

MASTHEAD C LIMITED

Registered Number: 2864625

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1995



## MASTHEAD C LIMITED

### REPORT OF THE DIRECTORS

The directors present their Report and Audited Accounts for the year ended 31st December 1995.

#### Business Review

The Company, which is a wholly owned subsidiary of Masthead Insurance Underwriting plc, is a Corporate Member of the Society of Lloyd's. The 1994 underwriting year, the first account in which the Company participated, is scheduled to close on 31st December 1996.

The Company made neither a profit nor a loss for the period.

#### Dividends

The directors do not recommend the payment of a dividend.

#### Directors

The directors who served during the year are shown below:

Sir Jeffery Bowman  
Sir Ewen Fergusson  
Mr M F Heathcoat Amory  
Mr P D Hill-Wood  
Mr W A C Thomson

None of the directors has a service contract with the Company.

Sir Ewen Fergusson is also a non-executive director of Murray Lawrence Members' Agency, which is the Members' Agent of the Company.

Mr P D Hill-Wood is also a non-executive director of Hambros Bank Limited, the Investment Manager of the ultimate parent company.

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

According to the Register of Director's Interests, no director holding office at 31st December 1995 had any beneficial interest in the shares of the Company during the year.

The directors currently in office, namely Mr P D Hill-Wood, Mr M F Heathcoat Amory, Sir Jeffery Bowman, Sir Ewen Fergusson and Mr W A C Thomson, are directors of Masthead Insurance Underwriting plc, the ultimate parent company.

The interests of Sir Jeffery Bowman, Mr M F Heathcoat Amory and Mr P D Hill-Wood in shares of Masthead Insurance Underwriting plc are recorded in the accounts of that company.

#### Accounting Year-end

The results of the first underwriting year in which the Company participated, the 1994 account, will be published in April 1997. To enable any underwriting profits from the 1994 underwriting account to be incorporated into the results announced in 1997, the company is extending its current financial year so that it will end on 30 June 1997.

#### Auditors

The Company has passed a resolution in accordance with sections 381A and 386 of the Companies Act 1985, dispensing with the requirement to re-appoint auditors annually. Coopers & Lybrand will remain as the Company's auditors until the elective resolution is revoked.

#### Statement of Directors' Responsibilities

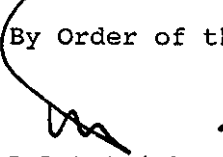
The following statement, which should be read in conjunction with the Report of the Auditors, is made to distinguish the responsibilities of the directors for the financial accounts from those of the Auditors.

The directors are required by UK company law to prepare financial accounts which give a true and fair view of the state of affairs of the Company at the end of the financial period and of the profit for the period.

The financial accounts 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 accounts on a going concern basis unless it is inappropriate to assume the Company will continue in business. The directors confirm that the financial accounts 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 enable them to ensure that the financial accounts 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.

By Order of the Board



P L Patrick  
Secretary

23rd January 1996

## REPORT OF THE AUDITORS

to the members of Masthead C Limited

We have audited the accounts on pages 4 to 8.

### Respective Responsibilities of Directors and Auditors

As described on page 2, 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 misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

### Opinion

In our opinion the accounts give a true and fair view of the state of the Company's affairs as at 31st December 1995 and of its result for the year then ended 31st December 1995 and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand  
Chartered Accountants and Registered Auditors  
London

23rd January 1996

MASTHEAD C LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31st December 1995

	<u>Notes</u>	1995 £	1994 £
REVENUE - CONTINUING ACTIVITIES			
Underwriting results		-	-
EXPENSES - CONTINUING ACTIVITIES	3	<u>(53,618)</u>	<u>-</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES - before taxation		(53,618)	-
Taxation	4	<u>53,618</u>	<u>-</u>
RESULTS FROM ORDINARY ACTIVITIES - after taxation		<u>-</u>	<u>-</u>

The notes on pages 6 to 8 form part of this profit and loss account.

