THE BENFIELD & REA INVESTMENT TRUST PLC

ACCOUNTS 1999

The Directors present their report and financial statements for the year ended 31st March 1999.

Status and Activities

During the year under review the Company has operated as an investment company, as defined under Section 266 of the Companies Act 1985. In the year ended 31st March 1999 the Company directed its affairs so as to enable it to qualify as an investment trust within the meaning of Section 842 of the Income and Corporation Taxes Act 1988. On 17th June 1999 the Company announced a recommended offer for Wren plc. Following the merger with Wren plc it is expected that the Company will no longer satisfy the conditions for approval as an investment trust and will cease to qualify as an investment company under section 266 of the Companies Act 1985 for subsequent accounting periods. The Directors are of the opinion that the close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

Results and Dividends

The results attributable to shareholders for the year and the transfer to reserves are shown on page 32. The dividends paid and proposed are as follows:

	1999 £'000	1998 £'000
First interim dividend of 3.0p (1998:3.0p) - paid 21st December 1998	4,488	4,488
Second interim dividend of 3.5p (1998:0.0p)	5,237	-
Final dividend of 0.0p (1998:3.5p)	-	5,237
	9,725	9,725

It is intended that the second interim dividend will be payable on 28th July 1999 to shareholders on the register at the close of business on 2nd July 1999. The final dividend has been replaced with a second interim dividend for the year under review as Wren plc shareholders will not rank for that dividend and the offer for Wren plc may well close before the Annual General Meeting convened for 24th August 1999.

Fixed Asset Investments

The market value of the Group's investments at 31st March 1999 was £227,900,000 (1998: £231,174,000), showing a deficit of £3,411,000 compared with book cost. Taking these investments at this valuation, the net assets attributable to each ordinary share amounted to 132.2p (1998: 147.4p) at 31st March 1999.

Authority to Purchase Ordinary Shares

At the 1998 Annual General Meeting shareholders of the Company renewed authority to purchase a maximum of 1,870,000 shares at 25p each. A resolution seeking renewal of the authority will be put to the forthcoming Annual General Meeting.

Management

Rea Brothers (Investment Management) Limited ('the Manager'), a wholly owned subsidiary of Rea Brothers Group PLC, acts as manager and provides management and administrative services to the Company. Benfield & Rea Brothers Limited acted as the Company's Specialist Advisor during the year ended 31st March 1999. With effect from 1st April 1999, Benfield & Rea Brothers Limited was replaced by Benfield Advisory Limited. Details of the fees paid to the Manager and Specialist Advisor are shown in note 6. During the year under review secretarial and accounting services provided by the Manager were charged quarterly in arrears (together with any VAT) at 0.1% of the Company's total assets under management up to £40m and 0.05% of the Company's total assets under management over £40m. With effect from 1st April 1999 the Manager will receive a flat fee of £2.5m in respect of the investment management, administrative and secretarial services provided to the Company. Based on current assets the new fee arrangements are broadly in line with the payments which would have been made under the old percentage scale and represent a decrease on the fee which would have been payable following the acquisition of Wren and BRIT Insurance.

Directors

The present members of the Board are shown on page 21. Pierre van der Mersch resigned as a Director on 28th May 1998.

In accordance with the Articles of Association, Mr Paul Gaunt and Mr Glyn MacAulay retire by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting. None of the Directors has any service contract with the Company or any of its subsidiaries. The interests of the Directors in the Company are detailed in the Report on Directors' Remuneration on pages 28 and 29.

Substantial Shareholdings

At the date of this report the following interests in the ordinary voting shares of the Company which exceeded 3% of the issued share capital of that class have been notified.

	No. of shares	% of issued capital
The Equitable Life Assurance Society	19,606,593	13.1
Fidelity International	14,710,385	9.8
Abbey Life Investment Services	8,146,738	5.4
Legal & General Investment Management	7,236,483	4.8
London & Manchester Portfolio Management	6,000,000	4.0
Benfield Greig Group	5,031,246	3.4
Merchant Investors Assurance	4,550,000	3.0
Shell Contributory Pension Scheme	4,524,503	3.0

Auditors

On 1st September 1998 our auditors,Neville Russell,changed their name to Mazars Neville Russell.Mazars Neville Russell have expressed their willingness to continue to act as auditors to the Company and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

Creditors Payment Policy

It is the policy of the Company to settle all investment transactions in accordance with the terms and conditions of the relevant market in which it operates.All other expenses are paid on a timely basis in the ordinary course of business.At 31st March 1999, the number of days trade (brokers) creditors was 3 (1998:3).

Going Concern

After making reasonable enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason,they continue to adopt the going concern basis in preparing the accounts.

Corporate Governance

The Board has carried out a full review of the principles of good governance and the code of best practice appended to the London Stock Exchange Listing Rules (the "Combined Code"). To ensure that the appropriate level of corporate governance is attained, the Board has confirmed that arrangements are in place to enable compliance with Section 1 of the Combined Code, as required by Listing Rule 12.43A issued by the London Stock Exchange.

Compliance with the Combined Code

The Board considers that, other than disclosed below, the Company has complied with the provisions of Section 1 of the Combined Code throughout the year ended 31st March 1999.

The Directors are responsible for overseeing the effectiveness of the internal financial control systems for the Group, which are designed to ensure that proper accounting records are maintained,that the financial information on which the business decisions are made and which is issued for publication is reliable, and that the assets of the Group are safeguarded.Such a system of internal financial control can provide only reasonable and not absolute assurance against material misstatement or loss.

The Directors,through the procedures outlined below, have kept under review throughout the period covered by these financial statements the effectiveness of the system of internal financial control.However, in accordance with the guidance referred to previously, the Board will report to shareholders on the broader aspects of internal control following publication of the findings of the working party on this subject established by the Institute of Chartered Accountants in England and Wales.

Principles of the Combined Code

(a) Directors

The Board consists of seven members. With the exception of Neil Eckert (chief executive) and Jo Welman (deputy chairman) all of the Board are non-executive. Apart from John Coldman and Neil Eckert, who are both Directors of Benfield Grieg Group plc and Jo Welman, who is a Director of Rea Brothers Group PLC, all of the Directors are independent. There is no senior independent Director.

The Directors meet as a Board on a quarterly basis and at other times as necessary. The Board is responsible for investment policy and has a schedule of investment matters reserved for the resolution of the Directors. The Board has contractually delegated to external agencies the management of the investment portfolio, the custodial services which include the safeguarding of the assets, and the day to day accounting and company secretarial requirements. In addition Wren Underwriting Agencies Limited has been appointed as the Company's Lloyd's Advisor. Each of these contracts is only entered into after proper consideration of the quality and cost of services.

On 29th June 1998 the Board established an Audit Committee comprising Paul Gaunt, Glyn MacAulay, Don McCrickard and Richard Sandor, all of whom are independent non-executive Directors. Further details of the Audit Committee are given in the Accountability and Audit section below.

A Remuneration Committee was established by the Board on 29th June 1998. Membership of the Committee consists of Paul Gaunt, Glyn MacAulay, Don McCrickard and Richard Sandor, all of whom are independent non-executive Directors. The Committee's terms of reference include the agreement of service contracts (if any), the terms of remuneration for the executive Directors and the operation of the Executive Share Option Scheme. The Report on Directors' Remuneration may be found on pages 28 and 29.

An Asset Allocation Committee was formed on 23rd February 1999 in order to consider asset allocation and the analysis of risk. The Asset Allocation Committee is comprised of Neil Eckert, Paul Gaunt and Jo Welman, together with three representatives of the Investment Manager.

A full report is received from the Manager at the quarterly meetings on the investment holdings and performance. In the light of these reports, the Board gives directions to the investment manager as to the investment objectives and guidelines. A quarterly report is also received from the Lloyd's Advisor in respect of the Company's underwriting activities.

The Board as a whole fulfils the function of a nomination committee. The Company's Articles of Association require newly appointed Directors to submit themselves for election by shareholders at the next Annual General Meeting and due to the nature of such resolutions, Directors are subsequently subject to re-election at intervals of no more than three years.

(b) Relations with Shareholders

The Company, through the Manager, has regular contact with its institutional shareholders. The Board supports the principle that the Annual General Meeting be used to communicate with private investors and has implemented the provisions of the Combined Code in this respect for the forthcoming Annual General Meeting.

