

REPORT AND ACCOUNTS
NLC NAME NO. 2 LIMITED
31st DECEMBER 1998



Registered No. 2859376

Directory

Directors

The Lord Poole
A J Gibson
C S Portsmouth

Secretary

M D Conway

Auditors

Ernst & Young
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Fetter Lane
London
EC4A 1NH

Registered Office

164 Bishopsgate
London
EC2M 4NY

Directors' Report

The directors present their report and the audited financial statements for the 9 months ended 31st December 1998.

Principal activity and review of business

The company's principal activity is that of insurance underwriting as a corporate member of the Society of Lloyd's. The company commenced underwriting on 1st January 1994. Note 2 to the accounts sets out the syndicate participations of the company for the 1996, 1997, 1998 and 1999 underwriting years of account.

The results of the 1996 year of account are satisfactory showing a net return on capacity of 2.66% (1995: 9.1%), after all underwriting expenses and provisions for forecast losses on open years. The company anticipates a small profit for the 1997 year of account and a small loss for the 1998 year. It is too early to predict the result of the 1999 year of account.

On 30th December 1998 New London Capital plc, the company's holding company, merged with Ockham Holdings PLC following a recommended merger offer to New London Capital plc's shareholders. Accordingly, the company has changed its accounting reference date from 31st March to 31st December to come into line with rest of the subsidiaries of Ockham Holdings PLC.

Since 31st December 1998 the NLC group has entered into the following transactions:

- the transfer to Chartwell Re. group of the economic interest in all of NLC's open year participations on syndicates managed by Chartwell; and
- a 100% quota share reinsurance contract with Stockton Reinsurance Limited ("Stockton Re") in March 1999 covering all its participations on all Lloyd's syndicates (other than those managed by Ockham subsidiaries or Chartwell Managing Agents Limited) for the four Lloyd's underwriting years from 1996 to 1999 inclusive. The financial effects of this transaction will be accounted for as each underwriting year of account closes.

Results and dividends

The profit for the nine months, after taxation, amounted to £426,000 (year to 31st March 1998: £1,297,000). The directors do not recommend the payment of a dividend (year to 31st March 1998: £1,000,000).

Accounting presentation

The Department of Trade and Industry has ruled that the company falls within the definition of an insurance company under the Companies Act 1985 and is therefore required to present its financial statements under Schedule 9A of the Companies Act 1985

As such, the Technical Account and balance sheet include information compiled by Lloyd's on behalf of all corporate members from accounting information provided by the managing agents. Prepared on a calendar year basis, the Technical Account includes proportional syndicate information on premiums, claims, operating expenses, investment returns and technical reserves relating to the third year of the 1996 account, the second year of the 1997 account and the first year of the 1998 account at 31st December 1998 of the syndicates in which the company participates. Similarly, the balance sheet presents the company's net assets together with the proportional share of the assets and liabilities of the underlying syndicates.

This method of presentation has required that the directors rely heavily on information provided by Lloyd's. Whilst the directors have overseen the reconciliation of the balance on the Technical Account at 31st December 1998 with a calculation of the amounts due from the syndicates, the directors have not been able to check the consistency and accuracy of the accounting information to the degree which is possible for the company's own transactions.

Directors' Report

Directors and their interests

The current directors of the company are set out on page 1. P M Fletcher and A R Brend were appointed as directors on 21st August 1998. On 13th January 1999, The Lord Poole and A J Gibson were appointed as directors and J A Arvis, AL Brend, J N Duncan, and W M Wilson resigned as directors. P M Fletcher resigned on 28th February 1999.

The beneficial interests of the directors in the share capital of the company at 31st December 1998, including the beneficial interests of their families, as recorded in the register of directors' share interests, are set out below:

Name	Ordinary shares	
	31 st December 1998 in Ockham Holdings PLC	31 st March 1998 or later date of appointment
J A Arvis	142,800	119,000
A L Brend	Nil	Nil
J N Duncan	30,000	25,000
P M Fletcher	12,000	10,000
C S Portsmouth	Nil	Nil
W M Wilson	Nil	Nil

Under the terms of the recommended merger offer from Ockham for the share capital of the company each shareholder in the company received six shares in Ockham Holdings PLC for every five shares in New London Capital plc.

Year 2000 compliance

The directors have reviewed the potential impact of the year 2000 on the company's accounting and business operations. The main business risk to the company arises within the various syndicates at Lloyd's of London on which the company participates, and those syndicates are in turn managed by managing agencies that are registered at Lloyd's. Such agencies are required to satisfy Lloyd's that they conform with standards of compliance laid down by Lloyd's. Nevertheless, given the complexity of the problem it is not possible to be certain that no Year 2000 problems will occur.


