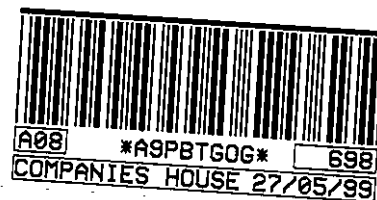




WREN HOLDINGS LIMITED
ANNUAL REPORT AND ACCOUNTS
31st DECEMBER 1998



Registered No. 2245562

WREN HOLDINGS LIMITED

REPORT OF THE DIRECTORS

Directors

A.F. Jackson	(Chairman)
R.G. Bissett, FCCA, FCIS	
S.D. Clapham	
A. Holland, FCCA	
P.D. Scales	
A. Shone	
A.I.G.C. South	
R.E. Stone	
P.D. Nicholas	(Non Executive)
J.A.V. Townsend	(Non Executive)

The directors present their report and the financial statements of the company for the year ended 31st December 1998.

Principal activities

The company is a holding and management company. During 1998 its principal operating subsidiaries were Wren Underwriting Agencies Limited, an approved Lloyd's members' agent, Wren Syndicates Management Limited, an approved Lloyd's managing agent and Wren Lloyd's Advisers Limited, an approved Lloyd's adviser. The two remaining trading subsidiary companies act as a Lloyd's syndicate service company and as a Lloyd's syndicate consortium management company respectively.

Review of business

The underwriting premium capacity of the syndicates under management was £254 million (1997 - £293 million). The members' agency was responsible for 193 active Names who had a capacity on the managed syndicates of £79 million (1997 - £80 million) and an additional £202 million (1997 - £310 million) of capacity on syndicates managed by other Lloyd's agents.

In the opinion of the directors the state of affairs of the company and its subsidiaries at the end of the year was satisfactory.

Result and dividends

The profit for the year attributable to shareholders amounts to £2,629,305 and is dealt with as shown in the profit and loss account.

The directors do not recommend any dividend (1997 - £1,300,000).

Fixed assets

On 1st January 1999, all the company's tangible fixed assets were transferred at net book value from Wren Holdings Group Plc to the company.

WREN HOLDINGS LIMITED

REPORT OF THE DIRECTORS (Continued)

Directors

The names of the directors of the company as at the date of this report are listed above.

Details of the interests of directors in the share capital of the company and the ultimate holding company are shown in note 20 to the accounts.

The interests of directors in the share capital of other group companies, of which they are also directors, will be shown in the Annual Reports of those companies.

Directors' responsibilities for the financial statements

The directors are required by company law 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 the year then ended. In preparing these financial statements, the directors are required to:-

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

Ultimate holding company

The ultimate holding company is Wren plc.

Directors' liability insurance

During the year liability insurance was purchased and maintained for this company's directors and for those of its main operating subsidiaries, Wren Underwriting Agencies Limited, Wren Syndicates Management Limited and Wren Lloyd's Advisers Limited, as permitted by Section 310(3) of the Companies Act 1985.

Year 2000

During 1998 the company reviewed and, where appropriate, replaced all business critical applications and operational systems, together with the hardware infrastructure, so as to ensure Year 2000 compliance. This process was completed during the second half of the year.

WREN HOLDINGS LIMITED

REPORT OF THE DIRECTORS (Continued)

Year 2000 (Continued)

During 1999 the company will closely monitor changes to the systems and infrastructure to ensure compliance with date changes at or around the Millennium; continuity and contingency plans are also being developed. These will be designed to ensure key areas of the business will be able to continue to operate. The estimated costs to ensure Year 2000 compliance have been calculated on the following basis:

Costs relating to Year 2000 testing and associated work carried out by external suppliers have been allocated to group companies and syndicates managed by the group based on actual expenditure.

Internal staff and related overhead costs have been apportioned to the Year 2000 review based on actual time spent.

The estimated costs for the company are £1000.

