

Registered Number 2973436



Wellington (One) Limited



**Annual report & accounts
2003**

WELLINGTON (ONE) LIMITED

Contents

Page

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

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Directors and officers of the Company

	Appointed	Resigned
Directors		
J.R. Avery		
D.C.B. Ibeson		1.5.04
K.L. Letsinger	1.5.04	
P.R. Pearce		

Secretary		
M.L. Glover	1.5.03	
L.M. Noone		30.4.03

Auditors
KPMG Audit Plc

Registered office
88 Leadenhall Street
London
EC3A 3BA

Registered number
2973436

Report of the Directors

The directors present their report together with the accounts for the year ended 31 December 2003.

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 £1,390,538 (2002 restated £859,915).

The directors do not recommend a final dividend (2002 £Nil).

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 18 to the accounts.

Elective regime

The company has adopted the elective regime dispensing with the requirement to hold annual general meetings, lay accounts and reports before the company in general meeting and to appoint auditors annually. Accordingly, KPMG Audit Plc will continue as the company's auditors.

By order of the Board



M.L. Glover
Secretary

24 June 2004

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 and 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.

Independent auditor's report to the members of Wellington (One) Limited

We have audited the financial statements on pages 6 to 21.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4 of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board 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 1985. We also report to you if, in our opinion, the directors' report 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 regarding directors' remuneration and transactions with the company is not disclosed.

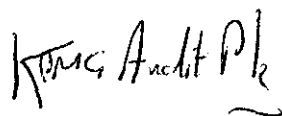
Basis of audit opinion

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 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 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

24 June 2004

Profit and loss account: technical account – general business

For the year ended 31 December	Notes	2003 £	2002 (restated) £
Earned premiums, net of reinsurance			
Gross premiums written		13,406,785	20,802,829
Outward reinsurance premiums		(3,501,585)	(9,067,825)
Net premiums written		9,905,200	11,735,004
Change in the gross provision for unearned premiums		940,222	(888,504)
Change in the provision for unearned premiums - reinsurers' share		(1,358,183)	282,332
Change in the net provision for unearned premiums		(417,961)	(606,172)
Net earned premiums		9,487,239	11,128,832
Allocated investment income transferred from the non-technical account	3	929,064	719,825
Other technical income, net of reinsurance		203,787	181,454
		1,132,851	901,279
Claims incurred, net of reinsurance			
Gross claims paid		(9,382,686)	(9,634,868)
Reinsurer's share claims paid		4,559,617	7,729,374
		(4,823,069)	(1,905,494)
Change in provision for claims			
Gross amount		4,244,205	(810,095)
Reinsurers' share		(4,532,276)	(3,987,988)
		(288,071)	(4,798,083)
Net claims incurred		(5,111,140)	(6,703,577)
Net operating expenses	5	(2,924,348)	(3,666,322)
Balance on technical account - general business		2,584,602	1,660,212

The notes on pages 9 to 21 form part of these accounts.

Profit and loss account: non technical account

For the year ended 31 December	Notes	2003 £	2002 (restated) £
Balance on technical account - general business		2,584,602	1,660,212
Investment income		555,119	576,120
Unrealised losses on investments		(50,290)	(186,322)
Investment expenses and charges		(61,390)	(75,258)
	3	<u>443,439</u>	<u>314,540</u>
Allocated investment return transferred to the technical account - general business	3	(929,064)	(719,825)
		<u>(485,625)</u>	<u>(405,285)</u>
Other charges		(50,963)	(18,860)
Profit on ordinary activities before tax	6	<u>2,048,014</u>	<u>1,236,067</u>
Analysis of profit on ordinary activities before tax			
Operating profit based on longer-term investment return and before exceptional charges		2,533,639	1,641,352
Short-term fluctuations in investment return	3	(485,625)	(405,285)
Profit on ordinary activities before tax		<u>2,048,014</u>	<u>1,236,067</u>
Tax on profit on ordinary activities	7	(657,476)	(376,152)
Profit on ordinary activities after taxation		<u>1,390,538</u>	<u>859,915</u>

Statement of total recognised gains and losses

For the year ended 31 December	2003 £	2002 (restated) £
Profit for the financial year	1,390,538	859,915
Currency translation differences between the average and closing rates of exchange	(220,998)	(129,033)
Taxation on currency translation differences between the average and closing rates of exchange	67,829	38,710
Total recognised gains and losses relating to the financial year	<u>1,237,369</u>	<u>769,592</u>
Prior year adjustment (note 2)	(386,184)	
Total recognised gains and losses since the last annual report	<u>851,185</u>	

The profit or loss relates entirely to continued activities as defined by Financial Reporting Standard (FRS)3.

