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OCKHAM

OCKHAM HOLDINGS PLC

REPORT AND ACCOUNTS 2000

Contents

Financial Calendar

Annual General Meeting	*26th June 2001*
Payment of final dividend	*27th July 2001*
Interim results announcement for the 6 months to 30th June 2000	*September 2001*
Payment of interim dividend	*November 2001*

Chairman's Statement

Allen L. Thomas

Group Results

I have to express disappointment that additional reserving for claims on policies written during 1999 and prior years has overshadowed what would have been a pre-tax profit of £10.3 million for the year to 31st December 2000.

The additional reserving was due to a more stringent assessment by us and our consulting actuaries of the ultimate impact of government measures which had retrospective effect, in particular on personal injury claims arising on policies written during and before 1999. This provision of £19.1 million leads us to report a post-tax loss of £2.1 million for the year compared to a restated post-tax loss of £5.2 million in 1999.

This retroactive increase in the reserves has delayed our return into overall profit. Apart from this, the rest of the story is one of steady improvement. I am pleased to report that there has been no significant deterioration in our claims experience since 30th June 2000.

An indicator of the improving trend is that our subsidiary Highway Insurance Company Limited ("HighCo") traded profitably in this its first year of operation, even accounting for its start-up costs. HighCo generated a pre-tax profit of £5.8 million, reflecting a combined ratio of 95.6%. This compares with Bacon & Woodrow's published estimate for the motor insurance industry as a whole of 110% for the year 2000.

Across Highway generally, average premiums increased by 17% during 2000 (following a 21% increase in 1999) compared to claims inflation in the order of 10% and we have continued to put through significant premium rate increases thus far in 2001. As a specialist insurer Highway tends to be better placed than others in the industry to raise premiums, which should enable it to rebuild and maintain profit margins going forward.

So far as our other operations are concerned: I have previously informed shareholders that Reinsurance Group of America has decided that it will not continue to participate on Syndicate 429 (Alder Life) after the end of the year. This has no material financial implications for Ockham. New Millennium Technologies continues to develop its quotation and administration systems for insurance intermediaries and to provide other parts of the group with software solutions.

We are alert to the opportunities which may arise as consolidation in the motor insurance industry leads to a continuing exit of a number of major competitors from Highway's chosen market sectors. As a result, we are being shown interesting opportunities to

Chairman's Statement
continued

augment our organic growth. We will carefully evaluate each situation in turn to assess whether it would be of benefit to our shareholders.

As I noted at the half year, we have now adopted one-year earned premium accounting in accordance with UK Generally Accepted Accounting Practice. Whilst this has entailed restating our 1999 profit and loss account and balance sheet in order to provide comparability I believe that it greatly enhances the transparency of our accounts.

As in previous general election years, your company has contributed to Conservative Party campaign funds.

Finally, it is the intention of the board to recommend maintaining the final dividend in respect of 2000 and there will be an option for shareholders to take shares in lieu of cash if they so wish.

Allen Thomas
Chairman
6th March 2001

Operational and Financial Review

Ockham's accounts this year are dominated by the need to provide additional reserves of £19.1 million to cover the cost of claims on motor insurance policies written in 1999 and prior years. This has turned what would otherwise have been a pre-tax profit of £10.3 million for 2000 into a loss totalling £2.1 million after tax (1999 restated: loss £5.2 million). This result represents a loss per share of 1.7p on an equity base of 126.4 million ordinary shares (1999: loss per share of 4.2p restated). Shareholders funds at 31st December 2000 totalled £54.5 million or 43p per share.

These results are of course deeply disappointing. Nonetheless, they do not eclipse all that was achieved in 2000: for example, our new subsidiary, Highway Insurance Company Limited, produced a very acceptable pre-tax profit of £5.8 million in its first year of operation. More important, it would be wrong to conclude from these results that the outlook for the company is gloomy. On the contrary, with UK motor premium rates still continuing to rise, trading prospects are bright.

The directors have proposed a final dividend of 3.3p per share (1999: 3.3p) payable on 27th July 2001 to shareholders on the register on 25th May 2001. This will take total dividends for the year to 4.9p per share (1999: 4.9p per share). This year, shareholders will also be offered the option of taking shares in lieu of cash in respect of the final dividend.

Accounting presentation

"Highway", the motor insurance business managed by Ockham, consists of three parts: Lloyd's Syndicate 37, underwritten entirely by Lloyd's Names; Lloyd's corporate Syndicate 2037, entirely underwritten by Ockham; and, since the beginning of 2000, Highway Insurance Company Limited ("HighCo").

Under FSA rules, HighCo must produce its results on an annual accounting basis. As HighCo represents a significant part of our business and may be expected in due course to replace Syndicate 2037, we have adopted this accounting policy for all of our motor insurance underwriting in this year's financial statements, for the sake of transparency. This is a change in accounting policy from the 1999 financial statements, which were prepared on the Lloyd's three year accounting basis.

One year earned premium data is not available for the participations by our subsidiary, New London Capital ("NLC"), on Lloyd's syndicates managed by third parties. However, following the reinsurance protections put in place in early 1999, Ockham has no economic interest in the results of NLC's underwriting; so, although NLC continues to report here under the Lloyd's three year accounting convention, this has little significance. Unless stated otherwise, the figures contained in the Operational and Financial Review exclude NLC, as Ockham has no economic interest in the results of NLC's underwriting.

Profit commission and managing agency fees are accounted for on an earned basis. Ockham has always accounted for managing agency fees in this way but profit commission was previously only accounted for when the Lloyd's underwriting account was finally determined at the end of three years.

Note: 1999 restatement:

Wherever appropriate, the 1999 comparatives have been restated in accordance with the annual accounting convention. This restatement has changed the overall result for the 1999 calendar year from the previously reported pre-tax profit of £2.8 million (earnings per share of 3.3p) to a pre-tax loss of £10.4 million (4.2p loss per share).

This change in the reported result has been caused principally by the restatement of the 1998 and 1999 underwriting results for Highway. Both these years produced underwriting losses but, under the previously applied Lloyd's three year accounting policy, Ockham provided for its share of Highway's losses after accounting for its share of the investment income expected to be received before the closure

Operational and Financial Review

continued

of each syndicate's three year accounting period. Under the one year earned premium accounting convention, however, Ockham only reports investment income actually earned during the calendar year. The restated figures have, therefore, lost the benefit of the investment income expected to be earned on the 1998 and 1999 underwriting accounts between the end of the 1999 calendar year and their closure under a syndicate accounting basis.

The results for the year to 31st December 2000 are summarised in Table 1:

	12 months to 31st December	
	2000 £ million	**1999 £ million (restated)**
Premiums earned net of reinsurance	203	160
Calendar year underwriting result	(1.9)	(17.7)
Calendar year investment income	14.0	9.7
	12.1	(8.0)
Other income	3.7	7.8
Other charges	(5.5)	(10.2)
Exceptional items	0.0	1.3
Pre-provision profit/(loss) before tax	10.3	(9.1)
Increased provision for prior year claims	(19.1)	(1.3)
Reported profit/(loss) before tax	(8.8)	(10.4)
Tax	6.7	5.2
Reported profit/(loss) after tax	(2.1)	(5.2)
Earnings/(loss) per share	(1.7)p	(4.2)p
Combined ratio	110.4%	116.9%

Operating review:

Highway – 2000

In 2000, the Highway operation produced an underwriting loss before investment income of £21 million for the Group from net earned premiums of £203 million (1999: £19 million loss on net earned premiums of £112 million). This result equates to a combined ratio of 110.4% for 2000, a 6.5% improvement over the 116.9% achieved in 1999.

Ockham's share of Highway's motor insurance policies written in the 2000 calendar year produced an underwriting loss before investment income of £1.9 million. This comprised an underwriting loss of £3.8 million for Syndicate 2037 and an underwriting profit of £1.9 million for HighCo, which began underwriting on 1st January 2000. The 2000 calendar year underwriting therefore, produced a combined ratio of 100.9% on an earned basis.

Operational and Financial Review
continued

An analysis of underwriting results by underwriting entity and policy inception date is set out in Table 2:

	Policies sold in 2000		Policies sold in 1999		Sub-total		Prior year provision		2000 reported	
	U/W (£m)	CR (%)	U/W (£m)	CR (%)	U/W (£m)	CR (%)	U/W (£m)	CR (%)	U/W (£m)	CR (%)
Syndicate 2037	0.1	99.9%	(3.9)	104.5%	(3.8)	102.4%	(19.1)	109.5%	(22.9)	114.4%
HighCo	1.9	95.6%	—	—	1.9	95.6%	—	—	1.9	95.6%
Result for Ockham	2.0	98.3%	(3.9)	104.5%	(1.9)	100.9%	(19.1)	109.5%	(21.0)	110.4%

Note: U/W means underwriting result. CR means Combined Ratio. A combined ratio is calculated as net incurred claims plus net operating cost as a percentage of net earned premiums.

Highway – Prior years

The additional reserving in respect of 1999 and prior years recommended by our consulting actuaries represents a re-assessment of the likely ultimate effect on our business of certain retrospective government measures and changes in judicial procedures, primarily the change to the basis upon which personal injury claims are to be settled and NHS costs recovered from insurers. An important part of the economic effect of these measures has been to increase significantly the cost of claims made under motor policies written in 1999 and prior years long after the insurance was written. This retroactively enlarged the quantum of risk accepted by insurers without giving any opportunity for compensatory amendment to the premiums upon which the contracts were based.

We first reported and sought to address this issue in our 2000 Interim Results, when we set aside £8.1 million for the purpose. Following further actuarial analysis after the fourth quarter of 2000, however, Ockham has now added a further £11 million to its £274 million share of the Highway's total reserves after reinsurance, making a total addition of £19.1 million for the full year. This represents approximately 9.5% of net earned premiums and increased the combined ratio to 110.4%.

This is an industry-wide issue which is prompting other insurers to reassess relevant claims reserving. Ultimately, it represents a shift of expense from the tax-payer to the private motorist, since insurers must continue to raise premiums if they are to restore and maintain margins.