(c) Accountability and Audit

The Company's Audit Committee, which comprises the independent non-executive Directors, meets representatives of the Manager and its Compliance Officer who reports as to the proper conduct of business in accordance with the regulatory environment in which both the Company and the Manager operate. The Company's external Auditors also attend this Committee at its request and report on their work procedures, the quality and effectiveness of the Company's accounting records and their findings in relation to the Company's statutory audit. The responsibilities of the Audit Committee include review of the internal financial controls, accounting policies, financial statements, the management contract, the Auditors' appointment and remuneration and the value of the unquoted investments. The Directors, through the procedures outlined above, have kept under review throughout the period covered by these financial statements the effectiveness of the system of internal financial control. However, in accordance with the guidance issued to listed companies by the London Stock Exchange in December 1998, the Board has decided to await the findings of the working party established by the Institute of Chartered Accountants in England and Wales before reporting to its shareholders on broader aspects of internal control.

Directors' Responsibilities

The Directors are required by company law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial period and of the profit or loss of the Group for the period. The financial statements must be prepared in compliance with the required formats and disclosures of the Companies Act 1985 and with applicable accounting standards. In addition the Directors are required to: (a) select suitable accounting policies and apply them consistently; (b) make judgements and estimates that are reasonable and prudent; (c) state whether applicable accounting standards have been followed; and (d) prepare financial statements on a going concern basis unless it is inappropriate to assume the Group will continue in business. The Directors confirm that the financial statements comply with the above requirements.

The Directors are also responsible for maintaining adequate accounting records so as to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985.They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Year 2000 Compliance

The Directors are aware of the Year 2000 issue. The Group does not depend upon any computer hardware or software purchased,leased or licensed from any third party and has not developed any in-house software or hardware. The Company is seeking assurances from advisors and significant suppliers that they are formulating appropriate strategies to deal with the problem.Once this has been completed,the Board can assess the likely impact on the activities of the Group and consider alternatives as necessary. The operations of the Group depend not only on the computer systems of our Group Secretary, Administrators and Manager, but also on those of our Lloyd's Advisors,Bankers,Registrars and other key suppliers such as providers of security pricing information.The Directors, having received assurances from Rea Brothers Group PLC (the Company Secretary's holding company),do not consider that further action need be taken as regards the Company's accounting and company secretarial functions provided by the Company Secretary. The Lloyd's Advisors'plans as to Year 2000 issues form part of the plans of Wren plc and its subsidiaries ("Wren Group").The Board is not aware of any costs associated with implementing Year 2000 compliance which will be incurred directly by the Company save in respect of the Wren Group referred to below.

The Wren Group has developed a Year 2000 strategic plan,supported by detailed plans for each business unit and has adopted BSI Disc PD2000 as a standard of compliance. Responsibility for achievement of the strategic plan rests with the senior managers from each business unit, co-ordinated by a dedicated Year 2000 team reporting to the Chief Operating Officer of Wren.The strategic plan requires the Wren Group's executive management to take appropriate steps to ensure that,as far as practicable, those business critical systems which are within the Wren Group's control are Year 2000 compliant.

The Year 2000 strategic plan identifies potential risks within each business category (including the syndicates currently managed by Wren plc) and considers the Wren Group's relationships with both customers and suppliers.

Non-compliant hardware and software have been identified, and are currently being replaced or upgraded to compliant versions.This process, together with "syndicate market testing"(a self-certification procedure required by Lloyd's) was completed during the second half of 1998.Key suppliers have been contacted and an ongoing programme is in place to ensure that,where practicable, the Wren Group will have continuity of supply after 1st January 2000. Dedicated equipment has been installed at each of the Wren Group's premises and has been assessed by an independent contractor to identify and categorise potential risk.

Costs to 31st December 1998 in connection with the above programme were £61,000,and it is estimated that costs for this financial year shall not exceed £25,000.These costs have been,or will be, charged through the profit and loss account.A further £100,000 was spent in 1998 on capital items,such as replacement hardware and software. Capital costs in this current year are not expected to exceed £10,000.

On the basis of the information set out above, the following should be noted,namely:

- the general expectation by those who have studied best practice in managing the Year 2000 problem is that the best run projects will face some Year 2000 compliance failures;
- there can be no assurance that the Year 2000 projects will be successful or that the date change from 1999 to 2000 will not adversely affect the Group's operations and financial results.The Group may also be adversely affected by the inability of third parties to manage the Year 2000 problem;and
- no assurance can be given that there will be no problems either with the Group's internal systems and hardware or with the services delivered to customers.Whilst Wren plc and the Company have taken some steps to minimise the possibility of such problems and mitigate the risks involved,some risk to internal disruption remains.

By order of the Board
REA BROTHERS (INVESTMENT MANAGEMENT) LIMITED
Secretary
24th June 1999

Alderman's House
Alderman's Walk
London EC2M 3XR

The Board established a Remuneration Committee on 29th June 1998. Membership of the Remuneration Committee comprises Paul Gaunt, Glyn MacAulay, Don McCrickard and Richard Sandor. The members of the Remuneration Committee are all independent non-executive Directors.

The Remuneration Committee is responsible for determining the terms of service and remuneration of the executive Directors of the Company, including the operation of the Senior Executive Share Option Scheme and the agreement of any service contracts. The remuneration of the non-executive Directors is decided by the Board as a whole.

The chief executive, Neil Eckert, and the deputy chairman, Jo Welman, are employees of the Specialist Advisor and the Investment Manager respectively and the Remuneration Committee did not consider it appropriate for either Mr Eckert or Mr Welman to receive a salary from the Company during the year ended 31st March 1999. This position will be reviewed as an increasing proportion of Mr Eckert's and Mr Welman's time is devoted purely to the Company. In view of the significant role of Mr Eckert and Mr Welman in developing and implementing the Company's strategy to transform from an investment trust to an insurance company, the Remuneration Committee believes it important for both Mr Eckert and Mr Welman to have a financial interest in the future of the Company. Accordingly Mr Eckert and Mr Welman were granted options over 589,473 and 210,526 ordinary shares respectively on 10th September 1998.

The Company proposes to introduce a long term incentive plan, details of which are set out in the notice of extraordinary general meeting dated 29th June 1999.

Directors' Emoluments

The emoluments of the Directors during the year ended 31st March were as follows

	31st March 1998	31st March 1999
John Coldman	-	-
Neil Eckert	-	-
Paul Gaunt	7,500	17,500
Glyn MacAulay	10,000	17,500
Don McCrickard	10,000	17,500
Richard Sandor	10,000	17,500
Pierre van der Mersch	10,000	1,586
Jo Welman	-	-

None of the Directors received any pension contributions, benefits in kind, bonuses, or compensation for loss of office.

Directors' Shareholdings

The interests of the Directors at 31st March 1999 were as follows:

	Ordinary shares of 25p each		Nature of interest
	At 1st April 1998	At 31st March 1999	
John Coldman	-	25,000	Beneficial
Neil Eckert	10,000	65,340	Beneficial
Paul Gaunt	-	-	-
Glyn MacAulay	-	10,000	Beneficial
Don McCrickard	-	-	-
Richard Sandor	10,000	10,000	Beneficial
Jo Welman	15,000	30,000	Beneficial

No change in the Directors' interests has occurred prior to the date of this report.

Directors' Interests

Mr Coldman and Mr Eckert are both directors of Benfield Greig Group plc (Mr Coldman being the chairman). They are interested in approximately 9.8% and 3.8% of the issued share capital of Benfield Greig respectively. Benfield Greig Group plc holds approximately 3.4% of the issued share capital of Rea Brothers Group PLC, which is the parent company of Rea Brothers (Investment Management) Limited. Mr Welman is a director of Rea Brothers Group PLC and was, until 6th May 1999, a director of Rea Brothers (Investment Management) Limited. He and persons associated with him are interested in less than 0.1% of the issued share capital of Rea Brothers Group PLC and he has options over 600,000 shares in Rea Brothers Group PLC. Accordingly, Messrs Coldman and Eckert are interested in the agreement in relation to the acquisition of BRIT Insurance Limited summarised in note 33 to the Financial Statements and Mr Welman is interested in the agreement with Rea Brothers (Investment Management) Limited summarised on page 24.

