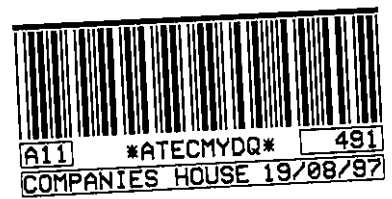


Delian Alpha Limited
Annual Report and Accounts
31 May 1997

Company No: 2852027



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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Fourth Annual General Meeting of Delian Alpha Limited will be held at Dashwood House, 69 Old Broad Street, London, EC2M 1NL, London on Tuesday 23 September 1997 at 10.36 am to consider and, if thought fit, pass the following Ordinary Resolutions:

1. That the Report and Accounts for the year to 31 May 1997 be approved.
2. That KPMG Audit Plc be appointed as Auditors and that the Directors be authorised to determine their remuneration.

By Order of the Board,



Ivory & Sime plc
Secretaries
1 August 1997

A member who is entitled to attend and vote at this meeting is entitled to appoint a Proxy to attend and, on a poll, to vote on his/her behalf. Such Proxy need not be a member of the Company.

A Form of Proxy for use by Shareholders is enclosed with this Report. Completion of the Form of Proxy will not prevent a Shareholder from attending the meeting and voting in person.

No Director has a contract of service with the Company.

CORPORATE INFORMATION

Directors

J L Stace (Chairman)
D I J Herbert
J Le T Illingworth
C E L Philipps

Secretary

Ivory & Sime plc

Registered Office

Dashwood House
69 Old Broad Street
London
EC2M 1NL

Bankers

Coutts & Co
Robarts' Office
15 Lombard Street
London EC3V 9AU

Solicitors

Linklaters & Paines
Barrington House
59-67 Gresham Street
London EC2V 7JA

Auditors

KPMG Audit Plc
8 Salisbury Square
London
EC4Y 8BB

REPORT OF THE DIRECTORS

The Directors submit the Annual Report together with the Accounts of the Company for the year ended 31 May 1997.

Results and Dividends	£000
Profit for the financial year	1283
Dividends paid and proposed	(1043)
Profit retained	----- 240 -----

Principal Activity and Status

The object of the Company, which is not a "Close Company", is to act as a corporate Member of Lloyd's, underwriting insurance business for its own account.

The Company is a wholly owned subsidiary of Delian Underwriting Limited, itself a wholly owned subsidiary of Angerstein Underwriting Holdings Ltd, itself a wholly owned subsidiary of Angerstein Underwriting Trust PLC.

Business review

The Company commenced its participation at Lloyd's on 1 January 1994. A review of the activities and results of the group is given within the Chairman's Statement accompanying the accounts of Angerstein Underwriting Trust PLC for the year to 31 May 1997.

The Company ceased underwriting at Lloyd's with effect from the 1997 Lloyd's year of account.

Directors

Messrs S R Arnold, C F E Shakerley and Lord Stewartby were appointed to the Board on 31 October 1996 and resigned on 30 May 1997.

Messrs D I J Herbert, J le T Illingworth, C E L Philipps and J L Stace were appointed as directors on 30 May 1997 and Messrs J M G Andrews, J M Kennedy and P V Olsen, J R Sanders resigned on 30 May 1997.

Report of Directors

Directors' Interests

None of the Directors who held office at the end of the financial year had any disclosable interest in the shares of the Company.

The interests of J L Stace and C E L Philipps in other group companies are disclosed in the Directors' report of the ultimate holding company, Angerstein Underwriting Trust PLC.

The interests of the two directors in the ordinary shares of 25p each and the warrants of Angerstein Underwriting Trust PLC were:

	Shares held on appointment	Shares held at 31 May 1997	Share options held at 31 May 1997
D I J Herbert	2,000	2,000	61,965
J le T Illingworth	22,310	22,310	205,128

All the share options referred to above were granted during the year.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the appointment of KPMG Audit Plc as auditors of the Company, is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board,



Ivory & Sime plc
Secretaries

1 August 1997

DIRECTORS' RESPONSIBILITIES

The Directors are required by company law to prepare accounts for each financial period which give a true and fair view of the state of affairs of the Company and the results for the period to that date. In preparing those accounts, 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 subject to any material departures disclosed and explained in the accounts;
- prepare the accounts 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 accounts comply with 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 and other irregularities.