Premium rates

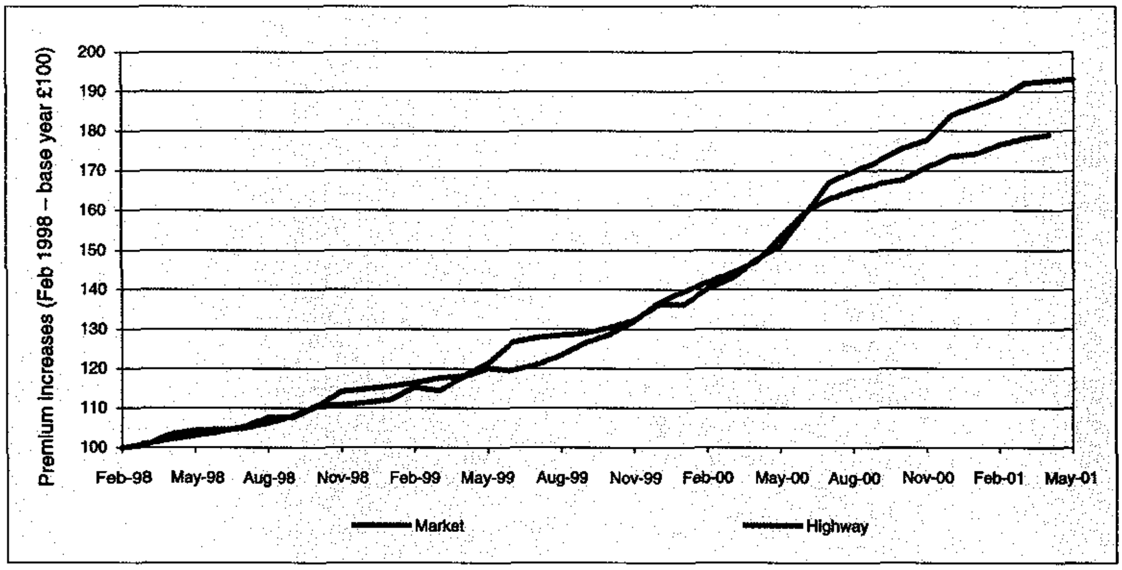
In the twelve months to 31st December 2000, average premium rates achieved increased by over 17%. In the two year period starting January 1999, Highway achieved average premium rate increases totalling over 40%.

Average premium rates achieved during the first quarter of 2001 are almost 30% up on the average premium achieved by Highway during 2000. While Ockham expects the cost of all motor insurance, including family comprehensive cover, to continue to rise in 2001, the rate of increase may start to slow during the remainder of the year. This is less likely though in the non-standard segment in which Highway specialises, where competition is less fierce.

Operational and Financial Review

continued

Table 3: Highway premium rate increases versus the motor insurance market



Source: Brokersoft Probe analysis and company data.

Expense ratios

Highway trades with one of the lowest expense ratios in the UK personal lines insurance market. Expense ratios were 21.3% for 2000. Costs will be reduced further in due course as we transfer more of Highway's business from Lloyd's into HighCo, where we can save up to 3% of premium income per annum in regulatory costs. Other cost reduction initiatives include a review of commission rates, with reductions of up to 2.5% expected in 2001.

Table 4: UK personal lines insurers: expenses expressed as a percentage of Net Earned Premium.

Rank	Insurer	Expense Ratio % Net Earned Premium
1	Royal Bank of Scotland	20.8
2	**Highway***	**21.3**
3	National Farmers	21.3
4	CGNU plc	28.5
5	Royal & Sun Alliance	29.3
6	Credit Suisse/Skandia	30.0
7	Allianz	31.0
8	Zurich Financial Services	31.4
9	Fortis	31.4
10	Axa	34.5

*Source: SunThesys Ltd, Annual FSA Insurance Returns for 1999 and company data. * Highway's expense ratio is for the 2000 calendar year (1999: 19.5%).*

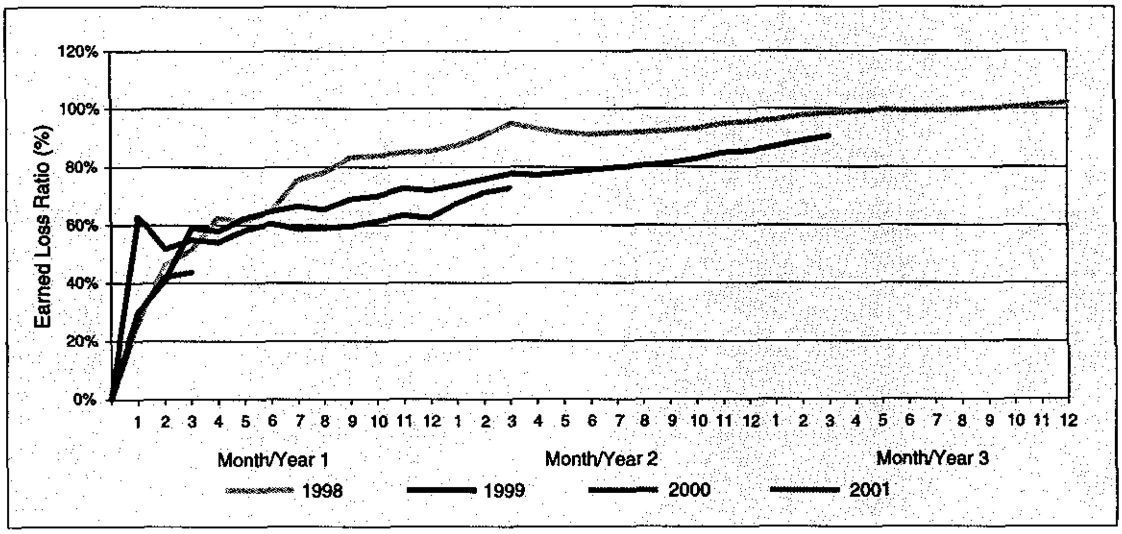
Operational and Financial Review

continued

Highway Claims

Table 5 below sets out the development of earned loss ratios for each year since 1997. It shows a marked improvement in underwriting results, partly a result of substantial premium rate increases and partly due to a transformation of claims methodology.

Table 5: Highway's earned loss ratios



Source: Company data.

The overall cost of claims to the UK motor insurance industry is currently inflating by about 9% per annum. Of this, repair costs are increasing by 3% per annum. This is slightly higher than UK retail price inflation, reflecting increasing labour costs as the number of bodyshops reduces; personal injury claims inflation is running at about 12% per annum. This reflects legislation changes already referred to, as well as the increasing litigious nature of UK society.

The latter has been encouraged by the government's recent introduction of conditional fee arrangements and after-the-event legal expense insurance which together replace legal aid. These developments again represent a shift of expense from government to the insurance industry.

Highway's average claims costs have being contained below the market average. Average claims costs are estimated at £1,910 for the 2000 calendar year, an increase of 8.5% over 1999. Claims frequency is steady at around 16% of policies written.

Investment Income

Net investment income (excluding NLC) received for the year was £14.0 million (1999: £9.7 million). The increase in investment income was partly due to better cash flow arising from the improving underwriting environment and the higher investment yields achieved. We continue to maintain very conservative investment guidelines and do not invest in the equity market.

Operational and Financial Review
continued

Investment income received was as set out below:

Table 6: Investment income

	2000 £000s	1999 £000s
Long-term return on insurance funds	17,804	8,114
Adjustment for actual yield received	1,348	(1,024)
Actual return on investment funds	19,152	7,090
Investment return on non-insurance funds	654	2,607
Total investment return achieved	19,806	9,697

On a long-term basis, we anticipate a return of 6.5% per annum from our managed investment portfolios. These comprise gilts, high-grade corporate bonds, certificates of deposit and cash. The investment income credited to the technical account based on the long-term return of 6.5% was £12.0 million in 2000 compared to £8.1 million in 1999. This increase demonstrates the additional insurance funds under management during the year as a result of the capitalisation of HighCo and the improving cash flow within the underwriting businesses.

In 2000, the overall investment yields achieved were 7.75% for HighCo and 7.3% for Syndicate 2037 (4.7% in 1999). The difference in yield from 6.5% is charged to the consolidated profit and loss account as a short-term fluctuation in investment return. This difference was a profit of £1.3 million in 2000, compared to a loss of £1.0 million in 1999.

In 2000, the profit and loss account also showed investment income from non-underwriting funds of £0.7 million down from £2.6 million in 1999. The Group's non-insurance funds were depleted at the end of 1999 principally to capitalise HighCo and the Group has utilised greater amounts of debt in 2000.

New London Capital ("NLC")

Following the disposal in the second half of 1999 of all NLC's participations on syndicates managed by third parties and in accordance with the reinsurance contracts agreed by Ockham with Stockton and Chartwell, Ockham no longer has any economic interest in NLC's open year underwriting.

NLC produced a net underwriting loss of £10.7 million or 11.4% of underwriting capacity from the Lloyd's 1998 underwriting year that closed at the end of 2000. Current syndicate forecasts indicate that NLC will lose a further £7.7 million or 8.5% of its underwriting capacity in the 1999 year. These losses are fully recoverable from the reinsurance protections with Stockton and Chartwell.

Under the terms of the contract with Stockton, we are also entitled to receive a £700,000 override commission for each of the 1998 and 1999 underwriting accounts. As the majority of NLC's 1998 account participations have been closed at 31st December 2000, £700,000 has been taken to profit. The override commission for the 1999 underwriting year of account will be recognised in 2001.

Alder Life – Term Life Insurance

SMSM Limited, the managing agency for Life Syndicate 429 trading as "Alder Life", received managing agency fees of £37,000 during 2000 (1999: 37,000). Alder Life produced a profit of 9.8% of underwriting capacity for the 1998 underwriting account and forecasts a profit of 2.5% to 7.5% of capacity for the 1999 year. A similar underwriting result is anticipated for 2000 although this underwriting year will also benefit from the one-off gain from the sale of Lutine Assurance Services Ltd ("Lutine"), in which SMSM held shares on behalf of Syndicate 429. The syndicate's share of the sale proceeds was £1.6 million gross,

Operational and Financial Review

continued

on which SMSM earned £240,000 of profit commission. Overall, therefore, the 2000 underwriting year is likely to produce a profit of around 20% of capacity.

Reinsurance Group of America, Incorporated, which supplies over 75% of the underwriting capacity for the syndicate, has announced that it will not continue to participate on Syndicate 429 after the end of 2000. We are seeking to replace this capacity but Ockham's investment in the management of Alder Life is considered non-core (as it has no relationship with motor insurance) and we intend to dispose of it. This will have little or no material financial implications for the Group.

New Millennium Technologies PLC ("NMT")

NMT continued to develop and sell its highly effective quotation and administration systems for insurance intermediaries in 2000 and has now begun to provide valuable expertise, services and software solutions to Highway.

Central Costs

Ockham's central costs include the Group's central administrative and support functions and the costs of the central management team. The costs are those retained by Ockham (i.e. net of expenditure allocated to managing agencies and Names).

The detailed figures are set out below in Table 7:

	12 months to 31st December	
	2000 Actual £000s	1999 Actual £000s
Property and other costs	773	603
Irrecoverable VAT	208	139
Ockham LTIP costs	–	1,281
Central management costs	1,736	2,160
Professional and consultancy costs	354	208
Other central costs	285	99
Consolidation adjustments re minority interests and goodwill	–	93
	3,356	4,583

Group Taxation

Taxation on the Group's result was a credit of £6.7 million (1999 credit of £5.2 million). An additional tax credit arose during the period due to the agreement of capital losses which were carried back against gains made on disposals in prior years.