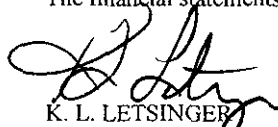
There is no difference between the profit on ordinary activities before tax and the retained surplus for the year and their historical cost equivalents.

The notes on pages 9 to 21 form part of these accounts.

Balance Sheet

At 31 December	Notes	2003 £	2002 (restated) £
ASSETS			
Intangible assets	8	646,832	689,715
Investments			
Other financial investments	9	20,338,840	18,919,047
Deposits with ceding institutions		154,686	281,112
Reinsurers' share of technical provisions			
Provision for unearned premiums	14	931,429	2,407,142
Claims outstanding	14	8,316,355	14,098,989
Debtors			
Debtors arising out of direct insurance operations		4,672,647	3,621,819
Debtors arising out of reinsurance operations		2,810,960	8,833,848
Other debtors	10	788,896	965,982
		<u>38,660,645</u>	<u>49,817,654</u>
Other assets			
Cash at bank and in hand		657,678	1,090,721
Prepayments and accrued income			
Deferred acquisition costs		1,590,090	1,642,708
Other prepayments and accrued income		159,730	90,917
Total assets		<u>41,068,143</u>	<u>52,642,000</u>
LIABILITIES			
Capital and reserves			
Called-up share capital	11	320,000	320,000
Share premium account	12	2,880,000	2,880,000
Profit and loss account	12	(538,832)	(1,776,201)
Shareholders' funds attributable to equity interests	13	<u>2,661,168</u>	<u>1,423,799</u>
Technical provisions			
Provisions for unearned premiums	14	6,955,571	8,916,755
Claims outstanding	14	24,924,338	30,509,552
Deposits received from reinsurers		743,508	1,378,568
Creditors			
Creditors arising out of direct insurance operations		69,316	652,066
Creditors arising out of reinsurance operations		1,755,967	5,555,507
Other creditors including taxation and social security	17	3,844,556	4,116,952
		<u>38,293,256</u>	<u>51,129,400</u>
Accruals and deferred income		113,719	88,801
Total liabilities		<u>41,068,143</u>	<u>52,642,000</u>

The financial statements were approved by the directors on 24 June 2004.


K. L. LETSINGER Director


P. R. PEARCE Director

The notes on pages 9 to 21 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 in accordance with applicable accounting standards under the historical cost convention, as modified by the revaluation of certain investments, in compliance with Sections 255 and 255A, Schedule 9A, and other requirements of the Companies Act 1985. The Company has adopted all material recommendations of the guidance on accounting for insurance business set out in the revised Statement of Recommended Practice issued by the Association of British Insurers in November 2003.

All accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements except for the following.

- i) The financial statements for the year ended 31 December 2002 were prepared on a three year fund basis of accounting under which underwriting results from managed syndicate participations are recognised at the end of the third year of the Lloyd's three year accounting cycle. The financial statements for the year ended 31 December 2003 have adopted the annual accounting basis for reporting the Company's share of insurance transactions and results of the managed syndicate participations.
- ii) The 31 December 2002 financial statements accounted for investment return on both syndicate and corporate investments on an actual basis in the respective technical and non technical accounts. The financial statements for the year ended 31 December 2003 have adopted a different basis of accounting whereby all returns for both syndicate and corporate investments are accounted for in the non technical account with an adjustment being made to allocate a longer term smoothed rate of return on all investments, both syndicate and corporate that directly support underwriting activities, to the technical account.
- iii) The company has adopted the use of the average rate method defined in the Statement of Standard Accounting practice (SSAP 20), "Foreign Currency Translation", to translate its results for the year ended 31 December 2003. This replaces the previous policy which was to use the closing rate.

These changes in accounting policy have required additional disclosures in the notes to the accounts and a restatement of prior year balances.

The Company underwrites as a corporate member of Lloyd's on Syndicate 2020, which is managed by Wellington Underwriting Agencies Limited. The attributable share of transactions of the Syndicate has been included in these accounts.

The Company has taken advantage of the exemption under Financial Reporting Standard (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 premiums written are stated before deduction of commissions but net of taxes, duties levied on premiums and other deductions.