Senior Executive Share Option Scheme

The following directors have been granted options under the 1998 Unapproved Executive Share Option Scheme:

	At 1st April 1998	Granted	Exercised	At 31st March 1999	Exercise Price	Exercisable from	Exercisable to
Neil Eckert	-	589,473	-	589,473	142.5p	10/09/2001	09/09/2008
Jo Welman	-	210,526	-	210,526	142.5p	10/09/2001	09/09/2008

The options granted to Mr Eckert and Mr Welman may be exercised between the third and tenth anniversaries of the date of grant provided that, for any continuous three year period following the date of grant, the Company's growth in Total Shareholder Return is greater than (a) the average growth in Total Shareholder Return of the companies in the FTSE 100 Index over the same period and (b) the average growth in Total Shareholder Return of the companies in the FTSE Actuaries (Insurance) Index over the same period.

24th June 1999

To the shareholders of The Benfield & Rea Investment Trust PLC

We have audited the financial statements on pages 31 to 54 which have been prepared under the historical cost convention as modified by the revaluation of investments and the accounting policies set out on pages 38 to 40.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report including, as described on page 26, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Company is not disclosed.

We review whether the statement on pages 25 and 26 reflects the Group's compliance with those provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not.

We are not required to form an opinion on the effectiveness of the Group's corporate governance procedures or its internal controls. We read the other information contained in the annual report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of Audit 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 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 and the Group's affairs as at 31st March 1999 and of its result 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
24th June 1999

24 Bevis Marks
London EC3A 7NR

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31st March 1999

TECHNICAL ACCOUNT - GENERAL BUSINESS	Notes	1999 £'000	1999 £'000	1998 £'000	1998 £'000
Earned Premiums,Net of Reinsurance					
Gross premiums written	1	139,285		125,484	
Outward reinsurance premiums		(26,287)		(25,805)	
Net premiums written			112,998		99,679
Allocated investment return transferred					
from the non-technical account	4		6,582		5,428
Claims Paid					
Gross amount	1	(66,939)		(53,096)	
Reinsurers'share		20,801		14,337	
		(46,138)		(38,759)	
Change in Provisions for Claims					
Gross amount	1	(76,227)		(33,625)	
Reinsurers'share		28,483		(1,455)	
		(47,744)		(35,080)	
Claims Incurred,Net of Reinsurance	2		(93,882)		(73,839)
Net operating expenses	3		(23,924)		(27,056)
Balance transferred to the Consolidated Statement of Total Return			1,774		4,212

The notes on pages 37 to 54 form part of these financial statements.

CONSOLIDATED STATEMENT OF TOTAL RETURN

Incorporating the Revenue Account for the year ended 31st March 1999

	Notes	Revenue 1999 £'000	Capital 1999 £'000	Total 1999 £'000	Revenue 1998 £'000	Capital 1998 £'000	Total 1998 £'000
Balance on technical account for general business		1,774	-	1,774	4,212	-	4,212
(Losses)/gains on investments	14	-	(20,920)	(20,920)	-	39,240	39,240
Exchange gains on currency balances	25	-	259	259	-	-	-
Income	5	15,319	-	15,319	16,997	-	16,997
Investment management fee	6	(719)	(1,365)	(2,084)	(472)	(896)	(1,368)
Other expenses	7	(1,832)	(1,055)	(2,887)	(1,718)	(757)	(2,475)
Net return on ordinary activities before financing and tax		14,542	(23,081)	(8,539)	19,019	37,587	56,606
Interest payable and similar charges	8	(479)	(1,395)	(1,874)	(291)	(873)	(1,164)
Return on ordinary activities before tax		14,063	(24,476)	(10,413)	18,728	36,714	55,442
Tax on ordinary activities	10	(3,120)	445	(2,675)	(5,363)	378	(4,985)
Return attributable to equity shareholders		10,943	(24,031)	(13,088)	13,365	37,092	50,457
Dividends in respect of equity shares	11	(9,725)	-	(9,725)	(9,725)	-	(9,725)
Transfer (from)/to reserves	25	1,218	(24,031)	(22,813)	3,640	37,092	40,732
Return per equity share - undiluted	12	7.3p	(16.1p)	(8.8p)	9.2p	25.6p	34.8p
Return per equity share - diluted	12	7.3p	(16.1p)	(8.8p)	9.2p	25.6p	34.8p

The revenue column of this statement is the profit and loss account of the Group.

Capital returns are taken to capital reserves and are not distributable.

No operations were acquired or discontinued in the year.

All revenue and capital items in the above statement derive from continuing operations.

No statement of total recognised gains or losses is provided as there were no recognised gains or losses during the period other than the result for the period.

The notes on pages 37 to 54 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

as at 31st March 1999

	Notes	Corporate 1999 £'000	Syndicate 1999 £'000	Total 1999 £'000	Corporate 1998 £'000	Syndicate 1998 £'000	Total 1998 £'000
Intangible Assets	15	1,287	-	1,287	1,801	-	1,801
Investments							
Fixed asset investments	14	227,900	77,755	305,655	231,174	76,628	307,802
Deposits with ceding undertakings		-	175	175	-	251	251
		227,900	77,930	305,830	231,174	76,879	308,053
Reinsurers' Share of Technical Provisions							
Claims outstanding		-	39,713	39,713	-	31,995	31,995
Debtors							
Arising out of direct insurance operations							
due from intermediaries		-	22,659	22,659	-	28,897	28,897
Arising out of reinsurance operations		-	79,494	79,494	-	64,074	64,074
Premium trust fund releases		-	-	-	(2,221)	2,221	-
Other		-	5,470	5,470	-	4,872	4,872
		-	107,623	107,623	(2,221)	100,064	97,843
Other Assets							
Cash at bank and in hand		17,387	9,188	26,575	12,250	9,445	21,695
Other	16	1,399	4,950	6,349	4,270	4,942	9,212
		18,786	14,138	32,924	16,520	14,387	30,907
Prepayments and Accrued Income	17	2,423	654	3,077	8,572	662	9,234
Total Assets		250,396	240,058	490,454	255,846	223,987	479,833

The notes on pages 37 to 54 form part of these financial statements.

	Notes	Corporate 1999 £'000	Syndicate 1999 £'000	Total 1999 £'000	Corporate 1998 £'000	Syndicate 1998 £'000	Total 1998 £'000
Capital and Reserves							
Called up share capital	24	37,404	-	37,404	37,404	-	37,404
Share premium	25	128,013	-	128,013	128,013	-	128,013
Other reserves:							
Capital reserve - realised	25	30,824	-	30,824	20,110	-	20,110
Capital reserve - unrealised	25	(3,411)	-	(3,411)	31,334	-	31,334
Revenue reserve	25	4,906	-	4,906	3,688	-	3,688
Equity Shareholders' Funds	26	197,736	-	197,736	220,549	-	220,549
Technical Provisions							
Claims outstanding - gross		-	220,994	220,994	-	163,289	163,289
Provisions for losses foreseen on open years		-	8,088	8,088	-	5,187	5,187
		-	229,082	229,082	-	168,476	168,476
Provisions for Other Risks and Charges							
Provision for taxation		2,847	-	2,847	4,488	-	4,488
Creditors							
Arising from direct insurance operations		-	2,925	2,925	-	2,961	2,961
Arising from reinsurance operations		-	8,227	8,227	-	45,083	45,083
Amounts owed to credit institutions		-	52	52	-	157	157
Other creditors	18	28,699	(656)	28,043	25,603	6,556	32,159
Bank loan	20	11,538	-	11,538	-	-	-
		40,237	10,548	50,785	25,603	54,757	80,360
Accruals and Deferred Income							
Other accruals and deferred income	19	9,576	428	10,004	5,206	754	5,960
Total Liabilities		250,396	240,058	490,454	255,846	223,987	479,833
Net Asset Value per Equity Share	27	132.2p		132.2p	147.4p		147.4p

The notes on pages 37 to 54 form part of these financial statements.