Dividends

The directors have proposed a final dividend of 3.3p per share payable on 27th July 2001 to shareholders on the register on 8th June 2001. Taken together with the interim dividend of 1.6p per share, total dividends for the year are 4.9p per share. A scrip issue alternative is being made available this year. Accordingly, all shareholders will be provided with a form which they should complete and return as instructed if they wish to exercise their option to take their dividend in the form of newly issued Ockham shares rather than cash dividends.

Operational and Financial Review
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Shareholders' Funds and Net Assets
Shareholders funds have decreased to £54.5 million after providing for the additional reserves for claims for policies written in 1999 and prior, and the proposed final dividend.

Net assets were equivalent to 43p per share at 31st December 2000.

Cash and Debt
At 31st December 2000, the group held net corporate free cash balances of £17.2 million. Ockham's share of the cash held in syndicate trust funds was a further £94.5 million. Cash was also deposited with Lloyd's to support the underwriting of Ockham Corporate Limited on Highway. These funds totalled £29 million.

A portfolio of cash, gilt edged securities and 'AA' rated corporate bonds totalling £80.4 million was supporting the underwriting of Highway Insurance Company Limited. Ockham currently has access to bank facilities totalling £32.5 million under existing arrangements.

Looking Ahead
The changes referred to in this report which have afflicted the motor insurance industry have led to a substantial amount of consolidation in the market over the past year and it may be expected that this will continue, possibly producing some interesting opportunities for Highway.

There is every indication that motor insurance premium rates will continue to increase, particularly in the non-standard sector in which Highway specialises.

We expect to take important decisions on investment in new information technology at Highway over the coming year which will provide a basis for further progress and help us to maintain our cost advantage. The transfer of underwriting from our Lloyd's syndicate 2037 to HighCo may be expected to continue as and when the Group's resources permit, providing further cost saving possibilities.

Although there is much talk of economic slowdown, motor insurance remains a non-discretionary spend for very many people and, overall, the outlook for our business is bright.

The Lord Poole
Group Chief Executive
27th April 2001

Andrew Gibson
Finance Director

Directors and Advisers

Directors
Allen Lloyd Thomas* *(Chairman)*

The Lord Poole *(Chief Executive)*

Jean Albert Arvis*

Keith Norman George Bradley*

David Ean Coleridge*

Andrew James Gibson *(Finance Director)*

Anthony Everard George Hambro

Graham Norbert Kennedy CVO*

(*Non-executive)

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Michael David Conway

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Bankers
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Directors' Report

The Directors submit their report and the audited financial statements of the Company for the year ended 31st December 2000.

Principal Activities, Business Review and Future Developments

The Company is a holding company and provides services to its subsidiaries, which are in the main Lloyd's underwriting agencies, an insurance company and corporate members of Lloyd's. A review of the Group's activities and its future prospects is set out in the Operational and Financial Review.

Significant events

- Further investment in New Millennium Technologies plc
- The establishment of Highway Insurance Company Limited, trading as an FSA regulated insurance company with effect from 1st January 2000.

Group Results and Dividends

The loss for the year to 31st December 2000 attributable to shareholders amounted to £2,116,000 after taxation (1999: £5,222,000). An interim dividend of 1.6p per share net was paid in November 2000 amounting to £1,969,000. The directors are recommending a final dividend of 3.3p per share net amounting to £4,059,000 payable on 27th July 2001 to shareholders on the register at the close of business on 25th May 2001. This will make a total dividend for the year of 4.9p per share net (1999: 4.9p per share). The retained loss for the year of £8,144,000 will be transferred from reserves (1999: loss of £11,188,000 transferred from reserves).

Directors

The interests of the directors, who held office at 31st December 2000, in the share capital of the Company, are set out on page 21 in the Remuneration Report. Changes in these interests between 31st December 2000 and the date of this report are also noted in the Report of the Remuneration Committee.

Mr Portsmouth resigned as a director on 29th February 2000.

Mr Thomas and Mr Coleridge retire by rotation and, being eligible, offer themselves for reappointment at the Annual General Meeting.

Chairman

- **Allen Thomas**, aged 61, is an American lawyer now working in London following his retirement as a partner of the New York law firm Paul, Weiss, Rifkind, Wharton & Garrison where he practised commercial law for 28 years. He moved to London in 1992 to become general counsel to a private investment group and is currently an executive director of Penna Holdings PLC, a non-executive director of the Dialog Corporation PLC and an international legal and business adviser. Mr. Thomas joined the Board in March 1995.

Other non-executive directors

- **Graham Kennedy** (senior independent non-executive director), aged 64, was a director of James Capel & Co. Limited until his retirement in October 1995. From 1980 to 1992 he was a member of the Council (latterly board) of the London Stock Exchange. He was Chairman of Anglo Pacific Resources Limited and of Dwyer plc until 1997, and is a director of Charities Investment Managers Limited (M&G Charifund), and Chairman of Walker, Crips, Weddle, Beck PLC. Mr. Kennedy joined the Board in March 1995.

Directors' Report
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- **Jean Arvis**, aged 65, is President of the Federation Francaise des Societes d'Assurances and was a director of a number of companies including the Supervisory Board of Cologne RE, Societe General de Belgique and Banque Indosuez. Monsieur Arvis who joined the Board in January 1999, was Chairman and Chief Executive Officer of Compagnie Financiere du Groupe Victoire from 1989 to 1992. Prior to that he was Chief Executive Officer of Groupe de Assurances Nationales (GAN).
- **Keith Bradley**, aged 57, joined the Board in January 1996 and is a director of Integra LifeSciences Corporation, USA, a member of the editorial board of Business Strategy Review and formerly held chairs in Management at the Open University and City University Business Schools. For six years, he was the Director, Business Performance Group, London School of Economics. He has been a visiting professor at the Harvard Business School, the University of Pennsylvania and UCLA, and a fellow of the Harvard Center for Business and Government.
- **David Coleridge**, aged 68, joined the Sturge Group in 1957 and was its Chairman from 1978 to 1995. He was Chairman of Lloyd's in 1991 and 1992.

Executive Directors

- **Lord Poole – Group Chief Executive**, aged 56, began his career in the Corporate Finance Department of Samuel Montagu & Co Ltd in 1967 and, after obtaining his MBA at Insead in 1970, ran Montagu's European office in Paris. He then joined Bland Payne, Montagu's insurance broking subsidiary.

  In 1978 he joined stockbrokers Capel Cure Myers, became Chief Executive in 1984 and, after it was acquired by ANZ, became managing director of ANZ Merchant Bank. He moved to James Capel in 1990 as head of Corporate Finance and was then seconded to the Policy Unit at 10 Downing Street from April 1992 to August 1994, as John Major's business and finance adviser.

  In September 1994 David Poole became Chief Executive and was appointed to the Board of Ockham Holdings PLC at the time of the group's reconstruction in December 1994.

  He was a member of the Parliamentary Pre-legislative Scrutiny Committee on the Financial Services and Markets Bill and was a member of the Select Committee reviewing the workings of the Bank of England's Monetary Policy Committee.

- **Anthony Hambro – Executive Director**, aged 53, worked for Samuel Montagu & Co Ltd from 1968 to 1976, mostly in the Treasury, then moved to Grindlays Bank where he became head of Corporate Planning. He has an MBA from INSEAD. In 1984 he left Grindlays to set up his own consultancy, Anthony Hambro & Co, mainly advising banks on the corporate finance aspects of buying and selling fund management businesses.

  Mr Hambro became a consultant to the group in September 1994 and joined the Ockham Board in December 1994. He is responsible for managing projects, many corporate finance related.

- **Andrew Gibson – Finance Director**, aged 44, spent seven years with Touche Ross as an auditor and management consultant in the financial services division, latterly managing the insurance IT consultancy group.

  He joined the Sturge Group in 1991 working first in IT and operations before becoming Finance Director of the group's consistently successful aviation and non-marine subsidiaries. On the sale of those businesses, he joined David Poole's management team in October 1995, was appointed to the Board of Ockham Holdings PLC in July 1996 and became Finance Director in October 1996.

  Mr Gibson is Managing Director of the Highway Insurance Company Limited and the group's Lloyd's managing agencies.

Directors' Report
continued

Substantial Interests
Other than the holding of David Coleridge, as disclosed in the Report of the Remuneration Committee on page 21, the directors have been notified pursuant to section 198 of the Companies Act 1985 of the following interests in 3% or more of the ordinary share capital of the Company:

	Number of Shares	%
Schroders plc	15,662,994	12.38
Fidelity International Limited[1]	12,441,000	9.84
Phillips & Drew Life Limited[2]	7,584,989	5.99
Warburg Dillon Read	4,500,000	3.56
Witan Investment Company plc	4,200,000	3.32

1 This interest comprises the notifiable interest of Mr Edward C Johnson 3rd, principal shareholder of Fidelity International Limited.

2 Phillips & Drew Life Limited is a subsidiary of UBS Asset Management Holding (No.2) Limited which is also treated as having an interest in these shares.

Share Capital
Details of the current share capital of the Company are given in note 22 to the financial statements on page 47.

Permission was obtained from shareholders at the annual general meeting in July 2000 to purchase up to 10% of the Company's ordinary share capital. A resolution to grant the Board power to buy back up to 10% of the issued capital for a further year will be put to shareholders at the forthcoming annual general meeting.

Ockham Trust Company Limited holds 3,372,906 shares and, except in respect of 0.001 pence per share, has waived its right to receive any dividend.

Creditor Payment Policy
It is the Group's policy to follow the CBI Prompt Payers' Code of Good Practice which states that a company should have a clear, consistent policy, adhered to by the finance department, to settle bills in accordance with the payment terms agreed with suppliers, dealing quickly with complaints and advising suppliers of disputes. The number of creditor days, based on creditors at the year end and purchases during the year, was 34 days. Copies of the CBI Code of Good Practice can be obtained from CBI, Centrepoint, 103 New Oxford Street, London SW1A 1DU.

Employment Policies
The Board pursues policies designed to encourage employees to identify with the Group and to use their knowledge and skills actively towards its success. It encourages and funds appropriate training and studying for relevant professional qualifications.

The Group has two Long Term Incentive Schemes: the Ockham Long Term Incentive Plan and the Ockham Personal Insurance Holdings PLC Restricted Share Scheme.

Full and fair consideration is given to employment applications from disabled persons who have the necessary aptitude and abilities. Where an employee becomes disabled whilst employed, arrangements are made whenever practicable to maintain employment and offer appropriate training.

Charitable and Political Contributions
The Group made charitable donations during the year of £37,500 (1999: £28,234) of which £25,000 (1999: Nil) were political contributions.

