

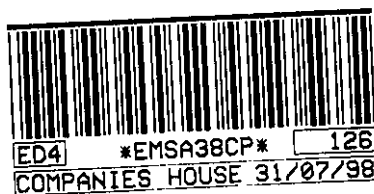
2973486

Wellington
(One) Limited



Annual report and accounts

1997



2973436

Contents

Page

1	Contents
2	Directors and officers of the Company
3	Report of the Directors
4	Profit and loss account: technical account - general business
5	Profit and loss account: non technical account
6	Balance sheet
7	Notes to the accounts
14	Statement of Directors' responsibilities
14	Report of the Auditors

Directors and officers of the Company

Directors	Appointed	Resigned
J.R. Avery		
T.G.S. Busher	27.02.97	
J.M. Cusack	27.02.97	
A. Fulkerson		
J.A. Haynes		
J. Thomson		
P. van der Mersch		

Secretary	Appointed	Resigned
Noble Group Limited		28.02.97
T.G.S. Busher	28.02.97	

Auditors
KPMG Audit Plc

Registered office
2 Minster Court
Mincing Lane
London
EC3R 7FB

Registered number
2973436

Report of the Directors

The Directors present their report together with the accounts for the year ended 31st December 1997.

Activity and review of developments

The Company acts as a corporate member at Lloyd's and is a wholly owned subsidiary of Wellington Underwriting plc.

Results and dividends

The profit for the year, after taxation, amounted to £351,481 (1996, loss £249,010).

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

Directors

The present Directors of the Company are named on page 2. All Directors held office throughout the year except where otherwise noted.

Directors' interests in shares are covered in note 15 to the accounts.

Auditors

A resolution is to be proposed at the annual general meeting for the re-appointment of KPMG Audit Plc as auditors of the Company.

By order of the Board



T.G.S. Busher
Secretary

11th May 1998

Profit and loss account: technical account - general business

For the year ended 31st December	Notes	1997 £	1996 £
Earned premiums, net of reinsurance			
Gross premiums written	2	9,520,976	6,144,255
Outward reinsurance premiums		(1,399,413)	(1,801,668)
		<u>8,121,563</u>	<u>4,342,587</u>
Investment income	3	249,229	126,607
		<u>8,370,792</u>	<u>4,469,194</u>
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(3,494,076)	(2,346,266)
Reinsurers' share		696,020	823,035
		<u>(2,798,056)</u>	<u>(1,523,231)</u>
Change in provision for claims			
Gross amount		(4,306,605)	(2,578,441)
Reinsurers' share		692,571	607,977
		<u>(3,614,034)</u>	<u>(1,970,464)</u>
		<u>1,958,702</u>	<u>975,499</u>
Operating expenses	4	(1,739,543)	(1,324,205)
Investment expenses and charges		(2,034)	(836)
Other technical charges		(15,181)	(221,413)
Balance on technical account - general business		<u>201,944</u>	<u>(570,955)</u>

The notes on pages 7 to 13 form part of these accounts.

Profit and loss account: non technical account

For the year ended 31st December	Notes	1997 £	1996 £
Balance on technical account - general business		201,944	(570,955)
Investment income	3	346,793	224,674
Unrealised gains on investments		20,078	6,525
Unrealised losses on investments		(4,108)	(12,288)
Other charges	5	(21,037)	(10,855)
Profit/(loss) on ordinary activities before taxation		543,670	(362,899)
Tax on profit/(loss) on ordinary activities	6	(192,189)	113,889
Profit/(loss) on ordinary activities after taxation		351,481	(249,010)
Dividends	7	-	(195,000)
Retained profit/(deficit) for the period		351,481	(444,010)

All gains and losses are derived from continuing activities. No statement of total recognised gains and losses has been presented as all recognised gains and losses are accounted for by the above profit and loss account.

The notes on pages 7 to 13 form part of these accounts.

