

LAMBERT FENCHURCH  
OVERSEAS LIMITED  
(FORMERLY LOWNDES LAMBERT  
OVERSEAS (HOLDINGS) LIMITED)

REPORT & ACCOUNTS

31 MARCH 1997



REGISTERED NUMBER: 2214161

**DIRECTORS' REPORT**

The directors present their report together with the audited accounts for the year to 31 March 1997.

**ACTIVITIES**

The principal activity of the company is that of a holding company.

**RESULTS AND DIVIDENDS**

The company made a profit after taxation of £1,102,482 (1996: £1,318,447).

The directors recommended a dividend for the year of £1,150,000 (1996: final £750,000; interim £534,312).

Retained losses of £47,518 (1996: profit £34,135) have been transferred to reserves.

**SIGNIFICANT EVENTS DURING THE YEAR**

On 16 January 1997, the Parent Company, Lowndes Lambert Group Holdings plc and Fenchurch plc announced that agreement had been reached on the terms of a proposed merger. On 17 February 1997, the merger offer became unconditional and the name of the Parent Company was changed to Lambert Fenchurch Group plc. Since the year end, the Parent Company has acquired all the remaining shares of Fenchurch plc which is now a wholly-owned subsidiary of the Parent Company.

In March 1997, the Group acquired a 40% shareholding in Pantaenius GmbH. The consideration for this acquisition comprised a cash payment of £1.7m and the entire share capital of Lowndes Lambert Deutschland AG.

On 1 July 1997 the name of the company was changed from Lowndes Lambert Overseas (Holdings) Limited to Lambert Fenchurch Overseas Limited.

**DIRECTORS AND THEIR INTERESTS**

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

R L Tween (Australia)	R K Kerr (Appointed 17 September 1996)
C Mineraud (France)	B J Blacker (Appointed 28 February 1997)
S R D Wilson	R W Merttens (Appointed 1 April 1997)
A M Barabino (Italy)	J M Pexton (Appointed 1 April 1997)
W H G Wilks	M K Godfrey (Appointed 11 April 1997)
M J Caley	H Baum (Appointed 1 July 1997)
P G Kane (Canada)	
D B Margrett	
A Van-Varenberg (Belgium)	
K J Gruet	
H C Champion (Appointed 4 April 1996)	

DIRECTORS' REPORT (Continued)

## DIRECTORS' INTERESTS

None of the directors held any direct beneficial interest in the shares of the company.

The interest of the directors in the shares of Lambert Fenchurch Group plc at 31 March 1997 was as follows:

	Number of Shares at 31 March 1997		Number of Shares at 31 March 1996	
	Ordinary Shares of 5p each fully paid		Ordinary Shares of 5p each fully paid	
	Beneficial	Non-beneficial	Beneficial	Non-Beneficial
C Mineraud	460,080	1,472,720	460,080	1,472,720
S R D Wilson	54,600	247,000	54,600	247,000
A M Barabino	6,500	2,800	5,500	2,800
R Tween	-	525,000	-	425,000
M J Caley	478,000	29,600	478,000	29,600
D B Margrett	196,000	221,576	196,000	221,576
P G Kane	200	-	200	-
K J Gruet	3,200	-	1,200	-
H C Champion	263,492	38,295	51,802 *	13,354
B J Blacker	202,606	205,053	202,606 *	205,053

\* Held on date of appointment.

Directors' options are set out in note 16 to the accounts.

## FIXED ASSETS

Movements in fixed assets are set out in Note 9 to the accounts.

DIRECTORS' REPORT (Continued)

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

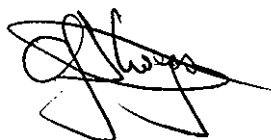
- select suitable accounting policies and then apply them consistently.
- make judgements and estimates that are reasonable and prudent.
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- prepare 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.

AUDITORS

The Auditors, Price Waterhouse, have indicated their willingness to be re-appointed, and in accordance with Section 384 of the Companies Act 1985 a resolution proposing their re-appointment will be put to the Annual General Meeting.

By Order of the Board



C J Sturgess  
Secretary

Friary Court  
Crutched Friars  
London EC3N 2NP

19 January 1998

## **AUDITORS' REPORT**

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To the members of Lambert Fenchurch Overseas Limited

We have audited the accounts on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

### **Respective responsibilities of directors and auditors**

As described on page 3 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 information in the accounts.

