



MASTHEAD
INSURANCE
UNDERWRITING
PLC

1997

ANNUAL REPORT

2863362



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COMPANIES HOUSE 01/08/98

COMPANIES HOUSE 21/07/98

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Financial Calendar 1998

Ex-dividend date for final dividend, 1997	22nd June
Record date for final dividend, 1997	26th June
Annual General Meeting	29th July
First interim results, 1998	29th July
Ex-dividend date for first interim dividend, 1998	10th August
Record date for first interim dividend, 1998	14th August
Payment date for final dividend, 1997	26th August
Payment date for first interim dividend, 1998	17th September

Company Information

DIRECTORS

Sir Jeffery Haverstock Bowman, MA, FCA (Chairman)
Sir Ewen Alastair John Fergusson, CCMG, GCVO
Michael Fitzgerald Heathcoat Amory
Peter Denis Hill-Wood
William Andrew Charles Thomson

SECRETARY

Guinness Flight Hambro Investment Trust
Managers Limited, represented by
C J Wise, ACIS

INVESTMENT MANAGERS

Guinness Flight Hambro Investment
Management Limited
Lighterman's Court, 5 Gainsford Street
Tower Bridge, London SE1 2NE

MEMBERS' AGENT

Murray Lawrence Members Agency Limited
One Whittington Avenue, London EC3V 1LE

AUDITORS

Coopers & Lybrand
1 Embankment Place, London WC2N 6NN

SOLICITORS

Titmuss Sainer Dechert
2 Serjeants' Inn, London EC4Y 1LT

FINANCIAL ADVISERS

SG Hambros
41 Tower Hill, London EC3N 4HA
(a division of Société Générale)

STOCKBROKERS

Hoare Govett Limited
4 Broadgate, London EC2M 7LE

REGISTRARS

Lloyds Bank Registrars
Lloyds Bank plc
The Causeway, Worthing,
West Sussex BN99 6DA

REGISTERED OFFICE

Lighterman's Court, 5 Gainsford Street
Tower Bridge, London SE1 2NE
Registered in England No. 2863362

Sir Jeffery Bowman, MA, FCA (Chairman), aged 63, was the senior partner of Price Waterhouse UK from 1982 to 1991. He was chairman of Price Waterhouse Europe BV from 1988 to 1993, joint chief executive officer of Price Waterhouse World Firm Limited from 1990 to 1992, and joint chairman thereof from 1992 until his retirement on 30th September 1993. He is also chairman of Mid-Essex Hospital Services NHS Trust.

Sir Ewen Fergusson, CCMG, GCVO, aged 65, was Ambassador in Paris from 1987 to 1992, having served as Ambassador in South Africa from 1982 to 1984. In 1993, he became Chairman of Coutts & Co and the Coutts Group and in 1995 Chairman of the Savoy Hotel Group. In 1993 he joined the board of British Telecommunications plc. He was a director of Sun Alliance Group plc from 1993 until July 1996. He became a member of Lloyd's in 1972 and transferred to MLMA for the 1992 year of account. He became a non-executive director of MLMA in 1993.

Michael Heathcoat Amory, aged 56, joined Tarbutt & Company Limited in 1973. Tarbutt & Company Limited subsequently merged with other companies to become the fund management group Jupiter Asset Management, of which he is managing director. He is also a director of investment trusts including Jupiter International Green Investment Trust PLC, Exmoor Dual Investment Trust PLC, Jupiter Split Trust PLC and Jupiter Primadonna Growth Trust plc, and of the Lloyd's broker PWS Holdings PLC. He became a member of Lloyd's in 1971 and ceased underwriting at the end of 1991.

Peter Hill-Wood, aged 62, joined Hambros in 1961 after a period in stockbroking. In 1970 he was appointed the executive director of the Investment Management Division of Hambros Bank Limited and a vice chairman in 1987. He became a non-executive director in 1994 and retired on 1st April 1996.

William Thomson, aged 50, is chairman of Forth Ports plc and managing director of Forth Tankers plc. He is also a director of Tibbett & Britten Group PLC, a member of Trinity House Lighthouse Board and a past chairman of the British Ports Federation. He has worked in shipping since 1969, and was a director of Ben Line from 1978 to 1988. He became an underwriting member at Lloyd's in 1974.

Business and Objectives

Masthead Insurance Underwriting plc ("Masthead") was established as an investment company. In November 1993 it raised a net amount of £38.7 million through a placing and offer for subscription of its shares which were admitted to the Official List of the London Stock Exchange on 23rd November 1993. The proceeds have been invested primarily in fixed interest securities which have been used as collateral to enable its five subsidiaries to become corporate members of Lloyd's.

Masthead's investment portfolio is managed by Guinness Flight Hambro Investment Management Limited ("GFHIM") for a fee of 0.25 per cent per annum of the average value of the funds under management. The investment strategy is to provide a solid and secure capital base for the Group's underwriting activities without compounding the level of risk inherent in such activities, as well as providing a high level of income. Accordingly the investment policy is that the portfolio should comprise primarily sterling fixed interest investments with a maximum average maturity of ten years.

The Group's underwriting strategy is to participate in a limited number of carefully selected syndicates in order to achieve underwriting returns consistently above the market average and to manage actively the portfolio of syndicates. It has appointed Murray Lawrence Members Agency Limited ("MLMA") as the Group's members' agent to research, select, survey and monitor underwriting capacity on its portfolio of syndicates. For the 1995 and 1996 underwriting accounts MLMA receives a fee of 0.5 per cent of the aggregate allocated capacity of the Group (or, if higher, an amount equal to the fee paid for the prior year of account) and a commission of 5 per cent of the aggregate pre-tax underwriting profits of the Group for each year of account, both amounts being payable out of the underwriting profits. For the 1997 and later accounts the fee has been reduced and is based on 0.375% of the aggregate allocated capacity.

The fee for secretarial, administration and accounting services, also provided by GFHIM, is subject to annual review and is currently at the rate of £50,000 per annum.

Chairman's Statement

Dear Shareholder,

Your directors have pleasure in sending you the full annual report of Masthead for 1997. The accounts which are set out in it now include the underwriting result for the closed 1995 year of account in addition to the investment income which I reported to you on 13th February 1998.

RESULTS AND DIVIDENDS

Profit after taxation for the year as shown by these accounts is £7,325,000 (18.2p per share) in comparison with £5,471,000 (13.6p per share) for the previous year.

The directors have already declared first and second interim dividends totalling 4.0p per share. These dividends distributed substantially the whole of the company's investment income, less management expenses and taxation. They are now proposing a final dividend of 12p per share payable on 26th August 1998 to shareholders on the register on 26th June 1998. Dividends for the year total 16p per share in comparison with 12.7p per share for 1996. After paying these dividends, £885,000 will be available to transfer to reserves.

UNDERWRITING

Masthead's profit on the 1995 underwriting account, which closed at 31st December 1997, was £7,669,000, right at the top end of the range of profits I reported to you in my February letter. This profit is stated after all underwriting fees and commissions and also the special levy of 1.5% of capacity under the Lloyd's Reconstruction and Renewal programme. It compares with £6,941,000 for the 1994 underwriting account. Murray Lawrence Members Agency Limited ("MLMA"), our members' agent, give further information about this excellent result in their report on pages 6 to 10. It represents a return on shareholders' funds, before taking account of the investment return or any other items, of 19.1%. This underwriting profit, after a deduction for United States Federal Income Tax which will be largely offsettable against our liabilities to UK taxation, will be distributed to Masthead later this month.

In addition to the 1995 underwriting profit, Masthead has already received repayment of the first instalment of the refund of the special levy. After deducting managing and members' agents profit commissions, we have taken credit for £895,000 in the 1997 accounts. The balance of this levy, amounting after profit commissions to £818,000, is expected to be received in instalments over no more than five years and Lloyd's has already indicated to us that £810,000 (£648,000 net) will be released this year. We shall take credit for these releases as received.

The profit and loss account also reflects a number of other items relating to our underwriting. Adjustments to the 1994 underwriting result, principally profits on exchange on the realisation of the US Dollar element, amounted to £297,000, we realised £566,000 on the sale of syndicate capacity which we relinquished and we have written off the cost of syndicate capacity acquired of £940,000. Our decision to write off the cost of syndicate capacity acquired is not because we believe the capacity we have bought to be valueless. On the contrary, our view is that we have acquired some excellent capacity which will do well in the difficult trading conditions now being experienced. However, the Lloyd's auction market is still rather volatile and immature and it seemed prudent to us to write off this cost now rather than amortise it over a period.

Taking all these items into account, there is a balance on underwriting account before taxation of £8,487,000. After taxation, including an estimate of US tax and allowing for the fact that there is no tax relief on the cost of syndicate capacity written off, £5,420,000 is available for distribution. The directors have decided to recommend a final dividend of 12p per share amounting to £4,830,000 representing 89% of this balance.