Balance Sheet

At 31st December

Notes	1997			1996		
	Syndicate Participations £	Corporate £	Total £	Syndicate Participations £	Corporate £	Total £
ASSETS						
Investments						
Other financial investments	8 3,488,287	4,001,758	7,490,045	2,899,485	3,794,217	6,693,702
Reinsurers' share of technical provisions						
Claims outstanding	1,928,031	-	1,928,031	1,876,598	-	1,876,598
Debtors						
Debtors arising out of direct insurance operations	1,046,758	-	1,046,758	1,222,963	-	1,222,963
Debtors arising out of reinsurance operations	4,266,846	-	4,266,846	1,140,765	-	1,140,765
Other debtors	9 149,674	152,090	301,764	166,524	261,360	427,884
	5,463,278	152,090	5,615,368	2,530,252	261,360	2,791,612
Other assets						
Cash at bank and in hand	1,021,547	-	1,021,547	296,551	-	296,551
Prepayments and accrued income	16,585	7,553	24,138	20,732	10,000	30,732
Total assets	11,917,728	4,161,401	16,079,129	7,623,618	4,065,577	11,689,195
LIABILITIES						
Capital and reserves						
Called up share capital	10 -	320,000	320,000	-	320,000	320,000
Share premium account	11 -	2,880,000	2,880,000	-	2,880,000	2,880,000
Profit and loss account	11 -	57,076	57,076	-	(294,405)	(294,405)
Shareholders' funds attributable to equity interests	12 -	3,257,076	3,257,076	-	2,905,595	2,905,595
Technical provisions						
Claims outstanding	11,399,373	-	11,399,373	7,448,614	-	7,448,614
Creditors						
Creditors arising out of direct insurance operations	185,217	-	185,217	9,357	-	9,357
Creditors arising out of reinsurance operations	156,336	-	156,336	2,906	-	2,906
Other creditors including taxation and social security	14 156,085	904,325	1,060,410	162,741	1,156,662	1,319,403
	497,638	904,325	1,401,963	175,004	1,156,662	1,331,666
Accruals and deferred income	20,717	-	20,717	-	3,320	3,320
Total liabilities	11,917,728	4,161,401	16,079,129	7,623,618	4,065,577	11,689,195

The financial statements were approved by the Directors on 11th May 1998.

J.A. HAYNES

Director

J.R. AVERY

Director

The notes on pages 7 to 13 form part of these accounts

Notes to the accounts

1. Accounting policies

Accounting policies which are considered material to the Company's business are set out below:

(a) Basis of accounting and consolidation

The accounts have been prepared under the historical cost convention, as modified by the revaluation of investments, in compliance with Sections 255 and 255A, Schedule 9A, other requirements of the Companies Act 1985 as amended by the Companies Act 1985 (Insurance Companies) Regulations 1993 and applicable accounting standards.

The Company underwrites as a corporate member of Lloyd's on syndicates managed by Wellington Underwriting Agencies Limited. The attributable share of transactions of the syndicates has been included in the accounts. The transactions are undertaken within premium trust funds applicable to the syndicates and profits arising from underwriting may only be released in accordance with Lloyd's syndicate accounting rules, usually two years after the end of an underwriting year of account, after satisfying Lloyd's solvency requirements for all years of account open at the time of the release.

The Company has taken advantage of the exemption under FRS 1 (Revised) allowing 90% subsidiaries not to prepare a cash flow statement.

(b) Premiums

Gross premiums written represent premiums on business incepting during the year together with adjustments to premiums written in previous accounting periods and estimates for 'pipeline' premiums. Gross written premiums are stated before deduction of commissions but exclusive of taxes, duties levied on premiums and other deductions.

Outward reinsurance premiums are accounted for in the same accounting period as the related direct insurance or inwards reinsurance business except in relation to excess of loss contracts, where the initial premium is charged when paid.

(c) Investments

Other financial investments are stated at their current value at the balance sheet date. Listed investments are stated at mid-market value at the close of business on the balance sheet date or the last Stock Exchange dealing day before the balance sheet date. The cost of investments is deemed to be the aggregate of the value at the previous balance sheet date and the cost of investments purchased during the calendar year.

(d) Investment income, expenses and charges

Investment income is accounted for on a receivable basis, including, where appropriate, the imputed tax credit. Dividends are recognised on the date on which the stock goes ex-dividend. Investment income is accrued up to the balance sheet date.

Syndicate investments and cash are held on a pooled basis, the return from which is allocated to underwriting years proportionately to the funds contributed by the year. Investment income and all investment gains and losses relating to syndicate investments and cash are dealt with through the technical account. Other investment income and other realised and unrealised gains and losses are dealt with through the non-technical account.

(e) Technical provisions

The underwriting accounts for all classes of business have been prepared on a three year basis. In accordance with Lloyd's normal practice, the excess of premiums written and syndicate investment income over the claims and syndicate expenses paid in respect of business incepting in an underwriting year is carried forward for two years in a fund and no profit is recognised until the end of the third year following the start of each underwriting year. The fund is included as part of outstanding claims. At the end of the third year and thereafter, provision is made for the estimated cost of claims notified but not settled at the balance sheet date together with the estimated costs of claims incurred but not reported at that date and claims handling costs.