Earned premiums represent premiums written adjusted for the change in the provision for unearned premiums.

Outward reinsurance premiums are accounted for on an earned basis to match the premiums for the related direct or inwards reinsurance business.

(c) Unearned premiums

The provision for unearned premiums represents that part of gross and reinsurers' share of premiums written which relates to unexpired terms of policies in force at the balance sheet date, calculated on a time apportioned basis.

Notes to the accounts

1. Accounting policies - continued

(d) Acquisition costs

Acquisition costs represent the expense, both direct and indirect, of acquiring insurance policies written during the financial year. The proportion of acquisition costs incurred in respect of unearned premiums is deferred at the balance sheet date and recognised in later periods when the related premium is earned.

(e) Claims

Claims incurred comprise claims and settlement expenses (both internal and external) paid in the year and the movement in provision for outstanding claims and settlement expenses, including an allowance for the cost of claims incurred by the balance sheet date but not reported until after the year end.

The provision for claims comprises amounts set aside for claims notified and claims incurred but not yet reported (IBNR). The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Group's in-house actuaries and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. Accordingly the two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

The reinsurers' share of provisions for claims is based on calculated amounts for outstanding claims and projections for IBNR, net of estimated irrecoverable amounts having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. The Group's actuaries use a number of statistical techniques to assist in making these estimates.

The provision for claims also includes amounts in respect of claims handling costs.

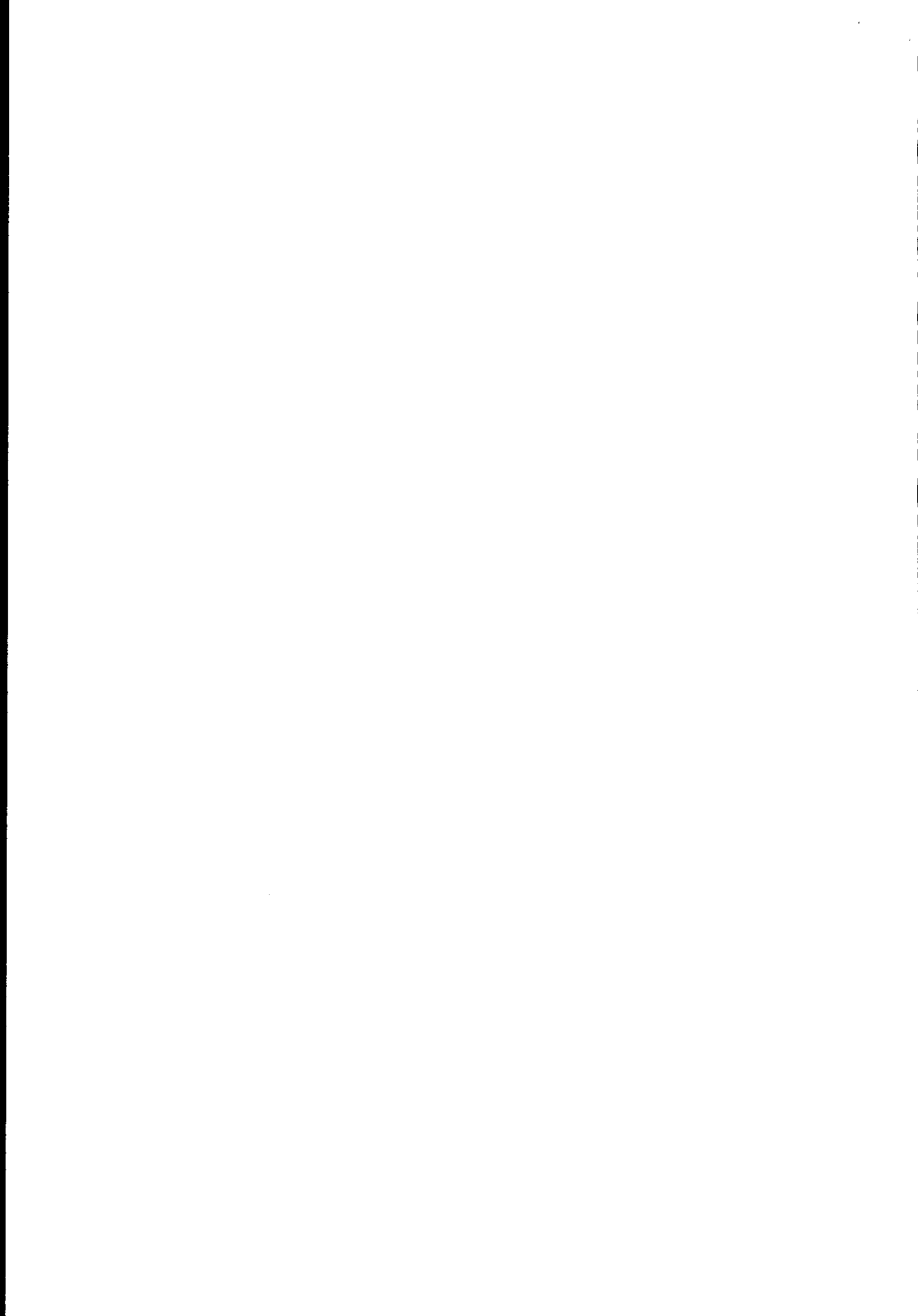
The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

