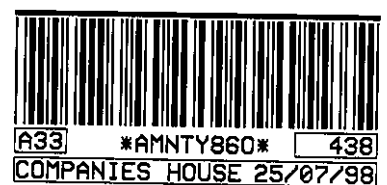


Company Registration No 2202362

VENTON UNDERWRITING AGENCIES LIMITED

Report and Financial Statements
31st December 1997



Report & Financial Statements 1997

Contents

Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	4
Auditors' report	5
Profit and loss account	6
Balance sheet	7
Notes to the accounts	8



Officers and Professional Advisers

Directors

P L Wroughton	(Non-executive Chairman)
D M Slade	(Managing Director)
C N R Atkin	
A L Brooks	
P C Churchill	
J S Clouting	
P H Cowell	
J W Greenberg	(Non-executive)
W F Hotchkiss	(Non-executive)
R D Montgomerie	
B O'Hara	(Non-executive)
A Sharp	
V G Southey	(Non-executive)
J H Venton	

Secretary

Mrs J S Clouting

Registered Office

Gracechurch House
55 Gracechurch Street
London EC3V 0JP

Auditors

Price Waterhouse
Southwark Towers
32 London Bridge Street
London SE1 9SY

Bankers

Midland Bank Plc
140 Leadenhall Street
London EC3V 4PS

The directors present their annual report and the audited financial statements for the year ended 31st December, 1997.

Principal Activity and Review of the Business

The principal activity of Venton Underwriting Agencies Ltd ("the company") 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. The directors have reviewed the company's development during the year and consider it to be satisfactory.

Results and Dividend

The directors do not recommend the payment of a dividend (1996: £ nil). The retained profit of £163,272 (1996: £146,170) 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:

D M Slade	(Managing Director)
C N R Atkin	
A L Brooks	
P C Churchill	
J S Clouting	
P H Cowell	
J W Greenberg	(Appointed 12.6.97)
W F Hotchkiss	
R D Montgomerie	
B O'Hara	(Appointed 10.12.97)
A Sharp	
V G Southey	
J H Venton	
P L Wroughton	

No director had any direct interest in the share capital of the company at any time during the year. Details of directors interests in the ultimate holding company are disclosed in note 15.

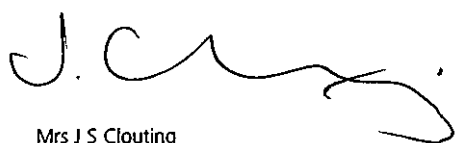
Political and Charitable Contributions

During the year the company made a political donation of £Nil (1996: £50) and various charitable donations totalling £7,212 (1996: £2,085).

Auditors

A resolution for the reappointment of Price Waterhouse as auditors of the company will be proposed at the Annual General Meeting of the UK parent company in accordance with the Companies Act 1985.

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



Mrs J S Clouting
Secretary

22nd May, 1998

Statement of Directors Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



Mrs J S Clouting
Secretary

22nd May, 1998

Auditor's Report to the Members of Venton Underwriting Agencies Limited

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. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st December, 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PRICE WATERHOUSE

Chartered Accountants
and Registered Auditors

22nd May, 1998

Profit and Loss Account

Year ended 31st December 1997

	Note	1997 £	1996 £
Turnover	1	3,809,714	2,946,254
Operating expenses	4	(3,555,748)	(2,741,692)
Operating profit and profit on ordinary activities before taxation	2	253,966	204,562
Tax on profit on ordinary activities	5	(90,694)	(58,392)
Profit for the financial year		163,272	146,170
Profit and loss account brought forward		331,894	260,724
Capitalisation of reserves	9	-	(75,000)
Profit and loss account carried forward		495,166	331,894

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

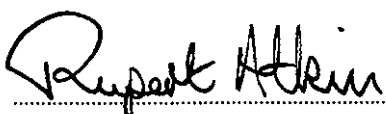
Balance Sheet

As at 31st December 1997

	Note	1997 £	1996 £
Fixed assets			
Investment in subsidiary	6	-	-
Current assets			
Amounts owed by parent company		926,693	926,693
Amounts owed by other group companies		38,057	69,075
Other debtors		10,370	-
Deferred expenditure	11	718,473	1,534,151
		1,693,593	2,529,919
Creditors: amounts falling due within one year	7	(873,427)	(1,758,783)
Total assets less current liabilities		820,166	771,136
Creditors: amounts falling due after one year	8	-	(114,242)
Total net assets		820,166	656,894
Capital and reserves			
Called up share capital	9	325,000	325,000
Profit and loss account		495,166	331,894
Total equity shareholders' funds	10	820,166	656,894

These financial statements were approved by the Board of Directors on 22nd May, 1998.

Signed on behalf of the Board of Directors

 (Director)
C N R Atkin

Year ended 31st December 1997

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. Profit commissions advanced in respect of open years in accordance with Reconstruction and Renewal Triple Release arrangements are not recognised until the relevant years of account have been closed.