Notes to the accounts

1. Accounting policies - continued

(e) Technical provisions - continued

Where appropriate a provision for losses is made in respect of the open underwriting years of each syndicate. While the Directors make every effort to ensure that adequate provision is made for losses on open years of account, their view of the ultimate loss may vary in later periods as a result of subsequent information and events. This in turn may require adjustment of the original provisions. Such adjustments are reflected and disclosed in the financial statements for the period in which the related adjustments are made.

(f) Exchange rates

Syndicate assets, liabilities, income and expenditure expressed in U.S. dollars and Canadian dollars are translated at rates of exchange ruling at the balance sheet date. Underwriting transactions in other foreign currencies are included in the accounts at historical rates. All differences on the translation of foreign currency amounts in the syndicates are dealt with in the technical account; other differences are dealt with in the non-technical account.

(g) Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which the anticipated timing difference will reverse. Advance corporation tax which is expected to be recoverable in the future is deducted from net deferred tax liabilities. Deferred tax assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

2. Segmental analysis

The following business has all been underwritten in the United Kingdom in the Lloyd's insurance market, which has been treated as one geographical segment for the purposes of Statement of Standard Accounting Practice No. 25: Segmental reporting.

Segmental information in the format required by the Companies Act 1985 is as follows:

1997	Gross premiums £	Gross claims incurred £	Gross operating expenses £	Reinsurance balance £
Marine, aviation and transport	237,744	(159,769)	(49,541)	(33,797)
Fire and other damage to property	497,069	(359,105)	40,259	(33,862)
Third party liability	271,467	(278,786)	(30,225)	4,095
Reinsurance acceptances	4,330,285	(3,537,577)	(435,310)	303,263
Motor (third party)	1,166,783	(977,632)	(366,117)	(68,471)
Motor (other classes)	2,842,963	(2,357,385)	(789,525)	(171,238)
Other	174,665	(130,427)	(109,084)	(10,812)
Total	9,520,976	(7,800,681)	(1,739,543)	(10,822)

Notes to the accounts

2. Segmental analysis - continued

1996	Gross premiums £	Gross claims incurred £	Gross operating expenses £	Reinsurance balance £
Marine, aviation and transport	270,122	(191,636)	(58,216)	(35,791)
Fire and other damage to property	435,367	(302,718)	(93,829)	(56,537)
Third party liability	290,435	(206,554)	(62,594)	(38,577)
Reinsurance acceptances	2,671,064	(2,350,219)	(575,665)	110,167
Motor (third party)	858,772	(650,226)	(185,082)	(121,438)
Motor (other classes)	1,484,714	(1,126,408)	(319,987)	(210,375)
Other	133,781	(96,946)	(28,832)	(18,105)
Total	6,144,255	(4,924,707)	(1,324,205)	(370,656)

3. Investment income

	1997			1996		
	Syndicate Participations £	Corporate £	Total £	Syndicate Participations £	Corporate £	Total £
Income from listed investments	234,361	282,587	516,948	121,195	283,681	404,876
Bank and deposit interest	-	49,196	49,196	-	15,256	15,256
Gains/(losses) on realisation of investments	14,868	15,010	29,878	5,412	(74,263)	(68,851)
	249,229	346,793	596,022	126,607	224,674	351,281
Attributed to technical account	249,229	-	249,229	126,607	-	126,607
Attributed to non technical account	-	346,793	346,793	-	224,674	224,674
	249,229	346,793	596,022	126,607	224,674	351,281

4. Operating expenses

	1997 £	1996 £
Brokerage and other business acquisition costs	966,802	344,882
Administration expenses	772,741	979,323
	1,739,543	1,324,205

Notes to the accounts

5. Other charges

	1997 £	1996 £
Other charges are stated after charging:		
Auditors' remuneration - audit work	3,150	500
- non audit work	1,350	1,450

The Company had no employees during 1996 and 1997.

No Directors emoluments were charged to the Company in the year.