(f) Unexpired risk provisions

A provision for unexpired risks is made when it is anticipated that unearned premiums will be insufficient to meet future claims and claims settlement expenses of business in force at the period end. The provision for unexpired risks would be included within technical provisions in the balance sheet.

(g) 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.



Notes to the accounts

1. Accounting policies - continued

(h) Investment return

Investment income comprises interest and dividends receivable for the period. Realised investment gains and losses represent the difference between net sales proceeds and purchase price or market value at the previous year end. Unrealised gains and losses on investments represent the difference between the valuation of investments at the balance sheet date and their purchase price, adjusted for previously recognised unrealised gains and losses on investments disposed of in the accounting period.

All investment income and gains and losses, including those arising from participation on Syndicate 2020, are accounted for in the non-technical account. An allocation is made from the non-technical account to the general business technical account to reflect the longer-term investment return on syndicate funds and the Group's invested capital supporting the underwriting business. The longer-term investment return is based on an estimate of the longer-term investment performance for the Group and Syndicate 2020, having regard to past performance, current trends and future expectations.

(i) Foreign exchange

Premium trust funds are maintained in US dollars, Canadian dollars, Australian dollars, Japanese yen and euros. Underwriting assets and liabilities are recorded at the rates of exchange ruling at the balance sheet date. Income and expenditure items are translated at average rates of exchange for the period. Underwriting transactions recorded in other currencies are included in the accounts at the rates of exchange prevailing at the transaction date.

The difference between income and expenditure items translated at the average rate and balance sheet items translated at the closing rate is recorded as a movement on reserves. Differences relating to underwriting, primarily on the retranslation of opening currency balances, are dealt with in the technical account. Other differences are dealt with in the non-technical account.

(j) Deferred taxation

Deferred taxation is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

(k) Intangible assets

Intangible assets which represent purchased syndicate capacity are stated at historical cost less amortisation. Purchased syndicate capacity is generally amortised over 20 years, subject to there being no impairment during this period, from the date at which associate underwriting results are first recognised in the technical account. Amortisation is charged through the non-technical account.

(l) Other income

Other income, which is stated exclusive of value added tax, is included in the accounts on a receivable basis.

Notes to the accounts

2. Change in accounting policies and prior year adjustments

(a) Foreign exchange

The financial statements for the year ended 31 December 2002 were originally prepared using the closing rate of exchange to translate foreign currency results for the calendar year.

The financial statements for the year ended 31 December 2003 are prepared using the average rate of exchange for translating the Company's foreign exchange results. A significant proportion of the Wellington group's business is transacted in US dollars and it is believed that using the average rate will produce a fairer presentation of the results.

The principal differences between the average and closing rate methods relate to the conversion of the profit and loss account at an average, not closing rate. The conversion of the balance sheet at the closing rate is unchanged. The difference between the profit and loss at the average rate and at the closing rate is recorded as a movement on reserves. The change in policy has resulted in the restatement of the comparative information.

The principal exchange rates used in translating foreign currency assets, liabilities, income and expenditure in the production of these accounts are:

	Average rate		Year-end rate	
	2003	2002	2003	2002
US dollar	1.64	1.50	1.79	1.61
Canadian dollar	2.29	2.37	2.31	2.54
Euro	1.45	1.59	1.42	1.53

(b) Annual accounting

The financial statements for the year ended 31 December 2002 were originally prepared on a three year fund basis of accounting under which underwriting results were recognised at the end of the third year of the Lloyd's three year accounting cycle.