REPORT OF THE AUDITORS

TO THE MEMBERS OF DELIAN ALPHA LIMITED

We have audited the accounts on pages 7 to 19.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 5, the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, 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 accounts 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 accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of the Company's affairs as at 31 May 1997 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
1 August 1997

KPMG Audit Plc

Profit and loss account: technical account - general business
for the year ended 31 May 1997

	Note	1997 £000	1997 £000	1996 £000	Restated* 1996 £000
Earned premiums, net of reinsurance					
Gross premiums written	3		11278		17428
Outward reinsurance premiums			(1991)		(2678)
			<u>9287</u>		<u>14750</u>
Investment income	4		756		521
			<u>10043</u>		<u>15271</u>
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(4290)		(2907)	
Reinsurers' share		<u>928</u>		<u>582</u>	
			(3362)		(2325)
Change in the provision for claims					
Gross amount		(624)		(11836)	
Reinsurers' share		<u>(525)</u>		<u>1623</u>	
			(1149)		(10213)
Net operating expenses	5	(3731)		(2737)	
Investment expenses and charges		<u>(4)</u>		<u>(8)</u>	
			<u>(3735)</u>		<u>(2745)</u>
Balance on the technical account - general business			<u>1797</u>		<u>(12)</u>

*See note 13.

Profit and loss account: non-technical account

for the year ended 31 May 1997

	Note	1997 £000	Restated* 1996 £000
Balance on the general business technical account		1797	(12)
		<u>1797</u>	<u>(12)</u>
Other charges	6	<u>(2)</u>	<u>(1)</u>
		1795	(13)
Profit on ordinary activities before tax			
Tax on profit on ordinary activities	7	(512)	(9)
Profit for the financial year		<u>1283</u>	<u>(22)</u>
Dividends paid and proposed	8	(1043)	
Retained profit for the financial year transferred to reserves		<u>240</u>	<u>(22)</u>

Statement of total recognised gains and losses

for the year ended 31 May 1997

	Note	1997 £000	1996 £000
Profit for the financial year		1283	(22)
Prior year adjustment	13	32	-
Total gains and losses recognised since the last annual report		<u>1315</u>	<u>(22)</u>

Except as stated in the Directors' report there were no discontinued activities or acquisitions during the year.

*See note 13.

Balance sheet

as at 31 May 1997

	Note	1997 £000	Restated* 1996 £000
Assets			
Investments			
Other financial investments	9	10112	5191
Reinsurers' share of technical provisions			
Claims outstanding		1881	2620
Debtors			
Debtors arising out of direct insurance operations	10	3922	4153
Debtors arising out of reinsurance operations		6043	3545
Other debtors	11	771	487
		<u>10736</u>	<u>8185</u>
Other assets			
Cash at bank and in hand		1634	2303
Overseas deposits		1246	1278
		<u>2880</u>	<u>3581</u>
Prepayments and accrued income		90	92
Total assets		<u>25699</u>	<u>19669</u>
Liabilities			
Capital and reserves			
Called up share capital	12	400	400
Profit and loss account	13	36	(204)
Shareholders' funds attributable to equity interests		<u>436</u>	<u>196</u>
Technical provisions			
Claims outstanding	15	<u>20832</u>	<u>17349</u>
Provisions for other risks and charges	16	890	412
Creditors			
Creditors arising out of direct insurance operations	17	399	796
Creditors arising out of reinsurance operations	18	833	266
Other creditors including taxation and social security	19	2275	447
		<u>3507</u>	<u>1509</u>
Accruals and deferred income		34	203
Total liabilities		<u>25699</u>	<u>19669</u>

Approved by the Board on 1 August 1997 and
signed on its behalf by:


C E L Philipps, Director

*See note 13.

Notes to the Accounts

(Forming part of the financial statements)

1. Basis of preparation

The Company accounts have been prepared in accordance with the provisions of Schedule 9A of the Companies Act 1985 and the applicable accounting standards. They have been prepared under the historical cost convention, modified to include the revaluation of investments.

The basis of preparation of the Company accounts has changed from that used in the accounts for the year ended 31 May 1996 as a result of the adoption of Schedule 9A which applies to insurance undertakings. The prior year figures have been represented in the Schedule 9A format.

2 Accounting Policies

The accounting policies set out below have been applied consistently in dealing with items which are considered material in relation to the accounts.

(a) Underwriting activities

The results of the Company's underwriting activities are included in the technical account, which has been prepared based on the Company's share of transactions of Lloyd's syndicates on which the Company participates.

Substantially all items in the technical account result from transactions in the premium trust funds. Additionally, substantially all assets and liabilities in the balance sheet are held in the premium trust funds.

