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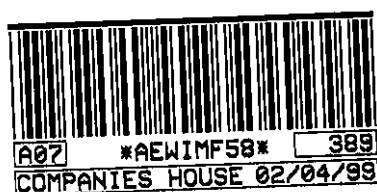
CHRISTIE BROCKBANK SHIPTON LIMITED

Reports and Financial Statements

Christie Brockbank Shipton Limited

Registered Number: 2829315

31 December 1998



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Report of the Directors

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

Statement of Directors' Responsibilities

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;
- comply with applicable accounting standards subject to any material departures disclosed and explained in the financial statements; and
- 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 maintaining 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.

Review of the Business and Future Developments

The principal activity of the business is that of a members' agent at Lloyd's.

The company managed £448M of capacity acting for 624 Names underwriting for the 1998 account.

1999 will see similar underwriting levels to 1998 but a significant increase in revenue due to a change in the fee terms. The directors are confident that the business will remain profitable in the foreseeable future.

Looking forward, the directors are examining a number of options for developing the revenue base of the company.

Year 2000

We have reviewed the potential impact of the year 2000 on our accounting and business operations and to this effect have received confirmation from our suppliers that our systems are year 2000 compliant.

As a business registered by Lloyd's, we have been required to satisfy Lloyd's that we conform with standards of compliance laid down by them. We have received a certificate from Lloyd's to certify that we have completed all internal review and testing procedures for the central Lloyd's Year 2000 initiative.

We therefore believe that the effect of the year 2000 on the company will be minimal. However, should a problem arise we believe that we have adequate procedures to deal with them.

Results

The results for the year and the state of the company's affairs as at 31 December 1998 are shown in the financial statements.

Dividends

Interim dividends of £60,000 in March 1998, £1,631,753 in July 1998 and £275,000 in December 1998 have been paid. The directors do not propose the payment of a final dividend.

Directors

The following have served as directors during the period from 1 January 1998 to the date of this report.

YM Burley
N J d'Ambrumenil
DJ Ewart
(appointed 22/7/98)
C A A Harbord-Hamond
T H Holbech
M A Lee
Rt. Hon. Lord Pym
WA Ritson
E L Royds
A J Sparrow
J A Stead

CHRISTIE BROCKBANK SHIPTON LIMITED

The directors did not hold any interest in the company at 31 December 1998. Their interests in Aequanimiter Limited, the holding company, at 31 December 1998, according to the register of directors' interests, were as follows:

DJ Ewart holds 50,000 ordinary 10p shares in Aequanimiter Limited. CAA Harbord-Hamond, TH Holbech, Mrs EL Royds and AJ Sparrow each hold 250,000 ordinary 10p shares in Aequanimiter Limited. They also each hold £49,500 worth of Unsecured Convertible Loan Notes 1999 in Aequanimiter Limited. The value of their holdings of Unsecured Loan Notes 1998 in Aequanimiter Limited are as follows:

	Unsecured Loan Notes	
	At 31.12.98	At 31.12.97
	£	£
CAA Harbord-Hamond	143,810	250,310
TH Holbech	26,639	126,339
Mrs EL Royds	42,876	56,176
AJ Sparrow	134,674	247,974

The following directors have been granted share options on the ordinary 10p shares in Aequanimiter Ltd at an exercise price of £1.10.

In an approved share option scheme, JA Stead 10,000 options exercisable not before 9.2.01 and NJ d'Ambrumenil 15,000 options exercisable not before 15.5.01.

In an unapproved share option scheme, Lord Pym 15,000 options exercisable not before 9.2.01.

In an unapproved share option scheme, YM Burly and WA Ritson have an unspecified share in a pool option scheme exercisable not before 9.2.01.

BY ORDER OF THE BOARD



GP McMullen
Secretary
Peninsular House
36 Monument Street
London EC3R 8LJ

29 March 1999

**AUDITORS' REPORT TO THE SHAREHOLDERS
OF**

Christie Brockbank Shipton Limited

We have audited the financial statements on pages 4 to 12 which have been prepared following the accounting policies set out on page 6.

