

2202362

Report & Financial Statements 1999

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Officers and Professional Advisers

Directors

| | |
|-----------------|---------------------|
| D M Slade | (Chairman) |
| C N R Atkin | |
| A L Brooks | |
| P C Churchill | |
| J S Clouting | |
| P H Cowell | |
| D C Gilliam | (Non-executive) |
| R M Hart | (Non-executive) |
| T J Hess | (Managing Director) |
| R D Montgomerie | |
| V G Southey | (Non-executive) |
| R I Stansbury | (Non-executive) |
| C A Vaughan | |

Secretary

Mrs J S Clouting

Registered Office

Gracechurch House
55 Gracechurch Street
London EC3V 0JP

Auditors

Deloitte & Touche
Chartered Accountants
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

Bankers

HSBC
140 Leadenhall Street
London EC3V 4PS

The directors present their annual report and the audited financial statements for the year ended 31st December, 1999.

Principal Activity and Review of the Business

The company's principal activity is that of a Lloyd's Underwriting Agency which manages the affairs of Non-Marine Syndicates 376, 1207 and 1038, Marine Syndicate 1183 and the parallel corporate Syndicate 2376. On 1st October, 1999 the company changed its name from Venton Underwriting Agencies Ltd to Underwriters Re Agencies Ltd. On 31st March, 2000 the company changed its name from Underwriters Re Agencies Ltd to Alleghany Underwriting Ltd ("AUL"). The directors have reviewed the company's development during the year and consider it to be satisfactory.

Results and Dividend

An interim dividend of £3.60 per share amounting to £1,440,000 was paid on the 30th March 1999. The directors do not recommend the payment of a further dividend (1998: £ nil). The retained loss of £312,565 (1998: profit £1,855,078) has been transferred to reserves.

Future Prospects

The directors are confident of the future prospects of the company.

Directors

The directors holding office during the year, except as otherwise stated, were:

| | |
|-----------------|---------------------------------|
| C N R Atkin | |
| A L Brooks | |
| P C Churchill | |
| J S Clouting | |
| P H Cowell | |
| D C Gilliam | (Appointed 4th June, 1999) |
| R M Hart | |
| T J Hess | (Managing Director) |
| R T John | (Resigned 10th May, 2000) |
| R D Montgomerie | |
| S H Newman | (Resigned 10th May, 2000) |
| A Sharp | (Retired 30th September, 1999) |
| D M Slade | (Chairman) |
| R I Stansbury | (Appointed 16th July, 1999) |
| V G Southey | |
| C A Vaughan | (Appointed 3rd September, 1999) |
| J H Venton | (Resigned 31st March, 2000) |
| R J D Willmer | (Resigned 10th May, 2000) |
| P L Wroughton | (Resigned 12th April, 1999) |

No director had any direct interest in the share capital of the company at any time during the year. Directors' interests in the ultimate holding company, being at 31st December, 1999 Alleghany Corporation in the US, are not disclosed in accordance with SI 1985/802 - Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985.

P L Wroughton resigned on 12th April, 1999 and D M Slade took over as chairman on that date. T J Hess became an executive director with effect from 1st January, 1999.

Year 2000

The company achieved its objective of maintaining normal business operations without interruptions during the Year 2000 transition. Extensive testing and contingency plans were developed under the Lloyd's Year 2000 Certification Scheme. None were required to be actioned. Our business partners and suppliers maintained their operations without any visible critical risk.

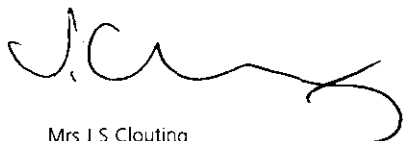
Political and Charitable Contributions

During the year the company made various charitable donations totalling £1,340 (1998: £17,924).

Auditors

Deloitte & Touche have expressed their willingness to continue in office as auditors to the company. The company has an elective resolution in place under S386 of the Companies House Act 1985 to dispense with the obligation to appoint auditors annually.

Approved by the Board of Directors and signed on behalf of the Board.



Mrs J S Clouting
Secretary

31st May, 2000

Statement of Directors Responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year 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; 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 keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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.

Auditor's Report to the Members of Alleghany Underwriting Ltd

We have audited the financial statements on pages 6 to 12 which have been prepared under the historical cost convention and following the accounting policies set out on page 8.