INVESTMENTS

Investment income for the year, after the change in basis of accounting referred to overleaf, was £2,959,000 in comparison with £2,710,000 for 1996. It benefited both from the receipt of interest accrued of £188,000 on the 1994 account underwriting profits between 1st January 1997 and the date of their payment to

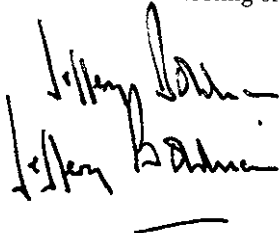
Masthead and also from higher rates of interest earned in the year. Substantially the whole of the balance of investment income, less management expenses and taxation, has already been distributed to shareholders. Until September 1997, Masthead adopted a cautious investment policy, basically holding investments to redemption and accounting for them on a redemption yield basis. As from that date, we have decided, whilst continuing to invest substantially the whole of our funds in gilts and certificates of deposit, to adopt a more active investment policy. As a consequence, we are now accounting for our investments at market value. The accounts reflect the adjustments resulting from this change in accounting policy.

OUTLOOK

MLMA comment in their report on the development of the 1996, 1997 and 1998 underwriting accounts and on the current market at Lloyd's. It is disappointing that managing agents' latest estimates of profits for 1996 have been reduced slightly from those I gave you in February. After all expenses, they now fall in the range of 2.5% to 7.2% but this would still give a not insubstantial contribution to our profits of between £1.8 and £5.2 million. The outlook for the 1997 and 1998 underwriting accounts is much more uncertain and justifies the cautious approach we have taken, following the advice of MLMA, to our 1998 portfolio pending an improvement in market conditions.

Lloyd's is at present considering the future of the Annual Joint Venture and the best way of financing its business. Its decision will have important implications for spread vehicles. Your directors are keeping the situation under close review and will take appropriate action to ensure that shareholder value is, as far as possible, maximised.

We shall be announcing our investment return for the first half of 1998 and our first interim dividend at our Annual General Meeting on 29th July. I look forward to seeing some of you then.



Sir Jeffery Bowman
Chairman
11th June 1998

Members' Agent's Underwriting Review

1995 ACCOUNT

The results from managing agents show an underwriting pre-tax profit of 10.8% on capacity for the Masthead portfolio in 1995. This is after allowing for managing agents' fees and profit commission, Lloyd's annual subscription, and subscriptions to the Central Fund and is after deduction of the special levy of 1.5% on capacity as part of Lloyd's Reconstruction and Renewal ("R&R") process, plus members' agents' fees and profit commission. This represents a return on funds covenanted to Lloyd's of 21.5% excluding the interest returns derived from these funds. All syndicates supported by Masthead for 1995 closed that year of account. 1995 saw the introduction of a new method of accounting for premium – inception date accounting – which has the effect of boosting premium income for this year of account. As can be seen from the total on page 8, almost two thirds of the profits come from the marine sector, which had a good year. The modest profit on motor is encouraging, against the net loss reported by the Lloyd's motor market.

1996 ACCOUNT

Gross premium written against the allocated capacity of the Masthead syndicates is expected to be approximately 74% in comparison with approximately 86% for the 1995 account. Competition in most sectors increased throughout this year and underwriting profits will be lower than 1995, with the motor sector now expected to produce a loss. The allocation of motor business within the Masthead portfolio was reduced for 1996. The latest estimates from managing agents point to an underwriting profit in the range of 3.7% to 8.6% on capacity for the Masthead portfolio after allowing for "standard" personal expenses. After deduction of the additional central fund contribution applicable to corporates and members agent's fees and profit commission, a profit in the range of 2.5% to 7.2% is expected.

1997 ACCOUNT

Review of the year:

The total Lloyd's market capacity grew slightly to £10.3 billion in 1997, up from just under £10 billion in 1996. The number of individual Names fell to 9,972 from 12,798 and there were 202 corporate and other limited liability members. The Names' share of the market in capacity terms reduced from 70% to 56% whilst corporate involvement increased to 44%. The key growth in corporate capital came not from the spread vehicles, although these did show a small increase, but from Managing Agents' dedicated vehicles who took up three quarters of the so-called "drop" in Names' capacity. The number of syndicates reduced slightly from 166 to 164, although this masks an alteration in the composition of the totals: twelve new syndicates started, six merged or ceased and two umbrella syndicates were formed amalgamating a total of ten further syndicates.

Masthead's 1997 capacity grew slightly to £74.58 million from £72.35 million for 1996. The portfolio mix showed a shift within the marine sector away from marine hull and towards marine cargo, specie and marine liability, combined with a small increase in non-marine business. The aviation share was reduced and the motor allocation increased, following a significant reduction for 1996, in anticipation of possible improvements in this sector.

Underwriting conditions softened across most classes of business, frustrating underwriters' attempts to win back business following the success of the R&R process. Competition was perhaps strongest in the marine sector, following the favourable results achieved in recent years, with the absence of losses during 1996 adding to this pressure. The non-marine market also faced over-capacity in all classes except the most complex and the aviation sector saw increased passenger liability exposures introduced by new legislation. Whilst the motor market showed some intention to introduce rate increases, this momentum faltered somewhat when faced with the tenacity of the direct writers. Against this background, the softer market also meant a greater availability of reinsurance on more favourable terms and most syndicates were able to improve their outwards reinsurance programmes.

There were not many major loss incidents during 1997, but there was an increased frequency of traditional losses mainly in the marine and aviation markets, including a number of satellite and airline losses, plus the East European floods. Masthead syndicates are expected to have some involvement in these losses but they are not anticipated to be of material consequence. We hope that overall 1997 will produce a modest profit.

1998 ACCOUNT

The challenging underwriting conditions prevailing caused a defensive stance to be adopted towards Masthead's 1998 underwriting portfolio by reducing the level of its underwriting, by focussing on syndicates we believe have defensive characteristics appropriate to the prevailing markets and by changing the balance of its portfolio. Consequently Masthead's underwriting has been restricted to just over £54 million for 1998 thereby reducing Masthead's exposure to underwriting while at the same time retaining its flexibility to respond to any sudden demand for capacity in the future. This capacity is spread over 19 syndicates rather than 25 and the proportion of marine business, where competition is especially fierce, has gone down to just over 16%.

THE CURRENT MARKET AT LLOYD'S

Despite continuing competitive trading conditions, Lloyd's market capacity has experienced only a slight reduction in capacity to £10.13 billion but with a more significant fall in the number of traditional Names to 6,800. The number of syndicates reduced to 155 of which 127 are supported by both Names and corporate capital, 17 are supported solely by corporate capital and 11 are corporate parallel syndicates. Eight new syndicates started trading from 1 January 1998 with a combined capacity of £191 million. The significant shift is in the balance of capacity provided by corporate (59%) vs. Names' capacity (41%), and with a majority of the corporate capacity now being in the form of aligned or dedicated capacity.

MANAGING AGENTS CHARGES

Last year we expressed concern about the upwards trend in Managing Agents charges. Lloyd's, as we feared, had difficulty in addressing this issue effectively. It is therefore encouraging that supported by the collective initiative of the quoted Lloyd's spread vehicles, Lloyd's is prepared to act as an economic regulator on this issue by enhancing the requirement for full disclosure with any future applications for increase.

THE ANNUAL JOINT VENTURE

The enthusiasm for dedicated corporate capital to support Lloyd's integrated vehicles where Managing Agents fuse their business with the underwriting of their syndicates has created an appetite for permanent capital to support continuous syndicates. Managing Agents contend this will enhance business development at the syndicate level and improve investment performance. In turn, this has prompted a debate on the advisability of sustaining the annual venture syndicate which has served Lloyd's well for so long.

Masthead's shareholders, the other quoted spread vehicles and traditional Names' interests are *ad idem* in wanting to see annual venture syndicates sustained albeit alongside continuous syndicates with permanent capital. It is to be hoped that when the Council considers the current review of the capital base that an annual joint venture will be retained.

Continuous syndicates, powerful in size terms, with permanent capital may well become the predominant structure at Lloyd's. However, if the entrepreneurial spirit for which Lloyd's is renowned is to be preserved then we suggest that the annual joint venture should be retained as the sensible route to establish new syndicates and enable young underwriters "to win their spurs".