### **OPINION**

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 March 1997 and of the 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

19 January 1998

**PROFIT AND LOSS ACCOUNT FOR THE  
YEAR ENDED 31 MARCH 1997**

	<u>Notes</u>	<u>1997</u> £	<u>1996</u> £
TURNOVER		-	-
Administrative Expenses		(76,071)	(31,174)
OPERATING LOSS		<u>(76,071)</u>	<u>(31,174)</u>
Dividends receivable		1,308,783	948,223
Interest receivable	5	286,380	261,143
Interest payable	6	(327,320)	(275,426)
Exchange gain on intercompany balances		30,427	5,079
Other (charges)/income	7	<u>(98,993)</u>	<u>467,029</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,123,206	1,374,874
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	8	<u>(20,724)</u>	<u>(56,427)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,102,482	1,318,447
Dividends - paid		-	(534,312)
Dividends - proposed		<u>(1,150,000)</u>	<u>(750,000)</u>
RETAINED (LOSS)/PROFIT FOR THE YEAR	17	(47,518)	34,135
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD		196,305	162,170
PROFIT AND LOSS ACCOUNT CARRIED FORWARD		<u>148,787</u>	<u>196,305</u>

There were no recognised gains and losses in 1997 or 1996 other than the profit for the year.

The notes on pages 7 to 13 form part of these accounts.

**BALANCE SHEET - 31 MARCH 1997**

	<u>Notes</u>	<u>1997</u> £	<u>1997</u> £	<u>1996</u> £	<u>1996</u> £
FIXED ASSETS					
Investments	9		22,567,484		18,173,725
CURRENT ASSETS					
Debtors					
Amounts falling due within one year	10	1,287,845		1,269,512	
Amounts falling due after more than one year	10	<u>5,909,102</u>		<u>4,259,591</u>	
		7,196,947		5,529,103	
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	11	<u>(9,348,670)</u>		<u>(5,070,628)</u>	
NET CURRENT (LIABILITIES)/ASSETS			(2,151,723)		458,475
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>20,415,761</u>		<u>18,632,200</u>
CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	12		(14,378,903)		(12,549,819)
PROVISIONS FOR LIABILITIES AND CHARGES	13		(1,995)		-
			<u>6,034,863</u>		<u>6,082,381</u>
CAPITAL AND RESERVES					
Called Up Share Capital	14		5,886,076		5,886,076
Profit and Loss Account			148,787		196,305
EQUITY SHAREHOLDERS' FUNDS	17		<u>6,034,863</u>		<u>6,082,381</u>

Approved by the Board on  
19 January 1998

BJ Blacker  
Director

The notes on pages 7 to 13 form part of these accounts.

**NOTES TO THE ACCOUNTS - 31 MARCH 1997 (Continued)****1. ACCOUNTING POLICIES**

- (i) The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.
- (ii) Group accounts are not prepared as the company is the wholly owned subsidiary of another body corporate registered in England and is exempt from the obligation to prepare and deliver consolidated accounts under section 228 of the Companies Act 1985. The company has taken advantage of the exemption available to wholly-owned subsidiaries under Financial Reporting Standard 1 not to prepare a cash flow statement.
- (iii) Assets and liabilities denominated in foreign currencies are expressed in sterling at rates of exchange ruling at the year end. Transactions in foreign currencies are translated at exchange rates ruling at the transaction date. Differences arising from the translation of foreign currencies at year end rates are dealt with in the result before taxation.
- (iv) Investments in subsidiaries and associated undertakings in the accounts of the company are stated at cost less provision for any permanent diminution in value.
- (v) 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.
- (vi) The company has taken advantage of the exemption available under paragraph 3 (c) of Financial Reporting Standard 8 in not providing details of transactions with entities forming part of the Lambert Fenchurch Group.

**2. ULTIMATE PARENT COMPANY**

The company's ultimate parent company is Lambert Fenchurch Group plc, which is 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 undertaking for which group accounts are prepared.



**NOTES TO THE ACCOUNTS - 31 MARCH 1997 (Continued)****3. PRINCIPAL SUBSIDIARY AND ASSOCIATED UNDERTAKINGS**

At 31 March 1997 the company held 100% of the ordinary share capital and voting rights of the following companies, except where otherwise stated.