Respective Responsibilities of Directors and Auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

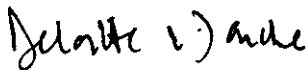
Basis of Opinion

We conducted our audit in accordance with United Kingdom 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 31st December, 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche

Chartered Accountants
and Registered Auditors

Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

2 June 2000

Profit and Loss Account

Year ended 31st December 1999

| | Note | 1999 £ | 1998 £ |
|---|------|-------------|-------------|
| Turnover | 1 | 4,877,698 | 4,957,769 |
| Operating expenses | | (3,462,600) | (2,288,266) |
| Operating profit and profit on ordinary activities before taxation | 2 | 1,415,098 | 2,669,503 |
| Tax on profit on ordinary activities | 5 | (287,663) | (814,425) |
| Profit for the financial year | | 1,127,435 | 1,855,078 |
| Dividends paid on equity shares | | (1,440,000) | - |
| (Loss)/profit retained for the financial year | | (312,565) | 1,855,078 |
| Profit and loss account brought forward | | 2,275,244 | 495,166 |
| Capitalisation of reserves | | - | (75,000) |
| Profit and loss account carried forward | | 1,962,679 | 2,275,244 |

All activities derive from continuing operations. There are no recognised gains or losses in either the current or preceding years other than the loss for the financial year. Accordingly, no statement of recognised gains and losses is given.

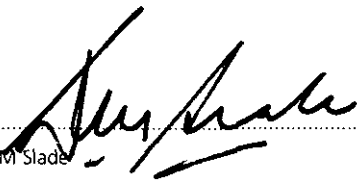
Balance Sheet

As at 31st December 1999

| | Note | 1999 £ | 1998 £ |
|---|------|-----------|-----------|
| Fixed assets | | | |
| Investment in subsidiary | 6 | - | - |
| Current assets | | | |
| Amounts owed by parent company | | - | 926,693 |
| Amounts owed by other group companies | | 2,682,601 | 2,564,927 |
| Other debtors | | 360,000 | 15,022 |
| Total current assets | | 3,042,601 | 3,506,642 |
| Creditors: amounts falling due within one year | 7 | (679,922) | (831,398) |
| Total assets less current liabilities | | 2,362,679 | 2,675,244 |
| Total net assets | | 2,362,679 | 2,675,244 |
| Capital and reserves | | | |
| Called up share capital | 8 | 400,000 | 400,000 |
| Profit and loss account | | 1,962,679 | 2,275,244 |
| Total equity shareholders' funds | 9 | 2,362,679 | 2,675,244 |

These financial statements were approved by the Board of Directors on 31st May, 2000.

Signed on behalf of the Board of Directors


 (Director)
 D M Slade

Year ended 31st December 1998

1 Accounting Policies

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

i Accounting convention

The financial statements are prepared under the historical cost convention.

ii Turnover

Turnover consists of net underwriting agency salaries and profit commission received on closed years of account from insurance underwriting activities at Lloyd's.

2 Profit on Ordinary Activities Before Taxation

| | 1999 £ | 1998 £ |
|---|-----------|-----------|
| Profit on ordinary activities before taxation is after charging: | | |
| Auditors' remuneration - audit fees | 7,567 | 7,000 |
| Reconstruction and Renewal levy (see note 4 and 10) | - | 718,473 |

3 Staff Costs (including directors)

All remuneration is paid by Alleghany Underwriting Services Ltd ("AUSL"). The amounts incurred in relation to services to the company are as follows:

| Total Alleghany (UK) Group Staff Cost | 1999 £ | 1998 £ |
|---|-----------|-----------|
| Salaries | 6,143,911 | 5,353,217 |
| Social security costs | 1,574,718 | 538,612 |
| Pension costs | 1,312,446 | 621,422 |
| | 9,031,075 | 6,513,251 |
| Less recovery from syndicates | 5,818,342 | 5,237,315 |
| Remuneration in relation to services to the company | 3,212,733 | 1,275,936 |

AUSL operates pension schemes for certain employees and directors. The schemes are of the "defined contribution" type and the assets of the scheme are held separately from those of the group in independently administered funds.

The average monthly number of persons (including executive directors) employed by the group during the year was 98 (1998: 97) of which 26 were allocating part of their time to the company.

3 Staff Costs (continued)

Directors:

The following aggregate emoluments were paid to directors of the company in respect of services as directors of the company.

| | 1999 £ | 1998 £ |
|--|-----------|-----------|
| Gross emoluments, excluding pension contributions and underwriting commissions | 1,726,855 | 1,406,909 |
| Employers' national insurance contributions | 345,920 | 185,242 |
| Company contributions to money purchase schemes | 185,913 | 178,025 |
| Share of underwriting commissions re 1996 & 1995 underwriting accounts closed at 31st December 1999 and 1998 | 1,152,891 | 480,823 |
| | 3,411,579 | 2,250,999 |
| Recharge to syndicates | 1,680,540 | 1,227,666 |
| Charged to this company | 1,731,039 | 1,023,333 |
| The gross emoluments of the highest paid director were: | | |
| Gross emoluments, including underwriting commissions | 421,896 | 348,447 |
| Company contributions to money purchase pension schemes | 36,763 | 35,788 |
| The number of directors who are members of the money purchase pension scheme is: | 8 | 7 |

4 Exceptional Item

Under the provisions of the Lloyd's Reconstruction and Renewal arrangements, the company was required to pay a levy totalling £2,113,155 during 1996 (see note 10). £Nil (1998: £718,473) was charged to the profit and loss account for the year ended 31st December, 1999.

