

GREIG FESTER INVESTMENT HOLDINGS LIMITED

FINANCIAL STATEMENTS

31 December 1997

Registered Number: 485154



GREIG FESTER INVESTMENT HOLDINGS LIMITED

Directors' Report

Directors: J S Greig (Chairman)
D R Losse
R J Carless
G A Clarkson
H S K Peppiatt
D H Spiller

Secretary: G R G Stiff

Registered office: 55 Bishopsgate
London EC2N 3AS

Principal activities and review of business developments

The company carries on business as an investment company.

On 10 November 1997, the whole of the issued share capital of Greig Fester Group Limited, the company's parent undertaking, was acquired by Benfield Greig Group PLC.

Results and dividends

The profit on ordinary activities before exceptional costs and taxation for the year ended 31 December 1997 amounted to £1,093,000 (1996: profit of £523,000).

The directors do not recommend the payment of a final dividend.

Directors

The directors of the company who served throughout the year are those listed above. Additionally F H Hitchman and M Simmonds were directors until their resignation on 31 December 1997.

Directors' interests

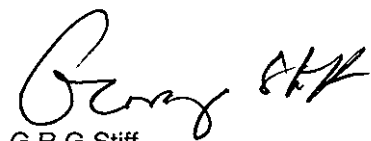
No director had any interest in the shares of the company during the year under review.

The directors who were in office on 31 December 1997 are also directors of Greig Fester Group Limited. Their interests are therefore reported in the accounts of that company.

Auditors

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the annual general meeting.

By order of the Board

A handwritten signature in black ink, appearing to read 'G R G Stiff', with a stylized flourish at the end.

G R G Stiff
Secretary
24 March 1998

GREIG FESTER INVESTMENT HOLDINGS LIMITED

Statement of directors' responsibilities in respect of the financial statements

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 satisfied that the company has adequate resources to continue to operate for the foreseeable future and is financially sound. For this reason they continue to adopt the going concern basis in preparing the accounts.

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. 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.

GREIG FESTER INVESTMENT HOLDINGS LIMITED

Report of the auditors to the members of Greig Fester Investment Holdings Limited

We have audited the financial statements on pages 5 to 11, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

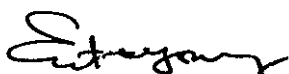
Basis of opinion

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 affairs of the company as at 31 December 1997 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
London

24 March 1998

GREIG FESTER INVESTMENT HOLDINGS LIMITED**Profit and loss account for the year ended 31 December 1997**

	Note	1997 £'000	1996 £'000
Turnover	2	1,124	562
Operating costs		(31)	(39)
Profit on ordinary activities before exceptional items and taxation		1,093	523
Exceptional items	4	3,093	2,643
Profit before taxation		4,186	3,166
Taxation	5	(922)	(682)
Profit after taxation		3,264	2,484
Dividends	10	(87)	(2,624)
Retained profit / (loss) for the year	11	3,177	(140)

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £3,264,000 in the year ended 31 December 1997 (1996 profit: £2,484,000).

GREIG FESTER INVESTMENT HOLDINGS LIMITED**Balance Sheet at 31 December 1997**

	Note	1997 £'000	1996 £'000
Fixed assets			
Investments	6	1	4,912
		1	4,912
Current assets			
Debtors	7	7,319	896
Cash and deposits		66	527
		7,385	1,423
Creditors - amounts falling due within one year	8	(3,839)	(5,965)
Net current Assets/(Liabilities)		3,546	(4,542)
Total assets less liabilities		3,547	370
Financed by:			
Called up share capital	9	50	50
Profit and loss account		3,497	320
Shareholders' funds		3,547	370

Approved by the board on 24 March 1998
and signed on its behalf by



D R Losse

Director

GREIG FESTER INVESTMENT HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

(a) Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Continuing operations

All turnover and expenses relate to continuing operations.

(c) Investment income

Interest on deposits is credited as it is earned. Income from investments is credited when it is received. Franked investment income is shown after including related tax credits.