6. Taxation on profit on ordinary activities

	1997 £	1996 £
U.K. corporation tax at 31.5% (1996: 33%)	107,644	142,000
Under provision in previous year	280	30,124
Deferred taxation:		
- effect of change in tax rate	15,288	-
- charge/(credit) for the year	68,977	(286,013)
	192,189	(113,889)

7. Dividends

	1997 £	1996 £
Interim dividend of £ nil (1996 £0.61) per ordinary share	-	195,000
	-	195,000

8. Other financial investments

(i) Corporate

	1997		1996	
	Market value £	Cost £	Market value £	Cost £
Debt securities and other fixed income securities	1,837,534	1,823,782	3,389,206	3,395,689
Deposits with credit institutions	2,164,224	2,164,224	405,011	405,011
Total	4,001,758	3,988,006	3,794,217	3,800,700

The corporate investments are the Company's funds at Lloyd's which are required to support underwriting. All corporate investments are subject to fixed and floating charges.

Notes to the accounts

8. Other financial investments - continued

(ii) Syndicate participations

	1997		1996	
	Market value £	Cost £	Market value £	Cost £
Debt securities and other fixed income securities	2,254,539	2,227,648	1,774,547	1,757,127
Participation in investment pools	329,208	328,194	336,310	334,234
Deposits with credit institutions	904,540	904,540	788,628	788,628
Total	3,488,287	3,460,382	2,899,485	2,879,989

Deposits with credit institutions include £903,861 (1996 £760,554) which has been deposited with third parties in connection with certain syndicates' overseas liabilities.

9. Other debtors

	1997			1996		
	Syndicate Participations £	Corporate £	Total £	Syndicate Participations £	Corporate £	Total £
Amounts recoverable in respect of income taxation	-	47,595	47,595	-	72,880	72,880
Deferred taxation (note 13)	-	103,735	103,735	-	188,000	188,000
Other	149,674	760	150,434	166,524	480	167,004
	149,674	152,090	301,764	166,524	261,360	427,884

10. Called up share capital

	Authorised 1996 and 1997 £	Allotted, called up and fully paid 1996 and 1997 £
Ordinary shares of 10p each		
1st January and 31st December	1,500,000	320,000

11. Reserves

	Profit and loss account £	Share premium account £
Balance at 1st January 1997	(294,405)	2,880,000
Profit for year	351,481	-
Balance at 31st December 1997	57,076	2,880,000

Notes to the accounts

12. Reconciliation of movements in shareholders' funds

	1997 £	1996 £
Profit/(loss) for the period	351,481	(249,010)
Dividends	-	(195,000)
Net addition to shareholders' funds	351,481	(444,010)
Opening shareholders' funds - as previously reported	2,905,595	3,200,000
- prior year adjustment	-	149,605
Closing shareholders' funds	3,257,076	2,905,595

13. Deferred taxation

	1997 £	1996 £
Deferred tax (assets)/liabilities relating to:		
Underwriting loss provisions	(352,818)	(188,000)
Underwriting profits	249,083	-
	(103,735)	(188,000)
Balance at 1st January	(188,000)	73,013
Amounts charged/(credited) to profit and loss account	84,265	(286,013)
Advance corporation tax	-	25,000
Balance at 31st December	(103,735)	(188,000)

14. Other creditors including taxation and social security

	1997			1996		
	Syndicate Participations £	Corporate £	Total £	Syndicate Participations £	Corporate £	Total £
Lloyd's PTF release	-	-	-	(153,957)	153,957	-
Due (from)/to company in respect of syndicate results	(525,173)	525,173	-	(570,955)	570,955	-
ACT payable	-	-	-	-	3,282	3,282
UK Corporation tax	-	107,924	107,924	-	142,000	142,000
Other creditors	681,258	271,228	952,486	887,653	286,468	1,174,121
	156,085	904,325	1,060,410	162,741	1,156,662	1,319,403

Notes to the accounts

15. Directors' disclosure

Interest in shares

The register kept for the purposes of the Companies Act 1985 discloses that no Director of the Company had any interest in the Company's shares, or in the shares of any Group Company except for the Holding Company, Wellington Underwriting plc.

The interests in the shares of Group undertakings of the Directors, who held office at the year end, all of whom are Directors of Wellington Underwriting plc are shown in the Report and Accounts of that Company.

16. Holding company

The Company is a wholly owned subsidiary of Wellington Underwriting plc, a company registered in England and Wales.

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 of the profit or loss for that period. In preparing those financial statements, the Directors are required to:

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- (d) 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 provisions of the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud or other irregularities.

Report of the Auditors to the members of Wellington (One) Limited

We have audited the financial statements on pages 4 to 13.

Respective responsibilities of Directors and Auditors

As described above 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.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

11th May 1998