COMPANY BALANCE SHEET

as at 31st March 1999

	Notes	1999 £'000	1999 £'000	1998 £'000	1998 £'000
Fixed Assets					
Investments	14(1)		227,900		231,174
Current Assets					
Debtors	16	3,270		7,625	
Taxation recoverable		748		642	
Cash at bank		15,340		9,325	
			19,358		17,592
Prepayments and Accrued Income	17		466		824
Creditors: amounts falling due within one year					
Other creditors	18	(39,561)		(30,884)	
Accruals and deferred income	19	(1,587)		(1,082)	
			(41,148)		(31,966)
Net Current Liabilities			(21,324)		(13,550)
Total Assets less Current Liabilities			206,576		217,624
Creditors: amounts falling due after more than one year	20		(11,538)		-
Net Assets			195,038		217,624
Capital and Reserves					
Called up share capital	24		37,404		37,404
Share premium	25		128,013		128,013
Other reserves:					
Capital reserve - realised	25		30,605		19,891
Capital reserve - unrealised	25		(3,411)		31,334
Revenue reserve	25		2,427		982
Total Shareholders' Funds	26		195,038		217,624

The financial statements on pages 31 to 54 were approved by the Board of Directors on 24th June 1999 and were signed on its behalf by

JO MARK POLE WELMAN

The notes on pages 37 to 54 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31st March 1999

	Notes	1999 £'000	1998 £'000
Net Cash Inflow from Operating Activities	28	18,318	17,022
Returns on Investments and Servicing of Finance			
Interest paid		(2,017)	(939)
Taxation		(2,883)	(551)
Capital Expenditure			
Sale/(purchase) of intangibles		514	(765)
Equity Dividends Paid		(9,725)	(9,546)
Financing	30	-	4,392
Net Portfolio Investment	30	(16,855)	(14,049)
Decrease in Cash in Period		(12,648)	(4,436)

The consolidated cash flow statement excludes Syndicate cashflows and cash held within Lloyd's premium trust funds on behalf of the Group's underwriting subsidiaries.

The notes on pages 37 to 54 form part of these financial statements.

(a) Basis of preparation

The Group has prepared its statements in accordance with Section 255 of, and Schedule 9A to, the Companies Act 1985 ("the Act"). This is as a result of a ruling by the Department of Trade and Industry which directed that Lloyd's Corporate Members such as the subsidiaries of the Company must prepare their financial statements under this Schedule rather than under Schedule 4.

The recommendations of the statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in November 1998 ("the ABI SORP") have been adopted.

(b) Recognition of Insurance Transactions

Preparing financial statements in accordance with Section 255 of, and Schedule 9A to, the Act has meant the Group recognises its proportion of all the transactions undertaken by the Lloyd's syndicates in which it participates ('the Syndicates').

For each such Syndicate, the Group's proportion of the underwriting transactions, investment return and operating expenses has been reflected within the Group's Technical Account, which comprises the underwriting profit and loss account. Similarly, its proportion of the Syndicate's assets and liabilities has been reflected in its balance sheet (under the column heading 'Syndicate'). Syndicate assets are held subject to the trust deeds for the benefit of the Group's insurance creditors.

The proportion referred to above is calculated by reference to the Group's participation as a percentage of the Syndicate's total capacity.

The Group has delegated sole management and control of its underwriting through each Syndicate to its Members' Agent, who deals with the Managing Agent of the Syndicate ('the Managing Agent'). The Managing Agents of the Syndicates are therefore responsible for determining the insurance transactions to be recognised by the Group. The only exception to this rule is the level of provision for outstanding claims on the open years of account of Syndicates. These provisions are determined by the Directors.

(c) Sources of Data

The information used to compile the Group Technical Account and the Syndicate column of the Consolidated Balance Sheet is based on returns prepared for this purpose by the Managing Agents of the Syndicates ('the Returns'). These Returns have been audited by the Syndicate auditors and are based on the audited Syndicate returns to Lloyd's and the audited annual reports to Syndicate members. This base data has been adjusted as necessary to reflect the differences in preparation between Syndicate annual reports and financial statements in accordance with Schedule 9A. The format of the Returns has been established by Lloyd's and Lloyd's has also been responsible for collating the data at a Syndicate level and analysing it into the Group's corporate members' results. The Returns cover the 12 months to 31st December 1998.

No Syndicate transactions in respect of the period from 1st January to 31st March 1999 have been included in these financial statements. No adjustment has been made to the returns to reflect the fact that the Group's accounting periods to 31st March were not coterminous with the returns.

1 Syndicate Transactions

(a) Basis of accounting for underwriting results

All classes of insurance business written are accounted for on a three year funded basis because it is the basis most similar to that followed by the Syndicates.The nature of the information Managing Agents can make available is insufficient for the Group to make reliable estimates of the necessary technical provisions on an annual basis of accounting. Under the three year funded basis followed by the Group, the excess of premiums written and attributable net investment return over claims and expenses paid in respect of contracts incepting in an accounting period ('the underwriting year') is carried forward as a technical provision until the end of the third year from the inception of the underwriting year. Profit is only recognised if a Syndicate has been able to effect a 'reinsurance to close'(see (e) below) in respect of that underwriting year.

If an underwriting year is expected to make a loss,the loss is recognised as soon as it is foreseen by increasing the technical provision to make it sufficient to meet present liabilities and anticipated future claims and expenses.

(b) Premiums

Premiums written comprise the total premiums receivable for the whole period of cover provided by the contracts incepting during the financial year, together with any adjustments arising in the year to such premiums receivable in respect of business written in previous years.

Premiums are shown gross of commission payable to intermediaries and exclude insurance premium tax.

Gross premiums written may include 'reinsurance to close'receivable. See (e) below for further details.

Premiums written by a Syndicate may also include the reinsurance of other Syndicates on which the Group participates. No adjustments have been made to gross premiums written or outward reinsurance premiums (or to gross and reinsurers' claims) to remove this intersyndicate reinsurance.

(c) Claims incurred

Claims incurred include the costs of claims handling expenses.Recoverable amounts arising out of subrogation or salvage are deducted from the cost of claims. Claims incurred comprise amounts paid or provided in respect of claims occurring during the year to 31st December together with the amount by which settlement or reassessment of claims from prior years differs from the provision at the beginning of the year. For further details of 'reinsurance to close'payable, which is included in claims incurred,see (e) below.

(d) Provision for claims

Provision is made for claims incurred but not paid in respect of events up to 31st December 1998.The provision includes the amounts required to ensure that no profit is recognised before the end of the third year under the three year funded basis of accounting.

The provision has been increased as appropriate by the Directors to the extent that deficits are anticipated on underwriting years at the 12 and 24 month stages or on underwriting years not closed at the 36 month stage at the balance sheet date.

In deciding whether any such additional provision is necessary, Syndicate participations for each year have been considered in aggregate as each year's Lloyd's underwriting is managed together.

Any additional provision is determined by Directors following discussions with the Group's Members'Agent.

(e) Reinsurance to close

A reinsurance to close is a particular type of reinsurance contract entered into by Lloyd's Syndicates. Under it, underwriting members (the reinsured members) who are members of a Syndicate for a year of account (the closed year),agree with underwriting members who comprise that or another Syndicate for a later year of account (the reinsuring members) that the reinsuring members will indemnify, discharge or procure the discharge of, the reinsured members against all known and unknown liabilities of the reinsured members arising out of insurance business undertaken through that Syndicate and allocated to the closed year in consideration of:

(a) a premium;and

(b) either (i) the assignment of, or agreement to assign, to the reinsuring members all the rights of the reinsured members arising out of, or in connection with,that insurance business (including without limitation the right to receive all future premiums,reinsurances and other monies receivable in connection with that insurance business);or

(ii) an agreement by the reinsured members that the reinsuring members shall collect on behalf of the reinsured members the proceeds of all such rights and retain them for their own benefit so far as they are not applied in discharge of the liabilities of the reinsured members.

Where the reinsurance to close is between members on successive years of account of the same Syndicate, the Managing Agent has a duty to ensure both sets of members are treated equitably and to set the reinsurance to close with the intention that neither a profit nor a loss accrues to either group of members.

To the extent that the Group participates on successive years of account of the same Syndicate and there is a reinsurance to close between those years,the Group has offset its share of the reinsurance to close received against its share of the reinsurance to close paid.

If the Group has increased its participation from one year of account to the next,the reinsurance to close paid is eliminated,as a result of this offset,leaving an element of the reinsurance to close received.This reflects the fact that the Group has assumed a greater proportion of the business of the Syndicate. If the Group has reduced its participation from one year of account to the next, the reinsurance to close received is eliminated, leaving an element of the reinsurance to close paid.This reflects the reduction in the Group's exposure to risks previously written by the Syndicate. The reinsurance to close is technically a reinsurance contract and, as such, the payment of a reinsurance to close does not remove from members of that year of account ultimate responsibility for claims payable on risks they have written. If the reinsuring members under the reinsurance to close become insolvent and the other elements of the Lloyd's chain of security also fail,the reinsured members remain theoretically liable for the settlement of any outstanding claims.