Respective Responsibilities of Directors and Auditors

As described on page 1, 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.

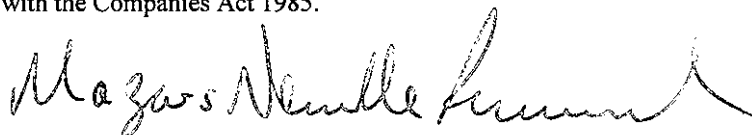
Basis of Opinion

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



MAZARS NEVILLE RUSSELL
CHARTERED ACCOUNTANTS
and Registered Auditors
24 Bevis Marks
London EC3A 7NR

29 March 1999

Profit and Loss Account

for the year ended 31 December 1998

	Note	12 months to 31.12.98 £	12 months to 31.12.97 £
Turnover	2	6,097,414	6,076,289
Administrative expenses		(2,882,213)	(3,932,255)
OPERATING PROFIT		3,215,201	2,144,034
Bank interest receivable		191,528	215,282
Interest payable	3	(11,297)	(40,523)
Profit on sale of fixed assets		4,626	2,250
Goodwill amortisation		-	(1,483,939)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	3,400,058	837,104
Taxation on ordinary activities	7	(1,085,000)	(770,969)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,315,058	66,135
Dividends	8	(1,966,753)	(1,135,651)
RETAINED PROFIT/(LOSS) FOR THE YEAR	14	£348,305	£(1,069,516)

All of the company's activities are in respect of continuing operations.

Statement of Total Recognised Gains & Losses

	31.12.98 £	31.12.97 £
Profit/(loss) for the financial year	348,305	(1,069,516)
Unrealised gain on revaluation of investment	202,430	-
Unrealised loss on revaluation of investment	(202,430)	-
Total recognised profit/(loss) for the year	£348,305	£(1,069,516)

CHRISTIE BROCKBANK SHIPTON LIMITED

Balance Sheet

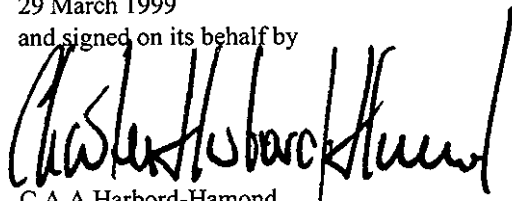
as at 31 December 1998

	Note	31.12.98 £	31.12.97 £
FIXED ASSETS			
Tangible assets	9	88,441	72,067
Investments	10	243,875	241,742
		<u>332,316</u>	<u>313,809</u>
CURRENT ASSETS			
Debtors	11	176,633	162,420
Cash at bank		2,255,321	2,281,585
		<u>2,431,954</u>	<u>2,444,005</u>
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	12	1,204,885	1,542,033
NET CURRENT ASSETS		<u>1,227,069</u>	<u>901,972</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,559,385</u>	<u>1,215,781</u>
CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	12	-	4,701
TOTAL ASSETS LESS LIABILITIES		<u>£1,559,385</u>	<u>£1,211,080</u>
CAPITAL AND RESERVES			
Called up share capital	13	392,936	392,936
Share premium	14	190,119	190,119
Profit and loss account	14	976,330	628,025
		<u>£1,559,385</u>	<u>£1,211,080</u>

Approved by the board on

29 March 1999

and signed on its behalf by



C A A Harbord-Hamond

Director

Notes to the Financial Statements
for the year ended 31 December 1998

1. Accounting Policies

- a) The financial statements are prepared under the historical cost convention in accordance with applicable Financial Reporting Standards and Statements of Standard Accounting Practice.
- b) Turnover comprises underwriting agency fees, winding up fees and commissions.