In addition, as a consequence of being an insurance underwriter, the company has an exposure to claims from policyholders arising from the 'Year 2000' problem. Lloyd's has instituted various market procedures to ensure the brokers and underwriters are compliant and is undertaking further research to monitor the potential underwriting liabilities for syndicates which might arise from the Year 2000 problem. All Lloyd's syndicates are evaluating the underwriting exposures but such an evaluation can only be subjective.

In addition, as a consequence of being an insurance underwriter, the company has an exposure to claims from policyholders arising from the 'Year 2000' problem. Lloyd's has instituted various market procedures to ensure the brokers and underwriters are compliant and is undertaking further research to monitor the potential underwriting liabilities for syndicates which might arise from the Year 2000 problem. All Lloyd's syndicates are evaluating the underwriting exposures but such an evaluation can only be subjective.

Auditors

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board


M D Conway
29th June 1999

Statement of directors' responsibilities

in respect of the financial statements

The directors are required by company law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the results for the company for that period. 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 a 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 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 NLC Name No. 2 Limited

We have audited the financial statements on pages 6 to 19, which have been prepared on the basis of the accounting policies set out on pages 10 to 12.

Respective responsibilities of directors and auditors

As described on page 4 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, 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 group'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 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 of the company for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
Registered Auditor
London

29th June 1999

Profit and loss account

for the 9 months ended 31st December 1998

		Notes	9 months ended 31st December 1998 £000	12 months ended 31 st March 1998 £000
TECHNICAL BUSINESS	ACCOUNT - GENERAL			
Earned premiums net of reinsurance				
Gross premiums written			14,709	19,426
RITC premiums received from earlier years			127	11,485
Total gross premiums	3		14,836	30,911
Outward reinsurance premiums			(6,226)	(7,808)
RITC premiums paid to subsequent years			(1,429)	(6,753)
Net premiums			7,181	16,350
Investment income allocated from the non-technical account	4		1,304	933
Total technical income			8,485	17,283
Claims incurred, net of reinsurance				
Claims paid				
Gross amount			13,610	8,873
Reinsurers' share			(6,947)	(4,082)
			6,663	4,791
Change in provision for claims				
Gross amount			3,259	13,316
Reinsurers' share			(7,479)	(7,931)
			(4,220)	5,385
Net claims incurred			2,443	10,176
Net operating expenses	5		5,466	5,192
Investment expenses and charges			20	15
Balance on the general business technical account			556	1,900

Profit and loss account

for the 9 months ended 31st December 1998

	Notes	9 months ended 31 st December 1998 £000	12 months ended 31 st March 1998 £000
NON-TECHNICAL ACCOUNT			
Balance on the general business technical account		556	1,900
Investment income	4	1,412	1,018
Investment income allocated to the technical account	4	(1,304)	(933)
Other charges	6	(47)	(57)
Profit on ordinary activities before taxation		617	1,928
Taxation on profit on ordinary activities	8	(191)	(631)
Profit on ordinary activities after taxation		426	1,297
Dividends	9	-	(1,000)
Profit retained for the financial period/year		426	297

Statement of total recognised gains and losses

There were no recognised gains or losses other than the profit attributable to shareholders of £426,000 in the nine months to 31st December 1998 (year to 31st March 1998: £1,297,000).

Balance sheet

as at 31st December 1998

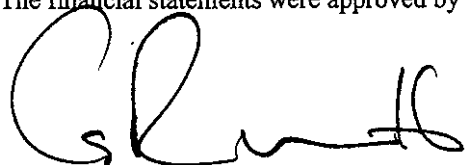
ASSETS	Notes	31 st December 1998 £000	31 st March 1998 £000
Investments			
Other financial investments	10	14,158	11,512
Deposits with ceding undertakings		20	3
		<u>14,178</u>	<u>11,515</u>
Reinsurers' share of technical provisions			
Claims outstanding		27,978	19,528
Debtors			
Due from intermediaries		6,441	8,492
Debtors arising out of reinsurance operations		4,502	16,651
Other debtors	11	<u>1,834</u>	<u>2,214</u>
		<u>12,777</u>	<u>27,357</u>
Other assets			
Cash at bank and in hand	12	2,788	3,134
Other	13	<u>1,681</u>	<u>1,029</u>
		<u>4,469</u>	<u>4,163</u>
Prepayments and accrued income			
Accrued investment income		28	-
Deferred advisers fees	14	168	378
Other prepayments and accrued income	15	<u>80</u>	<u>108</u>
		<u>276</u>	<u>486</u>
Total assets		<u><u>59,678</u></u>	<u><u>63,049</u></u>

