

**LAMBERT FENCHURCH
OVERSEAS LIMITED**

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

REPORT & ACCOUNTS

31 MARCH 1998



REGISTERED NUMBER: 2214161

DIRECTORS' REPORT

The directors present their report together with the audited accounts for the year to 31 March 1998.

ACTIVITIES

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

RESULTS AND DIVIDENDS

The company made a profit after taxation of £911,214 (1997: £1,102,482).

The directors recommended a final dividend for the year of £1,000,000 (1997: £1,150,000).

Retained losses of £88,786 (1997: Loss £47,518) have been transferred from reserves.

SIGNIFICANT EVENTS DURING THE YEAR

In November 1997, a subsidiary undertaking acquired the business of Michael Kooper Enterprises Inc., an employee benefits consultant in New York. The initial consideration was £1.76m paid in cash with further consideration payable based on average pre-tax profits of the business in the period to 31 December 2001.

In February 1998, a subsidiary undertaking acquired Westrays New Zealand Limited, which has been merged with Lowndes Lambert NZ Ltd. The initial consideration of £0.5m was paid in cash with further consideration payable based on average revenues in the period to 31 March 2001.

In May 1998, a subsidiary undertaking acquired Delta Insurance Services AB, a marine broker based in Sweden. The initial consideration of £1m was paid in cash, with further consideration payable based on average revenues in the period to 31 December 1999.

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:

A M Barabino (Italy)	D B Margrett
H Baum (Appointed 1 July 1997)	R W Merttens (Appointed 1 April 1997)
B J Blacker	C Mineraud (France)
M J Caley	J M Pexton (Appointed 1 April 1997)
H C Champion	C J Sturgess (Appointed 18 December 1997)
C Dohrmann (Appointed 5 May 1998)	R L Tween (Australia)
M K Godfrey (Appointed 11 April 1997)	A Van-Varenberg (Belgium)
K J Gruet (Resigned 5 May 1998)	R Walker (Appointed 31 October 1997)
P G Kane (Canada)	W H G Wilks
R K Kerr	S R D Wilson

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS

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

The interests of the directors in the shares of Lambert Fenchurch Group plc at 31 March 1998 were as follows:

	Number of Shares at 31 March 1998 Ordinary Shares of 5p each fully paid		Number of Shares at 31 March 1997 Ordinary Shares of 5p each fully paid	
	Beneficial	Non-beneficial	Beneficial	Non-Beneficial
A M Barabino	6,500	-	6,500	2,800
B J Blacker	202,606	205,053	202,606	205,053
M J Caley	478,000	29,600	478,000	29,600
H C Champion	500,542	76,310	263,492	38,295
M K Godfrey	447,777	655,318	* 675,318	-
K J Gruet	-	-	3,200	-
P G Kane	100	-	200	-
R K Kerr	10,000	-	-	-
D B Margrett	196,000	221,576	196,000	221,576
R W Merttens	58,140	78,000	* 58,140	* 78,000
C Mineraud	460,080	1,472,720	460,080	1,472,720
J M Pexton	128,174	124,344	* 128,174	* 124,344
C J Sturgess	1,000	-	* 1,000	-
R L Tween	-	525,000	-	525,000
R Walker	48,104	-	* 48,104	-
S R D Wilson	54,600	247,000	54,600	247,000

* Held on date of appointment.

Details of the Directors' options over the ordinary shares of 5p each in Lambert Fenchurch Group plc are set out in note 15 to the accounts.

FIXED ASSETS

Movements in fixed assets are set out in Note 8 to the accounts.

YEAR 2000

Given the nature of the company's activities the directors do not foresee any risk to the business associated with the year 2000.

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

Following the merger on 1 July 1998 of Price Waterhouse and Coopers & Lybrand to form PricewaterhouseCoopers, Price Waterhouse resigned as auditors and the directors appointed PricewaterhouseCoopers to fill the casual vacancy. PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the annual general meeting.

By Order of the Board



C J Sturgess
Secretary

Friary Court
Crutched Friars
London EC3N 2NP

5 January 1999

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.

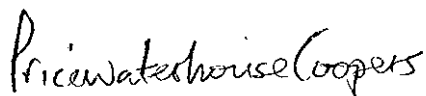
Basis of opinion

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



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

5 January 1999

PROFIT AND LOSS ACCOUNT FOR THE
YEAR ENDED 31 MARCH 1998

	<u>Notes</u>	<u>1998</u> £	<u>1997</u> £
TURNOVER		-	-
Administrative Expenses		(129,000)	(76,071)
OPERATING LOSS		<u>(129,000)</u>	<u>(76,071)</u>
Dividends receivable		1,419,903	1,308,783
Interest receivable	4	657,610	286,380
Interest payable	5	(568,000)	(327,320)
Exchange (loss) / gain on intercompany balances		(114,826)	30,427
Other charges	6	<u>(151,934)</u>	<u>(98,993)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,113,753	1,123,206
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	7	<u>(202,539)</u>	<u>(20,724)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		911,214	1,102,482
Dividends		<u>(1,000,000)</u>	<u>(1,150,000)</u>
RETAINED LOSS FOR THE YEAR	17	(88,786)	(47,518)
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD		148,787	196,305
PROFIT AND LOSS ACCOUNT CARRIED FORWARD		<u>60,001</u>	<u>148,787</u>

There were no recognised gains and losses in 1998 or 1997 other than those reflected in the profit and loss account above.