The principal trading receipts are agency fees derived from Underwriting Names at Lloyd's, winding up fees and profit commission. These are taken to credit as follows:

Agency Fees	in the first twelve months of each underwriting account
Winding Up Fees	on an accruals basis
Profit Commissions	on a receipts basis

- c) Investment income is dealt with on an accruals basis.
- d) Other income and expenses are dealt with on an accruals basis.
- e) Goodwill represents the excess of cost of acquisition of businesses over the fair value of net tangible assets of the businesses acquired. Goodwill is amortised over the period which the directors estimate that the company will derive economic benefit.
- f) Depreciation of fixed assets is calculated to write off the cost of the assets over their estimated useful lives at the following rates:

Office furniture	12.5% of original cost per annum
Office equipment	25% of original cost per annum
Motor vehicles	25% of original cost per annum
- g) Group accounts have not been prepared because the company is an intermediate parent company. The results of the company and its subsidiaries have been consolidated into the accounts of the ultimate parent company, Aequanimiter Limited.
- h) Deferred tax is provided in respect of the tax effect of all timing differences, to the extent that it is probable that a liability or asset will crystallise in the foreseeable future, at the rates of tax expected to apply when the timing differences reverse.
- i) Assets held under finance leases and the related lease obligations are included at the fair value of the leased assets at the inception of the lease. Depreciation on leased assets is calculated to write off this amount on a straight line basis over the shorter of the lease term and the useful life of the asset.

Rentals payable are apportioned between the finance charge and a reduction of the outstanding obligation for future amounts payable so that the charge for each accounting period is a constant percentage of the remaining balance of the capital sum outstanding.
- j) Pension contributions are charged to the profit and loss account in the period to which they relate.

Notes to the Financial Statements
for the year ended 31 December 1998

2. Turnover	12 months to 31.12.98 £	12 months to 31.12.97 £
Net agency fees	2,613,496	2,120,574
Winding up fees	123,602	313,245
Profit commission	3,287,242	3,582,540
Other income	73,074	59,930
	<u>£6,097,414</u>	<u>£6,076,289</u>

The whole of the turnover arises in the United Kingdom.

3. Interest Payable	12 months to 31.12.98 £	12 months to 31.12.97 £
Finance lease interest	243	1,174
Loan notes interest	11,054	27,897
Subordinated loan interest	-	11,452
	<u>£11,297</u>	<u>£40,523</u>

4. Profit On Ordinary Activities Before Taxation

Profit on ordinary activities before taxation is stated after charging:

	12 months to 31.12.98 £	12 months to 31.12.97 £
Goodwill amortisation	-	1,483,939
Lloyd's reconstruction & renewal plan contribution	4,708	1,369,915
Staff costs (note 5)	1,770,439	1,507,932
Operating lease rentals	139,287	87,628
Auditors' remuneration	24,895	28,720
Depreciation (note 9)	31,104	31,260
Write down of investment (note 10)	6,431	67,500
Introducers' fees	103,777	111,731
	<u>=====</u>	<u>=====</u>

Notes to the Financial Statements
for the year ended 31 December 1998

5. Staff Costs	12 months to 31.12.98 £	12 months to 31.12.97 £
Salaries	1,485,148	1,277,673
Social Security costs	136,304	116,632
Pension contributions	148,987	113,627
	<u>£1,770,439</u>	<u>£1,507,932</u>

The average number of staff employed by the group was 24. (1997 - 22)

6. Directors' Emoluments & Transactions	12 months to 31.12.98 £	12 months to 31.12.97 £
Management services	978,470	855,787
Pension contributions	63,442	57,540
	<u>£1,041,912</u>	<u>£913,327</u>

Emoluments of the highest paid director are as follows:

	12 months to 31.12.98 £	12 months 31.12.97 £
Management services	195,420	182,359
Pension contributions	15,750	15,000
	<u>£211,170</u>	<u>£197,359</u>

On 18 December 1998, Mr WA Ritson was given an interest free season ticket loan of £4,360, all of which remained outstanding at 31 December 1998. A previous interest free season ticket loan, of which £2,530 was outstanding at 31 December 1997, was repaid during the year. The loan was made available by the company on the same terms as are available to other employees.