Balance sheet

as at 31st December 1998

		31 st December 1998 £000	31 st March 1998 £000
LIABILITIES	Notes		
Capital and reserves			
Called up share capital	16	15	15
Profit and loss account	17	813	387
Shareholders' funds attributable to equity interests	18	828	402
 Technical provisions			
Claims outstanding		52,494	53,571
 Creditors			
Creditors arising out of direct insurance operations		215	756
Creditors arising out of reinsurance operations		2,190	1,945
Credit due to credit institutions		61	155
Other creditors including taxation	19	2,741	5,737
		5,207	8,593
 Accruals and deferred income		1,149	483
 Total liabilities		59,678	63,049

The financial statements were approved by the directors on 29th June 1999



C S Portsmouth
Director

Notes on the financial statements

31st December 1998

1 Accounting policies

a) Basis of Preparation

The financial statements have been prepared in compliance with Schedule 9A and other requirements of the Companies Act 1985 as amended by the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993, and in accordance with applicable accounting standards.

b) Basis of accounting for underwriting business

The company underwrites insurance as a corporate member of Lloyd's on a number of syndicates managed by third parties. In view of the position as principal of underwriting members for the transactions of syndicates in which they participate, the attributable share of transactions undertaken by the syndicates has been included in the financial statements. The transactions are undertaken within premium trust funds applicable to the syndicates and profits arising from the underwriting may only be released in accordance with Lloyd's syndicate accounting rules, usually two years after the end of an underwriting year of account, and after satisfying Lloyd's solvency requirements for all years of account open at the time of release.

The Technical Account has been prepared by aggregating the company's share of the underwriting transactions (premiums, claims expenses and investment income) of the syndicates of which the company is a member. These transactions relate to the calendar year ended 31st December 1998, the most recent year of the syndicates, with comparative figures for the year ended 31st December 1997. The underwriting information for the 1998 calendar year comprises the first year of the 1998 year of account, the second year of the 1997 year of account and the third year of the 1996 year of account. The comparative figures comprise the first year of the 1997 year of account, the second year of the 1996 year of account and the third year of the 1995 year of account.

The result shown on the Technical Account for the year ended 31st December 1998 comprises the net profits of the 1996 year of account less any provisions for losses in respect of the open 1997 and 1998 years of account.

The balance sheet of the company includes the company's shares of the assets and liabilities of the syndicates in which it participated for the 1996, 1997 and 1998 years of account at 31st December 1998 with comparative figures at 31st December 1997. Technical provisions include in addition any provisions for losses in respect of open years of account.

The Lloyd's syndicates in which the company participates are managed and controlled by their respective managing agents. The attributable share of the transactions, assets and liabilities of the syndicates included in the financial statements has been incorporated on the basis of audited information supplied by the managing agents to Lloyd's. Lloyd's has aggregated this information to provide the company with statements of the company's attributable share of the transactions.

c) Premiums

Gross premiums written represent premiums receivable on business incepting during the underwriting year of account together with adjustments to premiums written in previous underwriting years of account and including estimates for 'pipeline' premiums. Gross written premiums are stated before deduction of commissions but exclusive of taxes, duties levied on premiums and other deductions.

Outward reinsurance premiums are accounted for in the same accounting period as the related direct insurance contracts or reinsurance contracts except in relation to excess of loss contracts, where the initial premium is charged when due.

Notes on the financial statements

31st December 1998

Accounting policies - continued

d) Investments

Other financial investments are those attributable to the company's share of the syndicates' investments and are shown at their current value at 31st December 1998.

e) Investment income

Investment income is accounted for on a receivable basis, including, where appropriate the imputed tax credit. Interest income is accrued up to the balance sheet date.

Syndicate investments and cash are held on a pooled basis, the return from which is allocated to underwriting years of account proportionately to the funds contributed by the year of account. Investment income and all investment gains and losses relating to syndicate investments and cash are allocated to the technical account.

The company's non-syndicate investment income and other realised gains and losses are allocated to the non-technical account.

f) Technical provisions

The 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 inception 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.

