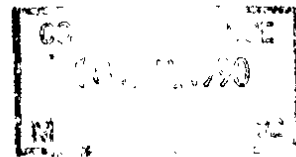


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ANCON INSURANCE COMPANY (U.K.) LIMITED

REPORTS AND ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER, 1989



A wholly owned subsidiary of EXXON CORPORATION
1383S

ANCON INSURANCE COMPANY (U.K.) LIMITED

Directors

M.H. McLachlan, Chairman
J.W. Ramplin, Deputy Chairman
W.E. Jueds
P.D. Evans (alternate director for J.W. Ramplin)

Corporate Secretary

Trinity Square Services Limited

Bankers

Bankers Trust Company
Barclays Bank PLC
Chase Manhattan Bank
Citibank, N A

Auditors

Price Waterhouse

Managers

Trinity Square Services Limited

Registered and Administrative Offices

Three Quays, Tower Hill, London EC3R 6DS

Registered Number

1506943 London

ANCON INSURANCE COMPANY (U.K.) LIMITED

REPORT OF THE DIRECTORS

on the Accounts for the year ended 31st December, 1989

Principal Activity

The principal activity of the Company is insurance and reinsurance business. The Company ceased active underwriting on 1st October, 1984, but has continued to trade in fulfilment of its continuing commitments on insurance business contracted prior to that date. The Company will continue the orderly run-off of its business.

Accounts

The Directors submit herewith the Profit and Loss Account of the Company for the year ended 31st December, 1989, together with the Balance Sheet as at that date. The results for the period are set out on page 3.

Insurance Fund

An actuarial study recommended a fund of £30,037,305. Discounted at 7% the required fund becomes £22,852,050. In the opinion of the Directors this fund adequately covers future outstanding claims.

Managing Company

The Company has a Management Agreement with Trinity Square Services Limited.

Directors and Secretary

The present Directors of the Company are shown on page 1 and served throughout the year.

Directors' Shareholdings

Under the provisions of The Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985, the Directors of the Company are exempt from disclosing to this Company any interest they may have in shares of the ultimate holding Company.

Share Capital

The authorised share capital of the Company was increased from 30 million to 40 million ordinary shares of £1 each nominal value on 20th December, 1989. The increase in the issued share capital represents a capital injection of £5,000,000 on 29th December 1989.

Dividend

The Directors do not recommend the payment of a dividend.

Auditors

A resolution will be proposed at the Annual General Meeting in accordance with Section 384 of the Companies Act 1985 to reappoint Price Waterhouse as Auditors.

By Order of the Board



for Trinity Square Services Limited
Corporate Secretary

ANCON INSURANCE COMPANY (U.K.) LIMITED

REVENUE ACCOUNT

For the year ended 31st December, 1989

	<u>Notes</u>	<u>1989</u> £	<u>1988</u> £
Net Premiums less reinsurance	2	41,686	267,569
Claims less reinsurance recoveries		<u>3,942,162</u> (3,900,476)	<u>5,245,263</u> (4,977,694)
Transfer from profit and loss account		<u>5,303,741</u> 1,403,265	<u>9,305,184</u> 4,327,490
Fund at 31st December, 1988	19,346,012		14,359,300
Exchange adjustment on fund	<u>2,102,773</u>		<u>659,222</u>
		<u>21,448,785</u>	<u>15,018,522</u>
Fund at 31st December, 1989		22,852,050 =====	19,346,012 =====

PROFIT AND LOSS ACCOUNT

For the year ended 31st December, 1989

	<u>Notes</u>	<u>1989</u> £	<u>1988</u> £
Investment Income	1(d), 2	2,069,404	1,261,085
Management Expenses	3	560,751	472,812
Transfer to Underwriting Fund		5,303,741	9,305,184
Exchange (Profit)/Loss		<u>(50,493)</u>	<u>7,498</u>
Loss before taxation		<u>5,813,999</u> (3,744,595)	<u>9,785,494</u> (8,524,409)
Taxation	4	<u>-</u>	<u>-</u>
Retained Loss for the year		(3,744,595)	(8,524,409)
Retained losses brought forward		(23,358,329)	(14,801,795)
Exchange Adjustment		<u>122,989</u>	<u>(32,125)</u>
		<u>(23,235,340)</u>	<u>(14,833,920)</u>
Retained losses carried forward		(26,979,935) =====	(23,358,329) =====

The notes on pages 6, 7 and 8 form part of these accounts

ANCON INSURANCE COMPANY (U.K.) LIMITED

BALANCE SHEET

as at 31st December, 1989

	Notes	1989 £	1988 £
Investments	5	-	649,929
Current Assets			
Debtors	6	1,539,551	1,022,971
Bank Deposits	1(e)	25,702,385	20,163,947
Income Tax recoverable		<u>47,085</u>	<u>101,168</u>
		27,289,021	21,288,086
		<hr/>	<hr/>
		27,289,021	21,938,015
Current Liabilities			
Creditors	7	<u>616,906</u>	<u>150,332</u>
		<hr/>	<hr/>
		26,672,115	21,787,683
Non-Marine Insurance Fund	8	<u>22,852,050</u>	<u>19,346,012</u>
		<hr/>	<hr/>
		3,820,065	2,441,671
		<hr/>	<hr/>
Share Capital			
Shares of £1 each			
Authorised 40,000,000 (1988 30,000,000)			
Issued, and fully paid		30,800,000	25,800,000
Retained Losses		<u>(26,979,935)</u>	<u>(23,358,329)</u>
		<hr/>	<hr/>
		3,820,065	2,441,671
		<hr/>	<hr/>