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

LAMBERT FENCHURCH OVERSEAS LIMITED

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BALANCE SHEET - 31 MARCH 1998

	<u>Notes</u>	<u>1998</u> £	<u>1998</u> £	<u>1997</u> £	<u>1997</u> £
FIXED ASSETS					
Investments	8		23,976,200		22,567,484
CURRENT ASSETS					
Debtors:					
Amounts falling due within one year	9	1,627,727		1,287,845	
Amounts falling due after more than one year	9	<u>6,318,958</u>		<u>5,909,102</u>	
		7,946,685		7,196,947	
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	10	<u>(7,831,583)</u>		<u>(9,348,670)</u>	
NET CURRENT ASSETS / (LIABILITIES)			115,102		(2,151,723)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>24,091,302</u>		<u>20,415,761</u>
CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	11		(18,043,948)		(14,378,903)
PROVISIONS FOR LIABILITIES AND CHARGES	12		(101,277)		(1,995)
			<u>5,946,077</u>		<u>6,034,863</u>
CAPITAL AND RESERVES					
Called Up Share Capital	13		5,886,076		5,886,076
Profit and Loss Account			60,001		148,787
EQUITY SHAREHOLDERS' FUNDS	17		<u>5,946,077</u>		<u>6,034,863</u>

Approved by the Board on
5 January 1999

S R D Wilson
Director



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

NOTES TO THE ACCOUNTS - 31 MARCH 1998 (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 a 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.
- (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 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.

2. ULTIMATE PARENT UNDERTAKING

The company's immediate and ultimate parent undertaking 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 1998 (Continued)

3. PRINCIPAL SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

At 31 March 1998 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 Brothers Ltd	Hong Kong	Insurance Broker
Flint & Co. Ltd	Guernsey	Insurance Broker
Lowndes Lambert Group Canada Ltd (52% owned)	Canada	Investment Holding Co.
Lambert Fenchurch 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
Lambert Fenchurch Sweden AB	Sweden	Investment Company
Eastwood Insurance Co. Ltd.*	Guernsey	Insurance Company
Kininmonth Lambert (S) Pte Ltd	Singapore	Reinsurance Broker

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
ALF Broker Services Italy S.r.l (20%)	Italy	Insurance Broker
Amanah Lambert Fenchurch 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
Park Lane S.A (49%)	France	Insurance Broker

* Indirectly held

NOTES TO THE ACCOUNTS - 31 MARCH 1998 (Continued)

4. INTEREST RECEIVABLE

	<u>1998</u>	<u>1997</u>
	£	£
Interest receivable from Group and Subsidiary undertakings	<u>657,610</u>	<u>286,380</u>

5. INTEREST PAYABLE

	<u>1998</u>	<u>1997</u>
	£	£
Interest payable to Group and Subsidiary undertakings	<u>568,000</u>	<u>327,320</u>

6. OTHER CHARGES

	<u>1998</u>	<u>1997</u>
	£	£
Loss on part disposal of Associated Undertaking	20,934	-
Net loss on disposal of Subsidiary Undertaking (note 8)	<u>131,000</u>	<u>98,993</u>
	<u>151,934</u>	<u>98,993</u>

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>1998</u>	<u>1997</u>
	£	£
UK Corporation Tax - Current Year at 31% (1997 : 33%)	158,967	5,909
- Prior Year	<u>55,334</u>	<u>2,913</u>
	214,301	8,822
Deferred Tax- - Current Year at 31% (1997 : 33%)	19,609	13,375
- Prior Year	<u>79,673</u>	<u>(1,473)</u>
Double taxation relief	(111,044)	-
Taxation charge	<u>202,539</u>	<u>20,724</u>

NOTES TO THE ACCOUNTS - 31 MARCH 1998 (Continued)

8. INVESTMENTS

	Shares in Subsidiary Undertakings	Loans to Subsidiary Undertaking s	Associated undertakings	Total
	£	£	£	£
Cost at 1 April 1997	16,117,445	1,932,862	4,517,177	22,567,484
Additions	202,968	1,085,598	186,048	1,474,614
Transfers	277,905	-	-	277,905
Disposals (Note 6)	(131,000)	-	(143,652)	(274,652)
Loan capitalised	559,823	(559,823)	-	-
Exchange effect on loans	-	(69,151)	-	(69,151)
Cost at 31 March 1998	<u>17,027,141</u>	<u>2,389,486</u>	<u>4,559,573</u>	<u>23,976,200</u>

During the year the company made further advances to Lambert Fenchurch US Holdings Inc as part of the continued expansion of the US operations, as noted below, which have been treated as being of a long term nature and accordingly have been classified as a fixed asset investment.

During the year, as part of the continuing restructuring of the company's Northern European operations, the shareholdings in Lambert Fenchurch Finland Oy and Lambert Fenchurch Norway A/S were transferred to the company from Lambert Fenchurch Limited, a fellow subsidiary undertaking. Additional loans made to Lambert Fenchurch Norway A/S during the year have also been converted into capital.