Closed years of account

At the end of the third year, the underwriting account is normally closed by way of Reinsurance to Close ("RITC") into the following year of account. The amount of the RITC premium payable is determined by the managing agent who will make provision for the estimated cost of claims notified but not settled at the balance sheet date together with the estimated cost of claims incurred but not reported at that date and claims handling costs. Subsequent variations in these liabilities are borne by the year of account into which it is reinsured. The group therefore has included as part of technical provisions the group's share of the RITC payable.

Run-off years of account

Where an underwriting year of account is not closed at the end of the third year ("a run-off" year of account) a provision is determined by the managing agent for the estimated cost of all known and unknown liabilities of that year, on a similar basis to the RITC process. Variations in this liability will remain to be borne by the corporate member. The directors give consideration to the potential for further deterioration of run-off years of account on the basis of information available at the time of drawing up the financial statements and make additional provisions where it is considered appropriate.

Open year loss provisions

Where appropriate a provision for possible losses is made in respect of the open underwriting years of each syndicate on which the group participates. This provision is made on a syndicate by syndicate basis based on information available to the directors at the time of drawing up the financial statements.

While the directors make every effort to ensure that adequate provision is made for possible losses on open years of account and further deterioration of run-off 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.

Notes on the financial statements

31st December 1998

Accounting policies - continued

g) Exchange rates

Syndicate assets, liabilities, income and expenditure expressed in US dollars and Canadian dollars are translated at the rates of exchange ruling at 31st December 1998. Underwriting transactions in other foreign currencies are included in the accounts at historical rates. All differences on the translation of foreign currency amounts in the syndicates are dealt with in the technical account; other differences are dealt with in the non-technical account.

The company's own assets and liabilities expressed in foreign currency are translated at rates ruling at the balance sheet date.

h) Operating expenses

Operating expenses comprise the company's share of the operating expenses of the syndicates and the company's own expenses of underwriting. The company's underwriting expenses, which include items such as Lloyd's subscriptions and Central Fund contributions, together with fees and commissions payable to managing agents and the company's Lloyd's Adviser, are charged to the Technical Account in the financial period in which the relevant year of account is closed.

i) Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced. Advanced Corporation Tax which is expected to be recoverable in the future is deducted from net deferred taxation balance.

2 Underwriting participations

The syndicates on which the company participates by underwriting year of account are as follows:

Syndicate Number	Class	Underwriter	1999 £000	1998 £000	1997 £000	1996 £000
205	Non-Marine	CG Jago	3,000	2,316	2,317	2,316
218	Motor	DR Heath	1,301	954	888	888
457	Marine	MC Watkins	-	2,316	2,317	2,316
588	Marine	N Metcalf	1,277	-	-	-
735	Marine	A Shone	-	-	193	194
800	Aviation	SD Clapham	2,000	-	-	-
807	Non-Marine	SD Mathers	650	-	-	-
839	Non-Marine	DJ Marshall	-	3,860	8,878	7,721
861	Composite	MRD Reith	4,000	-	-	-
957	Aviation	G Absalom	-	2,730	2,726	3,243
1009	Marine	DE Hope	3,000	4,257	4,246	4,246
1308	Marine	SE Spinney	2,250	1,544	-	-
Total Allocated Capacity			17,478	17,977	21,565	20,924

Notes on the financial statements

31st December 1998

3 Segmental analysis

The following business has all been underwritten in the United Kingdom in the Lloyd's insurance Market, which has been treated as one geographical segment for the purposes of Statement of Standard Accounting Practice No.25: Segmental reporting. Segmental information in the format required by the Companies Act 1985 is as follows:

Class of business	1998 Gross premiums written £000	1998 Gross claims incurred £000	1998 Operating expenses £000	1998 Re-insurance balance £000	1998 Total £000
<i>Direct business</i>					
Accident & health	1,591	(6,919)	(418)	5,067	(678)
Motor- third party liability	(23)	10	5	5	(3)
Motor - other classes	709	(559)	(165)	81	65
Marine, aviation and transport	2,748	(2,823)	(689)	1,098	334
Fire and other damage to property	1,456	(821)	(408)	(38)	188
Third party liability	4,922	(3,614)	(1,889)	585	4
Credit and suretyship	78	(38)	(33)	6	13
Legal expenses	21	(21)	(6)	3	(3)
Other	181	(281)	(8)	82	(26)
Total direct	11,683	(15,068)	(3,610)	6,889	(106)
<i>Reinsurance business</i>					
Reinsurance acceptances	3,026	(7,087)	(830)	5,195	304
RITC	127	5,286	-	(5,313)	100
Total reinsurance	3,153	(1,801)	(830)	(118)	404
Total	14,836	(16,869)	(4,440)	6,771	298
Class of business	1997 Gross premiums written £000	1997 Gross claims incurred £000	1997 Operating expenses £000	1997 Re-insurance balance £000	1997 Total £000
<i>Direct business</i>					
Accident & health	1,985	(1,685)	(437)	1,316	1,179
Motor- third party liability	80	(64)	(17)	1	-
Motor - other classes	743	(650)	(135)	122	80
Marine, aviation and transport	3,766	(1,746)	(962)	531	1,589
Fire and other damage to property	1,880	(1,255)	(437)	662	850
Third party liability	8,300	(6,073)	(3,583)	(934)	(2,290)
Credit and suretyship	51	(94)	2,298	197	2,452
Other	239	(109)	(1)	58	187
Total direct	17,044	(11,676)	(3,274)	1,953	4,047
<i>Reinsurance business</i>					
Reinsurance acceptances	2,382	(376)	(451)	(2,244)	(689)
RITC	11,485	(10,137)	-	(2,257)	(909)
Total reinsurance	13,867	(10,513)	(451)	(4,501)	(1,598)
Total	30,911	(22,189)	(3,725)	(2,548)	2,449

Notes on the financial statements

31st December 1998

4 Investment income

	9 months ended 31 st December 1998 £000	12 months ended 31 st March 1998 £000
Syndicate investment income	1,109	939
Syndicate realised investment gains / (losses)	195	(6)
Income from Premium Trust Fund release	11	78
Interest received	97	7
	<u>1,412</u>	<u>1,018</u>
Attributed to technical account	1,304	933
Included in non-technical account	108	85
	<u>1,412</u>	<u>1,018</u>

5 Net operating expenses

	9 months ended 31 st December 1998 £000	12 months ended 31 st March 1998 £000
Commission / brokerage	4,003	2,969
Exchange adjustments	82	(505)
Syndicate operating expenses	355	1,261
	<u>4,440</u>	<u>3,725</u>
Share of syndicate net operating expenses		
Underwriting expenses of the 1996 (1995) year of account	1,026	1,467
	<u>5,466</u>	<u>5,192</u>

6 Other charges

The following amounts are included in other charges:

	9 months ended 31 st December 1998 £000	12 months ended 31 st March 1998 £000
Audit fees	<u>4</u>	<u>5</u>

Notes on the financial statements

31st December 1998

7 Staff costs and directors' emoluments

No staff were employed by the company and the directors received no emoluments during the period (year to 31st March 1998: none and £nil).

8 Taxation on profit on ordinary activities

	9 months ended 31 st December 1998 £000	12 months ended 31 st March 1998 £000
Corporation tax at 31%	191	598
Double tax relief	-	(354)
	191	244
Deferred taxation	-	(1)
Overseas tax suffered	-	388
	191	631

9 Dividends

	9 months ended 31 st December 1998 £000	12 months ended 31 st March 1998 £000
Proposed dividend	-	1,000

10 Other financial investments

Other financial investments comprise the Company's attributable share of syndicate investments as follows:

	31 st December 1998 £000	31 st March 1998 £000
Share and other variable yield securities	197	303
Debt securities and other fixed interest securities	10,920	10,553
Deposits with credit institutions	2,883	601
Other investments	158	55
	14,158	11,512

Notes on the financial statements

31st December 1998

11 Other debtors

	31 st December 1998 £000	31 st March 1998 £000
Attributable share of syndicate other debtors	1,417	505
Amounts due from group companies	417	1,709
	<u>1,834</u>	<u>2,214</u>

12 Cash at bank and in hand

	31 st December 1998 £000	31 st March 1998 £000
Deposit accounts	1,675	1,165
Attributable share of syndicate cash balances	1,113	1,969
	<u>2,788</u>	<u>3,134</u>

13 Other assets

	31 st December 1998 £000	31 st March 1998 £000
Attributable share of syndicate other assets	1,668	934
Premium Trust Fund Release	13	95
	<u>1,681</u>	<u>1,029</u>

Notes on the financial statements

31st December 1998

14 Deferred Advisers fees

	31 st December 1998	31 st March 1998
	£000	£000
1996 year of account	-	131
1997 year of account	80	135
1998 year of account	88	112
	<u>168</u>	<u>378</u>