In the opinion of the Directors, the chances of the reinsurance security failing are remote and, since payment of a reinsurance to close is conventionally considered as terminating a reinsured member's participation on a syndicate year of account,it is treated for accounts purposes as settling the Group's gross liabilities arising out of the corresponding participation on the year of account closed.

(f) Investments

Investments are treated as sold and purchased at each 31st December in recognition of the annual venture nature of participation on a Syndicate. Their cost is therefore their market value at that date.

(g) Investment income

Investment income comprises interest receivable and dividends received plus realised gains on the disposal of investments. Realised gains and losses arise from the difference between proceeds and cost.The realised gains reported by Syndicates are net of any realised losses.

All investment income net of realised losses arising on Syndicate participations is recognised in the Group's technical account as an integral part of the Group's underwriting business.

(h) Investment expenses and charges

Investment expenses and charges comprise investment management expenses and losses on the realisation of investments. Realised losses arise from the difference between proceeds and cost.The realised losses reported by Syndicates are net of any realised gains.

(i) Net operating expenses

Operating expenses have been charged to the underwriting year for which they were incurred.These include the Group's share of Syndicate operating expenses,the remuneration payable to Managing Agents and the direct costs of membership of Lloyd's.

(j) Foreign currencies

Transactions in foreign currencies other than sterling,United States dollars and Canadian dollars are translated at the rate of exchange ruling at the date the transaction is processed.Unless otherwise stated,transactions in United States dollars and Canadian dollars and assets and liabilities in currencies other than sterling are translated at the rate of exchange ruling at 31st December. Exchange differences arising on translation are dealt with in the technical account.

(k) Syndicate participation rights

Where the Group has purchased the right to participate on Syndicates, the cost is capitalised and amortised in equal annual instalments over three years.Amortisation commences at the end of the third year from the start of the Group's first underwriting year on the Syndicate.

If at any time, the Directors become aware of a permanent diminution in the value of the Group's right to participate on a Syndicate, the asset will be written down accordingly. If a Syndicate participation right is sold then any related costs are offset against the disposal proceeds and any gain/loss is taken to the Consolidated Statement of Total Return,in the same accounting period.

(l) Taxation

The Group is taxed on its share of the underwriting results declared by Syndicates and for tax purposes these are deemed to accrue evenly over the calendar year in which they are declared.The Syndicate results included in these financial statements (excluding any additional provisions made by Directors) relate to the 1996 Account and have been 'declared' for tax purposes in the calendar year 1999.

The Inland Revenue determines the taxable results of individual Syndicates on the basis of computations submitted by the Managing Agent.At the date of approval of these financial statements, none of the Syndicate taxable results have been agreed. Any adjustments that may be necessary to the tax provisions established by the Group as a result of Inland Revenue agreement of individual Syndicate taxable results will be reflected in the financial statements of subsequent periods.

(m) Deferred taxation

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. One such timing difference is that between the time when underwriting results are reported for accounting purposes and when they are declared for tax purposes.

2 Other Accounting Policies

The other principal accounting policies, all of which have been applied consistently throughout the period, used in the preparation of these financial statements are set out below:

(a) Accounting convention

The financial statements have been prepared under the historical cost convention except where stated in (c) below and in accordance with applicable accounting standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies'.

(b) Basis of consolidation

The consolidated financial statements comprise the assets, liabilities and results of the Company and its subsidiary undertakings up to 31st March 1999.

(c) Investments held as fixed assets

The value of fixed asset investments is stated in the accounts on the following basis:

(i) Listed investments are stated at closing middle market price on recognised stock exchanges.

(ii) Unlisted investments and subsidiary undertakings are stated at cost or Directors' valuation.

(d) Investment income

Dividends and interest on listed investments (and any related tax credits) are taken into account by reference to the date the security becomes 'ex-dividend'.

Dividends and interest on investments in unlisted shares and securities (and any related tax credits) are taken into account when it is reasonably certain that they are receivable.

(e) Taxation

Advanced corporation tax ("ACT") payable on dividends paid or provided for in the year is written off, except when recoverability is considered to be reasonably certain and foreseeable. In considering recoverability, debit balances arising in respect of ACT on dividends payable or proposed at the balance sheet date are carried forward only to the extent that it is foreseen that they will be recovered against the tax liability of the current year or the subsequent year, having regard to projected dividend payments out of income for that subsequent year and the amount of any ACT likely to be paid, without being replaced by equivalent debit balances. Irrecoverable ACT is charged to the revenue account except to the extent that it arises because of the allocation of expenses to capital leading to a higher distribution.

Items of income/gain and expenditure/loss are recognised and assessable to corporation tax in the same period, after adjustment in accordance with tax legislation.

The tax effect of different items is allocated between capital and revenue on the same basis as the particular item to which it relates, using the Group's effective rate of tax for the period.

(f) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except as follows:

(i) expenses which are incidental to the acquisition or disposal of an investment are treated as part of the cost or proceeds of the investment.

(ii) expenses are charged to realised capital reserve where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. To this extent 65.5% of the investment management fees and 75% of the interest on borrowings are charged to capital.

(g) Foreign currencies

Transactions denominated in foreign currencies are recorded in the local currency at the actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in a capital reserve or in the revenue account depending on whether the gain or loss is of a capital or revenue nature respectively.

(h) Reserves

Capital reserve - Realised

The following are charged to this reserve:

- gains or losses on the realisation of investments
- realised exchange differences of a capital nature
- expenses, together with any related taxation effect, charged to this reserve in accordance with the above policies.

Capital reserve - Unrealised

The following are charged to this reserve:

- increases and decreases in the valuation of investments held at the year end
- unrealised exchange differences of a capital nature.

1 SEGMENTAL INFORMATION

YEAR ENDED 31ST MARCH 1999	Gross premiums written £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000
Direct Business					
Accident and health	3,050	(2,787)	(1,100)	734	(103)
Motor - third party liability	12,362	(8,975)	(2,922)	(818)	(353)
Motor - other classes	6,026	(7,886)	(1,746)	1,585	(2,021)
Marine, aviation and transport	9,163	(3,753)	(2,243)	(1,803)	1,364
Fire and other damage to property	9,077	(7,305)	(3,065)	3,657	2,364
Third party liability	14,459	(14,901)	(4,568)	393	(4,617)
Credit and suretyship	839	(1,011)	(183)	175	(180)
Legal expenses	150	(191)	(61)	6	(96)
Other	1,561	(1,104)	(391)	(84)	(18)
Total direct	56,687	(47,913)	(16,279)	3,845	(3,660)
Reinsurance Business					
Reinsurances acceptances	31,123	(26,057)	(6,950)	1,517	(367)
Reinsurance to close	51,475	(69,196)	-	16,940	(781)
Total reinsurance	82,598	(95,253)	(6,950)	18,457	(1,148)
Total	139,285	(143,166)	(23,229)	22,302	(4,808)

Included in gross claims incurred is total reinsurance to close payable of £57,704,000.

YEAR ENDED 31ST MARCH 1998	Gross premiums written £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000
Direct Business					
Accident and health	8,056	(4,787)	(2,650)	883	1,502
Motor - third party liability	6,455	(6,409)	(1,637)	(239)	(1,830)
Motor - other classes	8,744	(7,864)	(2,192)	261	1,051)
Marine, aviation and transport	10,185	(5,063)	(2,491)	(642)	1,989
Fire and other damage to property	23,810	(10,426)	(6,709)	(2,746)	3,929
Third party liability	21,333	(13,412)	(5,137)	(3,316)	(532)
Credit and suretyship	1,962	(1,114)	(473)	(166)	209
Legal expenses	328	(283)	(116)	(5)	(76)
Assistance	1	(1)	-	-	-
Other	(1,109)	3,562	228	47	2,728
Total direct	79,765	(45,797)	(21,177)	(5,923)	6,868
Reinsurance Business					
Reinsurances acceptances	26,685	(15,920)	(5,659)	(10,793)	(5,687)
Reinsurance to close	19,034	(25,004)	-	3,573	(2,397)
Total reinsurance	45,719	(40,924)	(5,659)	(7,220)	(8,084)
Total	125,484	(86,721)	(26,836)	(13,143)	(1,216)

Included in gross claims incurred is total reinsurance to close payable of £19,627,000.