In November 1997, a subsidiary undertaking acquired the business of Michael Kooper Enterprises Inc., an employee benefits consultant in New York. The initial consideration was £1.76m paid in cash with further consideration payable based on average pre-tax profits of the business in the period to 31 December 2001.

In February 1998, a subsidiary undertaking acquired Westrays New Zealand Limited, which has been merged with Lowndes Lambert NZ Ltd. The initial consideration of £0.5m was paid in cash with further consideration payable based on average revenues in the period to 31 March 2001.

In May 1998, a subsidiary undertaking acquired Delta Insurance Services AB, a marine broker based in Sweden. The initial consideration of £1m was paid in cash, with further consideration payable based on average revenues in the period to 31 December 1999.

In the opinion of the directors the value of the company's investments in its subsidiaries and associated undertakings are not less than the aggregate amount shown in the Balance Sheet.

NOTES TO THE ACCOUNTS - 31 MARCH 1998 (Continued)

9. DEBTORS

	<u>1998</u> £	<u>1997</u> £
Amounts falling due within one year :		
Amounts owed by Subsidiary Undertakings	1,044,086	783,634
Amounts owed by Associated Undertakings	156,008	-
Corporation Tax recoverable	427,633	504,211
	<u>1,627,727</u>	<u>1,287,845</u>
	<u>1998</u> £	<u>1997</u> £
Amounts falling due after more than one year :		
Amounts owed by Fellow Subsidiary Undertakings	2,381,219	3,792,670
Amounts owed by Subsidiary Undertakings	2,409,286	657,157
Amounts owed by Associated Undertakings	1,485,405	1,459,275
Other debtors	43,048	-
	<u>6,318,958</u>	<u>5,909,102</u>

The parent company has undertaken to settle an amount of £1,374,401 (1997 : £1,377,000) owed by an associated undertaking in the event of default by that company.

10. CREDITORS-AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1998</u> £	<u>1997</u> £
Amounts owed to Parent Undertaking	1,000,000	-
Amounts owed to Fellow Subsidiary Undertakings	2,393,190	1,696,474
Amounts owed to Subsidiary Undertakings	4,398,393	5,980,109
Other creditors	40,000	1,672,087
	<u>7,831,583</u>	<u>9,348,670</u>

11. CREDITORS-AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>1998</u> £	<u>1997</u> £
Amounts owed to Parent Undertaking	15,576,050	13,785,005
Amounts owed to Subsidiary Undertakings	2,467,898	593,898
	<u>18,043,948</u>	<u>14,378,903</u>

The loan from the Parent Undertaking does not bear interest.

NOTES TO THE ACCOUNTS - 31 MARCH 1998 (Continued)

12. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Deferred taxation		
Short term timing differences	<u>101,277</u>	<u>1,995</u>

Deferred taxation is provided in respect of all known timing differences at 31% (1997 - 33%).

13. CALLED UP SHARE CAPITAL

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Authorised, allotted and fully paid		
5,886,076 Ordinary Shares of £1 each	<u>5,886,076</u>	<u>5,886,076</u>

14. AUDITORS' REMUNERATION

Auditors' remuneration of £2,000 (1997: £2,000) is borne by a fellow subsidiary undertaking.

15. DIRECTORS' OPTIONS

None of the directors held any share options in Lambert Fenchurch Overseas Limited. At 1 April 1997 the directors held options over the shares of Lambert Fenchurch Group plc as shown in the table below :

	Options held at 31 March 1997	Exercise Price	Date from Which Exercisable	Expiry Date	Compensation Received
WHG Wilks	264,220	136.25p	1 July 1995	1 July 2002	£50,149
DB Margrett	200,000	166p	8 Dec 1998	8 Dec 2004	£29,160
MJ Caley	100,000	166p	8 Dec 1998	8 Dec 2004	£14,580

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 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 Scholes formula. No options lapsed during the year. The market price of the shares at 31 March 1998 was 112.5p and the range during 1997/98 was 107.5p to 117.5p. The Directors held no other options at 31 March 1998, and neither had any further options been granted, exercised or lapsed during the year.

NOTES TO THE ACCOUNTS - 31 MARCH 1998 (Continued)

16. 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 £765,356 (1997: £381,772). The emoluments of the highest paid director, excluding pension contributions was £450,749 (1997: £154,790). Contributions paid by the subsidiary undertaking to his money purchase pension scheme was £27,367. The aggregate amount of contributions paid to money purchase pension schemes by subsidiary companies was £39,439 (1997 : £11,456). Of those directors who receive emoluments from overseas subsidiary undertakings, retirement benefits are accruing to 3 (1997: 3) under money purchase pensions schemes, and 1 (1997 : nil) under a defined benefit scheme.

17. MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	<u>1998</u>	<u>1997</u>
	£	£
Loss for the year	(88,786)	(47,518)
Opening equity shareholders' funds	6,034,863	6,082,381
Closing equity shareholders' funds	<u>5,946,077</u>	<u>6,034,863</u>