A significant amount of the information in the technical account and balance sheet is based on accounting information, in respect of the Company's Lloyd's participations, which has been provided by managing agents of the relevant syndicates and which has been audited by syndicate auditors. Lloyd's has co-ordinated the provision of this information.

Syndicate information provided by managing agents is on a calendar year basis. Accordingly, the figures for the year ended 31 May 1997 include syndicate transactions during calendar 1996 which comprise first, second and third year transactions on the 1996, 1995 and 1994 Lloyd's years of account respectively. The comparative figures for the year ended 31 May 1996 include syndicate transactions during calendar 1995 which comprise transactions on the first and second years of the 1995 and 1994 years of account respectively, the 1994 year of account being the first year of account in which the Company underwrote at Lloyd's.

Premiums

Gross premiums written represent premiums on business incepted during the syndicates' relevant years of account together with adjustments to premiums written in previous years of account and estimates for "pipeline" premiums. Gross written premiums are stated before deduction of commissions but net of taxes, duties levied on premiums and other deductions.

Outward reinsurance premiums are accounted for in the same syndicate year as the related direct insurance or inwards reinsurance business except in relation to excess of loss contracts, where the initial premium is charged when paid.

Claims and technical provisions

Syndicate underwriting accounts for all classes of business are prepared on a three year basis. In accordance with Lloyd's normal practice, the excess of premiums written and syndicate investment income over the claims and syndicate expenses paid in respect of business incepting in an underwriting year is carried forward for two years in a fund and no profit is recognised until the end of the third year following the start of each underwriting year. The fund is included as part of outstanding claims. At the end of the third year thereafter, provision is made for the estimated cost of claims notified but not settled at the balance sheet date (of each syndicate) together with the estimated costs of claims incurred but not reported at that date and claims handling costs.

Loss provisions

Provision is made for losses on open years of account of the Company, when it is anticipated that profits in the Company may be insufficient to meet losses. Similarly, provision is made for future deterioration of any year of account of a syndicate that has gone into run-off.

While the Directors make every effort to ensure that adequate provision is made for losses on open years of account, their view of the ultimate loss may vary in later periods as a result of subsequent information and events. This in turn may require adjustment of the original provisions. Such adjustments are reflected and disclosed in the financial statements for the period in which the related adjustments are made.

Expenses

Those expenses of the Company which relate directly to a year of account which are borne by the Company, rather than the premium trust funds, are charged to the technical account in the year in which such expenses are incurred.

(b) Investment income

Syndicate investments

Investment income and all gains and losses on syndicate investments are dealt with in the technical account. All syndicate gains and losses are treated as realised.

(c) Taxation

Deferred taxation, calculated on the liability method, is provided on items which are recognised for accounts purposes in different periods, to the extent that the liability or asset will crystallise.

(d) Premium trust fund release

Pending closure of an underwriting year of account, any amounts released from the Company's premiums trust funds, as an advance on the underwriting result of that year, are included in the balance sheet as an asset and a liability. These amounts are credited to the technical account when the relevant year of account is closed. Any interest and investment income earned on a premiums trust funds release is included in the technical account on an accruals basis. This is a change in policy from that adopted in previous years and the effects of this change are shown in note 13 on page 16.

(e) Currency translation

Syndicate assets, liabilities, income and expenditure expressed in US dollars or Canadian dollars has been translated into sterling at the rates of exchange on 31 December 1996. Underwriting transactions denominated in other foreign currencies are included at the historical rates. Other assets, liabilities, income and expenditure expressed in foreign currencies have been translated at the rates of exchange at the balance sheet date unless contracts to sell currency for sterling have been entered into prior to the year end, in which case the contracted rates have been used. Differences arising on translation of foreign currency amounts are included in the technical account.

(f) Related parties

As the company is a wholly owned subsidiary of Angerstein Underwriting Trust Plc it has taken advantage of the exemption in FRS 8 and not disclosed details of transactions with companies which form part of the Angerstein Group.

3 Segmental information

The business shown in 1997 and 1996 segmental information has all been underwritten in the Lloyd's insurance market. It has been treated as one geographical segment for the purpose of Statement of Standard Accounting Practice No. 25 "Segmental Reporting".