Directors' Report
continued

Going Concern
Having reviewed the financial and cash flow positions of the Group, the directors have a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

Auditors
Ernst & Young has expressed its willingness to continue in office. A resolution to reappoint Ernst & Young will be proposed at the forthcoming general meeting. Ernst & Young have stated that, subject to the approval of its partners, it is intending to transfer its business to a limited liability partnership during the year. If this happens, it is the current intention of the directors to use their statutory powers to treat the appointment of Ernst & Young as extending to Ernst & Young LLP.

By order of the Board

Michael D Conway
Secretary
27th April 2001

Report of the Remuneration Committee

The Committee

The Chairman of the Committee is appointed by the Board and is currently Allen Thomas. Graham Kennedy, David Coleridge and Keith Bradley are the other members of the Committee. The Committee meets at least twice a year.

The Committee is required to consider and decide upon the appropriate package and level of remuneration of the executive directors of the Company. The Committee is also required to keep abreast with the remuneration for senior executives throughout the Group and to ensure proper co-ordination between the level of such senior executives' remuneration and that of the executive directors of the Company.

The Remuneration Committee has appointed a leading firm of executive remuneration consultants to undertake a comprehensive review of the Group's remuneration policy to maximise comparability within the marketplace.

Remuneration policy

In framing its remuneration policy, the Board confirms that it has complied with the Combined Code. This policy applies to all staff, including the executive directors.

The Group's remuneration policy is performance led and market based, rewarding above average performance through incentives, and integrated with the budgetary process. This has been achieved by:

- an annual performance appraisal for all staff, directly linked to remuneration;
- capping basic salary at the market rate for a job, determined through salary surveys;
- rewarding above average performance through annual bonuses, profit share or profit commission (depending upon business unit);
- introducing long term performance based incentives for senior managers;
- setting, as part of the budget process, the absolute year-on-year increase in remuneration in the form of separate basic salary and merit allocations.

Basic salary and benefits

Salaries are reviewed annually in the context of individual and business performance. Comparison is made to the level of remuneration of equivalent positions in other companies through the use of relevant external salary surveys.

Variable compensation

The executive directors participate in performance related remuneration schemes.

The scheme applicable to the Chief Executive provides for a bonus to be calculated in relation to the increase in earnings per share of the Group but limited to 100% of the Chief Executive's salary in the relevant period.

In September 1999 the new Ockham Long Term Incentive Plan was established. This plan ensures that at the end of each three year performance period relating to each award, awards will vest only if the share price achieved has equalled or exceeded, for a continuous period of 90 days during the performance period, a rigorous share price target set at the start of the performance period.

Awards can be made at any time from September 1999 for a period of up to five years.

Report of the Remuneration Committee

continued

Awards made so far to directors under the Ockham Long Term Incentive Plan are set out below. Assuming 100% Vesting under the Rules of the Plan, these Awards will convert into the number of Ockham ordinary shares shown against each name:

	Awards September 1999	Awards April 2000	Awards December 2000	Total Awards
A J Gibson	199,329	187,500	61,100	447,929
A E G Hambro	237,054	213,000	55,000	505,054
The Lord Poole	318,790	286,500	73,900	679,190
C S Portsmouth	155,317	-	-	155,317
Total	910,490	687,000	190,000	1,787,490

No Awards will vest during 2001.

Retirement benefits

The Lord Poole and Mr Hambro have personal pension arrangements to which the Company makes contributions. Contributions made by the Company during the year in respect of these arrangements amounted to £50,000 for The Lord Poole and £27,750 for Mr Hambro.

The Group operates a defined benefit pension scheme, The Ockham Pension Scheme. Mr Gibson participated during the year in the Ockham scheme.

Pension benefits earned by Mr Gibson during the year (note 1) were as follows:

Name of director	Increase in accrued pension during the year (note 2) £ pa	Transfer value of increase (note 3) £	Accumulated total accrued pension at year end £ pa
A J Gibson	£2,040	£23,000	£17,442

Note 1. The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year.

Note 2. The increase in accrued pension during the year excludes any increase for inflation.

Note 3. The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11 less director's contributions.

Service contracts

Each of the executive directors has a contract which is terminable by either the Company or the director on not more than twelve months' notice. The service contracts of The Lord Poole and Mr Hambro provide that, in the event of an acquisition under section 425 of the Companies Act, they are entitled, within three months of the acquisition, to give notice and receive compensation equivalent to up to one year's remuneration.

Report of the Remuneration Committee
continued

Directors' aggregate remuneration

Year to 31st December	2000 £000	1999 £000
Fees	210	156
Management remuneration:		
Salary	701	780
Performance related remuneration	75	209
Pension contributions	93	111
	1,079	1,256
Amounts recharged to managed syndicates	(100)	(100)
	979	1,156

Fees
The fees for non-executive directors are determined by the board within the limits stipulated in the Articles of Association. The non-executive directors are involved in any discussions or decisions about their own remuneration. The Company meets authorised expenses of non-executive directors, incurred on Ockham Holdings' activities.

Directors' individual remuneration

	Year to 31st December 2000					
	Basic salary and fees £000	Benefits £000	Performance related remuneration & bonus £000	Pension contributions £000	Total £000	1999 £000
A L Thomas *(Chairman)*	75	-	-	-	75	56
Executive:						
The Lord Poole *(Chief Executive)*	279	17	25	50	371	406
A J Gibson	193	1	25	15	234	229
A E G Hambro	208	1	25	28	262	283
C S Portsmouth	21	1	-	-	22	181
Non-Executive:						
J A Arvis	30	-	-	-	30	19
K N G Bradley	45	-	-	-	45	19
D E Coleridge	30	1	-	-	31	20
G N Kennedy	30	-	-	-	30	19
Overall Total	911	22	75	92	1,100	1,232

Report of the Remuneration Committee
continued

Directors' interests
The interests of the directors who held office at 31st December 2000 and their immediate families in the ordinary shares of 20p each of the Company at 31st December 2000, with comparative figures as at 1st January 2000, according to the register of directors' interests, were:

	Beneficial		As trustee	
	31st December 2000 Number	1st January 2000 Number	31st December 2000 Number	1st January 2000 Number
J A Arvis	142,800	142,800	-	-
D E Coleridge	6,806,250	6,806,250	673,525	673,525
A J Gibson	350,802	340,489	-	-
A E G Hambro	477,450	477,450	-	-
G N Kennedy	30,000	30,000	-	-
The Lord Poole	497,951	591,076	-	-
A L Thomas	125,000	125,000	-	-

There have been no changes in these interests between 31st December 2000 and the date of this report.

During the year to 31st December 2000 and at that date, no contracts of significance subsisted in which a director of the Company was materially interested, other than as disclosed in note 35 to the financial statements.

Allen L. Thomas
Chairman
27th April 2001

Corporate Governance

The Company is committed to high standards of corporate governance. This statement sets out how the Company has applied the principles set out in section 1 of "The Combined Code – Principles of Good Governance and Code of Best Practice" (The Combined Code).

Board and Board Committees

The Board consists of eight directors. Of these, Mr Thomas, Mr Kennedy, Monsieur Arvis, Professor Bradley and Mr Coleridge are non-executive directors. It is the case that these non-executives all habitually act independently of management; so for the purposes of the Combined Code, they are all considered by the Board to be "independent of management".

However, a number of relevant organisations such as the Association of British Insurers and the National Association of Pension Funds specifically define independence from management in such a way as to exclude, amongst others, any person who has ever been an employee or executive director or who holds a notifiable shareholding in the company concerned, regardless of the way in which they act.

Although he has never been an executive of Ockham, Mr Coleridge was an employee and an executive director of Sturge Holdings PLC until 1995. Unlike all the other non-executive directors, he holds a notifiable interest in the Company and, accordingly, does not fall within such particular definitions of independence.

Mr Kennedy has been appointed senior independent non-executive director. The Board ensure that, notwithstanding the company's Articles of Association, directors submit themselves for re-election at least every three years. Mr Thomas and Mr Coleridge will stand for re-election at the forthcoming annual general meeting.

The Board has nine meetings scheduled each year and meets at other times as required.

The Group Chief Executive provides all members of the Board with regular detailed written reports on developments within the business.

The Company has an Audit Committee and a Remuneration Committee, both consisting solely of non-executive directors.

Graham Kennedy chairs the Audit Committee. The other members of the Committee are Professor Bradley, Mr Coleridge and Mr Thomas. It meets at least twice a year and its main terms of reference include: review of the Group's financial statements prior to publication; review of the effectiveness of the systems of financial control and monitoring and implementation of the auditors' recommendations. The Remuneration Committee is chaired by Allen Thomas and meets at least twice a year. The other members of the Committee are Professor Bradley, Mr Coleridge and Mr Kennedy.

The Remuneration Report appears on pages 18 to 21.

Statement of Compliance with the Combined Code

Subject to the following matters, the Board considers that the Company has complied with the Combined Code:

(i) The Board does not have a formal schedule of matters specifically reserved to it for decisions (Code provision A.1.2) because it has been the Board's view that this has not been appropriate given the size and structure of the Company. The Board will however continue to review this as part of its ongoing review of corporate governance.

(ii) The Board is relatively small and a nominations committee has not been established. A nominations committee will however be established in the event that appointments to the Board become necessary or desirable.

Corporate Governance
continued

Internal Control

The Board acknowledges that it is ultimately responsible for the Group's system of internal control and reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board has implemented systems that enable the Company to implement internal control procedures in line with the guidance set out in "Internal Control: Guidance for Directors on the Combined Code." Furthermore, during the year the Board formalised the process for identifying, evaluating and managing the significant risks faced by the Group to ensure that procedures are in place to implement principle D.2 of the Combined Code. The process is in place up to the date of approving the accounts. These systems are designed to ensure the effectiveness of all internal control including financial, operational, compliance and risk management and include:

- Clear responsibilities for the production of timely operational and financial information on a weekly, monthly and quarterly basis;
- A comprehensive system of targets and budgets approved annually by the Board;
- Regular consideration by the Board of actual results compared with targets, budgets and forecasts;
- Clearly defined authorisation limits;
- Establishment of underwriting strategy and monitoring of syndicate performance;
- Regular reporting of financial, legal, organisational and compliance issues; and
- Clear terms of reference for the duties of the Board and its committees.

The Board have identified key high level risks that are the subject of an ongoing review process by senior management within the Group. This review is considered by the Board on a quarterly basis. In addition, the effectiveness of the internal control system is reviewed by the Board annually.

Relations with Shareholders

Liz Crouchman, Assistant Director – Research and Investor Relations has responsibility for the on-going implementation of the Company's investor relations strategy reporting direct to David Poole. Her role includes gathering the views of shareholders (so that they may be taken account of appropriately in our planning process) and keeping abreast of developments in investor relations.

The Company's Internet website (www.ockham.co.uk) has been redesigned. The website is a means of keeping existing and potential investors informed of corporate developments and is an easily accessible source of information. We will continue to look for ways to improve the site, with a view to facilitating dialogue and enhancing our relations with our shareholders.