<u>Company</u>	<u>Country of Incorporation</u>	<u>Type of Business</u>
Lowndes Lambert Australia Ltd	Australia	Insurance Broker
Lowndes Lambert France s.a.r.l.	France	Investment Holding Co.
L Hammond & Co. (Far East)(1967) Ltd	Hong Kong	Investment Holding Co.
Lambert Bros. Insurance Brokers Ltd	Hong Kong	Insurance Broker
Flint & Co. Ltd	Guernsey	Insurance Broker
Lowndes Lambert Group Canada Ltd (52% owned)	Canada	Investment Holding Co.
Lowndes Lambert US Holdings Inc (78% owned)	USA	Investment Holding Co.
Lowndes Lambert Hammond Ltd	Great Britain	Investment Company
Lowndes Lambert Enterprises Ltd.*	Great Britain	Investment Company
Eastwood Insurance Co. Ltd.*	Guernsey	Insurance Company

All companies incorporated in Great Britain are registered in England.

All the companies listed above have financial years ending 31 March with the exception of Lowndes Lambert France s.a.r.l. whose financial year end is 31 December. Lowndes Lambert France s.a.r.l has a 31 December year end because that is the year end of its principal investment, La Securite Nouvelle SA.

Additionally the company owned more than 10% of the issued share capital of the following companies.

<u>Company</u>	<u>Country of Incorporation</u>	<u>Type of Business</u>
La Securite Nouvelle SA (45%)*	France	Insurance Broker
Lowndes Lambert Group Italy S.p.A (49%)	Italy	Insurance Broker
Amanah Lowndes Lambert Sdn. Bhd (44%)*	Malaysia	Insurance Broker
Conseils Courtage Assurances et Reassurances (33%)	France	Insurance Broker
Thibaut Colson de Nef SA (20%)	Belgium	Insurance Broker
Interbroker Correduria Reaseguros SA (50%)	Spain	Insurance Broker
New Century Global Inc. (40%) *	USA	Insurance Broker
Pantaenius GmbH (40%)	Germany	Insurance Broker

\* Indirectly held

**NOTES TO THE ACCOUNTS - 31 MARCH 1997 (Continued)**

**4. DIRECTORS' EMOLUMENTS**

None of the directors received any remuneration from the company during the year. Certain overseas subsidiary undertakings paid emoluments to directors of the company. The amount in aggregate was £381,772 (1996: £247,675). The emoluments of the highest paid director, excluding pension contributions was £154,790 (1996 : £139,615) and his accrued pension entitlement was nil.

**5. INTEREST RECEIVABLE**

	<u>1997</u>	<u>1996</u>
	£	£
Interest receivable from Group and Subsidiary undertakings	<u>286,380</u>	<u>261,143</u>

**6. INTEREST PAYABLE**

	<u>1997</u>	<u>1996</u>
	£	£
Interest payable to Group and Subsidiary undertakings	<u>327,320</u>	<u>275,426</u>

**7. OTHER (CHARGES)/INCOME**

	<u>1997</u>	<u>1996</u>
	£	£
Profit on disposal of Associated Undertaking	-	500,000
Net (Loss) on disposal of Subsidiary Undertaking (note 9)	<u>(98,993)</u>	<u>(32,971)</u>
	<u>(98,993)</u>	<u>467,029</u>

**8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

Taxation represents UK Corporation tax calculated at 33% (1996 : 33%) of the results for the year as adjusted for tax purposes.

	<u>1997</u>	<u>1996</u>
	£	£
Corporation Tax		
- Current Year	5,909	52,693
- Prior Year	<u>2,913</u>	<u>53,090</u>
	8,822	105,783
Deferred Tax-		
- Current Year at 33%	13,375	(49,356)
- Prior Year at 33%	<u>(1,473)</u>	-
Taxation charge	<u>20,724</u>	<u>56,427</u>

**NOTES TO THE ACCOUNTS - 31 MARCH 1997 (Continued)****9. INVESTMENTS**

	Shares in Subsidiary Undertakings £	Loans to Subsidiary Undertakings £	Associated undertakings £	Total £
Cost at 1 April 1996	15,492,294	-	2,681,431	18,173,725
Additions	78,524	1,889,032	1,835,746	3,803,302
Transfers	-	689,450	-	689,450
Disposals (Note 7)	(98,993)	-	-	(98,993)
Loan capitalised	645,620	(645,620)	-	-
Cost at 31 March 1997	<u>16,117,445</u>	<u>1,932,862</u>	<u>4,517,177</u>	<u>22,567,484</u>

During the year the company made advances to Lowndes Lambert US Holdings Inc as part of the continued expansion of the Groups' US operations which have been treated as being of a long term nature and accordingly have been classified as a fixed asset investment. Part of this loan was subsequently capitalised as a result of Mr R Kerr, a minority shareholder in Lowndes Lambert US Holdings Inc, exercising his option to convert loans to capital under the terms of the shareholders' agreement.