15 Other prepayments and accrued income

	31 st December 1998	31 st March 1998
	£000	£000
Attributable share of syndicate prepayments	30	74
Other prepayments	50	34
	<u>80</u>	<u>108</u>

16 Called up share capital

	31 st December 1998	31 st March 1998
	£000	£000
Authorised		
1,500,000 Ordinary shares of £1 each	<u>1,500</u>	<u>1,500</u>
Allotted, issued and partly paid		
1,500,000 Ordinary shares of £1 each of which 1 penny has been paid up	<u>15</u>	<u>15</u>

Notes on the financial statements

31st December 1998

17 Profit and loss account

	31 st December 1998 £000	31 st March 1998 £000
Balance at 1 st April	387	90
Retained profit for the period/year	426	297
Balance at 31 st December/31 st March	<u>813</u>	<u>387</u>

18 Reconciliation of movements in shareholders' funds

	31 st December 1998 £000	31 st March 1998 £000
Shareholders' funds at 1 st April	402	105
Retained profit for the period/year	426	297
Shareholders' funds at 31 st December/31 st March	<u>828</u>	<u>402</u>

19 Other creditors including taxation

	31 st December 1998 £000	31 st March 1998 £000
Amounts due to group companies	-	2,258
Attributable share of syndicate other creditors	1,616	1,160
Taxation	1,125	1,319
Proposed dividend		1,000
	<u>2,741</u>	<u>5,737</u>

Notes on the financial statements

31st December 1998

20 Contingent Liabilities

- a) The company, in order to become an underwriting member of Lloyd's, has entered into various Trust Deeds with the Society of Lloyd's. New London Capital plc, the company's ultimate holding company, has provided a guarantee under a deed of covenant amounting to £8,500,000. The obligation under the deed of covenant is secured by a fixed and floating charge over the investments and other assets of New London Capital plc in favour of Lloyd's.

Subsequent to 31st December 1998, the NLC group entered into a 100% quota share reinsurance contract with Stockton Reinsurance Limited ("Stockton Re") in March 1999 covering all its participations on all Lloyd's syndicates (other than those managed by Ockham subsidiaries or Chartwell Managing Agents Limited) for the four Lloyd's underwriting years from 1996 to 1999 inclusive. Under this contract Stockton Re replaced the above guarantee from New London Capital plc by providing a letter of credit amounting to £8,739,000.

In addition, the company has given an undertaking to the Society of Lloyd's, supported by New London Capital plc, that if one of the other corporate member subsidiaries of New London Capital plc fails to meet its obligations to Lloyd's, the company will assign to Lloyd's on demand its rights to current and future profits held in its Premium Trust Funds or contribute profits received out of the Trust Funds to the Central Fund of Lloyd's, until the amount owed by the defaulting subsidiary has been paid in full.

- b) The company has entered into an agreement with BankBoston NA. under which BankBoston have granted letters of credit amounting to £2 million. These letters of credit are in favour of the Society of Lloyd's and form part of the Funds at Lloyd's of these corporate members. Should the letters of credit be called upon by Lloyd's, the amount drawn down under the letter of credit would become payable to the bank on demand.

Subsequent to 31st December 1998, the letter of credit facility has been fully collateralised by New London Capital plc.

- c) A Reinsurance to Close ("RITC") is a particular type of reinsurance contract entered into by a Lloyd's syndicate. Under an RITC the underwriting members of a syndicate for one year of account agree with the underwriting members of the syndicate, or another syndicate, for a later year of account that the liabilities, known and unknown, of the reinsured year of account are borne by the later year of account. In consideration of this an RITC premium is paid.

The RITC is technically a reinsurance and as such the payment of the RITC premium does not remove from the members of that year of account the ultimate responsibility for claims payable on the risks they have underwritten. If the reinsuring members under the RITC became insolvent, and the other components of the Lloyd's chain of security also fail, the reinsured members remain theoretically liable for the payment of any outstanding claims. In the opinion of the directors, the probabilities of the reinsurance security failing are remote therefore payment of the RITC premium is conventionally treated as terminating a participation on a syndicate year of account.

21 Ultimate parent undertaking

The ultimate parent undertaking up to 30th December 1998 was New London Capital plc, a company registered in England and Wales (Registered no. 2862672). On 30th December 1998, New London Capital plc merged with Ockham Holdings PLC, a company registered in England and Wales (Registered no. 2998217), which from that date became the ultimate parent undertaking. Copies of the accounts of Ockham Holdings PLC and New London Capital plc can be obtained from their registered office at 164 Bishopsgate, London EC2M 4NY.