The financial statements for the year ended 31 December 2003 have been prepared on the annual accounting basis for reporting the Company's insurance transactions. It will provide greater transparency to the results and facilitate comparison with the Wellington Underwriting Group.

The principal differences between annual accounting and three year fund accounting relate to the timing of recognition of underwriting results. Underwriting business accounted for on an annual basis recognises the profit earned from the underlying insurance transactions as the risks elapse, rather than when the relevant Lloyd's underwriting year closes, normally after three years.

(c) Investment return

The financial statements for the year ended 31 December 2002 were originally prepared on the basis of accounting for investment return on both syndicate and corporate investments on an actual basis in the respective technical and non technical accounts.

The financial statements for the year ended 31 December 2003 have been prepared on the basis of accounting whereby all returns for both syndicate and corporate investments are accounted for in the non technical account with an adjustment being made to allocate a longer term smoothed rate of return on all investments, both syndicate and corporate that directly support underwriting activities, to the technical account.

Notes to the accounts

2. Change in accounting policy and prior year adjustments - continued

A reconciliation between the current period's results as published and the current period's results under the previous period's accounting policies is as follows:

	2003 £	2002 £
Profit before tax under previous period's accounting policies	246,193	524,631
Adjustment to profit before tax for the difference between profit before tax calculated at the average and at the closing rates of exchange	220,998	129,033
Adjustment to profit before tax to recognise amounts on an annual accounting basis	1,580,823	582,403
Profit before tax	<u>2,048,014</u>	<u>1,236,067</u>

3. Investment return

	2003 £	2003 Yield %	2002 (restated) £	2002 (restated) Yield %
Actual return				
Funds at Lloyd's and other corporate funds	142,288	2.4	(274,991)	(1.3)
Share of syndicate funds	362,541	2.1	664,789	5.0
Investment expenses, interest payable and similar charges	<u>(61,390)</u>		<u>(75,258)</u>	
	<u>443,439</u>		<u>314,540</u>	
Longer-term return				
Funds at Lloyd's and other corporate funds	216,262	3.6	107,378	5.1
Share of syndicate funds	774,192	4.6	687,705	5.2
Investment expenses, interest payable and similar charges	<u>(61,390)</u>		<u>(75,258)</u>	
	<u>929,064</u>		<u>719,825</u>	
Short-term fluctuations	<u>(485,625)</u>		<u>(405,285)</u>	

	Actual return		Long-term return	
	2003 £	2002 (restated) £	2003 £	2002 (restated) £
Investment return on funds at Lloyd's and other corporate funds				
Shares and variable yield securities	51,014	(294,451)	29,875	87,918
Fixed income securities	47,565	-	142,678	-
Other interest	43,709	19,460	43,709	19,460
	<u>142,288</u>	<u>(274,991)</u>	<u>216,262</u>	<u>107,378</u>
Investment return on the share of syndicate funds				
Fixed income securities	345,546	655,070	757,197	677,986
Other interest	16,995	9,719	16,995	9,719
	<u>362,541</u>	<u>664,789</u>	<u>774,192</u>	<u>687,705</u>
Investment expenses, interest payable and similar charges	<u>(61,390)</u>	<u>(75,258)</u>	<u>(61,390)</u>	<u>(75,258)</u>
	<u>443,439</u>	<u>314,540</u>	<u>929,064</u>	<u>719,825</u>

Notes to the accounts

3. Investment income - continued

The actual investment return from funds at Lloyd's and other corporate funds may be further analysed as follows:

	2003 £	2002 (restated) £
Income	201,003	52,326
Realised losses	(58,715)	-
Movement in unrealised losses	-	(327,317)
	<u>142,288</u>	<u>(274,991)</u>

The longer-term return is based on a combination of historical experience and current expectations for each category of investment. The longer-term return is calculated using the following rates of return:

	2003 %	2002 %
Equities	7.0	8.0
Fixed income securities	<u>5.0</u>	<u>5.5</u>

4. Prior years' claims provisions

Under or over provisions in respect of prior year claims provisions are measured as the Company's share of net claims at the beginning of the year as compared with net payments and provisions at the end of the year in respect of the closed underwriting years of account of Syndicate 2020 as at 1 January 2003.

On this basis as at 31 December 2003 there was an under provision of £66,800 (2002 £74,500 under provision).