Transfers in respect of amounts previously advanced, recorded in debtors due after more than one year, to Oy Lowndes Lambert Finland Limited and Lowndes Lambert Norway A/S have been made during the year to reflect the long term nature of these commitments.

In March 1997 as part of a restructuring of the company's Northern European operations the shareholding in Lowndes Lambert Estonia Limited was transferred direct to Oy Lowndes Lambert Finland Limited. This reorganisation has resulted in the loan due from Oy Lowndes Lambert Finland being converted into capital.

In November 1996 the company acquired additional share capital in Conseils Courtage Assurances et Reassurances, following an increase in that company's authorised and issued share capital. The newly issued shares were allocated to the existing shareholders in proportion to their shareholdings.

In March 1997, the Group acquired a 40% shareholding in Pantaenius GmbH. The consideration for this acquisition comprised a cash payment of £1.7m and the entire share capital of Lowndes Lambert Deutschland AG.

In the opinion of the directors the value of the company's investment in its subsidiary and associated undertakings is not less than the aggregate amount shown in the Balance Sheet.

**NOTES TO THE ACCOUNTS - 31 MARCH 1997 (Continued)**

**10. DEBTORS**

	<u>1997</u>	<u>1996</u>
	£	£
Amounts falling due within one year :		
Amounts owed by Subsidiary Undertakings	783,634	620,686
Corporation Tax recoverable	504,211	648,826
	<u>1,287,845</u>	<u>1,269,512</u>
	<u>1997</u>	<u>1996</u>
	£	£
Amounts falling due after more than one year :		
Amounts owed by Fellow Subsidiary Undertakings	3,792,670	2,308,003
Amounts owed by Subsidiary Undertakings	657,157	1,941,681
Amounts owed by Associated Undertakings	1,459,275	-
Deferred taxation (Note 13)	-	9,907
	<u>5,909,102</u>	<u>4,259,591</u>

The parent company has undertaken to settle an amount of £1,377,000 owed by an associated undertaking in the event of default by that company.

**11. CREDITORS-AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<u>1997</u>	<u>1996</u>
	£	£
Amounts owed to Parent Undertaking	-	750,000
Amounts owed to Fellow Subsidiary Undertakings	1,696,474	1,576,665
Amounts owed to Subsidiary Undertakings	5,980,109	2,743,963
Other creditors	1,672,087	-
	<u>9,348,670</u>	<u>5,070,628</u>

**12. CREDITORS-AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<u>1997</u>	<u>1996</u>
	£	£
Amounts owed to Parent Undertaking	13,785,005	11,850,575
Amounts owed to Subsidiary Undertakings	593,898	699,244
	<u>14,378,903</u>	<u>12,549,819</u>

The loan from the Parent Undertaking does not bear interest.

NOTES TO THE ACCOUNTS - 31 MARCH 1997 (Continued)

## 13. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>1997</u>	<u>1996</u>
	£	£
Deferred taxation		
Short term timing differences -(liability)/asset	<u>(1,995)</u>	<u>9,907</u>

Deferred taxation is provided in respect of all known timing differences at 33% (1996 - 33%). The deferred tax asset in 1996 was recorded in debtors - amounts falling due after more than one year (note 10).

## 14. CALLED UP SHARE CAPITAL

	<u>1997</u>	<u>1996</u>
	£	£
Authorised, allotted and fully paid		
5,886,076 Ordinary Shares of £1 each	<u>5,886,076</u>	<u>5,886,076</u>

## 15. AUDITORS' REMUNERATION

Auditors' remuneration of £2,000 (1996: £2,000) is borne by a fellow subsidiary undertaking.

## 16. DIRECTORS' OPTIONS

The directors held the following options in the share capital of Lambert Fenchurch Group plc:

	Options held at 31 March 1996 and 1997	Exercise Price	Date from which exercisable	Expiry Date
WHG Wilks	264,220	136.25p	1 July 1995	1 July 2002
DB Margrett	200,000	166p	8 Dec 1997	8 Dec 2004
MJ Caley	100,000	166p	8 Dec 1997	8 Dec 2004

No options lapsed during the year. The market price of the shares at 27 March 1997 was 105.5p and the range during 1996/97 was 100.5p to 110.5p.

NOTES TO THE ACCOUNTS - 31 MARCH 1997 (Continued)

## 17. MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	<u>1997</u>	<u>1996</u>
	£	£
Shares issued during the year	-	886,076
(Loss)/profit for the year	(47,518)	34,135
Opening equity shareholders' funds	6,082,381	5,162,170
Closing equity shareholders' funds	<u>6,034,863</u>	<u>6,082,381</u>