2 Profit on Ordinary Activities Before Taxation

	1997 £	1996 £
Profit on ordinary activities before taxation is after charging:		
Auditors' remuneration - audit fees	11,201	5,000
Reconstruction and Renewal levy (see note 4)	815,678	579,004

3 Staff Costs (including directors)

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

	1997 £	1996 £
Salaries	5,531,985	3,939,078
Social security costs	436,057	296,878
Pension costs	511,837	324,753
	6,479,879	4,560,709
Less recovery from syndicates	4,266,414	2,864,905
	2,213,465	1,695,804

VSL 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.

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.

	1997 £	1996 £
Gross emoluments, excluding pension contributions and underwriting commissions	1,463,575	1,126,973
Employers' national insurance contributions	153,638	110,690
Company contributions to money purchase schemes	186,716	147,005
Share of underwriting commissions re 1994 & 1993 underwriting accounts closed at 31st December 1997 and 1996	1,198,390	1,062,408
	3,002,319	2,447,076
Recharge to syndicates	1,316,520	1,178,711
Charged to this company	1,685,799	1,268,365
The gross emoluments of the highest paid director were:		
Gross emoluments, including underwriting commissions	713,281	951,377
Company contributions to money purchase pension schemes	42,570	36,333
The number of directors who are members of the money purchase pension scheme is:	8	8

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 (see note 11). £815,678 (1996: £579,004) was charged to the profit and loss account for the year ended 31st December, 1997.

5 Tax on Profit on Ordinary Activities

	1997 £	1996 £
United Kingdom corporation tax at 31.5% (1996 33%) based on the profit for the year	88,794	74,126
Under/(over) provision in a prior year	1,900	(15,734)
	90,694	58,392

6 Investment in Subsidiary

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

7 Creditors: amounts falling due within one year

	1997 £	1996 £
Amounts owed to other group companies	669,587	678,613
Corporation tax	88,794	74,126
Accruals and deferred income	115,046	1,006,044
	873,427	1,758,783

8 Creditors: amounts falling due after one year

	1997 £	1996 £
Deferred income (see note 12)	-	114,242

9 Called up Share Capital

	1997 £	1996 £
Authorised ordinary shares of £1 each	325,000	325,000
Allotted and fully paid ordinary shares of £1 each	325,000	325,000

During the year to 31st December, 1996 the authorised share capital was increased by the creation of 75,000 ordinary shares of £1 each with an aggregate nominal value of £75,000 were issued by way of capitalisation of reserves.

10 Reconciliation in Movement of Shareholders' Funds

	1997 £	1996 £
Opening shareholders' funds	656,894	510,724
Profit for the financial year	163,272	146,170
Closing shareholders' funds	820,166	656,894

11 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 payable was £2,113,155 which is to be 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

12 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 payable includes 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:

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

13 Ultimate Parent Company

The ultimate parent company is Venton Holdings Limited, ("VHL"), a company registered in Bermuda. The ultimate UK registered parent company is New Street Holdings Limited, ("NSH"), the accounts of which are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ. NSH falls within the Companies Act definition of a medium sized company; accordingly consolidated accounts have not been prepared for the UK group.

14 Cash Flow Statement

The company complies within the Companies Act definition of small, consequently no cash flow statement has been prepared.

15 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:

	1997 £	Agent Salaries 1996 £	1997 £	Profit Commission 1996 £
Syndicate 376	440,542	489,396	2,652,813	1,918,387
Syndicate 1183	227,385	239,955	-	-
Syndicate 1038	-	-	50,888	-
Syndicate 2376	258,734	129,441	-	-
Syndicate 1207	200,000	100,000	-	-
	1,126,661	958,792	2,703,701	1,918,387

The company owns an interest in Yachtsure Ltd, a service company to a consortium of syndicates at Lloyd's. As at the balance sheet date £38,057 (1996: £69,075) was receivable by the company to defray some of the costs incurred in running the business during the year.

VSL is a fellow subsidiary of the company which provides administration services to the companies and syndicates in the Venton group. The company was charged a management fee of £2,541,346 (1996: £2,010,004) to recover these costs. As at the balance sheet date the company owed £669,587 (1996: £678,613) to VSL.

As at the balance sheet date the company was owed £926,693 (1996: £926,693) from NSH.

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:

	1997 £	1996 £
Agent salaries	6,775	6,540
Profit commission	19,164	29,472

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

J H Venton profit commission	£11,892 (1996 £19,676)
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The directors' interests in VHL as at 31st December 1997 and 31st December 1996 were:

	1997 \$1 ordinary shares	1997 Option to purchase \$1 ordinary shares	1996 \$1 ordinary shares	1996 Option to purchase \$1 ordinary shares
C N R Atkin	507	320	782	-
A L Brooks	45	125	45	-
P C Churchill	50	50	45	-
J S Clouting	60	80	45	-
E M Cowell (wife of P H Cowell)	35	-	-	-
P H Cowell	-	100	-	-
R D Montgomerie	450	100	435	-
D M Slade	390	125	390	-
J H Venton	4,301	-	4,691	-