5. Net operating expenses

	2003 £	2002 (restated) £
Brokerage and other business acquisition costs	2,522,883	3,972,101
Reinsurers' share of acquisition costs	(223,892)	(996,789)
Change in deferred brokerage and other business acquisition costs	56,182	(37,856)
Administration costs	<u>569,175</u>	<u>728,866</u>
	<u>2,924,348</u>	<u>3,666,322</u>

Notes to the accounts

6. Profit on ordinary activities before taxation

	2003 £	2002 (restated) £
Profit/loss on ordinary activities before taxation is stated after charging/(crediting):		
Auditors' remuneration:		
- audit services	5,130	4,876
- fees for other services paid to the auditor and associates	2,480	3,380
Amortisation of syndicate capacity	42,883	3,456
Exchange losses	206,726	181,455

The Company had no employees during 2003 and 2002.

No directors' emoluments were charged to the Company for this period. Details of directors' share options are included in note 18.

7. Tax on profit on ordinary activities before taxation

	2003 £	2002 (restated) £
UK corporation tax at 30% (2002 30%)	103,700	(55,615)
Less relief for overseas tax	-	(10,554)
	103,700	(66,169)
Under provision in prior years	1,292	9,807
Overseas tax suffered	36,281	3,799
Current tax charge for the period	141,273	(52,563)
Deferred tax charge	516,203	428,715
Total tax on profit on ordinary activities	657,476	376,152

The current tax assessed for the period is lower, as a percentage of profit before tax, than the standard rate of corporation tax in the UK of 30%.

Factors affecting the tax charge in the period, and which account for the difference between the actual rate and the standard rate are explained in the following table:

	2003 £	2002 (restated) £
Profit on ordinary activities before tax	2,048,014	1,236,067
Tax charge at average UK corporation tax rate of 30% (2002 30%)	614,404	370,820
Effects of:		
Under provision in prior years	1,292	9,807
Timing differences relating to the recognition of underwriting results	(510,704)	(428,715)
Relief for overseas tax	-	(10,554)
UK dividends not taxable at 30%	-	2,280
Overseas tax suffered	36,281	3,799
Current tax charge for the period	141,273	(52,563)

Factors that may affect future tax charges:

Timing differences whereby income and expenditure are accounted for in a period that is different from that in which they are subject to corporation tax. This is particularly relevant to underwriting results, which under UK statute are taxed in the year in which they are settled.

Notes to the accounts

8. Intangible assets

	2003 £
Cost:	
1 January 2003	857,689
Additions for the year	-
31 December 2003	857,689
Amortisation:	
1 January 2003	167,974
Charge for the year	42,883
31 December 2003	210,857
Net book value:	
31 December 2003	646,832
31 December 2002	689,715

9. Other financial investments

	2003		2002	
	Market value £	Cost £	Market value £	Cost £
Debt securities and other fixed income securities	7,904,488	7,936,555	7,199,248	7,090,500
Deposits with credit institutions	12,164,019	12,176,044	8,147,470	7,758,557
Participation in investment pools	270,333	270,333	2,602,291	2,979,079
Shares and other variable yield securities	-	-	970,038	1,297,355
	20,338,840	20,382,932	18,919,047	19,125,491
Share of Syndicate 2020's assets:				
Debt securities and other fixed income securities	7,904,488	7,936,555	7,199,248	7,090,500
Deposits with credit institutions	7,615,887	7,627,912	4,167,336	3,778,423
Participation in investment pools	270,333	270,333	2,602,291	2,979,079
Shares and other variable yield securities	-	-	-	-
Total held within Syndicate premium trust funds	15,790,708	15,834,800	13,968,875	13,848,002
Own funds:				
Debt securities and other fixed income securities	-	-	-	-
Deposits with credit institutions	4,548,132	4,548,132	3,980,134	3,980,134
Other loans (money market instruments)	-	-	-	-
Shares and other variable yield securities	-	-	970,038	1,297,355
Total funds	4,548,132	4,548,132	4,950,172	5,277,489
	20,338,840	20,382,932	18,919,047	19,125,491

With the exception of deposits with credit institutions, all financial investments are listed on recognised stock exchanges.

£4,548,132 of the own funds is used as funds at Lloyd's (2002 £4,950,172). This is required to support the Group's underwriting. Total funds at Lloyd's also includes a letter of credit for £1,700,000 (2002 £1,100,000) provided by a consortium of banks. Deposits with credit institutions include £1,764,318 (2002 £1,320,648) which has been deposited with third parties in connection with certain syndicates' overseas liabilities.