Notes to the Financial Statements
for the year ended 31 December 1998

7.	Taxation On Profit On Ordinary Activities	12 months to 31.12.98 £	12 months to 31.12.97 £		
	United Kingdom Corporation Tax				
	On profit for the year @ 31% (1997 @ 31.5%)	1,085,000	772,917		
	Over provision in respect of prior years	-	(1,948)		
		<u>£1,085,000</u>	<u>£770,969</u>		
		=====	=====		
8.	Dividends	12 months to 31.12.98 £	12 months to 31.12.97 £		
	Interim paid 500.53p per share (1997: 278.84p per share)	1,966,753	1,095,651		
	Final (1997: 10.18p per share)	-	40,000		
		<u>£1,966,753</u>	<u>£1,135,651</u>		
		=====	=====		
9.	Tangible Fixed Assets				
		Office Furniture £	Office Equipment £	Motor Vehicles £	Total £
	Cost:				
	At 1 January 1998	14,060	194,152	28,000	236,212
	Additions	23,162	28,321	-	51,483
	Disposals	(2,680)	(52,409)	(15,000)	(70,089)
	At 31 December 1998	<u>34,542</u>	<u>170,064</u>	<u>13,000</u>	<u>217,606</u>
		=====	=====	=====	=====
	Depreciation:				
	At 1 January 1998	6,846	141,486	15,813	164,145
	Charge for the year	4,107	23,747	3,250	31,104
	Disposals	(1,424)	(49,660)	(15,000)	(66,084)
	At 31 December 1998	<u>9,529</u>	<u>115,573</u>	<u>4,063</u>	<u>129,165</u>
		=====	=====	=====	=====
	Net book value				
	At 31 December 1998	<u>£25,013</u>	<u>£54,491</u>	<u>£8,937</u>	<u>£88,441</u>
		=====	=====	=====	=====
	At 31 December 1997	<u>£7,214</u>	<u>£52,666</u>	<u>£12,187</u>	<u>£72,067</u>
		=====	=====	=====	=====

Included in office equipment above are fully depreciated leased assets at a cost of £11,355. These were disposed of during the year.

Notes to the Financial Statements
for the year ended 31 December 1998

10. Fixed Asset Investments

Shares in subsidiary undertakings	£
Cost or valuation:	
At 1 January 1998	316,742
Additions	8,564
At 31 December 1998	325,306
Provision for Diminution in Value	
At 1 January 1998	75,000
Charge for the year	6,431
At 31 December 1998	81,431
Net book value	
At 31 December 1998	£243,875
At 31 December 1997	£241,742

The subsidiary companies as listed below were all registered in England and Wales at 31 December 1998

Name	Business	Percentage Owned	Shares
Tyrolese (381)Limited	Holding Company	100% #	Ordinary
CBS Corporate Investment Limited	Lloyd's Adviser	100% #	Ordinary
CBS Analyst Limited	Lloyd's Syndicate Analysts	100% #	Ordinary
Philip N Christie & Co Limited	Lloyd's Members Agent	100% #	Ordinary
Chatset Limited	Independent Lloyd's Analyst	80%	Ordinary

dormant company

In the opinion of the directors the value of the fixed asset investments is not less than the amounts at which they are included in the accounts.