1 SEGMENTAL INFORMATION *continued*

	1999 £'000	1998 £'000
Gross premiums in respect of direct business written in		
United Kingdom	55,536	75,350
Europe	311	1,584
Rest of World	840	2,831
	56,687	79,765

2 CLAIMS INCURRED, NET OF REINSURANCE

	1999 £'000	1998 £'000
Gross		
1994 Year of Account	(3,507)	2,120
1995 Year of Account	(184)	(49,512)
1996 Year of Account	5,745	64,904
1997 Year of Account	82,099	69,209
1998 Year of Account	59,013	-
	143,166	86,721
Reinsurance		
1994 Year of Account	774	(864)
1995 Year of Account	685	18,039
1996 Year of Account	(10,194)	(17,721)
1997 Year of Account	(27,193)	(12,336)
1998 Year of Account	(13,356)	-
	(49,284)	(12,882)
	93,882	73,839

3 NET OPERATING EXPENSES

	1999 £'000	1998 £'000
Acquisition costs	14,231	19,876
Administrative expenses	5,761	5,013
Loss/(profit)on exchange	775	(1,264)
Names'personal expenses on Lloyd's syndicates	3,157	3,431
	23,924	27,056

4 INVESTMENT RETURN FROM UNDERWRITING

	1999 £'000	1998 £'000
Investment income	5,982	5,300
Realised losses on investment	708	217
Investment expenses and charges	(108)	(89)
	6,582	5,428

5 INCOME

	1999 £'000	1998 £'000
Income from investments		
Franked investment income	11,127	12,438
Foreign income dividends	421	123
Overseas dividends	18	-
Interest income	818	458
	12,384	13,019
Other income		
Interest receivable	1,176	724
Other income	1,759	3,254
	2,935	3,978
Total income	15,319	16,997
Dividends	11,566	12,561
Fixed interest	818	458
Interest	1,176	724
Other	1,759	3,254
	15,319	16,997
Income from investments		
Listed UK	11,548	12,555
Listed Overseas	18	6
Fixed interest	818	458
	12,384	13,019

6 INVESTMENT MANAGEMENT FEE

	1999 Revenue £'000	1999 Capital £'000	1999 Total £'000	1998 Revenue £'000	1998 Capital £'000	1998 Total £'000
Investment management fee	612	1,161	1,773	402	762	1,164
Irrecoverable VAT thereon	107	204	311	70	134	204
	719	1,365	2,084	472	896	1,368

The Company's investment manager is Rea Brothers (Investment Management) Limited ("the Manager").Benfield & Rea Brothers Limited acted as the Company's Specialist Advisor during the year under review.With effect from 1st April 1999 Benfield & Rea Brothers Limited was replaced as Specialist Advisor by Benfield Advisory Limited.The management agreement may be terminated by either party giving one year's written notice (or such lesser amount as they may agree).The Manager may not terminate the appointment of the Specialist Advisor without the consent of the Company.

During the year ended 31st March 1999, the Manager received a periodic fee, payable quarterly in arrears, of 0.5% per annum on the value of the Company's quoted investments and uninvested cash and 1.5% on the value of the Company's unquoted investments, as at the relevant quarterly valuation date.The Manager also received a fee of £137,000 for company secretarial and accounting services.Details of this fee may be found in the Report of the Directors on page 24 and in note 7 below.

With effect from 1st April 1999 the Manager will receive a flat fee of £2,500,000 in respect of investment management,company secretarial and accounting services. Based on current assets the new fee arrangements are broadly in line with the payments which would have been made under the old percentage scale and represent a decrease on the fee which would have been payable following the acquisition of Wren and BRIT Insurance. 70% of the fees received by the Manager are paid to the Specialist Advisor.

7 OTHER EXPENSES

	1999 Revenue £'000	1999 Capital £'000	1999 Total £'000	1998 Revenue £'000	1998 Capital £'000	1998 Total £'000
Secretarial services	137	-	137	123	-	123
Directors'emoluments (see note 9)	72	-	72	48	-	48
Auditors'remuneration for audit services	47	-	47	62	-	62
Auditors'remuneration for other services	40	-	40	53	-	53
Lloyd's Advisor fees	439	-	439	441	100	541
Profit commission at 6%						
for 1995/1996 Year of Account	291	-	291	205	-	205
Other expenses	806	1,055	1,861	786	657	1,443
	1,832	1,055	2,887	1,718	757	2,475

Wren Underwriting Agencies has been appointed as the Group's Members'Agent for the 1997 and subsequent underwriting years of account. The fees payable to Wren Underwriting Agencies as advisor will be 0.225% of the allocated premium limit and a profit commission of 5% of underwriting returns is also payable. For the 1994 to 1996 underwriting years of account the fees were 0.4% of allocated premium limit and a profit commission of 6% of underwriting returns.

8 INTEREST PAYABLE AND SIMILAR CHARGES

	1999 Revenue £'000	1999 Capital £'000	1999 Total £'000	1998 Revenue £'000	1998 Capital £'000	1998 Total £'000
Bank loan and overdrafts repayable within five years	479	1,395	1,874	291	873	1,164

9 DIRECTORS' EMOLUMENTS

The aggregate emoluments of the Directors for the year to 31st March 1999 were £72,000 (1998:£48,000).The chairman and two (1998:two) other directors do not receive any emoluments in their capacity as Directors. No pension contributions were payable by the Company. All emoluments are for services as Directors.

10 TAXATION

	1999 Revenue £'000	1999 Capital £'000	1999 Total £'000	1998 Revenue £'000	1998 Capital £'000	1998 Total £'000
Corporation tax at 31% (1998:31%)	3,066	(445)	2,621	3,125	(378)	2,747
Tax attributable to franked investment income	2,165	-	2,165	2,486	-	2,486
Deferred taxation	(2,111)	-	(2,111)	(1,097)	-	(1,097)
Overseas taxation	-	-	-	849	-	849
	3,120	(445)	2,675	5,363	(378)	4,985

11 DIVIDENDS

	1999 £'000	1998 £'000
First interim dividend paid 21st December 1998 - 3.0p (1998:3.0p)	4,488	4,488
Second interim dividend payable 28th July 1999 - 3.5p (1998:0.0p)	5,237	-
Final dividend paid 1st September 1998 - 0.0p (1998:3.5p)	-	5,237
	9,725	9,725

12 RETURN PER ORDINARY SHARE

	1999 Revenue	1999 Capital	1999 Total	1998 Revenue	1998 Capital	1998 Total
Return per share - undiluted	7.3p	(16.1p)	(8.8p)	9.2p	25.6p	34.8p
Return per share - diluted	7.3p	(16.1p)	(8.8p)	9.2p	25.6p	34.8p

Undiluted revenue return on ordinary shares is based on net revenue on ordinary activities attributable to equity shareholders of £10,943,000 (1998:£13,365,000) and on 149,614,871 ordinary shares in issue throughout the year. The weighted average number of ordinary shares in issue for 1998 was 144,997,653.

Undiluted capital return on ordinary shares is based on the net capital loss for the financial period of £24,031,000 (1998:gains £37,092,000) and on 149,614,871 ordinary shares in issue throughout the year. The weighted average number of ordinary shares in issue for 1998 was 144,997,653.

The diluted return on ordinary shares is calculated on the above basis, but also includes the 799,999 shares that were issued under option on 10th June 1998.

13 REVENUE ATTRIBUTABLE TO SHAREHOLDERS

The revenue attributable to shareholders, dealt with in the accounts of the parent company, was £11,170,000 (1998:£10,146,000). As permitted under Section 230(2) of the Companies Act 1985, the revenue statement of the parent company is not presented as part of these financial statements.

