Lambert Fenchurch Group plc is the smallest and largest company for which group accounts, including the company, are prepared.