Disabled persons

It is the company's policy to give full consideration to suitable applications for employment by disabled persons.

Employee involvement

The company is committed to involve all employees in the performance and development of the group. Employees are encouraged to discuss matters of interest and subjects affecting day to day operations of the group.

Donations

No donations were made to political or charitable organisations during the year or the previous period.

Auditors

The auditors, Cocke, Vellacott & Hill, have signified their willingness to continue in office and a resolution proposing their re-appointment will be put to the forthcoming Annual General Meeting.

By Order of the Board

G.F. O'DONNELL
Secretary



16th April 1999

WREN HOLDINGS LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF WREN HOLDINGS LIMITED

We have audited the financial statements on pages 5 to 16 which have been prepared under the historical cost convention and in accordance with the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described in the Report of the Directors on page 2, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion based on our audit of those statements and to report our opinion to you.

Basis of opinion

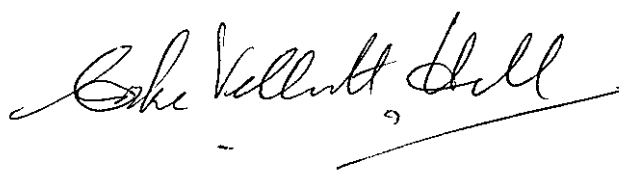
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 mis-statement, 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 31st December 1998 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

COCKE, VELLACOTT & HILL



Registered Auditor
Chartered Accountants
29 Weymouth Street
London
WIN 3FJ

16th April 1999

WREN HOLDINGS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st DECEMBER 1998**

	<u>Notes</u>	<u>1998</u>	<u>1997</u>
Turnover - continuing operations	1(d) & 2	2,400,000	1,175,000
Administrative expenses		<u>3,080</u>	<u>(2,325)</u>
Operating profit - continuing operations	3	2,403,080	1,177,325
Interest received and similar income	4	<u>298,754</u>	<u>69,821</u>
Profit on ordinary activities before taxation		2,701,834	1,247,146
Taxation	7	<u>72,529</u>	<u>9,448</u>
Profit on ordinary activities after taxation		2,629,305	1,237,698
Retained profit brought forward		<u>1,107,297</u>	<u>1,169,599</u>
		3,736,602	2,407,297
Dividends - proposed	8	<u>-</u>	<u>1,300,000</u>
Retained profit carried forward		£ <u>3,736,602</u>	£ <u>1,107,297</u>

The company has no recognised gains and losses other than those included in the profits above and therefore no separate statement of total recognised gains and losses has been presented.

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

The notes on pages 8 to 16 form part of these accounts

WREN HOLDINGS LIMITED

BALANCE SHEET

AS AT 31st DECEMBER 1998

	<u>Notes</u>	<u>1998</u>	<u>1997</u>
Fixed assets			
Investments	9	2,072,905	2,506,985
Current assets			
Debtors	10	2,801,668	1,243,905
Cash at bank and deposits		-	3,320
		<u>2,801,668</u>	<u>1,247,225</u>
Creditors: Amounts falling due within one year	11	<u>437,971</u>	<u>1,946,913</u>
Net current assets (liabilities)		<u>2,363,697</u>	<u>(699,688)</u>
Total assets less current liabilities		£ <u>4,436,602</u>	£ <u>1,807,297</u>
Capital and reserves			
Called up equity share capital	12	700,000	700,000
Profit and loss account		<u>3,736,602</u>	<u>1,107,297</u>
Shareholders' funds	13	£ <u>4,436,602</u>	£ <u>1,807,297</u>

Approved by the Board of Directors on 16th April 1999
and signed on their behalf by:-


A. HOLLAND

)


R.G. BISSETT

) Directors

)