Murray Lawrence Members Agency Ltd
11th June 1998

Members' Agent's Underwriting Review

continued

Results for the 1995 Portfolio

SYNDICATE	UNDERWRITER	MANAGING AGENT	CAPACITY (£M)	% OF TOTAL CAPACITY	RETURN ON	CONTRIBUTION TO	CONTRIBUTION TO
					CAPACITY %	PROFIT £000	PROFIT %
MARINE							
40	A W Holt	Murray Lawrence & Partners Ltd	3.50	4.92	19.63	687	8.15
79	J R L Youell	Janson Green Ltd	3.00	4.21	30.20	906	10.75
375	N J Colton	Methuen Underwriting Ltd	2.00	2.81	30.65	613	7.28
566	J C Hamblin	Bankside Syndicates Ltd	2.00	2.81	23.65	473	5.61
672	I C Agnew	Wellington Underwriting Agencies Ltd	1.95	2.74	21.74	424	5.03
861	M E Brockbank	Brockbank Syndicate Management Ltd	5.50	7.72	25.78	1,418	16.83
1003	S J O Catlin	Catlin Underwriting Agencies Ltd	3.00	4.21	15.10	453	5.38
1121	P L D Denis	Crowe Syndicate Management Ltd	2.00	2.81	8.85	177	2.10
1183	C N R Atkin	Venton Underwriting Agencies Ltd	1.20	1.69	16.92	203	2.41
			24.15	33.92	22.17	5,354	63.51
NON-MARINE							
55	G E Lloyd-Roberts	Duncanson & Holt Syndicate Management Ltd	2.25	3.16	6.71	151	1.79
205	C G Jago	Jago Managing Agency Ltd	2.25	3.16	7.64	172	2.04
362	D E Shipley	Murray Lawrence & Partners Ltd	6.50	9.13	8.40	546	6.48
376	R D Montgomerie	Venton Underwriting Agencies Ltd	3.00	4.21	8.80	264	3.13
386	R J Wallace	Janson Green Ltd	2.00	2.81	21.25	425	5.05
435	D P Mann	D P Mann Ltd	3.35	4.71	11.37	381	4.52
490	P M Brotherton	R.G.B. Underwriting Agencies Ltd	2.00	2.81	10.50	210	2.49
510	W F Rendall	R.J. Kiln & Co. Ltd	1.75	2.46	2.23	39	0.46
919	S P Lotter	Murray Lawrence & Partners Ltd	3.00	4.21	0.53	16	0.19
1007	R C C Villers	SVB Syndicates Ltd	4.15	5.82	12.75	529	6.28
1038	J D Fenn	Venton Underwriting Agencies Ltd	1.20	1.69	-15.08	-181	-2.15
			31.45	44.17	8.11	2,552	30.28
AVIATION							
340	J P Tilling	Cravett & Tilling Syndicate Management Ltd	2.00	2.81	7.70	154	1.83
824	R G Dampier	Murray Lawrence & Partners Ltd	3.00	4.22	5.73	172	2.04
960	P M Williams	ACE London Aviation Ltd	1.00	1.40	8.30	83	0.99
			6.00	8.43	6.82	409	4.86
MOTOR							
866	P M Routledge	Archer Managing Agents Ltd	2.50	3.51	0.72	18	0.21
963	A J L'E Wallace	Crowe Syndicate Management Ltd	3.60	5.05	1.22	44	0.53
1202	T G Sams	Wren Syndicates Management Ltd	3.50	4.92	1.40	49	0.58
			9.60	13.48	1.16	111	1.32
26 SYNDICATES			71.20	100.00	11.83	8,126	100.00
Deduct:							
MLMA Fee						(356)	
MLMA Profit Commission						(401)	
1995 Underwriting result per Technical Account - General Business						7,669	

Allocated Capacity for Masthead by Traditional Market

SYNDICATE	UNDERWRITER	MANAGING AGENT	1998	1997	1996	1995
			CAPACITY £000	CAPACITY £000	CAPACITY £000	CAPACITY £000
MARINE						
40	A W Holt	Murray Lawrence & Partners Ltd	0	0	4,150	3,500
79	J R L Youell	Janson Green Ltd	3,500	4,000	3,250	3,000
375	N J Colton	Methuen Underwriting Ltd	0	2,872	2,500	2,000
566	J C Hamblin	Bankside Syndicates Ltd	2,000	2,688	2,500	2,000
672	I C Agnew	Wellington Underwriting Agencies Ltd	2,000	2,000	2,000	1,950
861	M E Brockbank	Brockbank Syndicate Management Ltd	3,500	5,750	5,750	5,500
1003	S J O Catlin	Catlin Underwriting Agencies Ltd	0	2,500	3,000	3,000
1121	P L D Denis	Crowe Syndicate Management Ltd	0	2,000	2,000	2,000
1183	C N R Atkin	Venton Underwriting Agencies Ltd	0	1,500	1,500	1,200
1221	S L Thomas	Mander Thomas Cooper Ltd	1,250	1,500	0	0
CLASS TOTAL			12,250	21,810	26,650	24,150
NON-MARINE						
33	R S Childs	Hiscox Syndicates Ltd	3,000	0	0	0
55	G E Lloyd-Roberts	Duncanson & Holt Syndicate Management Ltd	0	2,250	2,250	2,250
205	C G Jago	Jago Managing Agency Ltd	890	2,319	2,250	2,250
362	D E Shipley	Murray Lawrence & Partners Ltd	0	0	6,500	6,500
376	R D Montgomerie	Venton Underwriting Agencies Ltd	0	3,000	3,000	3,000
386	R J Wallace	Janson Green Ltd	3,250	1,767	2,100	2,000
435	D P Mann	D.P. Mann Ltd	3,673	4,215	4,200	3,350
490	P M Brotherton	R.G.B. Underwriting Agencies Ltd	0	2,250	2,250	2,000
510	W F Rendall	R.J. Kiln & Co. Ltd	0	0	2,000	1,750
544	A A Pitt	Archer Managing Agents Ltd	900	1,000	0	0
582	B J Jackson	Cassidy Davis Syndicate Management Ltd	1,500	0	0	0
919	S P Lotter	Murray Lawrence & Partners Ltd	0	0	3,000	3,000
991	A E Grant	A.E. Grant (Underwriting Agencies) Ltd	0	1,215	1,000	0
1007	R C C Villers	SVB Syndicates Ltd	3,500	4,399	4,150	4,150
1038	J D Fenn	Venton Underwriting Agencies Ltd	0	0	0	1,200
1173	P T Cottrell	Cottrell & Maguire Ltd	2,000	2,000	0	0
CLASS TOTAL			18,713	24,415	32,700	31,450
AVIATION						
340	J P Tilling	Gravett & Tilling Syndicate Management Ltd	2,000	2,000	2,000	2,000
824	R G Dampier	Murray Lawrence & Partners Ltd	0	0	3,000	3,000
960	P M Williams	ACE London Aviation Ltd	818	1,098	1,000	1,000
CLASS TOTAL			2,818	3,098	6,000	6,000
MOTOR						
866	P M Routledge	Archer Managing Agents Ltd	0	0	3,000	2,500
963	A J L'E Wallace	Crowe Syndicate Management Ltd	2,500	4,000	4,000	3,600
1202	T G Sams	Wren Syndicates Management Ltd	0	0	0	3,500
1228	P M Routledge	Octavian Syndicate Management Ltd	1,250	1,500	0	0
CLASS TOTAL			3,750	5,500	7,000	9,600
UMBRELLA						
510	W F Rendall	R.J. Kiln & Co. Ltd	1,600	1,760	0	0
2001	R J R Keeling	Murray Lawrence & Partners Ltd	15,000	15,000	0	0
CLASS TOTAL			16,600	16,760	0	0
TOTAL CAPACITY			54,131	74,383	72,350	71,200

Members' Agent's Underwriting Review

continued

Allocated Capacity for Masthead by Managing Agent

MANAGING AGENT	1998 CAPACITY £000	1997 CAPACITY £000	1996 CAPACITY £000	1995 CAPACITY £000
Murray Lawrence & Partners Ltd	15,000	15,000	16,650	16,000
Janson Green Ltd	6,750	5,767	5,350	5,000
D.P. Mann Ltd	3,673	4,215	4,200	3,350
Brockbank Syndicate Management Ltd	3,500	5,750	5,750	5,500
SVB Syndicates Ltd	3,500	4,399	4,150	4,150
Hiscox Syndicates Ltd	3,000	0	0	0
Crowe Syndicate Management Ltd	2,500	6,000	6,000	5,600
Bankside Syndicates Ltd	2,000	2,688	2,500	2,000
Cottrell & Maguire Ltd	2,000	2,000	0	0
Gravett & Tilling Syndicate Management Ltd	2,000	2,000	2,000	2,000
Wellington Underwriting Agencies Ltd	2,000	2,000	2,000	1,950
R.J. Kiln & Co. Ltd	1,600	1,760	2,000	1,750
Cassidy Davis Syndicate Management Ltd	1,500	0	0	0
Mander Thomas Cooper Ltd	1,250	1,500	0	0
Octavian Syndicate Management Ltd	1,250	1,500	0	0
Archer Managing Agents Ltd	900	1,000	3,000	2,500
Jago Managing Agency Ltd	890	2,319	2,250	2,250
ACE London Aviation Ltd	818	1,098	1,000	1,000
A.E. Grant (Underwriting Agencies) Ltd	0	1,215	1,000	0
Catlin Underwriting Agencies Ltd	0	2,500	3,000	3,000
Duncanson & Holt Syndicate Management Ltd	0	2,250	2,250	2,250
Methuen Underwriting Ltd	0	2,872	2,500	2,000
R.G.B. Underwriting Agencies Ltd	0	2,250	2,250	2,000
Venton Underwriting Agencies Ltd	0	4,500	4,500	5,400
Wren Syndicates Management Ltd	0	0	0	3,500
TOTAL	54,131	74,583	72,350	71,200

Breakdown by Type of Business for the Underwriting Portfolios

	1998 %	1997 %	1996 %	1995 %
Marine	13.5	17.2	17.9	16.7
Marine Reinsurance	2.8	4.4	4.2	4.1
Non-Marine Liability	23.3	20.3	19.9	19.5
Non-Marine Property & Accident	28.2	26.7	26.5	23.9
Non-Marine Property Reinsurance	7.6	7.9	9.5	10.4
Aviation	9.8	8.9	10.0	9.7
Motor	14.8	14.6	12.0	15.7
TOTAL	100.0	100.0	100.0	100.0

Percentages based on risk codes in managing agents' original business plans.