In line with the recommendations in the Report by the Investor Relations Working Group on Smaller Quoted Companies, published by the Department of Trade and Industry in January 1999, an Investor Communications Statement is set out below:

"Ockham's objective is to provide high quality, meaningful, and timely information in order to maintain or improve the market's understanding of the Group and its businesses.

We are aware that a smaller quoted company such as ours needs to place considerable emphasis on investor relations, if it is to enable the market to value its business accurately and with confidence. For this reason Ockham is committed to effective dialogue with shareholders.

Accordingly, the Company provides information form time to time (when permitted) on the operational performance of its business as well as interim and annual reports and we also encourage major shareholders and institutional analysts to visit Highway's key operation centre in Brentwood, Essex in order to enhance their understanding of our progress."

Statement of Directors' Responsibilities

Financial statements

The directors are required by the Companies Act 1985 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 Group as at the end of the financial period and of the profit or loss for the financial period.

The directors consider that in preparing the financial statements on pages 31 to 51, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Report of the Auditors

to the members of Ockham Holdings PLC

We have audited the accounts on pages 31 to 51 which have been prepared under the historical cost convention and the accounting policies set out on pages 26 and 29.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report. As described on page 24, this includes responsibility for preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the corporate governance statement on pages 22 and 23 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of either the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

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 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 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 affairs of the Company and of the Group as at 31st December 2000 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
London
Registered Auditor
27th April 2001

Accounting Policies

1 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the accounts of Ockham Holdings PLC ("the Company") and its subsidiary undertakings for the year to 31st December 2000.

Ockham Corporate Limited and Highway Insurance Company Limited participate in the Highway Insurance business managed by the Group. The accounts have been prepared on an annual accounting basis for these participations. This represents a change in accounting policy for participations in managed syndicates which was previously accounted for on a three year funded basis. The impact of this change on the results for the year and retained earnings is disclosed in note 29.

The New London Capital corporate members participate on syndicates managed by other agents. These participations are accounted for on a three year funded basis, under which the excess of premiums written and attributable net investment return over claims and expenses paid in respect of contracts incepting in an accounting period ("the underwriting year") is carried forward as a technical provision until the end of the third year from the inception of the underwriting year. Consequently no profit is recognised in respect of an underwriting year until that time. Where any syndicate underwriting year is expected to make a loss, the loss is recognised as soon as it is foreseen.

In accordance with Lloyd's practice, the underwriting year is normally recognised as closed after three years of development, at which time any profits are distributed. Each underwriting year of account is considered separately for the purpose of determining any aggregate net profit or loss.

2 ACCOUNTING CONVENTION

The audited financial statements have been prepared in accordance with Section 255A of, and Schedule 9A to, the Companies Act 1985 ("the Act") as reflected in Technical Release 1/99 "Accounting by Lloyd's Corporate Capital Vehicles", and in accordance with applicable accounting standards. The recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in November 1998 has been adopted.

No profit and loss account is presented for the Company as permitted by section 230 of the Act.

The balance sheet of the Company has been prepared in accordance with section 226 of, and Schedule 4 to, the Act.

3 GOODWILL ARISING ON CONSOLIDATION

Goodwill, being the cost of acquisition less the fair value of net assets acquired, incurred prior to 1998 was offset against reserves. On disposal of a business acquired prior to 1998, the profit or loss is determined after taking into account goodwill previously offset against reserves. Goodwill incurred with effect from 1998 is capitalised as an intangible asset and amortised on a straight line basis over a period of ten years, which the directors consider to be a reasonable estimate of the economic life of such an asset.

4 INTANGIBLE ASSETS

The costs relating to the acquisition of syndicate capacity prior to 1998 are offset against reserves. The costs of acquisition of syndicate capacity with effect from 1998 are capitalised as an intangible asset and amortised on a straight line basis over a period of ten years, which the directors consider to be a reasonable estimate of the economic life of such an asset, commencing in the first year in which underwriting income is recognised from that capacity.

Accounting Policies
continued

5 PREMIUMS

a. Managed participations

Gross written premiums represent premiums on business incepting during the period together with adjustments to premiums written in previous periods. The provision for unearned premiums represents that part of gross premiums written which is estimated to be earned after the balance sheet date. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the direct or inward reinsurance to which they relate.

b. Non-managed participations

Gross written premiums represent premiums on business incepting during the period together with adjustments to premiums written in previous periods. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the direct or inward reinsurance to which they relate.

6 CLAIMS

a. Managed participations

For business accounted for on a one year basis provision is made for claims incurred during the period, whether or not reported.

b. Non-managed participations

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

7 TECHNICAL PROVISIONS - CLAIMS OUTSTANDING

At the end of the year provision is made for the estimated cost of outstanding claims, claims incurred but not reported (IBNR), anticipated reinsurance recoveries and claims handling expenses in respect of premiums earned at the balance sheet date.

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

The adequacy of the outstanding claims provision is established by reference to the underwriter's knowledge of previous claims history, case by case reviews of notified losses and, where appropriate, the use of actuarial projections.

8 UNEXPIRED RISK PROVISION

A provision for unexpired risks is made when it is anticipated that unearned premiums will be insufficient to meet future claims and claims settlement expenses of business in force at the end of the period.

9 ACQUISITION COSTS

a. Managed participations

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

b. Non-managed participations

Acquisition costs comprise all direct costs arising from the conclusion of insurance contracts. These costs are charged to the profit and loss account as incurred.

Accounting Policies
continued

10 INVESTMENT INCOME
Net investment return comprises investment income, unrealised gains and losses on investment, investment expenses and interest payable. The longer term return on investments owned by the underlying syndicate, together with the longer term return generated by the Funds at Lloyd's which support the underwriting activities, initially allocated to the non-technical account, is transferred from that account to the technical account. The actual net investment return from other activities is included within the non-technical account as part of operating profit. The difference between the longer term return allocated to the technical account and the actual return achieved on the underlying assets is recorded in the non-technical account as 'Short term fluctuations in investment return'.

11 FOREIGN EXCHANGE
Syndicate assets, liabilities, income and expenditure expressed in US dollars and Canadian dollars are translated at the rates of exchange ruling at 31st December. Underwriting transactions in other foreign currencies are included in the financial statements 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 Group's own assets and liabilities expressed in foreign currency are translated at the rates ruling at the balance sheet date.

12 UNDERWRITING AGENCY FEES
These represent net fee income receivable from capital providers.

13 PROFIT COMMISSION
Profit commission from managed syndicates is recognised as earned on an annual basis to match the related underwriting profits. Profit commission is receivable when the syndicate's underwriting year of account is closed, this is normally at the end of the three calendar years.

14 OTHER COMMISSIONS AND FEES
These represent net fee income receivable from reinsurance contracts.

15 OPERATING EXPENSES
The Group's operations include the control and payment of expenses, some of which relate and are recharged to, managed syndicates. The residual costs are charged to the profit and loss account as incurred.

16 DEPRECIATION
Depreciation is calculated to write off the cost of tangible fixed assets on a straight line basis over their estimated useful economic lives as follows:

Freehold building	50 years
Leasehold property	15 years
Leasehold improvements	5 years
Computer and other equipment	3 to 5 years
Motor vehicles	3 years

Accounting Policies
continued

17 INVESTMENTS
Fixed interest investments are valued at mid-market price on 31st December. Other investments in the Group balance sheet are stated at cost less amounts written off in respect of a permanent diminution in value.

18 PENSIONS
The costs of providing pensions for staff are charged in the profit and loss account over the service lives of the employees in accordance with the recommendations of qualified independent actuaries. Any funding surpluses or deficits which may arise from time to time are amortised over the average remaining service lives of the employees. Where staff remuneration is borne by the Group's managed syndicates, the related pension costs are also charged to such syndicates.

19 DEFERRED TAXATION
Deferred taxation is accounted for on the liability method on timing differences to the extent that a liability is expected to crystallise, or an asset is expected to be recovered out of corporation tax payable on profits, within the foreseeable future.

20 ONEROUS LEASES
Provision is made, on a discounted basis, for the estimated unavoidable shortfall between amounts receivable and payable on leasehold properties no longer required for Group operations.

21 LONG TERM INCENTIVE SCHEMES
A provision is set up for an amount equivalent to the amortised portion of the period end market value of shares which have been awarded to participants of the Ockham Group's Restricted Share Schemes. Such amortisation is calculated on a straight line basis over the lives of the related Schemes. Where shares are acquired by, or issued to, Ockham Trust Company Limited, such shares are included in fixed asset investments at the market value of the company's shares on the date those shares were awarded, and the investment is amortised against profits on a straight line basis over the life of the Scheme.

Subsidiary Undertakings
at 31st December 2000

MOTOR AND PERSONAL LINES INSURANCE OPERATIONS

Ockham Personal Insurance Holdings PLC*	Intermediate holding company
Ockham Corporate Limited	Corporate member of Lloyd's
Highway Insurance Company Limited	FSA regulated insurance company
Ockham Personal Investments Limited	Intermediate holding company
Ockham Personal Insurance Agency Limited	Lloyd's managing agency
SMSM Limited	Lloyd's managing agency

NEW LONDON CAPITAL

New London Capital plc*	Investment company
New London Capital Holdings Limited	Intermediate holding company and manager of underwriting capacity at Lloyd's on behalf of third parties
NLC Name No. 1 Limited	Corporate member of Lloyd's
NLC Name No. 2 Limited	Corporate member of Lloyd's
NLC Name No. 3 Limited	Corporate member of Lloyd's
NLC Name No. 4 Limited	Corporate member of Lloyd's
NLC Name No. 5 Limited	Corporate member of Lloyd's

OTHER CONTINUING OPERATIONS

SLA Holdings Limited*	Intermediate holding and management services company
Ockham.com Limited	Technology investment company
Ockham Trust Company Limited*	Guernsey trust company

DISCONTINUED OPERATIONS

Ockham Limited*	Property holding company
SASM Limited	Lloyd's managing agency
SNSM Limited	Lloyd's managing agency
RWS Agency Limited	Lloyd's managing agency
SLA Mem D Limited	Lloyd's managing agency
Stafford Run-Off Agency Limited	Lloyd's managing agency

Notes:

(i) Unless otherwise stated, the Group owned 100% of the equity share capital and voting rights of the undertakings which operate in the United Kingdom and are registered in England and Wales.

(ii) Undertakings which in the opinion of the directors did not materially affect the results or assets of the Group are not shown.

(iii) * Indicates held directly by Ockham Holdings PLC.