Notes to the Financial Statements
for the year ended 31 December 1998

11. Debtors	31.12.98	31.12.97
	£	£
Due within one year:		
Amounts due from group undertakings	-	2,406
Prepayments and accrued income	80,579	132,382
Tax recoverable	-	17,516
Other debtors	96,054	10,116
	<u>£176,633</u>	<u>£162,420</u>
	=====	=====
Included within prepayments and accrued income is an amount of £11,147 (1997: £33,902) which is due after more than one year.		
12. Creditors	31.12.98	31.12.97
	£	£
Amounts falling due within one year:		
Obligations under finance leases	-	1,865
Amounts due to group undertakings	214,564	213,791
Corporation Taxation	677,062	497,560
Accruals & deferred income	139,793	213,327
Redeemable Unsecured Loan Notes 1995/98	-	484,662
Other Taxation & Social Security	169,784	90,828
Proposed dividend	-	40,000
Indirect Taxation	3,682	-
	<u>£1,204,885</u>	<u>£1,542,033</u>
	=====	=====
	31.12.98	31.12.97
	£	£
Amounts falling due after more than one year:		
Obligations under finance leases payable within two to five years	£nil	£4,701
	<u>=====</u>	<u>=====</u>
13. Share Capital	31.12.98	31.12.97
	£	£
Authorised:		
1,000,000 ordinary shares of £1 each	<u>£1,000,000</u>	<u>£1,000,000</u>
	=====	=====
Issued and fully paid:		
392,936 ordinary shares of £1 each	<u>£392,936</u>	<u>£392,936</u>
	=====	=====

Notes to the Financial Statements
for the year ended 31 December 1998

14. Reconciliation of Movements in Shareholders' Funds

	Share Capital £	Share Premium £	Profit & Loss Account £	Total Share- holders' Funds £
Balance at 1 January 1997	392,936	190,119	1,697,541	2,280,596
Profit for the year	-	-	66,135	66,135
Dividends	-	-	(1,135,651)	(1,135,651)
Balance at 31 December 1997	392,936	190,119	628,025	1,211,080
Profit for the year	-	-	2,315,058	2,340,416
Dividends	-	-	(1,966,753)	(1,966,753)
Balance at 31 December 1998	£392,936	£190,119	£976,330	£1,584,743

15. Leasing Commitments

The annual commitment under non-cancellable operating leases held by the company is as follows:

	Office Equipment 31.12.98 £	Office Equipment 31.12.97 £	Land and Buildings 31.12.98 £	Land and Buildings 31.12.97 £
Leases expiring within one year	-	-	-	26,000
within two to five years	7,136	7,101	127,993	85,718

16. Parent Undertaking

The ultimate parent company is Aequanimiter Limited which is registered in England and Wales.

17. Related Party Transactions

100% of the company's voting rights are owned by Aequanimiter Limited, therefore the company has taken advantage of the exemption from the related party disclosure requirements.

18. Contingent Liabilities

The company is party to a put and call option in relation to the minority shareholding in Chatset Ltd. This agreement is exercisable not before 30 April 1999. The amount payable under this option is expected to be not less than £41,415.

CHRISTIE BROCKBANK SHIPTON LIMITED

Detailed Profit and Loss Account
for the year ended 31 December 1998

	12 months 31.12.98 £	12 months 31.12.97 £
INCOME		
Agency Fees	2,613,496	2,120,574
Profit Commission	3,287,242	3,582,540
Winding up fees	123,602	313,245
Profit on sale of asset	4,626	2,250
Other Income	73,074	59,930
Investment income:		
Interest receivable	191,528	215,282
	<u>6,293,568</u>	<u>6,293,821</u>
EXPENDITURE		
Management fee	-	6,438
Staff	1,838,409	1,601,665
Motor	1,161	2,678
Introducers fees	103,777	112,253
Irrecoverable VAT	50,991	46,877
Interest payable	11,297	40,523
Bank charges	1,756	1,999
Goodwill amortised	-	1,483,939
Depreciation	31,104	31,260
Accommodation	268,095	236,597
Insurance	9,614	16,582
Communications	106,274	83,037
Travel & Entertaining	80,653	99,417
Professional Fees	101,102	69,109
Computer	54,098	44,893
Marketing	80,602	64,000
Subscriptions & Donations	31,580	24,993
Other	28,049	28,042
Lloyd's reconstruction & renewal plan contribution	4,708	1,369,915
Overseas Director	25,000	25,000
Write down of Investment	6,431	67,500
Office Move	58,809	-
	<u>2,893,510</u>	<u>5,456,717</u>
PROFIT BEFORE TAXATION	<u>£3,400,058</u>	<u>£837,104</u>