5 Tax on Profit on Ordinary Activities

| | 1999 £ | 1998 £ |
|--|-----------|-----------|
| United Kingdom corporation tax at 30.25% (1998 31%) based on the profit for the year | 290,834 | 815,252 |
| (Over) provision in a prior year | (3,171) | (827) |
| | 287,663 | 814,425 |

The effective tax rate is low due to group relief which has not been paid for.

6 Investment in Subsidiary

The company owns one of ten 1pence ordinary shares in Yachtsure Ltd, a non profit making service company, incorporated in the UK. The rights attaching to the share are such that Yachtsure Ltd is controlled by the company.

7 Creditors: amounts falling due within one year

| | 1999 £ | 1998 £ |
|---------------------------------------|-----------|-----------|
| Amounts owed to other group companies | 518,886 | 15,022 |
| Corporation tax | 161,036 | 815,252 |
| Accruals and deferred income | - | 1,124 |
| | 679,922 | 831,398 |

8 Called up Share Capital

| | 1999 £ | 1998 £ |
|--|-----------|-----------|
| Authorised ordinary shares of £1 each | 400,000 | 400,000 |
| Allotted and fully paid ordinary shares of £1 each | 400,000 | 400,000 |

9 Reconciliation in Movement of Shareholders' Funds

| | 1999 £ | 1998 £ |
|--------------------------------------|-----------|-----------|
| Opening shareholders' funds | 2,675,244 | 820,166 |
| (Loss)/profit for the financial year | (312,565) | 1,855,078 |
| Closing shareholders' funds | 2,362,679 | 2,675,244 |

10 Deferred Expenditure

The terms of Lloyd's Reconstruction and Renewal required that a levy, calculated by reference to the capacity of the managed syndicates over the three years 1993 to 1995, be paid by the company. The total amount paid was £2,113,155 which was amortised, on the basis of actual and forecast profit commissions deriving from the three underwriting years, as follows:

| | £ |
|---------------------------------|-----------|
| Year ended - 31st December 1996 | 579,004 |
| - 31st December 1997 | 815,678 |
| - 31st December 1998 | 718,473 |
| Total levy paid | 2,113,155 |

11 Deferred Income

The payment of the Reconstruction and Renewal levy was satisfied by profit commissions receivable in respect of the three underwriting years 1993 to 1995. The total paid included amounts advanced direct from the managed syndicates' premiums trust funds in accordance with the Reconstruction and Renewal Triple Release arrangements. The early releases used to fund the levy are as follows. The last year of release was 1998.

| Underwriting Year of Account | Release £ |
|------------------------------|--------------|
| 1994 (syndicate 376) | 1,005,494 |
| 1995 (syndicate 1183) | 114,242 |
| | 1,119,736 |

12 Ultimate Parent Company

The ultimate UK registered parent company which produces consolidated accounts is Alleghany Underwriting Holdings Ltd ("AUHL") (formerly Underwriters Re Ltd, formerly New Street Holdings Ltd), the accounts of which are available from Companies House, Crown Way, Maindy, CF4 3UZ. The ultimate parent undertaking and controlling party is Alleghany Corporation, a company listed on the New York stock exchange. Copies of the financial statements of the Alleghany Corporation are available from the Secretary of Alleghany Corporation, 375 Park Avenue, New York, New York 10152, USA.

13 Related Parties

The company manages syndicates 376, 1183, 1038, 2376 and 1207 at Lloyd's.

The amounts received from each of the syndicates included in turnover are as follows:

| | 1999 £ | Agent Salaries 1998 £ | 1999 £ | Profit Commission 1998 £ |
|----------------|-----------|-----------------------------|-----------|--------------------------------|
| Syndicate 376 | 975,820 | 414,905 | 1,351,465 | 1,767,139 |
| Syndicate 1183 | 360,675 | 249,747 | 1,372,097 | 1,530,114 |
| Syndicate 1038 | - | - | - | (8,459) |
| Syndicate 2376 | - | 603,517 | 305,345 | - |
| Syndicate 1207 | 520,000 | 325,000 | - | - |
| | 1,856,495 | 1,593,169 | 3,028,907 | 3,288,794 |

AUSL is a fellow subsidiary of the company which provides administration services to the companies and syndicates in the Alleghany Underwriting group. The company was charged a management fee of £3,215,642 (1998: £1,327,472) to recover these costs. As at the balance sheet date the company was owed £2,640,392 (1998: 2,526,870) from Alleghany Underwriting Risk Services Ltd.

13 Related Parties (continued)

The company's turnover includes amounts received from directors and key managers and their close family in respect of their underwriting participations on the managed syndicate as follows:

| | 1999 | 1998 |
|-------------------|--------|--------|
| | £ | £ |
| Agent salaries | - | 1,462 |
| Profit commission | 25,440 | 24,438 |

Of the above amounts only one included therein is deemed to be of material value, thus:

| | | |
|------------------------------|--------|---------------|
| J H Venton profit commission | £9,061 | (1998 £9,883) |
|------------------------------|--------|---------------|