MASTHEAD C LIMITED

BALANCE SHEET AS AT 31ST DECEMBER 1995

	<u>Notes</u>	1995 £	1994 £
<u>CURRENT ASSETS</u>			
Cash at Bank and in hand		<u>1,000</u>	<u>1,000</u>
<u>SHARE CAPITAL &amp; RESERVES</u>			
Share Capital	5	<u>1,000</u>	<u>1,000</u>

The accounts were approved by the directors on 23rd January 1996 and were signed on their behalf by:



Sir Jeffery Bowman  
Chairman of the Board of Directors

The notes on pages 6 to 8 form part of this balance sheet.

## NOTES TO THE FINANCIAL ACCOUNTS

### 1. Accounting Policies

#### (a) Basis of accounting

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

#### (b) Underwriting results

Underwriting results are the aggregate profits or losses arising from the Group's participations in Lloyd's underwriting syndicates. The results attributable to the participations are accounted for when the relevant year of account is closed, normally after three years. For the open underwriting years of account, provision is made if required for any estimated aggregate net losses from the syndicate participations. Each underwriting year of account is considered separately for the purpose of determining any such aggregate net loss. No credit is taken for amounts released (subject to restrictions) by the Council of Lloyd's in advance of the closure of the relevant year of account.

#### (c) Cash flow statement

The Company meets the conditions prescribed in Financial Reporting Standard No. 1, under which a cash flow statement is not required and accordingly such a statement has not been prepared.

#### (d) Statement of total recognised gains and losses

The Company had no recognised gains and losses for the year ended 31st December 1995 and therefore no separate statement of total recognised gains and losses has been presented.

### 2. Directors' Emoluments

None of the directors received any emoluments in respect of their services during the year.

### 3. General Expenses

All expenses have been paid by Masthead Insurance Underwriting plc and have been recharged to Masthead C.

As in 1994, other than five directors, the Company had no employees during the period.

4. **Taxation**

The Company has surrendered its losses of £53,618 to its parent company, Masthead Insurance Underwriting plc, in return for a payment of £53,618.

5. **Called up Share Capital**

	1995 £	1994 £
Authorised		
Ordinary shares 1,000 shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
Ordinary shares 1,000 shares of £1 each	<u>1,000</u>	<u>1,000</u>

6. **Covenant to Pay**

The Society of Lloyd's and the parent company, Masthead Insurance Underwriting plc ("the Covenantor"), entered into a Master Agreement dated 31.12.93 which permits Masthead C Limited to provide Lloyd's deposits in the form of a covenant from its parent company which is secured by a mortgage of assets.

The existing covenant dated 31.12.93 remains unchanged and the liability of the Company shall not exceed £6,750,000.

7. **Release of Premiums Trust Funds**

The Council of Lloyd's permitted a release of up to 3% of allocated premium limits in 1994.

Amounts released under this provision were £315,000 to Murray Lawrence Members Agency Limited in trust for the Company and US\$133,200 to the Lloyd's American Trust Fund. The sterling proceeds have been invested in 6 3/4% Treasury Stock 1995/98, which at 31st December 1995 had a market value, including accrued interest, of £324,897. In addition, £17,242 of interest has been received and is held in a deposit account. Except for certain limited purposes, no release can be made from these funds until the 1994 underwriting account has been closed and, in accordance with the accounting policy, it is not intended to take any credit, including credit for interest earned, until the closure of this account.

8. **Ultimate Parent Company**

The Company is a subsidiary undertaking of Masthead Insurance Underwriting plc which is incorporated in Great Britain and registered in England and Wales.



The results of Masthead C Limited are consolidated in the group financial statements of Masthead Insurance Underwriting plc. This is the only group of undertakings which includes the results of Masthead C Limited in its consolidated financial statements.

Copies of the group financial statements of Masthead Insurance Underwriting plc are available from the registered office, 41 Tower Hill, London EC3N 4HA.