Group Profit and Loss Account

for the Year to 31st December 2000

Technical account – general business	Note	2000 £000	1999 (restated) £000
Premiums written, net of reinsurance:			
Gross premiums written – continuing business	1	277,590	246,195
Outward reinsurance premiums		(72,624)	(61,714)
Net premiums written		204,966	184,481
Change in gross unearned premiums		(9,655)	(25,324)
Change in unearned outward reinsurance premiums		7,558	683
Change in net unearned premiums		(2,097)	(24,641)
Net earned premiums		202,869	159,840
Allocated investment return transferred from the Non-Technical account		17,804	8,114
Total technical income		220,673	167,954
Claims incurred, net of reinsurance:			
Claims paid		(204,007)	(151,394)
Reinsurers' share		45,234	34,343
Net paid claims		(158,773)	(117,051)
Change in the provision for claims:			
Gross amount		(40,577)	(26,619)
Reinsurers' share		10,290	9,756
Change in the provision for claims:		(30,287)	(16,863)
Claims incurred, net of reinsurance		(189,060)	(133,914)
Net operating expenses	2	(40,581)	(44,940)
Total technical charges		(229,641)	(178,854)
Balance on the Technical account for general business		(8,968)	(10,900)

Group Profit and Loss Account
for the Year to 31st December 2000 (continued)

Non-Technical account	Note	2000 £000	1999 (restated) £000
Balance on the Technical account – general business – continuing operations		(8,968)	(10,900)
Investment Income	6	19,806	9,697
Net longer term investment return transferred to the Technical account – general business	6	(17,804)	(8,114)
Other income			
Continuing operations		3,644	6,740
Discontinued operations		9	1,037
Total other income		3,653	7,777
Total income		(3,313)	(1,540)
Other charges	3	5,535	10,234
Operating loss			
Continuing operations		(9,055)	(12,842)
Discontinued operations		207	1,068
Operating loss		(8,848)	(11,774)
Operating loss based on longer term investment return	3	(10,196)	(10,750)
Short term fluctuations in investment return	6	1,348	(1,024)
Exceptional items:	4		
Discontinued operations:			
Gain on disposal of Wise Speke Group PLC		-	479
Gain on disposal of Crowe		-	282
Additional consideration on disposal of members' agency operations		-	631
Loss on disposal of Worldwide business		-	(66)
		-	1,326
Loss on ordinary activities before taxation		(8,848)	(10,448)
Taxation on profit on ordinary activities	7	6,732	5,226
Loss on ordinary activities after taxation		(2,116)	(5,222)
Dividends	9	6,028	5,966
Retained loss for the financial year		(8,144)	(11,188)
Transfers from non-distributable reserves		-	898
Transfer from profit and loss account		(8,144)	(10,290)
Earnings per share			
Basic	10	(1.7)p	(4.2)p
Diluted	10	(1.7)p	(4.2)p
Statement of Total Recognised Gains and Losses			
Loss for the financial year		(2,116)	(5,222)
Prior year adjustment	29	(11,358)	-
Total gains less losses recognised in the year		(13,474)	(5,222)

Group Balance Sheet
at 31st December 2000

	Note	2000 £000	1999 (restated) £000
Assets			
Intangible assets	12	3,803	4,290
Investments			
Other financial investments	13	209,501	174,171
Deposits with ceding undertakings		14	48
Reinsurers' share of technical provisions			
Provision for unearned reinsurance premiums		11,718	4,160
Claims outstanding		90,995	95,294
		102,713	99,454
Debtors			
Debtors arising out of direct insurance operations – intermediaries		44,999	79,194
Debtors arising out of reinsurance operations		22,227	23,507
Reinsurance to close receivable from earlier years		48,544	50,624
Other debtors – amounts falling due within one year	16	14,452	13,651
Other debtors – amounts falling due after more than one year	17	16,125	11,945
		146,347	178,921
Other assets			
Tangible assets	11	1,632	1,250
Cash at bank and in hand	14	126,679	73,317
Investment in own shares	15	1,807	1,050
		130,118	75,617
Prepayments and accrued income		3,623	1,806
Deferred acquisition costs		16,179	12,099
Total assets		612,298	546,406

Group Balance Sheet
at 31st December 2000 (continued)

	Note	2000 £000	1999 (restated) £000
Liabilities			
Capital and reserves			
Called-up share capital	22	25,286	25,286
Share premium account	23	7,587	7,587
Capital redemption reserve	23	710	710
Merger reserve	23	37,810	37,810
Other reserves	23	1,640	1,640
Profit and loss account	23	(18,499)	(10,355)
Total shareholders' funds – equity	24	54,534	62,678
Technical provisions			
Claims outstanding		340,474	347,994
Provision for unearned premium		90,805	76,988
Provision for losses foreseen on open years	20	18,276	7,130
		449,555	432,112
Provisions for other risks and charges	21	127	420
Creditors			
Deposits from reinsurers		-	692
Creditors arising out of direct insurance operations		55,875	7,884
Creditors arising out of reinsurance operations		7,428	17,291
Due to credit institutions		1,648	136
Other creditors – amounts falling due within one year	18	20,254	22,378
Other creditors – amounts falling due after one year	19	22,500	500
		107,705	48,881
Accruals and deferred income		377	2,315
Total liabilities		612,298	546,406

Approved by the board of directors and signed on its behalf on 27th April 2001 by:

Allen L. Thomas
Chairman

Andrew J. Gibson
Finance Director

Company Balance Sheet

at 31st December 2000

	Note	2000 £000	1999 £000
Fixed assets			
Tangible assets	11	568	458
Investment in own shares	15	2,557	2,557
Other investments	13	60,684	60,596
		63,809	63,611
Current assets			
Debtors – amounts falling due within one year	16	98,642	90,411
Debtors – amounts falling due after more than one year	17	6,755	3,925
Cash at bank and in hand	14	9,753	5,828
		115,150	100,164
Accruals and deferred income		(201)	(324)
Creditors – amounts falling due within one year	18	(90,225)	(96,592)
Net current assets		24,724	3,248
Total assets less current liabilities		88,533	66,859
Creditors – amounts falling due after more than one year	19	(22,000)	-
Net assets		66,533	66,859
Capital and reserves			
Called-up share capital	22	25,286	25,286
Share premium account	23	6,886	6,886
Other reserves	23	1,640	1,640
Profit and loss account	23	32,721	33,047
Total shareholders' funds – equity	24	66,533	66,859

Approved by the board of directors and signed on its behalf on 27th April 2001 by:

Allen L. Thomas
Chairman

Andrew J. Gibson
Finance Director

Group Cash Flow Statement

for the year to 31st December 2000

	Note	2000 £000	1999 £000
Net cash inflow from operating activities	25	68,429	30,940
Taxation			
Corporation tax received/(paid)		5,323	(9,432)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	11	(1,004)	(764)
Sale of tangible fixed assets		-	2,069
Purchase of investments		-	(17,921)
Sale of investments in syndicates		-	10,070
Purchase of syndicate capacity		(60)	(253)
Sale of syndicate capacity		-	2,679
		(1,064)	(4,120)
Acquisitions and disposals			
Additional consideration on disposal of members' agency operations		-	631
Net cash proceeds on sale of Wise Speke Group		-	479
Net cash proceeds on sale of Crowe		-	9,872
		-	10,982
Equity dividends paid		(6,030)	(6,550)
Financing			
Redemption of loan notes receivable		-	11,434
Repayment of bank loan		-	(1,500)
Drawdown of bank loan	19	22,000	-
Option Buyback		-	(84)
		22,000	9,850
Net cash inflow		88,658	31,670
Cash flows were invested as follows:			
Increase in cash holdings	26	53,362	42,090
Net portfolio investments			
Financial investments	28	35,296	(10,420)
Net investment of cash flows		88,658	31,670

Notes to the financial statements

for the year to 31st December 2000

1. Segmental information

(a) **Insurance underwriting (all in respect of continuing operations)**

Segmental information in the format required by the Companies Act 1985, so far as available, is as follows, and relates entirely to external customers:

	Gross premiums written		Gross premiums earned		Gross claims incurred	
	2000 £000	1999 restated £000	2000 £000	1999 restated £000	2000 £000	1999 restated £000
Accident and health	2,168	3,820	2,168	3,820	1,371	(4,946)
Motor – third party liability	131,711	84,573	126,287	70,190	122,075	63,423
Motor – other classes	103,865	70,324	99,634	59,382	95,933	51,770
Marine, aviation and transport	(53)	11,077	(53)	11,077	(33)	10,093
Fire and other damage to property	3,080	16,144	3,080	16,144	1,948	11,740
Third party liability	3,356	26,436	3,356	26,436	2,123	28,842
Credit and suretyship	1,277	1,448	1,277	1,448	808	1,444
Legal expenses	(407)	934	(407)	934	(257)	490
Assistance	36	6	36	6	23	4
Other	(25)	1,925	(25)	1,925	(16)	2,986
Reinsurance acceptances	(104)	18,587	(104)	18,587	(66)	9,764
Reinsurance to close	32,686	10,921	32,686	10,922	20,675	2,403
Total	277,590	246,195	267,935	220,871	244,584	178,013

	Gross operating expenses		Reinsurance balance	
	2000 £000	1999 restated £000	2000 £000	1999 restated £000
Accident and health	(121)	849	(1,202)	8,221
Motor – third party liability	24,146	14,913	8,083	691
Motor – other classes	18,770	12,704	5,677	(588)
Marine, aviation and transport	3	2,284	29	646
Fire and other damage to property	(171)	3,450	(1,708)	(413)
Third party liability	(187)	6,284	(1,861)	(7,166)
Credit and suretyship	(71)	400	(708)	(224)
Legal expenses	23	225	226	(151)
Assistance	(2)	1	(20)	1
Other	1	365	14	471
Reinsurance acceptances	6	3,465	58	4,679
Reinsurance to close	(1,816)	0	(18,130)	(23,099)
Total	40,581	44,940	(9,542)	(16,932)

Notes to the financial statements
for the year to 31st December 2000 (continued)

1. Segmental information (continued)

(b) Other operations

	2000 £000	1999 (restated) £000
Income		
Continuing operations:		
Insurance agencies:		
Lloyd's underwriting agency fees	2,404	2,445
Lloyd's underwriting profit commission	540	122
Other commissions and fees	700	4,173
Total continuing operations	3,644	6,740
Discontinued operations:		
Insurance agencies:		
Lloyd's underwriting profit commission	9	-
Central costs:		
Gain on sale of freehold property	-	1,037
Total discontinued operations	9	1,037
	3,653	7,777

	2000 £000	1999 restated £000
Operating Loss		
Continuing operations:		
Insurance agencies and corporate members of Lloyd's	(9,071)	(11,327)
Central costs	(1,332)	(491)
	(10,403)	(11,818)
Discontinued operations:		
Insurance agencies	460	492
Central costs	(253)	576
	207	1,068
	(10,196)	(10,750)

(c) Assets employed

	2000 £000	1999 restated £000
Continuing operations:		
Insurance activities	26,497	41,731
Centre	5,644	5,811
	32,141	47,542
Unallocated assets	22,393	15,136
Net assets	54,534	62,678

Unallocated assets comprise deferred taxation, taxation recoverable, cash, creditors for corporation tax, bank overdrafts and loans, and proposed dividends.