The notes on pages 8 to 16 form part of these accounts

WREN HOLDINGS LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 1998**

	<u>Notes</u>	<u>1998</u>	<u>1997</u>
Net cash inflow (outflow) from operating activities	14	548,786	981,258
Returns on investments and servicing of finance			
Interest received	3,583	4,488	
Dividends received from other investments	<u>13,265</u>	<u>64,733</u>	
		16,848	69,221
		565,634	1,050,479
Taxation			
Corporation tax paid	(1,876)	(2,821)	
Tax credits on dividends received	(2,653)	(12,947)	
Group relief paid	<u>-</u>	<u>(91,680)</u>	
		(4,529)	(107,448)
		561,105	943,031
Capital expenditure and financial investments			
Transfer of fixed assets to ultimate holding company	-	250,000	
Proceeds on sale of fixed asset investments	<u>710,986</u>	<u>-</u>	
		710,986	250,000
		1,272,091	1,193,031
Equity dividends paid		<u>(1,300,000)</u>	<u>(1,200,000)</u>
		(27,909)	(6,969)
Management of liquid resources			
Proceeds on sale of UK listed shares		-	600
Net increase (decrease) in cash	15	<u>£ (27,909)</u>	<u>£ (6,369)</u>

The notes on pages 8 to 16 form part of these accounts

WREN HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31st DECEMBER 1998

1. Accounting policies

(a) Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Consolidated accounts

The financial statements present information relating to Wren Holdings Limited, not to the group of which it is the parent company. Wren Holdings Limited is exempt from preparing consolidated financial statements of the group, under Section 228 of the Companies Act 1985. Wren plc, which is incorporated in England and is the ultimate holding company, prepares group accounts.

(c) Other fixed asset investments

Other fixed asset investments are stated at cost less provisions for any permanent diminution in value. For listed investments, market value is based on the closing middle market price on a recognised stock exchange.

Dividends (including associated tax credits) from these fixed asset investments are accounted for on a receipts basis.

(d) Turnover

Turnover consists of dividends receivable from subsidiary companies.

(e) Deferred taxation

Provision is made at the expected rates of Corporation tax for taxation deferred by differences in timing in the recognition of income and expenditure for accounting and taxation purposes.

(f) Leased assets

Rentals in respect of assets held under operating leases are charged to the profit and loss account as incurred.

(g) Pension benefits

Pension benefits are funded over employees' periods of service. Contributions are based on the recommendation of the actuary following the valuation of the fund and are charged to the profit and loss account as incurred.

(h) Related parties

The company has taken advantage of the exemption available under FRS8 not to disclose additional information in respect of transactions and balances with other group companies.

WREN HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (Continued) FOR THE YEAR ENDED 31st DECEMBER 1998

2. Turnover

	<u>1998</u>	<u>1997</u>
Dividends receivable from subsidiary companies:		
Wren Syndicates Management Limited	1,400,000	625,000
Wren Underwriting Agencies Limited	<u>1,000,000</u>	<u>550,000</u>
	£ <u>2,400,000</u>	£ <u>1,175,000</u>

3. Operating profit - continuing operations

This is arrived at after charging (crediting):-

	<u>1998</u>	<u>1997</u>
	£	£
Auditors' remuneration - Audit work	890	800
- Non-audit work	<u>300</u>	<u>300</u>

4. Interest receivable and similar income

	<u>1998</u>	<u>1997</u>
Bank deposit interest	280	33
Other interest and management charges	3,303	4,455
Income from UK listed investments	13,265	64,733
Profit on sale of UK listed investments	281,906	-
Profit on sale of trade investment	<u>-</u>	<u>600</u>
	£ <u>298,754</u>	£ <u>69,821</u>

5. Staff costs

The employment costs of all Wren group employees (which include the directors) are borne directly by other group companies and the Lloyd's syndicates managed by the group and are not included in the expenses in the profit and loss account.