1997 segmental information

	1997 Gross Premiums written £000	1997 Gross Claims incurred £000	1997 Gross Operating expenses £000	1997 Reinsurance Balance £000
Direct insurance:				
Accident & health	409	(370)	(103)	23
Motor (third party liability)	58	(34)	(13)	(6)
Motor - other classes	1228	(864)	(269)	(112)
Marine, aviation and transport	1402	(566)	(225)	(287)
Fire and other damage to property	1828	(866)	(493)	(410)
Third party liability	1721	(565)	(478)	(297)
Credit and suretyship	216	(314)	(59)	5
Legal expenses	0	0	0	18
Assistance	0	0	0	0
Other	396	(10)	(80)	(80)
Total Direct	7258	(3589)	(1720)	(1146)
Reinsurance				
Reinsurance acceptances	3206	366	(599)	(280)
Reinsurance to close	814	(1691)	0	(162)
Total reinsurance	4020	(1325)	(599)	(442)
Provisions for future syndicate losses	-	-	(50)	-
Other expenses	-	-	(1362)	-
Total	11278	(4914)	(3731)	(1588)

Except for other expenses the above table comprises aggregated syndicate information in respect of calendar 1996 for the Lloyd's syndicate participations.

1996 segmental information

	1996 Gross premiums written £000	1996 Gross claims incurred £000	1996 Gross operating expenses £000	1996 Reinsurance balance £000
Direct insurance:				
Accident & health	208	(93)	(46)	29
Motor (third party liability)	200	(164)	(36)	(4)
Motor - other classes	2444	(2134)	(477)	(87)
Marine, aviation and transport	2148	(2791)	(321)	(269)
Fire and other damage to property	1593	(2093)	(324)	145
Third party liability	2103	(302)	(431)	(218)
Credit and suretyship	162	160	(39)	(34)
Legal expenses	1	0	0	6
Assistance	0	0	0	0
Other	301	(49)	(46)	(53)
Total Direct	9160	(7466)	(1720)	(485)
Reinsurance	-	-	-	-
Reinsurance acceptances	6873	(4903)	(978)	(1116)
Reinsurance to close	1395	(2374)	0	980
Total reinsurance	8268	(7277)	(978)	(136)
Other Expenses	-	-	(39)	-
Total	17428	(14743)	(2737)	(621)

The above table comprises aggregated syndicate information in respect of calendar 1995 for the company's syndicate participations.

4 Investment income

	Technical Account		Non-technical account	
	1997 £000	1996 £000	1997 £000	1996 £000
Income from investments	840	386	-	-
(Losses)/gains on realisation of investments	(84)	135	-	-
Investment income	756	521	-	-
Unrealised gains on investments	-	-	-	-
Investment management expenses	-	-	-	-
Net investment income	756	521	-	-

Investment income in the technical account includes syndicate investment income of interest earned on early releases of profits in the premium trust funds.

5 Net operating expenses

	1997 £000	1996 £000
Acquisition costs (Brokerage)	2236	2506
Administrative expenses	128	205
Corporate member expenses in respect of the closed year	1140	-
Lloyd's advisors' fees and commissions	34	39
Syndicate exchange differences	193	(13)
	<u>3731</u>	<u>2737</u>

6 Other charges

	1997 £000	1996 £000
Profit on ordinary activities before tax is stated after charging/(crediting):		
Auditors' remuneration:		
- Audit fees	2	1
- Company foreign exchange gains	(58)	-

7 Taxation

	1997 £000	1996 £000
UK corporation tax at 33% (1996:33%) on the profit	190	0
	<u>190</u>	<u>0</u>
Adjustment relating to earlier year	-	9
Deferred taxation (see note 16)	322	-
	<u>512</u>	<u>9</u>

8 Dividends

	1997 £000	1996 £000
Proposed final dividend of £2.60779 per share	1043	-
	<u>1043</u>	<u>-</u>

9 Other financial investments

	<i>1997</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>
Shares and other variable yield securities	22	29
Debt securities and other fixed income securities	8049	4481
Participation in investment pools	29	28
Loans guaranteed by mortgage	9	24
Deposits with credit institutions	178	159
Early releases from premium trust fund	1825	412
Deposits with ceding undertakings	-	58
	<u>10112</u>	<u>5191</u>

10 Debtors arising out of direct insurance operations

	<i>1997</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>
Amounts owed by policyholders	77	632
Amounts owed by intermediaries	1843	1791
Other	2002	1730
	<u>3922</u>	<u>4153</u>

All of the above debtors are in syndicates.

11 Other debtors

	<i>1997</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>
Amounts falling due within one year:		
ACT recoverable	222	-
Other debtors	231	169
Amounts owed by other group companies	318	318
	<u>771</u>	<u>487</u>

12 Called-up share capital

	<i>£000</i>
At 31 May 1997 and 31 May 1996	
Authorised, allotted issued and fully-paid:	
400,000 Ordinary shares of £1	400

13 Profit and loss account

	£000
At 31 May 1996 - As previously stated	(236)
Effect of prior year adjustment (see note below)	32
Net revenue retained for the year	240
At 31 May 1997	<u>36</u>

Changes in accounting policies

The company now recognises interest earned on the Premium Trust Fund Release in the profit and loss account: technical account.