Notes to the financial statements
for the year to 31st December 2000 (continued)

2. Net operating expenses – Technical account

	2000 £000	1999 (restated) £000
Acquisition costs	31,518	37,913
Movement in deferred acquisition costs	(904)	(4,886)
Administrative expenses	9,967	11,913
Total	40,581	44,940

3. Other charges

	2000 £000	1999 (restated) £000
Operating expenses comprise:		
Continuing operations	5,335	10,190
Discontinued operations	200	44
	5,535	10,234

Operating loss is stated after charging/(crediting) the following items (stated gross before recharges to syndicates):

	2000 £000	1999 (restated) £000
Depreciation	622	411
Amortisation	547	360
Operating lease rentals (see note 34):		
Land and buildings	965	1,154
Auditors' remuneration:		
Audit fees, including Company £40,000 (1999 : £38,000)	95	82
Other services, including overseas £nil (1999 : £nil)	27	44
Costs of early vesting of LTIP	-	757
Expenses incurred by the Group and recharged to managed syndicates, including the charges for the use of fixed assets	14,523	12,964
Gain on sale of freehold property	-	(1,037)

4. Exceptional items on discontinued operations

(a) Gain on disposal of Wise Speke Group PLC

The Group disposed of Wise Speke Group PLC during the year ended 31st December 1998. As a result of the Inspector of Taxes agreement of previous years tax losses the Group was entitled to an additional consideration of £479,000 in the year ended 31st December 1999.

(b) Additional consideration on disposal of members' agency operations

On 26th October 1994, the shareholders of SLA Holdings Limited approved the sale of the ongoing businesses of the Group's Lloyd's members' agencies to Falcon Agencies Limited ("Falcon") for an initial consideration of £100,000 in cash and 400,000 6.8% (net) cumulative redeemable £1 preference shares. In addition, the Group was entitled to receive deferred cash consideration depending on the future results of Falcon Agencies Limited, the amount of which is limited to £5 million. During the year ended 31st December 1999 the Group received a final consideration of £631,000. As a result of capital losses arising from the sale, there was no tax payable in respect of the additional consideration.

(c) Loss on disposal of Worldwide business

The ACE 'B' loan notes were redeemed during the year ended 31st December 1999. The redemption value was dependent on the level of the release of profit commission receivable by ACE for the 1996 underwriting year of account of the aviation and non-marine syndicates formerly managed by the Group. The provision against the loan notes was increased in 1998 to £1,500,000. A loss of £66,000 arose on redemption.

Notes to the financial statements
for the year to 31st December 2000 (continued)

4. Exceptional items on discontinued operations (continued)

(d) Gain on disposal of Crowe

In March 1999 the Group sold its shareholdings in Crowe Insurance Group Limited and Crowe Corporate Capital Limited to Stockton Reinsurance Limited for a cash consideration of £9.8 million. The transaction produced a net profit of £282,000 after allowing for goodwill previously written off to reserves of £1,909,000.

5. Employees

(a) Staff costs (including directors)

	2000 £000	1999 £000
Salaries, bonus and commission	12,420	11,857
Social security	1,041	1,194
Other pension costs	1,403	1,330
Other staff costs	881	1,074
	15,745	15,455
Amounts recharged to managed syndicates	(13,362)	(12,424)
	2,383	3,031

(b) Number of staff (including directors)

	Average for the year		At 31st December	
	2000 Number	1999 Number	2000 Number	1999 Number
Continuing operations:				
Insurance agencies	730	711	718	710
Centre	18	16	18	17
	748	727	736	727

(c) Directors' emoluments

Full details of directors' emoluments and their interests in the ordinary share capital of the Company are included in the Remuneration Report on pages 18 to 21.

6. Investment Income

	2000 £000	1999 (restated) £000
Underwriting investment income on a long term rate of return basis transferred to technical account	17,804	8,114
Non-underwriting investment income	654	2,607
Net investment return	18,458	10,721
Short term fluctuations in investments	1,348	(1,024)
Total investment income	19,806	9,697

The transfer to the technical account represents the estimated long term rate of return of 6.5% (1999: 6.5%) applied to the investment assets and solvency capital held by the Group's insurance businesses.

Notes to the financial statements
for the year to 31st December 2000 (continued)

7. Taxation on profit on ordinary activities

	2000 £000	1999 (restated) £000
UK corporation tax		
Current year:		
Corporation tax	(1,111)	975
Deferred tax	(2,965)	(4,686)
	(4,076)	(3,711)
Prior periods:		
Corporation tax	(2,656)	-
Deferred tax	-	(1,515)
	(2,656)	(1,515)
	(6,732)	(5,226)

UK corporation tax has been provided at 30% (1999: 30.25%). The prior year corporation tax credit in 2000 was due to the agreement of capital losses which were set off against gains which arose in 1998.

The exceptional gains and losses in 1999 had no impact on the Group tax charge for that year. The deferred tax credit in 1999 arose on the release of a provision made in respect of the 1998 exceptional gain. The movement in deferred tax was credited to the deferred tax asset as shown in note 17.

8. Profit for the financial year

	2000 £000	1999 (restated) £000
Profit for the financial year attributable to the shareholders dealt with in the accounts of the Company	5,702	17,833

9. Dividends

	2000 £000	1999 £000
Interim paid of 1.6p per Ockham share (1999: 1.6p per share)	1,969	1,905
Final proposed of 3.3p per Ockham share (1999: 3.3p per share)	4,059	4,061
	6,028	5,966

10. Earnings per share

	2000 £000	1999 (restated) £000
Loss for the financial year	(2,116)	(5,222)
	Number of shares	**Number of shares**
Number of shares in issue excluding LTIP shares	123,059,099	123,059,099
Basic loss per share	(1.7)p	(4.2)p
Weighted average number of potentially dilutive share options	0	0
Diluted loss per share	(1.7)p	(4.2)p

Notes to the financial statements
for the year to 31st December 2000 (continued)

11. Tangible assets

	Leasehold property £000	Leasehold improve-ments £000	Computer and other equipment £000	Motor vehicles owned £000	Total £000
Group – Corporate Undertakings					
Cost					
At 1st January 2000	268	1,297	3,697	553	5,815
Additions	-	198	658	148	1,004
Disposals	-	-	(2)	-	(2)
At 31st December 2000	268	1,495	4,353	701	6,817
Accumulated depreciation					
At 1st January 2000	44	941	3,233	347	4,565
Charge for the year	18	123	346	135	622
Disposals	-	-	(2)	-	(2)
At 31st December 2000	62	1,064	3,577	482	5,185
Net book value					
At 31st December 2000	206	431	776	219	1,632
At 31st December 1999	224	356	464	206	1,250

Leasehold property has a life of 15 years.

Leasehold improvements are in respect of leases with a life of under 50 years.

With the exception of leasehold property, which is shown separately, there are no leased assets included in the table above.

	Leasehold property £000	Computer and other equipment £000	Motor vehicles owned £000	Total £000
Company				
Cost				
At 1st January 2000	398	191	46	635
Additions	197	78	30	305
At 31st December 2000	595	269	76	940
Accumulated depreciation				
At 1st January 2000	42	100	35	177
Charge for the year	132	45	18	195
At 31st December 2000	174	145	53	372
Net book value				
At 31st December 2000	421	124	23	568
At 31st December 1999	356	91	11	458

Notes to the financial statements
for the year to 31st December 2000 (continued)

12. Intangible assets

	Goodwill arising on consolidation £000	Syndicate capacity acquisition (restated) £000	Total (restated) £000
Group – Corporate Undertakings			
Cost			
At 1st January 2000	941	3,709	4,650
Acquisition of syndicate capacity	-	60	60
At 31st December 2000	941	3,769	4,710
Amortisation			
At 1st January 2000	188	172	360
Charge for the year	94	453	547
At 31st December 2000	282	625	907
Net book value			
At 31st December 2000	659	3,144	3,803
At 31st December 1999	753	3,537	4,290

13. Investments

	2000			1999			2000	1999
	Syndicate Partici-pations £000	Corporate Under-takings £000	Group £000	Syndicate Partici-pations £000	Corporate Under-takings £000	Group £000	Company £000	Company £000
Investments in Group undertakings and participating interests:								
Shares in subsidiary undertakings	-	-	-	-	-	-	60,684	60,596
Other financial investments:								
Interest-bearing deposits held as security by the Corporation of Lloyd's	-	29,065	29,065	-	26,750	26,750	-	-
Shares and other variable-yield securities and units in unit trusts	4,672	-	4,672	3,349	-	3,349	-	-
Debt securities and other fixed income securities	87,926	80,368	168,294	76,038	40,000	116,038	-	-
Deposits with credit institutions	3,127	-	3,127	24,494	-	24,494	-	-
Other	4,343	-	4,343	3,540	-	3,540	-	-
	100,068	109,433	209,501	107,421	66,750	174,171	60,684	60,596

Notes to the financial statements
for the year to 31st December 2000 (continued)

13. Investments (continued)

	2000			1999			2000	1999
	Syndicate Partici-pations £000	Corporate Under-takings £000	Group £000	Syndicate Partici-pations £000	Corporate Under-takings £000	Group £000	Company £000	Company £000
Listed investments at market value		80,368			40,000			
Cost of investments at 1st January		40,000			40,390			
Additions at cost		194,560			186,594			
Sales at cost		(154,685)			(186,984)			
Unrealised appreciation		493			-			
Value of investments held at 31st December		80,368			40,000			

The interest-bearing deposits are secured by Lloyd's premium trust deed to the Society of Lloyd's.

The Company's investments in Ockham Personal Insurance Holdings PLC, SLA Holdings Limited and Ockham Limited are secured by a first legal charge to Lloyds TSB Bank Plc.

Further details of subsidiary undertakings are given on page 30.

14. Cash at bank and in hand

	2000			1999			2000	1999
	Syndicate Partici-pations £000	Corporate Under-takings £000	Group £000	Syndicate Partici-pations £000	Corporate Under-takings £000	Group £000	Company £000	Company £000
Cash at bank and in hand	102,131	17,234	119,365	53,794	9,578	63,372	9,753	5,828
Cash held in PTFs	7,314	-	7,314	9,945	-	9,945	-	-
	109,445	17,234	126,679	63,739	9,578	73,317	9,753	5,828

Notes to the financial statements
for the year to 31st December 2000 (continued)

15. Investment in own shares

	Group - Corporate Undertakings 2000 £000	Company 2000 £000
Cost		
At 1st January and 31st December 2000	2,557	2,557
Amortisation		
At 1st January 2000	1,507	-
Released during the year	(757)	-
At 31st December 2000	750	-
Net book value		
At 31st December 2000	1,807	2,557
At 1st January 2000	1,050	2,557

In June 1999, Ockham Trust Company Limited purchased a further 2,000,000 Ockham Holdings PLC Ordinary 20p shares on the London Stock Exchange, in respect of awards made under the Ockham Personal Insurance Holdings PLC Restricted Share Scheme.