WREN HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (Continued) FOR THE YEAR ENDED 31ST DECEMBER 1998

6. Directors' remuneration and transactions involving directors

	<u>1998</u>	<u>1997</u>
	£	£
Directors' remuneration:		
Emoluments	4,165,221	1,270,589
Long term incentive scheme	Nil	Nil
Pension contributions under money purchase scheme	17,400	16,397
Number of directors for whom benefits are accruing under:		
A defined benefit scheme	6	6
A money purchase scheme	1	1
Number of directors who:		
Exercised share option	Nil	Nil
Received shares under a long term incentive scheme	Nil	Nil
	£	£
Highest paid director:		
Remuneration	1,349,893	401,990
Defined benefit scheme:		
Accrued pension	Nil	75,234
Accrued lump sum	Nil	Nil

The remuneration benefits shown are borne by other group companies and managed syndicates.

7. Taxation

	<u>1998</u>	<u>1997</u>
Provision for Corporation tax on the profit on ordinary activities for the year at 31% (1997 - 21.75%)	70,000	2,000
Tax credits on dividends received	2,653	12,947
Adjustment for prior years	(124)	(5,499)
	<u>£ 72,529</u>	<u>£ 9,448</u>

WREN HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (Continued) FOR THE YEAR ENDED 31st DECEMBER 1998

8. Dividends - paid and proposed

	<u>1998</u>	<u>1997</u>
Proposed final dividend – nil (1997 - 46.43p per share)	£ <u>-</u>	£ <u>1,300,000</u>

9. Fixed asset investments

	<u>Interests in group undertakings</u>	<u>Other listed investments</u>	<u>Total</u>
Cost			
At 1st January 1998	2,077,904	429,081	2,506,985
Additions	2	-	2
Disposals	<u>(5,002)</u>	<u>(429,081)</u>	<u>(434,083)</u>
At 31st December 1998	<u>2,072,904</u>	<u>-</u>	<u>2,072,905</u>
Amounts written off			
At 1st January 1998 and 31 December 1998	<u>-</u>	<u>-</u>	<u>-</u>
Net book values			
At 31st December 1998	£ <u>2,072,904</u>	£ <u>Nil</u>	£ <u>2,072,905</u>
At 31st December 1997	£ <u>2,077,904</u>	£ <u>429,081</u>	£ <u>2,506,985</u>

During the year, one dormant company, Robt. Bradford (Underwriting) Limited was removed from the register of the Registrar of Companies. The cost of the investment in this company has been shown as a disposal above.

During the year, the company acquired the remaining share capital of Wren Underwriting Agencies Limited and Wren Syndicates Management Limited at nil cost.

Details of subsidiary companies are given in note 18.

WREN HOLDINGS LIMITED**NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31st DECEMBER 1998****10. Debtors**

	<u>1998</u>	<u>1997</u>
Due within one year:-		
Dividends receivable from subsidiary companies	2,400,000	1,175,000
Amount due from holding company	202,476	-
Other debtors	135,613	-
Prepayments and accrued income	<u>1,079</u>	<u>2,322</u>
	2,739,168	1,177,322
Due after one year:-		
Loans to provide underwriting deposits at Lloyd's	<u>62,500</u>	<u>66,583</u>
	<u>£ 2,801,668</u>	<u>£ 1,243,905</u>

11. Creditors

	<u>1998</u>	<u>1997</u>
Amounts falling due within one year:-		
Bank overdraft	24,589	-
Amount due to holding company	-	633,553
Amounts due to subsidiary companies	-	5,210
Corporation tax payable	70,000	2,000
Other taxes and social security	325,668	5,000
Proposed dividend	-	1,300,000
Other creditors	16,824	-
Accruals and deferred income	<u>890</u>	<u>1,150</u>
	<u>£ 437,971</u>	<u>£ 1,946,913</u>

12. Authorised and called up equity share capital

	<u>1998</u>	<u>1997</u>
Authorised		
4,000,000 Ordinary shares of 25p each	<u>£ 1,000,000</u>	<u>£ 1,000,000</u>
Issued and fully paid		
2,800,000 Ordinary shares of 25p each	<u>£ 700,000</u>	<u>£ 700,000</u>