Analysis of Masthead Portfolio

A summary of the investments of the Group (excluding syndicate investments)
at 31st December 1997 analysed by market value, is as follows:

	MARKET VALUE £000
GILT-EDGED STOCK	
Treasury 6.0% 10.8.1999	6,892
Treasury 8.0% 7.12.2000	6,723
Treasury 7.0% 6.11.2001	8,098
Treasury 7.0% 7.6.2002	5,600
Treasury 6.75% 26.11.2002	4,074
	31,387
CERTIFICATES OF DEPOSIT	
Halifax 15.1.1998	500
Bayer Vereinsbank 6.5.1998	1,993
Toronto Dominion 17.9.1998	1,994
Nationwide 5.10.1998	1,997
Commerzbank 7.12.1998	2,503
TOTAL INVESTMENTS	40,374

Investment Managers' Review

Report for the year ended 31st December 1997

1997

Whilst short-term sterling interest rates continued on a rising trend in 1997, gilt yields ended the year close to their lows. After the General Election in May the new Chancellor granted operational independence to the Bank of England. Gilts, particularly longer dated stocks, reacted positively to this news. However, with UK growth accelerating and threatening to put upward pressure on inflation the Bank acted swiftly to tighten monetary policy. By the end of 1997 base rates had risen to 7.25% – a rise of 1.25% in the year. Notwithstanding steadily rising interest rates, several factors combined to drive gilt yields down. In addition to the Bank's changed role, the UK's commitment in principle to EMU enhanced the attractiveness of gilts, and, more recently, the Asian crisis, which will depress global growth and inflation, has resulted in an increase in demand for all high-quality bonds.

For the period up to September, in line with the Company's investment policy to hold investments to maturity, a cautious investment strategy was adopted. Investments were restricted almost entirely to maturities of less than three years. However, in September the Board decided to adopt a more active investment policy and as gilt yields began to fall, the duration of the portfolio was lengthened significantly and in the fourth quarter, investments were made in maturities of up to seven years. This strategy increased the return on the portfolio as the gilt holdings benefited from the sharp fall in yields that occurred at the end of the year.

OUTLOOK

After the dramatic start to 1998, when bond yields fell sharply, the gilt market entered a consolidation phase. The Asian crisis continues to dominate the financial markets with much speculation on the implications for the global economy. Whilst the impact will undoubtedly cut growth it is unlikely that the full effects will be quantifiable for some time yet.

The increase in short-term interest rates already seen, together with the strong pound are expected to slow UK growth in 1998. Whilst a further rise in interest rates is still possible, the peak of the interest rate cycle may have already been seen. This, together with a stable currency and the prospect of continued low inflation, should provide the conditions for further reductions in gilt yields.

The duration of the Fund was shortened after the rally in gilts in early January as a lot of good news was factored into prices and, in the near-term, bond markets were vulnerable to a setback. Recently, the maturity profile has again been lengthened and it is the intention to maintain a significant position in gilts to take advantage of the opportunities that a renewed fall in gilt yields and falling interest rates will offer.

Report of the Directors

The directors present their Report and Audited Accounts for the year ended 31st December 1997.

STATUS AND ACTIVITIES

A detailed review of the activities and results of the Group and an indication of its future prospects is included in the Chairman's Statement and in the reports from the Company's advisers.

The Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

RESULTS AND DIVIDENDS

The results attributable to shareholders for the year and the transfer to reserves are shown in the profit and loss account on page 18. The directors paid a first interim dividend for the year of 1.7p per share on 17th September 1997 and a second interim dividend for the year of 2.3p per share on 18th March 1998. A final dividend of 12p per share is proposed, payable on 26th August 1998 to shareholders on the register on 26th June 1998 (the Record Date), subject to the approval of the shareholders at the forthcoming Annual General Meeting. Such a dividend would leave £885,000 of the profit for the year to be transferred to reserves. The directors will announce the first interim dividend for the year to 31st December 1998 on Wednesday 29th July 1998, at the Company's Annual General Meeting.

DIRECTORS

A profile of the directors, all of whom served during the year, is set out on page 2. In accordance with the Articles of Association, Mr W A C Thomson will retire by rotation at the Annual General Meeting. Being eligible, he will offer himself for re-election. Mr W A C Thomson does not have a service contract with the Company. The interests (all of which are beneficial interests) of the directors and their families in the 25p ordinary shares of the Company are set out below:

	31st December 1997	1st January 1997
Sir Jeffery Bowman	15,000	15,000
Sir Ewen Fergusson	—	—
Mr M F Heathcoat Amory	40,000	40,000
Mr P D Hill-Wood	5,000	5,000
Mr W A C Thomson	—	—

No change in the directors' interests has occurred since 31st December 1997 up to the date of this report.

Sir Ewen Fergusson, a director, is also a non-executive director of Murray Lawrence Members Agency Limited, which is the members' agent for the Masthead corporate members.

No contracts existed at the end of the year in which any other director of the Company is or was materially interested.

SUBSTANTIAL SHAREHOLDERS

At 11th June 1998, the following interests in the ordinary shares of the Company which exceed 3% of the issued share capital have been notified in accordance with sections 198 to 208 of the Companies Act 1985:

	Number of Shares	% of issued capital
AMP Limited*	5,103,580	12.68
Goshawk Insurance Holdings plc	3,900,000	9.69
The Benfield and Rea Investment Trust PLC	3,685,000	9.16
Mr E C Johnson III by virtue of his interest in Fidelity International Limited and FMR Corp. and their direct and indirect subsidiaries pursuant to s203(2) of the Companies Act 1985	3,000,000	7.45
Equitable Life Assurance Company	2,925,000	7.27
Rysaffe Trustee Company (C.I.) Limited	2,845,000	7.07

*The holding of AMP Limited includes 2,190,000 (5.4%) beneficially owned by Witan Investment Trust PLC, and incorporates the holdings of Henderson Administration Group PLC and AMP Asset Management PLC previously reported separately.

CORPORATE GOVERNANCE

The Code of Best Practice published by the Committee on the Financial Aspects of Corporate Governance sets certain standards which are expected of listed companies. The directors complied with the Code (other than paragraphs 1.4, 3.3 and 4.3 of the Code) throughout the year, save as detailed below.

There is particular emphasis in the Code on the role of non-executive directors, who are required to ensure that the executive is subject to appropriate checks and balances and responsible for an effective standard of internal control. The Board of Masthead Insurance Underwriting plc consists entirely of non-executive directors, whose role is principally to decide upon investment policy and oversee the activities of the investment managers. It also determines underwriting policy and, if thought appropriate, follows the recommendations of the members' agent, Murray Lawrence Members Agency Limited, in the placing of capacity at Lloyd's. In exercising its responsibilities, the Board meets at least four times per year, receiving written and oral reports on all aspects of the Company's business.

In view of the Board's size and independence it is considered that the quality of the Company's governance is not diminished by the absence of formally constituted audit and remuneration committees (required under paragraphs 4.3 and 3.3 of the Code): these matters are dealt with by the Board as a whole and it is not considered necessary for remuneration policy to be approved separately by the Company at its Annual General Meeting.

Furthermore, to the extent that all important matters are considered by the Board, it has not been considered worthwhile to adopt a schedule of reserved matters (as required by paragraph 1.4 of the Code).

The number of Directors nearest to, but not more than, one third of the total, are obliged by the Company's Articles to seek re-election at the Annual General Meeting each year. The appointment of new directors is the responsibility of the whole Board.

INTERNAL CONTROL

The directors are responsible for the Company's system of internal financial control. Such a system, however, can only provide a reasonable and not absolute assurance against material mis-statement or loss. The Board has established that key procedures are in place which are designed to provide an effective system of internal financial control for the Company.

Investment management, accounting and secretarial services are provided to the Company by Guinness Flight Hambro Investment Management Limited ("GFHIM"). The Company's investment policy, together with the performance of its investment managers, is reviewed by the directors at

Report of the Directors

continued

Board Meetings. In addition, GFHIM is regulated by IMRO and, as a result, its procedures reflect the necessary IMRO rules. The Board of the Company receives management accounts on a regular basis prior to all Board Meetings.

The directors are seeking the confirmation of GFHIM and its other providers of services including the registrar and custodians, that appropriate steps have been or are being taken to minimise any risk to their computer systems in connection with the 'Year 2000' issue.