M. J. W. L.
M. J. W. L.
 Directors

Approved by the Board of Directors on 18th Dec 1990

The notes on pages 6, 7 and 8 form part of these accounts

ANCON INSURANCE COMPANY (U.K.) LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
For the year ended 31st December, 1989

	<u>1989</u> £	<u>1988</u> £
APPLICATION OF FUNDS		
Loss before taxation	(3,744,595)	(8,524,409)
Adjustments for movement of non-monetary items :		
Exchange Adjustment on opening reserve	122,989	(32,125)
TOTAL ABSORBED BY OPERATIONS	(3,621,606)	(8,556,534)
OTHER FUNDS :		
Capital injection	5,000,000	8,749,025
Change in working capital :		
Increase/(Decrease) in creditors	466,574	(196,681)
Increase in insurance fund	3,506,038	4,986,712
(Increase)/Decrease in Debtors	(462,497)	280,632
	<u>4,888,509</u> =====	<u>5,263,154</u> =====
Change in Investments and Net Liquid Funds :		
(Decrease) in Investments	(649,929)	(1,565,368)
Increase in Bank deposits and cash	5,538,438	6,828,522
	<u>4,888,509</u> =====	<u>5,263,154</u> =====

The notes on pages 6, 7 and 8 form part of these accounts

ANCON INSURANCE COMPANY (U.K.) LIMITED

NOTES TO THE ACCOUNTS

as at 31st December, 1989

1 Accounting Policies

(a) Basis of Presentation

The Accounts of the Company are prepared under the historical cost convention as modified by the discounting of the insurance fund and in compliance with Sections 257-260 of, the Schedule 9 to, the Companies Act 1985.

(b) Revenue Account

The adequacy of the insurance fund is assessed by reference to projections of the ultimate development of premiums and claims in respect of each underwriting year.

(c) Translation of Foreign Currencies

Assets and liabilities are translated to Sterling at rates ruling on the Balance Sheet date. Revenue transactions in the principal overseas currencies in which the Company transacts business are also translated to Sterling at the rates ruling on the Balance Sheet date. Realised exchange differences are dealt with in the profit for the year, unrealised exchange differences are adjusted against retained profits brought forward or the insurance fund as appropriate.

(d) Investments and Investment Income

Investments are stated in the Balance Sheet at cost, less investment reserve. Investment income is shown before deduction of tax and is reported on an accruals basis.

(e) Trust Deposits

A United States Trust Fund of US\$1,500,000 has been established in the State of New York for the benefit of dollar policyholders.

2 Revenue and Profit and Loss Account Items

Turnover

Net retained premium income for the year amounted to £41,686 (1988 £267,569)

Investment income arises from the following sources:

	<u>1989</u> £	<u>1988</u> £
U.K. Government Securities	32,627	247,167
Bank Deposits	<u>2,036,777</u>	<u>1,013,918</u>
	2,069,404	1,261,085
	=====	=====

ANCON INSURANCE COMPANY (U.K.) LIMITED

NOTES TO THE ACCOUNTS (Continued)
as at 31st December, 1989

3 Management Expenses

Management Expenses include the following :

	<u>1989</u>	<u>1988</u>
	£	£
Directors' emoluments	NIL	NIL
Auditors' remuneration	24,000	22,838
Provision for doubtful debts	54,652	25,827

4 Taxation

There is no corporation tax charge as the Company has not made any taxable profits during the year (1988 Nil).

No deferred tax has been provided as in the opinion of the directors no taxation liability will arise in the foreseeable future.

5 Investments

	<u>1989</u>	<u>1988</u>
	£	£
U.K. Government Securities		
Cost	<u>NIL</u>	<u>649,929</u>
Market Value	<u>NIL</u>	<u>675,606</u>

6 Debtors

	<u>1989</u>	<u>1988</u>
	£	£
Trade Debtors	1,526,987	926,414
Accrued Interest	<u>12,564</u>	<u>96,557</u>
	1,539,551	1,022,971
	=====	=====

7 Creditors

	<u>1989</u>	<u>1988</u>
	£	£
Trade Creditors	571,706	115,332
Accruals	<u>45,200</u>	<u>35,000</u>
	616,906	150,332
	=====	=====

ANCON INSURANCE COMPANY (U.K.) LIMITED

NOTES TO THE ACCOUNTS (Continued)

as at 31st December, 1989

8 Insurance Fund

The fund has been discounted by 7% rate of interest, to take account of the delay in settling claims. If this provision were not made on a present value basis, there would have been an additional charge to income of £7,185,255 in 1989, (1988 £10,239,129) and the reserve for outstanding losses, net of recoveries, of £22,852,050 would have increased by a similar amount.

9 Financial Support

A group company has indicated its intention to provide finance to allow the Company to continue the orderly run-off of its business.

10 Ultimate Holding Company

The ultimate holding company of this Company is Exxon Corporation (registered in U.S.A.).

ANCON INSURANCE COMPANY (U.K.) LIMITED

Auditors' Report

to the Members of ANCON INSURANCE COMPANY (U.K.) LIMITED

We have audited the Financial Statements for the year ended 31st December, 1989, on pages 3 to 8 in accordance with Auditing Standards.

In our opinion, the accounts comply with the provisions of the Companies Act 1985 applicable to insurance companies.

Price Waterhouse

Price Waterhouse

Chartered Accountants

18 June 1990

Southwark Towers
32 London Bridge Street
London SE1 9SY