14 (1) FIXED ASSET INVESTMENTS - CORPORATE

GROUP AND COMPANY	Listed £'000	Unlisted £'000	Total £'000
Opening book cost	181,731	18,109	199,840
Opening unrealised appreciation	32,958	(1,624)	31,334
Opening valuation	214,689	16,485	231,174
Movements in the year :			
Purchases at cost	71,054	32,161	103,215
Sales - proceeds	(75,537)	(10,032)	(85,569)
Sales - realised gains on sales	11,911	1,914	13,825
(Decrease)/Increase in unrealised appreciation	(36,536)	1,791	(34,745)
Closing valuation	185,581	42,319	227,900
Closing book cost	189,159	42,152	231,311
Closing unrealised (depreciation)/appreciation	(3,578)	167	(3,411)
	185,581	42,319	227,900

14 (1) FIXED ASSET INVESTMENTS - CORPORATE continued

	1999 £'000	1998 £'000
Listed UK	185,581	210,082
Listed overseas	-	4,607
Unlisted at Directors'valuation	42,319	16,485
	227,900	231,174

	1999 £'000	1998 £'000
Realised gains on sales	13,825	25,065
(Decrease)/increase in unrealised appreciation	(34,745)	14,175
(Losses)/gains on investments	(20,920)	39,240

14 (2) FIXED ASSET INVESTMENTS - SYNDICATE PARTICIPATIONS

	1999 £'000	1998 £'000
Shares and other variable yield securities	3,772	4,127
Debt securities and other fixed interest securities	63,614	64,792
Participation in investment pools	1,186	570
Loans guaranteed by mortgage	783	74
Other loans	1,573	-
Deposits with credit institutions	6,592	5,993
Other investments	235	1,072
	77,755	76,628

15 INTANGIBLE ASSETS

	1999 £'000	1998 £'000
Opening balance	1,801	1,036
Additions	-	765
Disposals	(514)	(2,910)
Realised gain on disposal	-	2,910
Closing balance	1,287	1,801

Intangible assets are the Group's participations in certain Lloyd's syndicates.

16 DEBTORS

	Group 1999 £'000	Group 1998 £'000	Company 1999 £'000	Company 1998 £'000
Due from subsidiary undertakings	-	-	3,001	3,355
Future settlements	-	3,607	-	3,607
Other debtors	1,155	530	25	530
Taxation recoverable	244	133	244	133
	1,399	4,270	3,270	7,625

17 PREPAYMENTS AND ACCRUED INCOME

	Group 1999 £'000	Group 1998 £'000	Company 1999 £'000	Company 1998 £'000
Accrued income	381	8,091	466	824
Prepaid expenses	2,042	481	-	-
	2,423	8,572	466	824

18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 1999 £'000	Group 1998 £'000	Company 1999 £'000	Company 1998 £'000
Bank loans and overdraft	23,462	17,041	23,462	17,041
Future settlements	-	2,816	-	2,816
Amounts due from group companies	-	-	10,862	5,281
Dividend	5,237	5,237	5,237	5,237
Other	-	509	-	509
	28,699	25,603	39,561	30,884

19 ACCRUALS AND DEFERRED INCOME

	Group 1999 £'000	Group 1998 £'000	Company 1999 £'000	Company 1998 £'000
Accrued expenses	7,168	5,206	1,286	781
Deferred income	2,408	-	301	301
	9,576	5,206	1,587	1,082

20 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 1999 £'000	Group 1998 £'000	Company 1999 £'000	Company 1998 £'000
Bank loan repayable within five years	11,538	-	11,538	-

21 PROVISION FOR DEFERRED TAXATION

	1998 £'000	Movement	1999 £'000
Deferred tax	873	(1,474)	(601)
Represented by:			
Declared underwriting profits	1,502	(52)	1,450
Provision for future underwriting losses	(1,134)	(1,423)	(2,557)
Other timing differences	505	1	506
	873	(1,474)	(601)

Included within movements is a £637,000 transfer from current taxation in respect of overseas taxation.

22 INVESTMENT IN SUBSIDIARY UNDERTAKINGS

The Company has three subsidiary companies one of which, HCG Holdings Limited, holds six active Lloyd's corporate member subsidiaries listed below. All of the group companies are registered and operate in England.

Company	Nature of business	Proportion of ordinary shares held by the company	Proportion of ordinary shares held by subsidiaries
BRIT Investment Company Limited	Non trading	100%	
Benfield & Rea Investment Holdings Limited	Holding Company	100%	
Benfield & Rea Underwriting Limited	Non trading		100%
HCG Holdings Limited	Holding Company	100%	
HCG Alpha Limited	Corporate Member		100%
HCG Bravo Limited	Corporate Member		100%
HCG Charlie Limited	Corporate Member		100%
HCG Delta Limited	Corporate Member		100%
HCG Echo Limited	Corporate Member		100%
HCG Foxtrot Limited	Corporate Member		100%
HCG Golf Limited	Dormant		100%

23 SIGNIFICANT INTERESTS

The Company has holdings in the following companies where the holding exceeds 10% of any class of equity share capital of the company concerned.

Name of undertaking	Country of incorporation and registration	Class of capital	Percentage of class held	Latest available accounts	Aggregate capital and reserves £'000	Profit after tax for the year £'000
Chaucer Holdings PLC	England	Ordinary	26.40%	31 Dec 98	60,378	2,374*
Chaucer Dedicated Limited	England	"D"Ordinary	23.35%	31 Dec 98	1,952	28
Advent Capital PLC	England	"C"shares	22.09%	31 Dec 95	3,343	47
BRIT Insurance Limited	England	Ordinary	29.99%	31 Dec 98	60,148	3,075
Cathedral Capital PLC	England	"A"shares	18.77%	31 Mar 98	5,053	30
CLM Insurance Fund PLC	England	Ordinary	16.14%	31 Dec 98	101,300	7,200
GoshawK Insurance PLC	England	Ordinary	12.87%	31 Dec 98	60,535	4,155
ISMG Group	England	"A"shares	20.00%	n/a	n/a	n/a
Insurance Broadcast Systems Inc	USA	Common	24.10%	n/a	n/a	n/a
Kiln PLC	England	Ordinary	19.84%	31 Dec 98	77,402	5,498
Peoples Choice Insurance Services Limited	England	Ordinary	22.10%	n/a	n/a	n/a
Prism Insurance Management Limited	England	Ordinary	50.00%	n/a	n/a	n/a
Syndicate Capital Trust Plc	England	Ordinary	21.72%	30 Jun 96	34,419	1,033
Torch Holdings PLC	England	Ordinary	26.58%	n/a	n/a	n/a
WFE Holdings Limited	USA	Ordinary	49.00%	n/a	n/a	n/a
Wren PLC	England	Ordinary	26.82%	31 Dec 98	57,243	4,780*

* Nine months to 31st December 1998

The Company does not exercise control over or influence the activities of the above companies and therefore these holdings have been accounted for in accordance with the normal accounting policies of the Company and its subsidiary companies.

24 SHARE CAPITAL

	Nominal 1999 '000	Company 1999 £'000	Nominal 1998 '000	Company 1998 £'000
Authorised:				
Ordinary shares of 25p each	218,000	54,500	218,000	54,500
Issued and allotted,called up and fully paid:				
Ordinary shares of 25p each	149,615	37,404	149,615	37,404

25 RESERVES

GROUP	Capital Reserve unrealised £'000	Capital Reserve realised £'000	Revenue Reserve £'000	Share Premium £'000
Balance at 1st April 1998	31,334	20,110	3,688	128,013
Revenue surplus	-	-	1,218	-
Decrease in unrealised appreciation	(34,745)	-	-	-
Net surplus on disposals of investments	-	13,825	-	-
Exchange difference	-	259	-	-
Costs charged to Capital	-	(3,815)	-	-
Tax effect of capital items	-	445	-	-
Balance at 31st March 1999	(3,411)	30,824	4,906	128,013

COMPANY	Capital Reserve unrealised £'000	Capital Reserve realised £'000	Revenue Reserve £'000	Share Premium £'000
Balance at 1st April 1998	31,334	19,891	982	128,013
Revenue surplus	-	-	1,445	-
Decrease in unrealised appreciation	(34,745)	-	-	-
Net surplus on disposals of investments	-	13,825	-	-
Exchange difference	-	259	-	-
Costs charged to capital	-	(3,815)	-	-
Tax effect of capital items	-	445	-	-
Balance at 31st March 1999	(3,411)	30,605	2,427	128,013

26 MOVEMENT IN SHAREHOLDERS' FUNDS

	Group 1999 £'000	Company 1998 £'000	Group 1999 £'000	Company 1998 £'000
Balance at 1st April 1998	220,549	174,882	217,624	175,176
Issue of shares	-	5,249	-	5,249
Expenses of issue	-	(230)	-	(230)
Dividends	(9,725)	(9,725)	(9,725)	(9,725)
Total recognised (losses)/gains for period	(13,088)	50,373	(12,861)	47,154
Balance at 31st March 1999	197,736	220,549	195,038	217,624

27 NET ASSET VALUE PER SHARE

	1999	1998
Net asset value per equity share	132.2p	147.4p

The net asset value per ordinary share is based on the equity shareholders' funds of £197,736,000 (1998: £220,549,000) and on 149,614,871 ordinary shares in issue at 31st March 1998 and 1999.