The Company's underwriting strategy is to participate in a limited number of carefully selected syndicates in order to achieve underwriting returns consistently above the market average. The Company is advised in its selection of syndicates by Murray Lawrence Members Agency, who have outperformed the market average over the last five years. The performance of the underwriting portfolio is carefully reviewed at Board Meetings and at renewal.

GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the accounts.

DIRECTORS' REMUNERATION

Under the London Stock Exchange rules, the Company is required to report to shareholders on the broad policy of directors' remuneration, as well as providing additional information on individual directors' remuneration.

All of the directors are non-executive and, in accordance with the Best Practice Provisions, their remuneration is determined by the Board as a whole.

It is prudent for any company to ensure that the remuneration of the directors is adequate to attract, retain and motivate suitably qualified individuals. In monitoring the level of directors' fees, the Board has regard to the responsibilities and work load of the individual directors and to the fees paid to the non-executive directors of other listed Lloyd's investment vehicles.

The directors' emoluments for the years ended 31st December 1997 and 1996, which comprise directors' fees only, save as indicated, were as follows:

	1997	1996
	£	£
Sir Jeffery Bowman	25,000	40,000*
Sir Ewen Fergusson	10,000	10,000
Mr M F Heathcoat Amory	10,000	10,000
Mr P D Hill-Wood	10,000	10,000
Mr W A C Thomson	10,000	10,000

*The 1996 remuneration of Sir Jeffery Bowman included a one-off payment of £15,000 for his services in respect of merger discussions with Murray Lawrence Holdings during that year.

None of the directors has a service contract with the Company or any of its subsidiaries: there are no share options, incentive schemes or pension entitlements.

The Company gave full consideration to the Best Practice Provisions in forming its remuneration policy.

DIRECTORS' RESPONSIBILITIES

The directors are required by UK company law to prepare financial statements which give a true and fair view of the state of affairs of the Group and Company at the end of the financial year and of the profit of the Group for the period. The financial statements must be prepared in compliance with the required formats and disclosures of the Companies Act 1985 and with applicable accounting standards. In addition the directors are required to: (a) select suitable accounting policies and apply them consistently; (b) make judgements and estimates that are reasonable and prudent; (c) state whether applicable accounting standards have been followed; and (d) prepare financial statements on a going concern basis unless it is inappropriate to assume the Company will continue in business. The directors confirm that the financial statements comply with the above requirements.

The directors are also responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CREDITOR PAYMENT POLICY

The Group's normal practice in the United Kingdom is to agree the terms of payment with suppliers at the time of contract and to make payment within the agreed credit term subject to satisfactory performance. The aggregate amount owed by the Company to trade creditors at 31st December 1997 was equivalent to less than seven days of purchases invoiced by suppliers during the year.

AUDITORS

A resolution to re-appoint Coopers & Lybrand and to authorise the directors to fix their remuneration will be proposed at the Annual General Meeting.

RENEWAL OF DIRECTORS' AUTHORITY TO ALLOT SHARES

An Ordinary Resolution is to be proposed in the form set out as Resolution 5 in the Notice of Annual General Meeting to be held on 29th July 1998 on page 31, which renews the directors' power to allot unissued shares. The Companies Act 1985 requires the directors of a company before allotting unissued shares to obtain the authority of shareholders in general meeting. Resolution 5 therefore gives the directors this authority for a period expiring at the conclusion of the next Annual General Meeting or, if earlier, fifteen months from the date of this year's Annual General Meeting, to allot relevant securities as defined in Section 80 of the Companies Act 1985, up to a maximum nominal amount of £1,437,250. This represents 14.3% of the total ordinary share capital of the Company in issue at 11th June 1998. There is no present intention to allot any of the authorised but unissued share capital of the Company.

RENEWAL OF DIRECTORS' AUTHORITY TO DISAPPLY PRE-EMPTION RIGHTS

When equity securities are allotted for cash, Section 89(1) of the Companies Act 1985 requires such new shares to be offered first to existing shareholders in proportion to their existing holdings. This entitlement is known as a "pre-emption right". However, in certain circumstances it is beneficial to allot shares for cash otherwise than on a pro rata basis to existing shareholders, and ordinary shareholders can by Special Resolution disapply these pre-emption rights. Therefore, a Special Resolution will be proposed at the forthcoming Annual General Meeting which, if passed, will renew the directors' power to allot for cash, equity securities in accordance with normal practices in the event of a rights issue and otherwise up to an aggregate nominal amount of £503,137.50, not on a pre-emptive basis, as if Section 89(1) does not apply. This amount represents 5% of the issued ordinary share capital of the Company at 11th June 1998. This authority is a renewal of that granted by shareholders at the Annual General Meeting held on 23rd July 1997 and will lapse unless renewed at the Company's Annual General Meeting in 1999 or, if earlier, fifteen months from the date of this year's Annual General Meeting. The Special Resolution is set out as Resolution 6 in the Notice of Annual General Meeting enclosed.

By Order of the Board



C J Wise
for Guinness Flight Hambro Investment Trust Managers Limited
Secretary
11th June 1998

Report of the Auditors

to the members of Masthead Insurance Underwriting plc

We have audited the accounts on pages 17 to 31. We have also examined the amounts disclosed relating to the emoluments of the directors which forms a part of the report of the directors on page 14.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on pages 14 and 15 the Company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

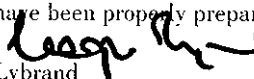
BASIS OF OPINION

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 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 accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group at 31st December 1997 and of the profit, total recognised gains and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Coopers & Lybrand
Chartered Accountants and Registered Auditors
London
11th June 1998

REPORT BY THE AUDITORS TO MASTHEAD INSURANCE UNDERWRITING PLC ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF BEST PRACTICE

In addition to our audit of the financial statements, we have reviewed the directors' statements on pages 13 and 14 on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43 (v).

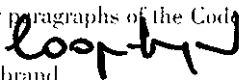
BASIS OF OPINION

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or its corporate governance procedures, nor on the ability of the Group to continue in operational existence.

OPINION

With respect to the directors' statements on internal financial control on pages 13 and 14 and going concern on page 14, in our opinion the directors have provided the disclosures required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the Company, and examination of relevant documents, in our opinion the directors' statements on pages 13 and 14 appropriately reflect the Company's compliance with the other paragraphs of the Code specified for our review by Listing Rule 12.43 (j).


Coopers & Lybrand
Chartered Accountants
London
11th June 1998

Consolidated Profit and Loss Account

Technical Account – general business

for the year ended 31st December 1997

	NOTES	1997 £000	1996 £000
EARNED PREMIUMS, NET OF REINSURANCE			
Gross premiums written:			
– Continuing business	2	62,114	69,495
Outward reinsurance premiums		(14,025)	(15,260)
Net premiums written		48,089	54,235
INVESTMENT INCOME FROM UNDERWRITING		4,052	3,311
CLAIMS INCURRED, NET OF INSURANCE			
Claims paid:			
– Gross amount		(31,263)	(26,346)
– Reinsurers' share		7,734	5,512
Net paid claims		(23,529)	(20,834)
Change in the provision for claims:			
– Gross amount		3,538	(15,149)
– Reinsurers' share		(4,896)	5,439
Change in the net provision for claims		(1,358)	(9,710)
CLAIMS INCURRED NET OF REINSURANCE		(24,887)	(30,544)
Net operating expenses	2	(14,356)	(15,029)
Personal expenses	3	(5,174)	(4,982)
Investment expenses and charges		(55)	(50)
1995/1994 underwriting result		7,669	6,941
Adjustments to 1994 account result, principally profit on exchange on realisation in 1997		297	–
Refund of special levy received in 1997, net of profit commissions		895	–
TOTAL BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS		8,861	6,941

As set out in Note 1(e), the Company has prepared its financial statements on a three year funded basis. Accordingly any underwriting profits are only recognised when the underwriting account is closed.