WREN HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (Continued) FOR THE YEAR ENDED 31st DECEMBER 1998

13. Reconciliation of movements in shareholders' funds

	<u>1998</u>	<u>1997</u>
Profit for the year	2,629,305	1,237,698
Dividends - proposed	-	(1,300,000)
Net increase (decrease) in shareholders' funds	2,629,305	(62,302)
Shareholders' funds at 1st January	<u>1,807,297</u>	<u>1,869,599</u>
Shareholders' funds at 31st December	<u>£ 4,436,602</u>	<u>£ 1,807,297</u>

14. Reconciliation of operating profit to net cash inflow (outflow) from operating activities

	<u>1998</u>	<u>1997</u>
Operating profit	2,403,080	1,177,325
(Increase) decrease in debtors	(1,557,763)	273,992
Increase (decrease) in creditors	(301,533)	(470,059)
(Increase) decrease in investment in subsidiaries	<u>5,002</u>	<u>-</u>
Net cash inflow (outflow) from operating activities	<u>£ 548,786</u>	<u>£ 981,258</u>

15. Analysis of movements in cash

	<u>Cash at bank and in hand</u>	<u>Overdrafts</u>	<u>Net cash 1998</u>	<u>Net cash 1997</u>
At 1st January	3,320	-	3,320	9,689
Net increase (decrease) in cash	<u>(3,320)</u>	<u>(24,589)</u>	<u>(27,909)</u>	<u>(6,369)</u>
At 31st December	<u>£ -</u>	<u>£ (24,589)</u>	<u>£ (24,589)</u>	<u>£ 3,320</u>

16. Financial commitments

There was no authorised future capital expenditure at either 31st December 1998 or 31st December 1997.

The annual commitment under non-cancellable operating leases was as follows :-

	<u>Land and buildings 1998</u>	<u>1997</u>	<u>Other 1998</u>	<u>1997</u>
Leases expiring:				
Within one year	6,000	-	-	-
Within two to five years	<u>32,040</u>	<u>16,570</u>	<u>59,455</u>	<u>7,633</u>
	<u>£ 38,040</u>	<u>£ 16,570</u>	<u>£ 59,455</u>	<u>£ 7,633</u>

The above commitment relates to premises occupied and vehicles used by other group companies which bear all financial costs.

WREN HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (Continued) FOR THE YEAR ENDED 31st DECEMBER 1998

17. Pensions

The Wren plc group operates a funded pension scheme providing benefits for its employees based on final pensionable emoluments. The assets of the Scheme are held in a separate trustee administered fund. The most recent completed actuarial valuation of the Scheme was carried out as at 31st July 1997 using the projected unit method. The actuarial assumptions made for the investigation were that the investment returns would be 8% per annum, salary increases would average 6% per annum and that present and future pensions for members retiring from the Scheme would increase at the rate of 4% per annum. For Minimum Funding Requirement, the Scheme's assets at 31st July 1997 taken at a value of £47.1 million, exceed 120% of the amount of liabilities of the scheme as at that date. The current employer's contribution rate of 21%, if the actuarial assumptions are borne out, is sustainable for 15 years.

18. Subsidiary companies

	Shareholding	
	<u>Ordinary Voting</u>	<u>Ordinary Non-voting</u>
a) Trading companies		
Lloyd's members' agent:-		
Wren Underwriting Agencies Limited	100%*	100%*
Lloyd's adviser:-		
Wren Lloyd's Advisers Limited	100%*	n/a
Lloyd's managing agent:-		
Wren Syndicates Management Limited	100%*	100%*
Service companies:-		
Wren Insurance Services Limited	100%	n/a
Marham Consortium Management Limited	100%	n/a
b) Non-trading companies		
Former service companies:-		
Wren Group Services Limited	100%*	n/a
Wren Legal Expenses Limited**	100%	n/a
Other companies:-		
Wren Capital Management Limited	100%*	n/a

* Direct shareholding by Wren Holdings Limited.