Notes to the accounts

10. Other debtors

	2003 £	2002 (restated) £
Corporation tax	-	58,902
US Federal income tax	-	35,700
Japanese income tax	893	929
Deferred tax (note 16)	192,587	640,961
Advanced distribution of 2002 year of account profits from Syndicate 2020	358,394	-
Other	237,022	229,490
	<u>788,896</u>	<u>965,982</u>

11. Called up share capital

	Authorised 2003 and 2002 £	Allotted, called up and fully paid 2003 and 2002 £
Ordinary shares of 10p each 1 January and 31 December	<u>1,500,000</u>	<u>320,000</u>

12. Reserves

	Profit and loss account £	Share premium account £
Balance at 1 January 2003 as previously reported	(1,390,017)	2,880,000
Prior year adjustment	(386,184)	-
Balance at 1 January 2003 as restated	(1,776,201)	2,880,000
Retained surplus for the year	1,390,538	-
Currency translation differences between the average and closing rates of exchange	(153,169)	-
Balance at 31 December 2003	<u>(538,832)</u>	<u>2,880,000</u>

13. Reconciliation of movements in shareholders' funds

	2003 £	2002 (restated) £
Profit for the period	1,390,538	859,915
Currency translation differences between the average and closing rates of exchange	(153,169)	(90,323)
Net addition to shareholders' funds	1,237,369	769,592
Opening shareholders' funds (Originally £1,809,983, restated for a prior year adjustment of £(386,184))	1,423,799	654,207
Closing shareholders' funds	<u>2,661,168</u>	<u>1,423,799</u>

Notes to the accounts

14. Technical provisions

	Provision for unearned premiums £	Claims outstanding £
Gross		
1 January 2003	8,916,755	30,509,552
Exchange adjustments	(518,529)	(2,001,185)
Movement in the provision	(1,442,655)	(3,584,029)
31 December 2003	<u>6,955,571</u>	<u>24,924,338</u>
Reinsurance		
1 January 2003	2,407,142	14,098,989
Exchange adjustments	(128,930)	(1,094,897)
Movement in the provision	(1,346,783)	(4,687,737)
31 December 2003	<u>931,429</u>	<u>8,316,355</u>
Net		
31 December 2003	<u>6,024,142</u>	<u>16,607,983</u>
31 December 2002	<u>6,509,613</u>	<u>16,410,563</u>

15. World Trade Center

The company's exposure to the World Trade Center (WTC) loss is analysed below along with movements in the loss in 2003.

	Gross				Net			
	Paid and outstanding claims £m	IBNR Claims reserve £m	Reinstatements £m	Ultimate £m	Paid and outstanding claims £m	IBNR claims reserve £m	Reinstatements £m	Ultimate £m
1 January 2003	10.2	0.9	(0.4)	10.7	1.8	0.3	0.8	2.9
Exchange (gain)/loss	(1.0)	(0.1)	0.0	(1.1)	(0.2)	(0.0)	(0.1)	(0.3)
Movement	0.3	(0.3)	(0.0)	(0.0)	(0.1)	(0.0)	0.1	(0.0)
31 December 2003	<u>9.5</u>	<u>0.5</u>	<u>(0.4)</u>	<u>9.6</u>	<u>1.5</u>	<u>0.3</u>	<u>0.8</u>	<u>2.6</u>

The directors' current estimates of the ultimate losses arising from the terrorist attacks in the United States of America on 11 September 2001 have in the aggregate, remained consistent with the estimates included in the 2001 financial statements as have the methods used to assess the ultimate losses. Specific provisions have been made based on notification of losses incurred received from policyholders, intermediaries and loss adjusters and in the light of other information available. Amongst other things, these specific provisions are sensitive to assumptions about the quantum of property damage. Additionally, estimates for business interruption claims, for which notifications are based upon policyholders' computation of their own losses, will change as forensic claims investigations determine a more realistic amount of loss. The directors' believe that it is more than likely that such claims will settle for less than the amount originally reported by the policyholders. *Additional provisions (incurred but not reported reserves) continue to be held at 31 December 2003 to provide for additional notifications of claims which have been incurred but not reported, or increases in the estimates already reported by policyholders. Independent actuaries have reviewed such estimates.*

Uncertainties continue to exist as to whether the destruction of the twin towers of the World Trade Center (WTC) constitutes one event or two for the purposes of aggregation of losses under insurance and reinsurance policies. Based on legal advice, the directors continue to consider that a one event basis is the correct interpretation of the policies, which is a matter in current litigation between insurers (including Syndicate 2020) and those holding property interests in the WTC. If a two-event loss basis were to be applied it is estimated that the loss to the Wellington Group from direct and reinsurance policies would increase by approximately \$1.4 million gross and \$0.1 million net of reinsurance.

