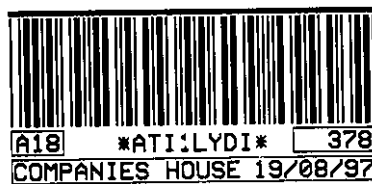


Company Registration No. 2202362

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**VENTON UNDERWRITING AGENCIES
LIMITED**

**Report and Financial Statements
31st December 1996**

REPORT AND FINANCIAL STATEMENTS 1996

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REPORT AND FINANCIAL STATEMENTS 1996

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
W F Hotchkiss (Non-executive)
R D Montgomerie
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

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31st December 1996.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company ("VUA") 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.

CHANGE OF ADDRESS

With effect from Monday 13th January, 1997 the company moved to Gracechurch House, 55 Gracechurch Street, London EC3V 0JP. This is now the registered office of all Venton group companies.

RESULTS AND DIVIDEND

The directors do not recommend the payment of a dividend (1995 - £ nil). The retained profit of £146,170 (1995 - £141,845) 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:

R N Alwen	(Resigned 4.9.96)
D M Slade	(Managing Director)
C N R Atkin	
A L Brooks	
P C Churchill	
J S Clouting	(Appointed 4.9.96)
P H Cowell	
W F Hotchkiss	
R D Montgomerie	
L W Nichols	(Retired 3.3.96)
P M O'Brien	(Resigned 4.9.96)
A Sharp	(Appointed 29.3.96)
V G Southey	(Appointed 31.12.96)
J H Venton	
P L Wroughton	(Appointed 4.9.96)

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.

DIRECTORS' REPORT (CONTINUED)

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year the company made a political donation of £50 and various charitable donations totalling £2,085.

AUDITORS

Deloitte and Touche resigned office as auditors to the company on 4th September, 1996. Price Waterhouse were then appointed as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting of the UK parent company in accordance with the Companies Act 1995.

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



Mrs J S Clouting
Secretary

30 May 1997

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

30 May 1997

AUDITORS' REPORT TO THE MEMBERS OF VENTON UNDERWRITING AGENCIES LIMITED

We have audited the financial statements on pages 6 to 13 which have been prepared under the historical cost conversion 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.

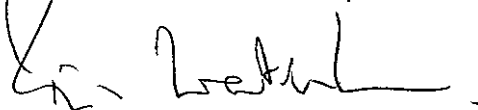
Basis of opinion

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 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PRICE WATERHOUSE

Chartered Accounts
and Registered Auditors

30 May 1997

PROFIT AND LOSS ACCOUNT

Year ended 31st December 1996

	Note	1996 £	1995 £
TURNOVER	1	2,946,254	1,002,903
Operating expenses	4	<u>(2,741,692)</u>	<u>(861,058)</u>
OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	204,562	141,845
Tax on profit on ordinary activities	5	<u>(58,392)</u>	<u>-</u>
PROFIT FOR THE FINANCIAL YEAR		146,170	141,845
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD		260,724	118,879
Capitalisation of reserves	8	<u>(75,000)</u>	<u>-</u>
PROFIT AND LOSS ACCOUNT CARRIED FORWARD		<u>331,894</u>	<u>260,724</u>

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.

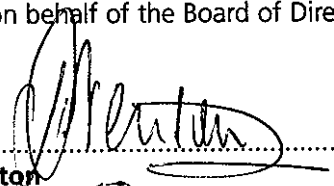
The only movement in shareholders' funds other than the profit for the year in both current and prior years, was the capitalisation of reserves in 1996.

BALANCE SHEET
As at 31st December 1996

	Note	1996 £	1995 £
FIXED ASSETS			
Investment in subsidiary	6	-	-
CURRENT ASSETS			
Amounts owed by parent company		926,693	510,326
Amounts owed by other group companies		69,075	-
Other debtors		-	16,132
Deferred expenditure	11	<u>1,534,151</u>	<u>-</u>
		<u>2,529,919</u>	<u>526,458</u>
CREDITORS: amounts falling due within one year	7	(1,758,783)	(15,734)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>771,136</u>	<u>510,724</u>
CREDITORS: amounts falling due after one year	12	<u>(114,242)</u>	<u>-</u>
TOTAL ASSETS LESS TOTAL LIABILITIES		<u><u>656,894</u></u>	<u><u>510,724</u></u>
CAPITAL AND RESERVES			
Called up share capital	8	325,000	250,000
Profit and loss account		<u>331,894</u>	<u>260,724</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	9	<u><u>656,894</u></u>	<u><u>510,724</u></u>

These financial statements were approved by the Board of Directors on 30 May 1997.