** Formerly Sackville Insurance Services Limited, Wren Limited and Wren (1998) Limited.

All the above companies are registered in England.

During the year, eight dormant companies were removed from the register of the Registrar of Companies.

WREN HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (Continued) FOR THE YEAR ENDED 31st DECEMBER 1998

19. Controlling parties

The company is a wholly owned subsidiary of Wren Holdings Group Plc. Following a merger with Wren plc on 19th May 1998, the ultimate holding company changed from Wren Holdings Group Plc to Wren plc, a company incorporated in England.

20. Directors' interests

The interests of the directors and their families in the share capital and Loan Notes of the former ultimate holding company, Wren Holdings Group Plc, (according to the register of directors' interests) were as follows:-

	<u>Ordinary shares of £1 each,</u> <u>25p paid</u>		<u>6% Loan Notes 1996/1998</u> <u>Amounts not repaid</u>	
	<u>31st December</u>	<u>31st December</u>	<u>31st December</u>	<u>31st December</u>
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
A.F. Jackson	-	6,305	-	317,500
A.F. Jackson (as Trustee)	-	-	-	26,250
R.G. Bissett	-	1,577	-	49,063
A. Shone	-	11,034	-	184,913
A.I.G.C. South	-	4,729	-	20,000
R.E. Stone	-	6,305	-	115,250
P.D. Scales	-	-	-	625

The interests of the directors and their families in the share capital of Wren plc, the ultimate holding company (according to the register of directors' interests), were as follows:-

	<u>Ordinary shares of 25p each</u>			
	<u>Shares</u>		<u>Options</u>	
	<u>31st December</u>	<u>19th May</u>	<u>31st December</u>	<u>19th May</u>
	<u>1998</u>	<u>1998</u>	<u>1998</u>	<u>1998</u>
A. Shone	3,788,784	3,788,784	-	-
A.F. Jackson	2,159,456	2,159,456	-	-
R.E. Stone	2,001,131	2,001,131	-	-
A.I.G.C. South	1,576,744	1,576,744	-	-
R.G. Bissett	524,876	524,876	-	-
S.D. Clapham	473,880	473,880	271,800	271,800
A. Holland	331,657	331,657	190,260	190,260
P.D. Scales	331,657	331,657	190,260	190,260
J.A.V. Townsend	215,800	215,800	-	-

WREN HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (Continued) FOR THE YEAR ENDED 31ST DECEMBER 1998

20. Directors' interests (continued)

None of the directors had any beneficial interest in the share capital of the company at 31st December 1998 or the previous year end.

In addition the directors' interests in the share capital of subsidiary companies were as follows:-

(a) Wren Underwriting Agencies Limited

	<u>Ordinary 'A' voting shares of 1p each</u>	
	<u>31st December 1998</u>	<u>31st December 1997</u>
R.G. Bissett	-	322
A.I.G.C. South	-	321
P.D. Scales	-	321

(b) Wren Syndicates Management Limited

	<u>Ordinary 'A' voting shares of 1p each</u>	
	<u>31st December 1998</u>	<u>31st December 1997</u>
A.F. Jackson	-	344
A. Holland	-	343
R.G. Bissett	-	343
S.D. Clapham	-	171
A. Shone	-	343
R.E. Stone	-	171

Wren Underwriting Agencies Limited, as an approved Lloyd's members' agent, acts for all the directors of the company, except Messrs. P.D. Scales, P.D. Nicholas and J.A.V. Townsend, in respect of their underwriting membership of Lloyd's and this service is rendered for syndicates managed by the Wren group at reduced rates. Neither Mr. Nicholas nor Mr. Scales are members of Lloyd's.