(d) Fellow subsidiary undertakings

The results of fellow subsidiary undertakings are dealt with in the accounts of the company to the extent that dividends have been received from or declared by those subsidiary undertakings.

(e) Foreign currencies

Current assets and liabilities in foreign currencies are translated at year end rates of exchange. Exchange adjustments arising therefrom or arising from the settlement of business transactions in foreign currencies during the year are accounted for in the profit and loss account.

(f) Taxation

Deferred taxation 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.

(g) Fixed Asset Investments

Investments are shown in the balance sheet at cost less provisions for any permanent diminution in value.

2. Turnover

	1997 £000	1996 £000
Interest on deposits	37	17
Income from fixed asset investments - listed	269	370
- unlisted	3	3
Bank interest	121	45
	430	435
Profit on realisation of investments	694	127
	1,124	562

Turnover is made up of investment income and interest receivable and is earned in the UK.

3. Directors' Remuneration

No director's remuneration was payable for the year.

4. Exceptional Item

Sale of investments:

	1997 £000	1996 £000
Sale of investments to fund merger	3,093	-
Taxation	(731)	-
Sale of investments to fund repurchase of shares in Greig Fester Group Limited	-	2,643
Taxation	-	(675)
Effect on profit after tax	2,362	1,968

5. Taxation on Profit on Ordinary Activities

	1997 £000	1996 £000
Current taxation:		
UK corporation tax at 33%	896	656
Tax credit on franked investment income	43	31
	939	687
Overseas taxation	-	2
Prior year adjustment	(17)	(7)
	922	682

6. Fixed asset investments

	Listed in the UK £000	Listed outside the UK £000	Group under- takings £000	Unlisted £000	Total £000
Cost					
At 1 January 1997	4,541	339	1	67	4,948
Additions	1,129	233	-	-	1,362
Disposals	5,670	568	-	67	6,305
At 31 December 1997	-	4	1	-	5
Depreciation					
At 1 January 1997	-	-	-	36	36
Disposals	-	-	-	(36)	(36)
Charge for year	-	4	-	-	4
At 31 December 1997	-	4	-	-	4
Net Book Amounts					
At 31 December 1997	-	-	1	-	1
At 1 January 1997	4,541	339	1	31	4912
Market Value					
At 31 December 1997	-	-	1	-	1
At 1 January 1997	6,942	661	1	65	7,669

The company's subsidiary undertaking at 31 December 1997 was:

	Incorporated in	Class of Share	Holding %
Greig Fester SNC	France	Ordinary	99.99

The accounts of the subsidiary undertaking are not consolidated as the share capital of the company is owned by another body corporate incorporated in Great Britain.

The directors consider that the value of the investment in the subsidiary is not less than the amount included in the balance sheet.

7. Debtors

	1997 £000	1996 £000
Due within one year:		
Sundry debtors	490	166
Due from group companies	6,829	-
	7319	166
Due after one year:		
Deferred taxation arising from losses carried forward	-	730
	7,319	896

8. Creditors - amounts falling due within one year

	1996 £000	1996 £000
Due to group undertakings	2,503	5,227
Taxation	1,323	720
Other creditors	13	18
	3,839	5,965

9. Share Capital

	1997 £000	1996 £000
Authorised, issued and fully paid capital of the company: 50,000 Shares of £1 each	50	50

10. Dividends

	1997 £000	1996 £000
Dividends paid	87	124
Proposed final dividend	-	2,500
	87	2,624

11. Reconciliation of Shareholders' Funds and Movement on Reserves

	Share Capital £'000	Profit and Loss Account £'000	Total Shareholders Funds £'000
At 1 January 1997	50	320	370
Profit for the year	-	3,177	3,177
At 31 December 1997	50	3,497	3,547

12. Parent Undertaking and Controlling Party

The company's immediate parent undertaking is Greig Fester Group Limited.

The company's ultimate parent undertaking and controlling party is Benfield Greig Group PLC, registered in England and Wales. Copies of its group accounts, which include the company, are available from 55 Bishopsgate, London EC2N 3AS.