Consolidated Profit and Loss Account: Non-Technical Account

for the year ended 31st December 1997

			1997		1996 (restated)
	NOTES	£000	£000	£000	£000
UNDERWRITING					
BALANCE ON THE TECHNICAL ACCOUNT					
- GENERAL BUSINESS			8,861		6,941
Capital gain on sale of Lloyd's capacity			566		-
Cost of Lloyd's capacity written off			(940)		-
			<u>8,487</u>		<u>6,941</u>
INVESTMENT RETURN					
Investment income	4	2,525		2,655	
Bank interest and other income		434		55	
Realised and unrealised profits		166		(402)	
Syndicate investment return		4,052		3,311	
Transfer of syndicate investment return to technical account		<u>(4,052)</u>		<u>(3,311)</u>	
			3,125		2,308
EXPENSES					
Management expenses	5	(380)		(296)	
Abortive merger costs		<u>35</u>		<u>(399)</u>	
			<u>(345)</u>		<u>(695)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX - CONTINUING BUSINESS					
			11,267		8,554
Tax on profit on ordinary activities	7		<u>(3,942)</u>		<u>(3,083)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAX					
			7,325		5,471
Dividends	8		<u>(6,440)</u>		<u>(5,112)</u>
RETAINED PROFIT FOR THE YEAR					
			<u>885</u>		<u>359</u>
Earnings per share (pence)					
	9		18.2p		13.6p

Statement of Total Recognised Gains and Losses

for the year ended 31st December 1997

	1997	1996 (restated)
	£000	£000
PROFIT FOR THE FINANCIAL YEAR	885	359
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	885	359
Prior year adjustment (as explained in note 1(a))	(234)	
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT	651	

Note of Historical Cost Gains and Losses

for the year ended 31st December 1997

	1997	1996 (restated)
	£000	£000
Reported profit on ordinary activities before taxation	11,267	8,554
Adjustment to gains/(losses) from investments	(966)	464
Historical cost profit on ordinary activities before taxation	10,301	9,018
Historical cost profit for the year retained after taxation and dividends	219	677

Statement of Retained Profit & Reserves & Reconciliation of Movement in Shareholders' Funds

	SHARE CAPITAL £000	SHARE PREMIUM £000	PROFIT & LOSS £000	TOTAL £000
GROUP				
As previously reported	10,063	28,670	735	39,468
Prior year adjustment (as explained in Note 1(a))	—	—	(234)	(234)
AT 1ST JANUARY 1997 (restated)	10,063	28,670	501	39,234
Profit for the financial year	—	—	7,325	7,325
Dividends	—	—	(6,440)	(6,440)
AT 31ST DECEMBER 1997	10,063	28,670	1,386	40,119

The notes on pages 24 to 31 form part of these financial statements.


Consolidated Balance Sheet

at 31st December 1997

		1997			1996 (restated)		
		CORPORATE UNDER- TAKINGS £000	SYNDICATE PARTICI- PATIONS £000	GROUP £000	CORPORATE UNDER- TAKINGS £000	SYNDICATE PARTICI- PATIONS £000	GROUP £000
	NOTES						
ASSETS							
INVESTMENTS							
Intangible assets	10	—	—	—	129	—	129
Financial investments	11	40,374	48,206	88,580	37,352	40,733	78,085
Deposits with ceding undertakings		—	193	193	—	12	12
		40,374	48,399	88,773	37,481	40,745	78,226
TECHNICAL PROVISIONS							
Reinsurance recoveries on outstanding claims		—	17,140	17,140	—	22,856	22,856
DEBTORS							
Debtors arising out of direct insurance operations							
— intermediaries		—	38	38	—	41	41
— policyholders		—	18,438	18,438	—	15,509	15,509
Debtors arising out of reinsurance operations — intermediaries		—	12,749	12,749	—	14,115	14,115
Underwriting balance re 1995 (1994)		8,780	(8,780)	—	6,941	(6,941)	—
Other debtors	13	1,445	4,353	5,798	1,439	2,708	4,147
		10,225	26,798	37,023	8,380	25,432	33,812
OTHER ASSETS							
Cash at bank	11 and 20	814	4,246	5,060	1,411	10,973	12,384
Other assets		—	6,792	6,792	—	5,930	5,930
PREPAYMENTS AND ACCRUED INCOME		522	224	746	712	495	1,207
TOTAL ASSETS		51,935	103,599	155,534	47,984	106,431	154,415

The financial statements on pages 17 to 31 were approved by the board of directors on 11th June 1998 and were signed on their behalf by:

Sir Jeffery Bowman, Chairman



		1997			1996 (restated)		
	NOTES	CORPORATE UNDER- TAKINGS £000	SYNDICATE PARTICI- PATIONS £000	GROUP £000	CORPORATE UNDER- TAKINGS £000	SYNDICATE PARTICI- PATIONS £000	GROUP £000
LIABILITIES							
CAPITAL AND RESERVES							
Called up share capital	14	10,063	–	10,063	10,063	–	10,063
Share premium	15	28,670	–	28,670	28,670	–	28,670
Profit and loss account	16	1,386	–	1,386	501	–	501
Shareholders' funds – equity interests		<u>40,119</u>	<u>–</u>	<u>40,119</u>	<u>39,234</u>	<u>–</u>	<u>39,234</u>
TECHNICAL PROVISIONS							
Claims outstanding – gross amount		–	94,427	94,427	–	96,199	96,199
PROVISION FOR OTHER RISKS AND CHARGES							
	17	2,783	–	2,783	2,325	–	2,325
CREDITORS							
Creditors arising out of direct business							
– intermediaries		–	1,879	1,879	–	1,965	1,965
Creditors arising out of reinsurance business – intermediaries							
		–	3,198	3,198	–	4,591	4,591
Other creditors	18	9,033	4,095	13,128	6,425	3,676	10,101
		<u>9,033</u>	<u>9,172</u>	<u>18,205</u>	<u>6,425</u>	<u>10,232</u>	<u>16,657</u>
TOTAL LIABILITIES							
		<u>51,935</u>	<u>103,599</u>	<u>155,534</u>	<u>47,984</u>	<u>106,431</u>	<u>154,415</u>

Company Balance Sheet

at 31st December 1997

	NOTES	1997 £000	1996 (restated) £000
FIXED ASSETS			
Investments	11	40,374	37,352
Investment in group undertakings	12	5	5
		<u>40,379</u>	<u>37,357</u>
CURRENT ASSETS			
Other debtors	13	5,836	6,184
Prepayments and accrued income		522	712
Cash at bank and in hand		809	1,406
		<u>7,167</u>	<u>8,302</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Other creditors		2,499	2,321
Proposed final dividend		4,830	4,025
Accruals and deferred income		98	79
	18	<u>7,427</u>	<u>6,425</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(260)</u>	<u>1,877</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	17	—	—
NET ASSETS		<u>40,119</u>	<u>39,234</u>
CAPITAL AND RESERVES			
Called up share capital	14	10,063	10,063
Share premium	15	28,670	28,670
Revenue reserve	16	1,386	501
TOTAL SHAREHOLDERS' FUNDS		<u>40,119</u>	<u>39,234</u>



SIR JEFFERY ROWMAN

14th JUNE 1998

Consolidated Cash Flow Statement

for the year ended 31st December 1997

	NOTES	1997 £000	1996 £000
OPERATING ACTIVITIES			
Income received from Lloyd's		7,078	—
Returns on investments		3,149	2,743
Management and abortive merger expenses paid		(681)	(358)
CASH FLOW FROM OPERATING ACTIVITIES	19	9,546	2,385
TAXATION			
Corporation tax paid (including ACT)		(1,931)	(654)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire syndicate capacity	10	(848)	(122)
Receipts on sale of syndicate capacity		603	—
		(245)	(122)
EQUITY DIVIDENDS PAID		(5,112)	(1,328)
CASH INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		2,258	281
MANAGEMENT OF LIQUID RESOURCES			
Purchase of investments		(66,700)	(17,599)
Disposals of investments		63,845	18,195
		(2,855)	596
(DECREASE)/INCREASE IN CASH IN THE PERIOD	20	(597)	877

The consolidated cash flow statement excludes cash flows relating to underwriting within Lloyd's premium trust funds as the Company has no access to the trust funds until the funds are distributed upon closure of a year of account.

Notes to the Accounts

1 PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Section 255A of, and Section 9A to, the Companies Act 1985 as amended by the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 ("the Regulations"), and in accordance with applicable accounting standards in the United Kingdom and with the Association of British Insurers draft Guidance on Accounting for Insurance Business (excluding Accounting for Investments) issued in January 1998. A summary of the more important accounting policies, which have been applied consistently, is set out below:

a) Change in accounting policy

The accounting policy has been changed following the Board's decision to adopt a more active investment policy and accordingly the Company's investments are stated at mid market value at the balance sheet date. Comparative figures have been restated to reflect a change in accounting policy. Previously the Company's investments in short term Government Stock and certificates of deposit were made on the basis that they would be held to redemption and accordingly were accounted for on a redemption yield basis at cost less amortisation of any premium paid over the final redemption value, or at cost with a proportion of any gain to final redemption.

b) Basis of accounting

These financial statements have been prepared in accordance with the historical cost convention modified by the revaluation of certain assets as required by the Regulations. Since the Company has no access to the premium trust funds held by syndicates until the funds are distributed upon closure of a year of account, these are not included within the cash flow statement. No profit and loss account is presented for Masthead Insurance Underwriting plc as permitted by Section 230 of the Companies Act 1985.

c) Basis of consolidation

The financial statements include the accounts of the Company and its subsidiaries, together with the Group's participation in the Lloyd's syndicates' assets, liabilities, revenues and expenses for the year ended 31st December 1997.

d) Basis of preparation

The information in respect of the group's participation in syndicates at Lloyd's has been taken from information provided by each syndicate and the company's participations have then been centrally aggregated by Lloyd's.

e) Underwriting results

The underwriting account for all classes of business has been prepared on a three year funded basis. Under this basis, premiums and claims are allocated to each underwriting year beginning 1st January, the results of which are determined and reported when the underwriting year is closed. In accordance with Lloyd's practice, the underwriting year is normally regarded as closed after three years of development, at which time any results are recognised. However, losses on open years are provided in respect of any estimated aggregate net losses from the syndicate participations because the Group's participations are managed together. Surpluses and deficits emerging are transferred to or from the profit and loss account but no surpluses are transferred from the funds during the first two years of development of any underwriting year.