28 RECONCILIATION OF NET RETURN ON ORDINARY ACTIVITIES BEFORE FINANCING AND TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1999 £'000	1998 £'000
Net return on ordinary activities before financing and tax	14,542	19,019
Underwriting profit released from/(held in) premium trust funds	662	(620)
Movement in debtors	6,352	(1,507)
Movement in creditors	1,596	4,083
Net tax suffered on investment income	(3,120)	(2,298)
Expenses charged to non distributable reserves	(1,714)	(1,655)
	18,318	17,022

29 ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	As at 1st April 1998 £'000	Cashflow £'000	As at 31st March 1999 £'000
Cash in hand and at bank	10,029	5,311	15,340
Cash held within premium trust fund accounts:			
Underwriting subsidiaries	2,221	(174)	2,047
Syndicates	9,445	(257)	9,188
Bank loan due within one year (included in creditors)	(15,000)	11,538	(3,462)
Bank loan due after more than one year (included in creditors)	-	(11,538)	(11,538)
Bank overdrafts due within one year (included in creditors)	(2,041)	(17,959)	(20,000)
	4,654	(13,079)	(8,425)

30 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	1999 £'000	1998 £'000
Net portfolio investment:		
Purchase of investments	(106,031)	(140,408)
Disposal of investments	89,176	126,359
Net cash outflow from portfolio investment	(16,855)	(14,049)
Financing:		
Issue of ordinary share capital	-	5,250
Expenses of issue	-	(858)
Net cash inflow from financing	-	4,392

31 FIXED AND FLOATING CHARGES

(i) Lloyd's of London

The Company has entered into a deed of covenant with Lloyd's in respect of each of its six corporate member subsidiaries to guarantee their obligations at Lloyd's.In aggregate these guarantees (under deeds of covenant) total £63,333,500 and the obligations under these agreements are secured by a fixed and floating charge on the investments and other assets of the Company. Lloyd's has the right to retain the income on charged investments,although it is not expected to exercise this right unless it considers there to be a risk that one or more of the covenants might need to be called and,if called,might not be honoured in full.

As liability under each deed of covenant is limited to a fixed monetary amount,the enforcement by Lloyd's of any deed of covenant in the event of a default by a corporate member where the total value of the investments has fallen below the total of all amounts covenanted may result in the appropriation of a share of the Group's Funds at Lloyd's that is greater than the proportion which that subsidiary's overall premium limit bears to the overall premium limit of the Group.

(ii) BankBoston

The Company has entered into a facilities agreement with BankBoston in relation to a committed £15,000,000 Term Loan Facility. A Floating Charge has been granted over that portion of the investment portfolio that is not covered by the Lloyd's Fixed Charge (as set out above) as security for these facilities. Furthermore, the Company has entered into a Deed of Priority with both BankBoston and Lloyd's whereby this Floating Charge ranks in priority to Lloyd's Floating Charge.

32 CONTINGENT LIABILITY

(i) Lloyd's of London

If any one of the corporate member subsidiaries of the Group fails to meet any of its Lloyd's obligations,after having called on the Company under its guarantees,then:

(a) Lloyd's will be entitled to require the other subsidiaries to cease or reduce their underwriting;and/or

(b) having regard to the fact that the Central Fund or the New Central Fund may be applied to discharge the obligations of the defaulting corporate member subsidiar y, Lloyd's will be entitled to require each of the other corporate member subsidiaries to make contributions to the Central Fund up to the amount of their respective net profits held from time to time in Premium Trust Funds,sufficient to reimburse the Central Fund or the New Central Fund in full or any payment made on behalf of the defaulting member.

At the date of these financial statements the Company is not aware of any corporate member subsidiary failing to meet any of its Lloyd's obligations.

32 CONTINGENT LIABILITY *continued*

(ii) Taxation

As explained in the Accounting Policies Note on taxation,the taxable results of the company depend on the taxable results of the Syndicates on which it participates.

The Syndicate results for the 1994 year of account have still to be finally determined. One of the reasons for this delay is the Inland Revenue's contention that the reinsurance to close 1994 should be subject to a disallowance to reflect the net present value of the claims payable by that year of account.The validity of such an adjustment to "discount" the reinsurance to close is being strongly contested by the Managing Agents involved but,if the Inland Revenue is successful in asserting its contention for 1994 and subsequent years of account,the Directors consider that there will be a permanent acceleration in the tax payable by the Company.

To the extent that discounting disallowances are expected to become a constant recurring feature of the Company's tax computations, the Company will also suffer an increase to its overall tax charge as,under the provisions of SSAP 15, no deferred tax benefit can currently be recognised in such circumstances.

The total tax charge of £2,675,000 (1998: £4,985,000) has been calculated on the basis that the Inland Revenue will not be successful in its attempts to apply discounting to the reinsurances to close either the 1994 or 1995 years of account.

It is not currently practicable for the Directors of the Company to quantify the adjustment that would be necessary to the above tax charge, should the Inland Revenue succeed in its arguments with Managing Agents.

33 BRIT INSURANCE ACQUISITION AGREEMENT

On 31st July 1998 Benfield Greig Group plc, the Company and Lennoxhurst Limited (a company in which Benfield Greig Group plc owns the whole of the economic interest) entered into an agreement ("the Agreement") pursuant to which the Company agreed to acquire a 29.99% shareholding in BRIT Insurance Limited ("BRIT Insurance") for a cash consideration of £22.5m, which acquisition was completed on 16th December 1998.A further £2.5m was paid by the Company for an option to acquire from Lennoxhurst Limited the remaining 70.01% shareholding,the option being exercisable at any time prior to 16th December 2001 ("BRIT Insurance Option").

The consideration for the 70.01% would comprise:

- the allotment to Lennoxhurst of 30,479,798 new ordinary shares of 25 pence each in the Company;
- deferred consideration equal to one half of the aggregate of profit balances (net of losses) on technical account for general business of BRIT Insurance for the period of six years from the date of completion of the 70.01% (less corporation tax at the prevailing rate), less certain other deductions;and
- a retained profit payment equal to 70.01% of the retained profit of BRIT Insurance for the period from 16th December 1998 to the date of completion of the acquisition of the remaining 70.01%.

Subject to approval of The Financial Services Authority, immediately prior to completion of the acquisition of the 70.01% and pursuant to the articles of association of BRIT Insurance, BRIT Insurance would pay a dividend to Benfield Greig Group plc in respect of its 1998 profits of approximately £1.5m.

The Agreement contains certain warranties and indemnities in favour of the Company and certain business convenants.

The Agreement also contains certain options in respect of the 29.99% shareholding in BRIT Insurance which can be exercised by the Company and Benfield Greig Group plc respectively if the Company does not exercise its option to acquire the 70.01%.

On 16th December 1998, Lennoxhurst, the Company, Benfield Greig Group plc and BRIT Insurance entered into a shareholders agreement ("Shareholders Agreement") regulating the relationship between BRIT Insurance and its shareholders and setting out the rights,restrictions and obligations of BRIT Insurance and its shareholders.That agreement would terminate upon completion of the acquisition of the 70.01% in BRIT Insurance. Further particulars of the Agreement and Shareholders Agreement referred to above are contained in the Listing Particulars of the Company dated 29th June 1999.

By virtue of their directorships of and shareholdings in Benfield Greig Group plc disclosed in the paragraph headed Directors' Interests in the Report of the Directors, John Coldman and Neil Eckert are materially interested in the above agreements and took no part in the Directors' decision that the Company would enter into the above agreements nor its announcement on 17th June 1999 that the Company intends to exercise the option (subject to certain conditions).