Signed on behalf of the Board of Directors


.....(Director)
J H Venton

NOTES TO THE ACCOUNTS

Year ended 31st December 1996

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

	1996 £	1995 £
Profit on ordinary activities before taxation is after charging:		
Auditors' remuneration - audit fees	5,000	4,400
Reconstruction and Renewal levy (see note 4)	579,004	-

3. STAFF COSTS (including directors)

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

	1996 £	1995 £
Salaries	3,939,078	2,401,410
Social security costs	296,878	200,119
Pension costs	324,753	223,382
	<u>4,560,709</u>	<u>2,824,911</u>
Less recovery from syndicates	<u>2,864,905</u>	<u>1,887,524</u>
	<u>1,695,804</u>	<u>937,387</u>

Directors:

Gross of recharge to the syndicates, emoluments of the directors of the company attributable to their services to the company were as follows:

	1996 £	1995 £
Remuneration, including pension costs & bonus	£3,999,249	£1,373,677

3. STAFF COSTS (continued)

Directors fees and remuneration excluding pension contributions, were as follows:

	1996	1995
Chairmen	£10,428	£5,000
Highest paid director	£926,462	£539,869
Other directors of the group		
Scale of other directors remuneration	No.	No.
0 - £5,000	2	2
£5,000 - £10,000	1	-
£15,001 - £20,000	-	1
£20,001 - £25,000	-	2
£35,001 - £40,000	1	-
£100,001 - £105,000	-	2
£125,001 - £130,000	-	1
£130,001 - £135,000	1	-
£135,001 - £140,000	1	-
£140,001 - £145,000	1	-
£145,001 - £150,000	-	1
£165,001 - £170,000	1	-
£175,001 - £180,000	-	1
£390,001 - £395,000	1	-
£580,001 - £585,000	1	-
£610,001 - £615,000	1	-
£710,001 - £715,000	1	-

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). £579,004 was charged to the profit and loss account for the year ended 31st December 1996.

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1996 £	1995 £
United Kingdom corporation tax at 33% based on the profit for the year	74,126	-
Over provision in a prior year	(15,734)	-
	<u>58,392</u>	<u>-</u>

No corporation tax was payable on the profit for the previous year due to group relieving the entire taxable profit with the UK holding company, New Street Holdings Ltd, for no consideration.

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

	1996	1995
	£	£
Amounts owed to other group companies	678,613	-
Corporation tax	74,126	15,734
Accruals and deferred income	1,006,044	-
	<u>1,758,783</u>	<u>15,734</u>

8. CALLED UP SHARE CAPITAL

	1996	1995
	£	£
Authorised ordinary shares of £1 each	<u>325,000</u>	<u>250,000</u>
Allotted and fully paid ordinary shares of £1 each	<u>325,000</u>	<u>250,000</u>

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

9. RECONCILIATION IN MOVEMENT OF SHAREHOLDERS' FUNDS

	1996	1995
	£	£
Profit for the financial year	146,170	141,845
Opening shareholders' funds	<u>510,724</u>	<u>368,879</u>
Closing shareholders funds	<u>656,894</u>	<u>510,724</u>

10. CONTINGENT LIABILITY

The receipt of profit commissions is dependent upon the managed syndicates closing an underwriting year of account, normally after three years, with a profit. To the extent that the levy payable in accordance with Lloyd's Reconstruction and Renewal has been partly settled using early releases from the 1994 and 1995 underwriting years of account (see note 13) there remains some uncertainty as to the final amounts of profit commission due.

At the date of these accounts it has been agreed that the 1994 underwriting year of account for syndicate 376 be closed by reinsurance into the 1995 underwriting year of account. The profit commission payable to the company by the syndicate 376 names out of the profit from the 1994 underwriting year of account is greater than the amount released early to assist with the payment of the levy.

For syndicate 1183 there was an early release of profit commission from the 1995 underwriting account of £114,242 which, again, was used to fund part of the levy. The forecast result arrived at by reference to the 1995 underwriting account after twenty four months indicates that the profit commission generated will exceed the amount already released.

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
		<u>2,113,155</u>
Total levy paid		<u>2,113,155</u>

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
	<u>1,119,736</u>

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:

	Agent Salaries £	Profit Commission £
Syndicate 376	489,396	1,918,387
Syndicate 1183	239,955	-
Syndicate 1038	-	-
Syndicate 2376	129,441	-
Syndicate 1207	100,000	-
	<u>958,792</u>	<u>1,918,387</u>

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

VSL is a fellow subsidiary of VUA which provides administration services to the companies and syndicates in the Venton group. VUA was charged a management fee of £2,010,004 to recover these costs. As at the balance sheet date VUA owed £678,613 to VSL.

As at the balance sheet date VUA was owed £937,471 from NSH.

During the year the entire share capital of NSH was purchased by VHL. The directors' interests in VHL as at 31st December 1996 were:

	\$1 ordinary shares
C N R Atkin	782
A L Brooks	45
P C Churchill	45
J S Clouting	45
R D Montgomerie	435
D M Slade	390
J H Venton	4,691

16. RELATED PARTIES (continued)

The following options in NSH were exercised on 29th February, 1996:

	£1 ordinary shares	Date Granted	Exercise Price	Market Value at time of exercise
C N R Atkin	8,750	25.3.92	£2.60	£46.62
R D Montgomerie	4,375	20.7.90	£4.28	£46.62
R D Montgomerie	4,375	26.3.92	£2.60	£46.62
L W Nichols	8,750	6.8.90	£4.28	£46.62

The following options in NSH were cancelled on 29th February, 1996:

	£1 ordinary shares	Date Granted	Exercise Price	Consideration on cancellation
A L Brooks	1,000	13.6.94	£3.00	£46,623
P C Churchill	1,000	13.6.94	£3.00	£46,623
J S Clouting	1,000	13.6.94	£3.00	£46,623
R D Montgomerie	1,000	13.6.94	£3.00	£46,623
D M Slade	8,750	13.6.94	£3.00	£407,954

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:

Agent salaries	£6,540
Profit commission	£29,472

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

J H Venton profit commission	£19,676
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