• Premiums

Gross premiums written, which are stated gross of acquisition cost but exclusive of premium taxes, relate to business incepted during the year, together with any difference between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable notified to the Company by intermediaries.

Outwards reinsurance premiums are accounted for on the same basis and in the same accounting period as the premiums for the direct or inwards reinsurance business to which they relate.

• *Investments*

Investments in marketable securities both within the Company and in the syndicates are stated at their mid-market value at the balance sheet date.

• *Claims*

Paid claims represent all claims paid during the year and include claims handling expenses.

f) *Intangible assets*

Purchased syndicate capacity is amortised over its expected economic life, which is estimated at one year.

g) *Investment return*

Net investment return comprises investment income, unrealised gains on investments, investment expenses and interest payable. Net investment return is recognised in the non technical account. A proportion of the net investment return is allocated from the non technical account to the technical account to reflect the actual return made in the period on those assets attributable to the Group's underwriting activities through its syndicate participations.

h) *Technical provisions*

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. Changes in the technical provisions are included in the technical account.

At the end of the third year and thereafter, provision is made by the underwriters for the estimated cost of outstanding claims, claims incurred but not reported (IBNR), anticipated reinsurance recoveries and claims handling expenses at the balance sheet date. The adequacy of the outstanding claims provisions is established using actuarial and statistical projections of the amounts which the group expects the ultimate settlement will cost, based on the current facts and circumstances and subjective factors such as inflation and new concepts of liability. However, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent development.

i) *Reinsurance to close*

To the extent that the group increases its participation on a syndicate from one Lloyd's year of account to the next, it is a net recipient of premium to reinsure the earlier Lloyd's year of account into the latter. This share of the reinsurance to close premium is recognised as a portfolio transfer at the end of the financial period when the related Lloyd's year of account closes and is represented in the balance sheet by the related share of assets and liabilities transferred between the two Lloyd's years of account of the syndicate.

j) *Foreign currency translations*

Monetary assets and liabilities are translated into sterling at the exchange rates prevailing at the balance sheet date. Income and expense transactions are translated using the rates prevailing at the date of transaction or appropriate weighted average rates. Gains and losses arising on translation are included in the technical account.

k) *Deferred taxation*

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

l) *Management and advisory fees*

(i) Management fees paid to the investment adviser are expensed in the financial period in which they are incurred.

(ii) Advisory fees paid to the members' agent are charged against the underwriting accounts and are recognised when the relevant year is closed.

Notes to the Accounts

continued

2 SEGMENTAL INFORMATION 1997	GROSS PREMIUMS £000	INCURRED CLAIMS £000	OPERATING EXPENSES £000	REINSURANCE BALANCE £000
Analysis of general business by class				
Accident and Health	2,307	(496)	(590)	(294)
Motor – third party liability	2,068	(1,004)	(508)	(86)
Motor – other classes	8,418	(2,836)	(1,972)	(1,306)
Marine, aviation and transport	7,188	(1,551)	(1,512)	371
Fire and other damage to property	11,350	(2,383)	(3,075)	(2,429)
Third party liability	14,048	(5,528)	(3,193)	(3,747)
Credit and suretyship	699	(288)	(128)	(67)
Legal expenses	326	(120)	(68)	(18)
Assistance	10	(6)	(2)	–
Other	(602)	1,066	160	(27)
Reinsurance acceptances	16,302	(5,970)	(3,468)	(3,584)
Reinsurance to close (net movement)	–	(8,609)	–	–
Total	62,114	(27,725)	(14,356)	(11,187)
SEGMENTAL INFORMATION 1996	GROSS PREMIUMS £000	INCURRED CLAIMS £000	OPERATING EXPENSES £000	REINSURANCE BALANCE £000
Analysis of general business by class				
Accident & health	2,694	(2,913)	(716)	(305)
Motor (third party liability)	818	(646)	(182)	58
Motor (other classes)	7,840	(6,415)	(1,702)	(342)
Marine, aviation & transport	8,005	(5,605)	(2,020)	(856)
Fire & other damage to property	11,299	(7,424)	(2,807)	(648)
Third party liability	13,910	(6,737)	(3,090)	(347)
Credit & suretyship	322	(226)	(72)	(28)
Legal expenses	341	(35)	(105)	(12)
Assistance	–	–	–	–
Other	1,027	(1,370)	(240)	3
Reinsurance acceptances	21,277	(10,124)	(4,095)	(1,832)
Reinsurance to close (net movement)	1,962	–	–	–
Total	69,495	(41,495)	(15,029)	(4,309)

The geographical distribution of gross premiums underwritten is as follows:

	UNITED KINGDOM £000	REST OF THE WORLD £000
Gross premiums written in:		
1997	70,344	(8,230)
1996	60,809	8,686

3 PERSONAL EXPENSES	1997 £000	1996 £000
Managing agents fees	385	530
Members agents fees	357	358
Lloyd's subscriptions	356	359
Central fund contributions	1,068	1,074
Members special contribution	1,077	1,067
Advance profit commission	184	430
Balance of profit commission on account closure	1,345	814
Members agents commission	398	347
Other	4	3
	<u>5,174</u>	<u>4,982</u>

4 INVESTMENT INCOME	1997 £000	1996 £000
Gilt-edged security interest	1,811	2,376
Certificate of Deposit interest	714	279
	<u>2,525</u>	<u>2,655</u>

5 GENERAL EXPENSES – NON TECHNICAL	1997 £000	1996 £000
Management fees	107	101
Directors fees	65	65
Audit fees*	50	8
Administration fees	50	53
Listing expenses	8	8
Professional and legal fees	11	4
Printing and stationery	15	10
Other expenses	36	18
Irrecoverable VAT	38	29
	<u>380</u>	<u>296</u>

*Including £26,000 relating to the previous year.

The auditors' remuneration for other services amounted to £Nil (1996: £Nil).

6 DIRECTORS' EMOLUMENTS	1997 £000	1996 £000
The directors' emoluments for the years ended 31st December 1997 and 31st December 1996 are as follows:	65	80

Further details of directors' remuneration are included in the report on directors' remuneration on page 14. Other than 5 directors, the Company had no employees during this period.

Notes to the Accounts

continued

7 TAXATION	1997 £000	1996 £000
UK corporation tax at 31.5 per cent. (1996: 33 per cent.)	3,484	1,001
Deferred tax	458	2,082
Overseas withholding tax	—	293
Double tax relief	—	(293)
	<u>3,942</u>	<u>3,083</u>

8 DIVIDENDS	1997 £000	1996 £000
First interim dividend of 1.7p per share (1996: 1.7p per share)	684	684
Second interim dividend of 2.3p per share (1996: 1.0p per share)	926	403
Proposed final dividend of 12.0p per share (1996: 10.0p per share)	4,830	4,025
	<u>6,440</u>	<u>5,112</u>

9 EARNINGS PER ORDINARY SHARE

Earnings per ordinary share are calculated by dividing the profit after taxation of £7,325,000 by 40,251,000, the number of shares in issue and ranking for dividend.

10 INTANGIBLE ASSETS	1997 GROUP £000	1996 GROUP £000	1997 COMPANY £000	1996 COMPANY £000
COST				
At beginning of year	129	7	—	—
Additions	848	122	—	—
Disposals	(37)	—	—	—
At the end of the year	<u>940</u>	<u>129</u>	<u>—</u>	<u>—</u>
AMORTISATION				
At beginning of year	—	—	—	—
Charged in year	977	—	—	—
On disposals	(37)	—	—	—
At the end of the year	<u>940</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net book value at 31st December	<u>—</u>	<u>129</u>	<u>—</u>	<u>—</u>

	1997	1996	1997	1996
	GROUP	(restated) GROUP	COMPANY	(restated) COMPANY
11 INVESTMENTS	£000	£000	£000	£000
Share & other variable yield securities	2,584	1,607	—	—
Debt securities & other fixed income securities	80,192	71,329	40,374	37,352
Participation in investment pools	1,039	521	—	—
Loans guaranteed by mortgage	17	379	—	—
Deposits with credit institutions	3,999	3,079	—	—
Other	749	1,170	—	—
	<u>88,580</u>	<u>78,085</u>	<u>40,374</u>	<u>37,352</u>

Of the Group's investments £48,206,000 (1996: £40,733,000) and its cash at bank £4,246,000 (1996: £10,973,000) is contained within Lloyd's premium trust funds.