Notes to the accounts

15. World Trade Center - continued

The directors consider that the WTC loss estimate continues to be the best estimate that can be made on the basis of information currently available. The directors are, however, aware that this estimate is subject to uncertainties, the outcome of which could have a positive or a negative impact on such an estimate. As further information becomes available and as claims in dispute are eventually resolved, the estimate of ultimate losses will be revised. It may take some time to resolve such uncertainties.

16. Deferred taxation

	2003 £	2002 (restated) £
Deferred tax assets relating to:		
Underwriting results	192,587	640,961
Deferred tax asset	<u>192,587</u>	<u>640,961</u>
Balance at 1 January	640,961	1,030,966
Amounts charged to profit and loss account	(516,203)	(428,715)
Currency translation differences between the average and closing rates of exchange	67,829	38,710
Balance at 31 December	<u>192,587</u>	<u>640,961</u>

17. Other creditors, including taxation and social security

	2003 £	2002 (restated) £
Amounts payable within one year		
UK Corporation tax	42,856	-
Amount due to parent company	3,125,766	3,893,527
Other creditors	<u>675,934</u>	<u>223,425</u>
	<u>3,844,556</u>	<u>4,116,952</u>

The amount due to parent company is repayable after more than one year.

Notes to the accounts

18. Directors' disclosure

(a) Directors' emoluments

No directors' emoluments were charged to the Company for this period.

(b) Interest in shares and loan notes

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 or loan notes of any Group Company except for the ultimate holding company, Wellington Underwriting plc.

In so far as the directors are also directors of the ultimate holding company, Wellington Underwriting plc, their interests in the shares and loan notes of Group undertakings are fully disclosed in the accounts of that Company.

(i) Beneficial and non-beneficial holdings

	Loan Notes		Shares	
	At 31 December 2003 Wellington Underwriting plc Number	At 31 December 2002 or subsequent date of appointment Wellington Underwriting plc Number	At 31 December 2003 Wellington Underwriting plc Number	At 31 December 2002 or subsequent date of appointment Wellington Underwriting plc Number
Beneficial				
P.R. Pearce	-	173	31,346	29,729
Non-Beneficial				
P.R. Pearce	-	173	10,170	10,170

(ii) Share options

Certain directors hold options in the shares of Wellington Underwriting plc.

In so far as the directors are also directors of the ultimate holding company, Wellington Underwriting plc, their interests in shares over which options have been granted of group undertakings are fully disclosed in the accounts of that company.

The mid-market price of Wellington Underwriting plc shares at 31 December 2003 was 77.5 pence and the range during 2003 was 75.5 pence to 103.5 pence.

	Number of shares under option at 31 December 2002 or subsequent date of appointment	Number of shares over which options granted/lapsed during the year	Number of shares under options at 31 December 2003	Exercise price £	Period during which options are exercisable
P.R. Pearce	11,140		11,140	1.2612	1999-2006
	5,337		5,337	1.7846	2001-2008
	4,270		4,270	1.2553	2002-2009
	#1,428		#1,428	0.0000	2005-2010
	26,687		26,687	0.9352	2003-2010
	*8,647	(8,647)	-	1.1710	2006
	10,675		10,675	1.3846	2004-2011
	#766		#766	0.0000	2006-2011
	65,000		65,000	- 0.5950	2005-2012
		36,000	36,000	0.8333	2006-2013
		#1,617	#1,617	0.0000	2008-2013
		*24,514	*24,514	0.6700	2003-2008
	133,950	53,484	187,434		

* Options granted under the SAYE scheme.

Options granted where the employee has elected to receive an equal number of shares in lieu of a cash bonus.

Wellington (One) Limited
Annual report and accounts 2003

Notes to the accounts

19. Holding company

The Company is a wholly owned subsidiary of Wellington Underwriting plc, a Company registered in England and Wales. The results of the Company are consolidated in the Group accounts of Wellington Underwriting plc, copies of which are available from the registered office.

20. Related party transactions

Other transactions

Under the terms of Financial Reporting Standard No. 8 the Company is exempt from disclosing certain related party transactions under the exemption for 90% subsidiaries in respect of transactions with investees of the Group.