The net effect on the profit after tax of the company of this change in accounting policy, which has been dealt with as a prior year adjustment, is as follows:

	<i>1997</i> £000	<i>1996</i> £000
Technical Account		
old policy would have received income	0	0
new policy income	67	28
Profit on ordinary activities before tax	<u>67</u>	<u>28</u>
Taxation	(22)	(9)
Increase/(decrease) in profit on ordinary activities after taxation	<u>45</u>	<u>19</u>

14 Reconciliation of movements in shareholders' funds

	1997 £000	1996 £000
Profit for the financial year	1283	(17)
Dividends	(1043)	-
Retained profit for the financial year	<u>240</u>	<u>(17)</u>
Net addition to shareholders' funds	<u>240</u>	<u>(17)</u>
Opening shareholders' funds		
As previously stated	(236)	(199)
Prior year adjustment	32	12
As restated	(204)	(187)
Closing shareholders' funds	<u>36</u>	<u>(204)</u>

15 Technical provisions

	<i>Gross Provisions for outstanding claims £000</i>	<i>Provisions for future syndicate losses £000</i>	<i>Total £000</i>
At beginning of year	17349	-	17349
Movement in the provision	3433	50	3483
At end of year	<u>20782</u>	<u>50</u>	<u>20832</u>

Provisions for outstanding claims are accounted for in syndicates. Provisions for future syndicate losses are made in the accounts of the Company.

16 Provisions for other risks and charges

	1997			1996		
	<i>Deferred tax £000</i>	<i>Other £000</i>	<i>Total £000</i>	<i>Deferred tax £000</i>	<i>Other £000</i>	<i>Total £000</i>
Opening balance	-	412	412	-	-	-
Movement during the year	322	156	478	-	412	412
At year end	<u>322</u>	<u>568</u>	<u>890</u>	<u>-</u>	<u>412</u>	<u>412</u>

Deferred tax is attributable to other timing differences.

17 Creditors arising out of direct insurance operations

	<i>1997</i> <i>£000</i>	<i>1996</i> <i>£000</i>
Amounts owed to intermediaries	<u>399</u>	<u>796</u>

18 Creditors arising out of reinsurance operations

	<i>1997</i> <i>£000</i>	<i>1996</i> <i>£000</i>
Amounts owed to intermediaries	<u>833</u>	<u>266</u>

19 Other creditors including taxation and social security

	<i>1997</i> <i>£000</i>	<i>1996</i> <i>£000</i>
Corporation taxation payable by the Group	208	-
ACT payable	222	-
Amounts owed to group companies	190	145
Proposed dividend	1043	-
Other creditors	<u>612</u>	<u>302</u>
	<u>2275</u>	<u>447</u>

20 Contingencies and Guarantees

The Company's ultimate holding company, Angerstein Underwriting Trust Plc ("Angerstein"), has entered into a deed of covenant in respect of each of its corporate member subsidiaries to meet each such subsidiary's obligation to Lloyd's. The guarantee given by Angerstein in favour of the Company under these deeds of covenant (subject to limited exceptions) amounts to £ 7 million. The obligations under the deeds of covenant are secured by a fixed and floating charge over the investments and other assets of Angerstein in favour of Lloyd's. Lloyd's has the right to retain the income on the charged investments, although it is not expected to exercise this right unless it considers there to be a risk that one or more of the covenants might need to be called and, if called, might not be honoured in full.

As liability under each deed of covenant is limited to a fixed monetary amount, the enforcement by Lloyd's of any deed of covenant in the event of a default by a corporate member where the total value of investments has fallen below the total of all amounts covenanted may result in the appropriation of a share of the groups funds at Lloyd's that is greater than the proportion which that subsidiary's overall premium limit bears to the total overall premium limit of the group.

21 Cash flow statement

Under Financial Reporting Standard 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

22 Ultimate Parent Company

The Company is a wholly owned subsidiary of Angerstein Underwriting Holdings Limited, itself a wholly owned subsidiary of Angerstein Underwriting Trust plc, a listed company registered in England. The Company's figures are consolidated in the Group accounts of Angerstein Underwriting Trust PLC, copies of which are available at Dashwood House, 69 Old Broad Street, London, EC2M 1NL, the registered office of the Company.