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Colonia-Baltica Insurance Management Limited

**Directors' report and financial statements
31 December 1996**



COLONIA-BALTICA INSURANCE MANAGEMENT LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1996

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 1996.

ACTIVITIES

During the year the Company underwrote general insurance, including marine, aviation and non-marine business, on behalf of Colonia Baltica Insurance Limited, the UK subsidiary of its shareholders. It also managed the UK branches of Colonia Versicherung Aktiengesellschaft, Abeille Assurances, Societa Reale Mutua di Assicurazioni and Nordstern Allgemeine Versicherungs-Aktiengesellschaft, which were all in run-off. Functions carried out on behalf of the managed companies include underwriting, reinsurance, claim and loss settlement, accounting and collection of premiums and the administration of these functions. Results of the underwriting carried out on behalf of the managed companies are subject to review by the Board of Directors of both this Company and the managed companies.

FUTURE PROSPECTS

The Company intends to continue trading for the foreseeable future.

DIRECTORS

The directors in office during the year were as follows :

K D Lassker	(Joint Chairman)	
H Anderson	(Joint Chairman)	(appointed 6 March 1997)
N E Seest	(Managing Director)	
C N L Arnold		
R A Cryer		
K R Potter		
P E Webb		
D von Schultendorff		
J C Chaboseau		
B V Christensen		
I Sperling		(appointed 29 February 1996)
M Skov		(resigned 29 February 1996)
A Duch-Pederson		(resigned 6 March 1997)

Under the Articles of Association, none of the directors are required to retire by rotation.

DIRECTORS' INTERESTS

No director has, or has had, an interest in the shares of the Company.

RESULTS

The results for the year are as set out in the profit and loss account detailed on page 6. The directors do not recommend the payment of a dividend in respect of the year ended 31 December 1996.

PAYMENTS TO CREDITORS

The Company does not follow any code or standard in relation to payments made to its suppliers. It is the Company policy and, other than for amounts under query or in dispute, in practice to make payments to suppliers within any terms of payment agreed with suppliers.

AUDITORS

KPMG resigned as auditors of the Company with effect from 9 July 1996. Deloitte & Touche were appointed by the Board as the auditors of the company to fill the casual vacancy arising.

COLONIA-BALTICA INSURANCE MANAGEMENT LIMITED

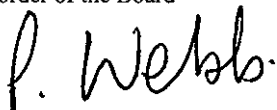
DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1996

ELECTIVE RESOLUTIONS

On 15 November 1996, by way of elective resolutions, the Company dispensed, for an indefinite period, with the holding of Annual General Meetings commencing with the Annual General Meeting which would otherwise have had to be held during the year 1996 and, in addition, and in respect of accounting periods commencing after 31 December 1995, with the obligation to appoint auditors annually.

By order of the Board



P. E. Webb
Secretary

18th June 1997

COLONIA-BALTICA INSURANCE MANAGEMENT LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 1996

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 of the Company 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;
- d) prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for maintaining 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.

COLONIA-BALTICA INSURANCE MANAGEMENT LIMITED

REPORT OF THE AUDITORS

TO THE MEMBERS OF COLONIA BALTICA INSURANCE MANAGEMENT LIMITED

We have audited the financial statements on pages 5 to 11 which have been prepared in accordance with the accounting policies set out on page 5.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3 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.

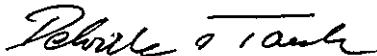
BASIS OF OPINION

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.

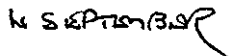
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 affairs of the Company as at 31 December 1996 and of its result 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



1997

COLONIA-BALTICA INSURANCE MANAGEMENT LIMITED

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards.

The Company acts as agent for the companies and branches it manages and carries out insurance underwriting functions on their behalf. As part of these services, the Company collects premiums, pays claims and expenses and also holds cash on behalf of its managed companies and the resulting transactions and assets and liabilities are not included in these accounts.

TURNOVER

Turnover represents the re-charge of expenses incurred in the year to the various companies under management by the Company.

DEPRECIATION OF FIXED ASSETS

Depreciation on fixed assets is provided over their expected useful lives on the straight line basis. The annual rates of depreciation applied are 20% in respect of office equipment, fixtures and fittings and 25% for motor vehicles.

DEFERRED TAXATION

Provision is made for deferred taxation using the liability method to account for timing differences, except to the extent that it is probable that the liability will not crystallise in the foreseeable future.

RELATED PARTIES

Advantage has been taken of the exemption allowing non-disclosure of transactions between entities 90% or more of whose voting rights are controlled within the Colonia Baltica Insurance Limited group of companies.

TRADE DEBTORS AND CREDITORS

The Company has adopted Financial reporting Standard 5 ("FRS5") "Reporting the Substance of Transactions" and offsets debtors and creditors arising from insurance transactions only when it is legally enforceable. The figures for trade debtors and creditors for 1995 have been restated to comply with FRS5. The adoption of FRS5 has no effect on the result of this year or the previous year.

COLONIA-BALTICA INSURANCE MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1996

	Note	1996 £	1995 £
Turnover		5,631,042	5,340,912
Administrative expenses		(5,580,947)	(5,310,429)
Profit on ordinary activities before taxation	1	50,095	30,483
Tax on ordinary activities	4	(50,095)	(30,483)
Result for the year		-	-

The Company has no recognised gains or losses or movements in shareholders' funds other than those included in the profit and loss account above. Therefore, a statement of total recognised gains and losses and a reconciliation of movements in shareholders' funds has not been prepared. All the operations of the Company are continuing.