	1997	1996	1997	1996
12 INVESTMENT IN GROUP UNDERTAKINGS	GROUP	GROUP	COMPANY	COMPANY
	£000	£000	£000	£000
Cost of investment	<u>—</u>	<u>—</u>	<u>5</u>	<u>5</u>

Subsidiary undertakings are as follows:

Masthead A Limited
Masthead B Limited
Masthead C Limited
Masthead D Limited
Masthead E Limited

Each subsidiary is incorporated and registered in England and Wales and its principal activity is underwriting at Lloyd's of London. Masthead Insurance Underwriting PLC holds 100% of the ordinary shares in each subsidiary.

	1997	1996	1997	1996
13 OTHER DEBTORS	GROUP	GROUP	COMPANY	COMPANY
	£000	£000	£000	£000
AMOUNTS RECEIVABLE WITHIN ONE YEAR				
ACT recoverable	—	332	—	332
Amount due from subsidiaries	—	—	4,391	4,745
Other syndicate debtors	4,353	2,708	—	—
VAT recoverable	6	—	6	—
AMOUNTS FALLING DUE AFTER ONE YEAR				
ACT recoverable	<u>1,439</u>	<u>1,107</u>	<u>1,439</u>	<u>1,107</u>
	<u>5,798</u>	<u>4,147</u>	<u>5,836</u>	<u>6,184</u>

Notes to the Accounts

continued

	1997 GROUP £000	1996 GROUP £000	1997 COMPANY £000	1996 COMPANY £000
14 CALLED UP SHARE CAPITAL				
Authorised				
46,000,000 ordinary shares of 25p each	<u>11,500</u>	<u>11,500</u>	<u>11,500</u>	<u>11,500</u>
Allotted, called up and fully paid				
40,251,000 ordinary shares of 25p each	<u>10,063</u>	<u>10,063</u>	<u>10,063</u>	<u>10,063</u>
15 SHARE PREMIUM				
At 31st December	<u>28,670</u>	<u>28,670</u>	<u>28,670</u>	<u>28,670</u>
16 PROFIT AND LOSS ACCOUNT				
Balance brought forward (restated)	501	142	501	142
Transfer from profit and loss account	885	359	885	359
Balance at 31st December	<u>1,386</u>	<u>501</u>	<u>1,386</u>	<u>501</u>
17 PROVISION FOR OTHER RISKS AND CHARGES				
Deferred taxation on short term timing differences				
Balance brought forward	2,325	243	—	243
Charged to profit and loss account	458	2,082	—	(243)
Balance at 31st December	<u>2,783</u>	<u>2,325</u>	<u>—</u>	<u>—</u>
18 OTHER CREDITORS				
Other syndicate creditors	4,095	3,315	—	—
Accrued expenses	98	440	98	79
Abortive merger expenses	—	342	—	342
Second interim dividend	926	403	926	403
Final dividend	4,830	4,025	4,830	4,025
Taxation	1,684	462	134	462
ACT payable	1,439	1,107	1,439	1,107
VAT payable	—	7	—	7
Due to Members agent	56	—	—	—
	<u>13,128</u>	<u>10,101</u>	<u>7,427</u>	<u>6,425</u>

19 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS	1997 £000	1996 £000
Profit on ordinary activities before tax	11,267	8,554
Balance on technical account	(1,782)	(6,941)
Amortisation of capacity	940	—
Profit on sale of capacity	(566)	—
Decrease/(increase) in debtors	183	33
(Decrease)/increase in creditors	(330)	337
Profit on sale of investments	(166)	402
Net cash inflow from continuing operating activities	<u>9,546</u>	<u>2,385</u>

The consolidated cash flow statement excludes cash flows relating to underwriting within Lloyd's premium trust funds, as the Company has no access to the trust funds until the funds are distributed upon closure of a year of account.

20 NET CASH AT BANK	1997 CORPORATE UNDERTAKINGS £000	1996 CORPORATE UNDERTAKINGS £000
Balance at beginning of year	1,411	534
Net cash inflow/(outflow)	<u>(597)</u>	<u>877</u>
Balance at 31st December	<u>814</u>	<u>1,411</u>

21 CAPITAL AND OTHER COMMITMENTS

There were no capital or other commitments at 31st December 1997.

22 CONTINGENT LIABILITIES AND GUARANTEES

On 31st December 1993, in order to enable its underwriting subsidiaries to become corporate members at Lloyd's, the Company entered into Deeds of Covenant totalling £35.79 million with the Society of Lloyd's. On 13th February 1998 the Company entered into supplemental Deeds of Covenant for a further £1.609 million. The Company has provided a fixed and floating charge over its financial investments to secure the obligations under these Deeds of Covenant.

In addition, the underwriting subsidiaries have given undertakings to the Society of Lloyd's, supported by a commitment from the Company, that if one of them fails to meet any of its obligations to Lloyd's, the others will assign to Lloyd's on demand their rights to current and future profits held in their Premiums Trust Funds or contribute profits received out of their Premiums Trust Funds to the Central Fund of Lloyd's, in each case until the amounts owed by the defaulting subsidiary have been paid in full. Lloyd's may also require the underwriting subsidiaries to cease underwriting or reduce their level of insurance business underwritten.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the fourth Annual General Meeting of Masthead Insurance Underwriting plc will be held at the offices of Guinness Flight Hambro, Second Floor, Tower Bridge Court, 224-226 Tower Bridge Road, London SE1 2UP on Wednesday, 29th July 1998 at 12.00 noon, for the following purposes.

ROUTINE BUSINESS

- 1 To receive the report of the directors and accounts for the year ended 31st December 1997.
- 2 To declare a dividend.
- 3 To re-elect Mr W A C Thomson as a director of the Company.
- 4 To re-appoint Coopers & Lybrand as auditors and to authorise the directors to fix their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolutions of which Resolution 5 will be proposed as an Ordinary Resolution and Resolution 6 will be proposed as a Special Resolution.

- 5 (a) THAT the directors be generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 ("the Act") to allot to such persons and on such terms as they think proper any relevant securities (as defined in section 80(2) of the Act) of the Company up to a maximum aggregate nominal amount of £1,437,250 provided that:
 - (i) this authority shall expire at the conclusion of the next annual general meeting of the Company or, if earlier, the date falling 15 months from the passing of this Resolution unless previously varied, revoked or renewed by the Company in general meeting; and
 - (ii) the Company shall be entitled to make, prior to the expiry of such authority, any offer or agreement which would or might require relevant securities to be allotted after the expiry of such authority and the directors may allot any relevant securities pursuant to such offer or agreement as if such authority had not expired; and
- (b) all prior authorities to allot relevant securities be revoked but without prejudice to the allotment of any securities already made or to be made pursuant to such authorities.
- 6 THAT:
 - (a) the directors be granted power pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority conferred on them by Resolution 5 above as if section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to:
 - (i) the allotment of equity securities, in connection with a rights issue, open offer or otherwise, in favour of holders of Ordinary Shares in the Company ("Ordinary Shares") where the equity securities respectively attributable to the interests of all such holders of Ordinary Shares are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares held by them subject to such exceptions, exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any regulatory body or any stock exchange or otherwise in any territory; and
 - (ii) the allotment (otherwise than pursuant to paragraph 6(a)(i) above) of equity securities having a nominal amount not exceeding in aggregate £503,137.50;

and shall expire at the conclusion of the next annual general meeting of the Company or, if earlier, the date falling 15 months from the passing of this Resolution unless previously varied, revoked or renewed by the Company in general meeting provided that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities pursuant to any such offer or agreement as if the power hereby conferred had not expired; and
 - (b) all prior powers granted under section 95 of the Act be revoked provided that such revocation shall not have retrospective effect.

By Order of the Board

Lighterman's Court
5 Gainsford Street
Tower Bridge
London SE1 2NE

C J Wise, for Guinness Flight Hambro Investment Trust Managers Limited
Company Secretaries
11th June 1998

NOTES

- 1 A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, upon a poll, to vote instead of him/her. A proxy need not also be a member.
- 2 Pursuant to regulation 34 of the Uncertified Securities Regulations 1995, the Company has specified that only those shareholders registered on the register of members of the Company at 5.30 p.m. on 27th July 1998 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after 5.30 p.m. on 27th July 1998 shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- 3 A form of proxy is provided. To be valid, a form of proxy must be completed, signed and (together with the original or a notarially certified copy of any power of attorney or other authority under which it is executed) deposited at the offices of the registrar, Lloyds Bank Registrars, Lloyds Bank Plc, The Causeway, Worthing, West Sussex, BN99 6DH not less than 48 hours before the time of the meeting. If a member has deposited a form of proxy this does not preclude him/her attending and voting in person at the meeting if he/she so wishes.
- 4 A copy of the register of directors' interests in shares of the Company kept in accordance with section 325 of the Companies Act 1985 will be available for inspection at the Company's registered office, Lighterman's Court, 5 Gainsford Street, Tower Bridge, London SE1 2NE, between 9.30 a.m. and 4.30 p.m. on any weekday (Saturdays and public holidays excepted) from the date of this notice until the date of the meeting, and at the place of Annual General Meeting for 15 minutes prior to and during the meeting.
- 5 No director has a service contract with the Company.