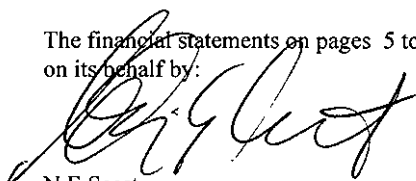
COLONIA-BALTICA INSURANCE MANAGEMENT LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 1996

	Note	1996 £	1995 £
Fixed tangible assets	5	820,594	1,113,441
Current assets			
Debtors falling due within one year	6	508,218	655,355
Cash at bank and in hand		201,552	12,563
		<u>709,770</u>	<u>667,918</u>
Current liabilities			
Creditors falling due within one year	7	(1,525,364)	(1,776,359)
Net current liabilities		<u>(815,594)</u>	<u>(1,108,441)</u>
Net assets		<u>5,000</u>	<u>5,000</u>
Capital and reserves			
Called up share capital	8	5,000	5,000
Profit and loss account		-	-
Equity Shareholders' funds		<u>5,000</u>	<u>5,000</u>

The financial statements on pages 5 to 11 were approved by the Board of Directors on 18 June 97 and were signed on its behalf by:



N E Seest
Director

COLONIA-BALTICA INSURANCE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1996

1. Profit on ordinary activities before taxation

	1996	1995
	£	£
This is stated after charging		
Depreciation of fixed tangible assets	444,852	504,201
Auditors' remuneration		
Audit services	21,554	7,403
Non audit services	17,055	8,812

2. Staff costs

	1996	1995
Average number of employees during the year	82	79
The aggregate staff costs of these persons were:	£	£
Salaries	2,305,369	2,133,332
Social security costs	235,412	208,430
Other pension costs	241,627	183,288
	2,782,408	2,525,050

3. Directors' emoluments

	1996	1995
Expenses include the following:	£	£
Fees	37,500	37,500
Other remuneration	577,879	507,371
	615,379	544,871
Details of directors' emoluments, excluding pension contributions, are as follows:	£	£
Chairman	-	-
Highest paid director	164,353	121,128

All directors by scale	Number	Number
£0 - £5,000	7	10
£75,001 - £80,000	2	2
£80,001 - £85,000	-	1
£85,001 - £90,000	1	-
£100,001 - £105,000	-	1
£105,001 - £110,000	1	-
£120,001 - £125,000	-	1
£160,001 - £165,000	1	-

COLONIA-BALTICA INSURANCE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 1996

4. Taxation

The charge for taxation comprises:

	1996 £	1995 £
United Kingdom corporation tax at 24% FY 1995/1996 (25% FY 1994/1995)	(50,095)	(45,107)
Prior year adjustment	-	14,624
	<u>(50,095)</u>	<u>(30,483)</u>

The Company has a high tax charge due to disallowable expenses and capital allowances.

5. Fixed tangible assets

	Office equipment, fixtures and fittings £	Motor vehicles £	Total £
Cost			
At 1 January 1996	2,414,925	333,349	2,748,274
Additions	149,349	34,285	183,634
Disposals	-	(114,179)	(114,179)
At 31 December 1996	<u>2,564,274</u>	<u>253,455</u>	<u>2,817,729</u>
Depreciation			
At 1 January 1996	1,492,719	142,114	1,634,833
Charge for the year	372,716	72,136	444,852
Eliminated on disposals	-	(82,550)	(82,550)
At 31 December 1996	<u>1,865,435</u>	<u>131,700</u>	<u>1,997,135</u>
Net book value			
At 1 January 1996	<u>922,206</u>	<u>191,235</u>	<u>1,113,441</u>
At 31 December 1996	<u>698,839</u>	<u>121,755</u>	<u>820,594</u>

COLONIA-BALTICA INSURANCE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 1996

6. Debtors due within one year

	1996	1995
	£	£
Sundry debtors	508,218	597,545
Corporation tax	-	57,810
	<u>508,218</u>	<u>655,355</u>

7. Creditors due within one year

	1996	1995
	£	£
Due to managed companies	871,271	1,431,347
Tax and social security	221,869	87,175
Other creditors	432,224	257,837
	<u>1,525,364</u>	<u>1,776,359</u>

8. Called up share capital

	1996	1995
	£	£
Authorised, called up, allotted, and fully paid		
2,500 'A' Ordinary shares of £1 each	2,500	2,500
2,500 'B' Ordinary shares of £1 each	2,500	2,500
	<u>5,000</u>	<u>5,000</u>

The 'A' and 'B' ordinary shares have equal rights and are held by Colonia Versicherung AG and Tryg-Baltica Forsikring respectively.

COLONIA-BALTICA INSURANCE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 1996

9. Pension schemes

The Company operates retirement benefit arrangements covering certain employees who are eligible and have opted for membership. The schemes are money purchase arrangements funded externally with appropriate contributions paid to the appropriate pension fund managers. The charge for pensions is as shown in Note 2 above and there were no outstanding contributions at the balance sheet date.

10. Ultimate parent company

The Company is wholly owned by its immediate parent undertaking, Colonia Baltica Insurance Limited, which is incorporated in the United Kingdom. Copies of its accounts can be obtained from Absalon House, Billiter Street, London EC3M 2RB.

Colonia Baltica Insurance Limited is jointly owned by Colonia Versicherung Aktiengesellschaft, which is incorporated in Germany and Tryg-Baltica Forsikring A/S which is incorporated in Denmark.

Copies of their accounts can be obtained from Gereonsdriesch 9-11, 50670, Cologne, Germany and Klausdalsbrovej 601, 2750 Ballerup, Denmark, respectively.