The shares are valued at the open market value of Ockham Holdings PLC shares on the day the shares were purchased.

The release of amortisation was made on the basis of an expert valuation of the Ockham Personal Insurance Holdings PLC Restricted Share Scheme.

There were 3,372,906 Ockham Holdings PLC shares held at 31st December 2000 (1999: 3,372,906). The market valuation was £2,597,138 (1999: £3,170,532). The rights to dividends are waived on these shares.

16. Other debtors – amounts falling due within one year

	2000			1999			2000	1999
	Syndicate Partici-pations £000	Corporate Under-takings £000	Group £000	Syndicate Partici-pations (restated) £000	Corporate Under-takings (restated) £000	Group £000	Company £000	Company £000
Trade:								
Syndicate participations	24,801	(24,801)	-	5,730	(5,730)	-	-	-
Subsidiary undertakings	-	-	-	-	-	-	96,123	87,653
Syndicate expense recoveries (note 35(a))	-	-	-	-	1	1	-	-
Other syndicate debtors	9,748	-	9,748	7,921	-	7,921	-	-
Other debtors	-	2,657	2,657	-	2,126	2,126	472	672
Taxation recoverable	-	2,047	2,047	-	3,603	3,603	2,047	2,086
	34,549	(20,097)	14,452	13,651	-	13,651	98,642	90,411

17. Other debtors – amounts falling due after more than one year

	Group - Corporate Undertakings 2000 £000	Group - Corporate Undertakings 1999 (restated) £000	Company 2000 £000	Company 1999 £000
Subsidiary undertakings	-	-	6,755	3,925
Deferred taxation	10,669	7,704	-	-
Other	5,456	4,241	-	-
	16,125	11,945	6,755	3,925

Notes to the financial statements
for the year to 31st December 2000 (continued)

18. Other creditors – amounts falling due within one year

	2000			1999			2000	1999
	Syndicate Partici-pations £000	Corporate Under-takings £000	Group £000	Syndicate Partici-pations £000	Corporate Under-takings £000	Group £000	Company £000	Company £000
Trade:								
Subsidiary undertakings	-	-	-	-	-	-	85,283	92,276
Other syndicate creditors	14,958	-	14,958	14,992	-	14,992	-	-
Other creditors	-	1,113	1,113	-	3,202	3,202	781	145
Social security costs	-	124	124	-	123	123	102	110
Proposed dividend	-	4,059	4,059	-	4,061	4,061	4,059	4,061
	14,958	5,296	20,254	14,992	7,386	22,378	90,225	96,592

19. Other creditors – amounts falling due after more than one year

	Group - Corporate Undertakings		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Bank loan	22,000	-	22,000	-
Other loan	500	500	-	-
	22,500	500	22,000	-

The bank loan from Lloyds TSB is secured on the assets of the Group. The first repayment is due in 2003, with repayment in full by 2004. The other loan was procured by Security Re, Inc., a subsidiary of the Orion Capital Corporation, in order to fund NLC Name No. 7 Limited. The loan is interest free and forms part of the Funds at Lloyd's of NLC Name No. 7 Limited. The loan has no fixed repayment date. The Group has no unprovided deferred tax liabilities.

20. Provision for losses foreseen on open years

	£000 (restated)
Group – Corporate Undertakings	
At 1st January 2000	7,130
Provided in the year	11,146
At 31st December 2000	18,276

The losses foreseen on open years are fully recoverable under contracts of reinsurance.

21. Provisions for other risks and charges

	Onerous leases £000	Total £000
Group – Corporate Undertakings		
At 1st January 2000	420	420
Utilised in the year	(293)	(293)
At 31st December 2000	127	127

Notes to the financial statements
for the year to 31st December 2000 (continued)

22. Called-up share capital

	2000		1999	
	Number of shares	£000	Number of shares	£000
Company				
Ordinary 20p shares:				
Authorised	149,999,998	30,000	149,999,998	30,000
Allotted, issued and fully paid	126,432,005	25,286	126,432,005	25,286

Under the Sale and Purchase Agreement of 1st December 1997, Warrants to subscribe for 5 million Ordinary 20p shares in Ockham Holdings PLC were issued to the US Investors from whom the Company acquired 42% of the issued share capital of Ockham Personal Insurance Holdings PLC. These Warrants, which were valued in aggregate at £150,000, can be exercised at 125p per share at any time between the second and eighth anniversary of completion of the Agreement.

23. Reserves

	Share premium account £000	Capital redemption reserve £000	Merger reserve £000	Other reserves £000	Profit and loss account (restated) £000
Group – Corporate Undertakings					
As previously reported	7,587	710	37,810	1,640	1,003
Prior year adjustment	-	-	-	-	(11,358)
As restated	7,587	710	37,810	1,640	(10,355)
Retained loss for the financial year	-	-	-	-	(8,144)
At 31st December 2000	7,587	710	37,810	1,640	(18,499)

	Share premium account £000	Other reserves £000	Profit and loss account £000
Company			
At 1st January 2000	6,886	1,640	33,047
Retained loss for the financial year	-	-	(326)
At 31st December 2000	6,886	1,640	32,721

Notes to the financial statements
for the year to 31st December 2000 (continued)

24. Reconciliation of movements in shareholders' funds

	Group - Corporate Undertakings 2000 £000	Group - Corporate Undertakings 1999 restated £000	Company 2000 £000	Company 1999 £000
Loss for the financial year	(2,116)	(5,222)	5,702	17,833
Dividends	(6,028)	(5,966)	(6,028)	(5,966)
	(8,144)	(11,188)	(326)	11,867
Buyback of option	-	(84)	-	(84)
Release of goodwill	-	1,909	-	-
Net (decrease)/increase in shareholders' funds	(8,144)	(9,363)	(326)	11,783
Shareholders' funds at 1st January	62,678	72,041	66,859	55,076
Shareholders' funds at 31st December	54,534	62,678	66,533	66,859

25. Reconciliation of operating (loss) to net cash inflow from operating activities

	2000 £000	1999 (restated) £000
Operating loss	(8,848)	(11,774)
Depreciation	622	411
Amortisation	(210)	(839)
Sale of tangible fixed assets (loss)	-	(1,034)
Debtors – increase	24,827	(73,234)
Creditors – increase	52,331	127,335
Provisions for other risks and charges – decrease	(293)	(9,925)
Net cash inflow from operating activities	68,429	30,940

26. Movement in opening and closing portfolio investments net of financing

	2000 £000	1999 £000
Net cash increase in the year	53,362	42,090
Cash flow – loans	(22,000)	-
Cash flow – portfolio investments	35,296	(10,420)
Net movement arising from cashflows	66,658	31,670
Portfolio at 1st January	247,536	215,866
Portfolio net of financing at 31st December	314,194	247,536

27. Movement in cash and portfolio investments

	1st January 2000 £000	Cash flow £000	31st December 2000 £000
Net cash:			
Cash	63,361	56,003	119,364
Cash held in Premium Trust Funds	9,956	(2,641)	7,315
	73,317	53,362	126,679
Other financial investments	174,219	35,296	209,515
Loan	-	(22,000)	(22,000)
Total	247,536	66,658	314,194

Notes to the financial statements
for the year to 31st December 2000 (continued)

28. Net cash inflow/(outflow) on portfolio investments

	2000 £000	1999 £000
Shares in associated undertakings	-	(7,590)
Shares in other Group undertakings	-	(2,000)
Interest bearing deposits held as security by the Corporation of Lloyd's	2,315	3,924
Shares and other variable-yield securities and units in unit trusts	1,323	1,168
Debt securities and other fixed income securities	52,256	11,490
Deposits with credit institutions	(21,367)	(16,208)
Deposits with ceding undertakings	(34)	(25)
Other	803	(1,179)
	35,296	(10,420)

29. Prior Year Adjustment

The comparative figures for the year ended 31st December 1999 have been restated in certain respects from those contained within the Annual Report issued on 26th April 2000 to comply with the current year's accounting policies.

The accounts have been prepared on an annual accounting basis for participations on managed syndicates and Highway Insurance Company Limited. This represents a change in accounting policy for these participations which were previously accounted for on a three year basis. The Directors believe that this change will give greater clarity to the financial statements and enable easier comparison with other companies in the insurance industry. A reconciliation between the current year's results as published and the current year's results under the previous year's accounting policies is as follows:

	2000 £000	1999 £000
(Loss)/profit before tax under previous period's accounting policies	(17,567)	2,792
Adjustment to balance on technical account to recognise profit on an annual basis	9,083	(13,067)
Adjustment to other charges to recognise amounts on an annual basis	(364)	(173)
Loss before tax	(8,848)	(10,448)

30. Pensions

The Ockham Pension Scheme, a defined benefit scheme, covers the majority of the Group's employees and directors. The funds of the scheme are controlled by trustees and are administered externally. The latest actuarial valuation of this scheme was carried out by an independent qualified actuary as at 1st January 2000 using the projected unit method to value the liabilities. The market value of the scheme's assets was £77,540,000 and the level of funding at that date was some 110%. The actuary recommended that the next actuarial valuation of the scheme be conducted no later than 1st January 2003. The assumptions used in the valuation of The Ockham Pension Scheme as at 1st January 2000 were:

	Percentage per annum
Rate of return on investments before retirement	7.25
Rate of return on investments after retirement	5.75
Increase in earnings	5.0
Increase in pensions in course of payment	5.0

The Company has agreed with the actuary to maintain contributions into the Ockham Pension Scheme at the rate of 21.2% of pensionable salary.

The total cost of pensions during the year, including amounts recharged to the managed syndicates, was £1,403,000 (1999: £1,330,000).

Notes to the financial statements
for the year to 31st December 2000 (continued)

31. Guarantees

	Group - Corporate Undertakings		Company	
	2000	1999 (restated)	2000	1999
	£000	£000	£000	£000
Bank guarantees with respect to employees' and former employees' membership of Lloyd's	500	505	-	-
Guarantee required by the Corporation of Lloyd's and with regard to the financial resources of subsidiary and undertakings which are managing and members' agencies	2,000	2,000	-	-
Guarantees to Barclays Bank plc on behalf of Encompass Holdings plc	1,925	160		
Indemnities on behalf of New Millennium Technology plc	1,060	295		

32. Litigation

The majority of actions against the Group's managing and members' agency subsidiary undertakings in respect of the Lloyd's market litigation have now been either discontinued or dismissed.

There remain a small number of actions outstanding where there has been no activity but where writs have not been formally dismissed. There also remains a possibility that a small minority of Names who did not accept the Lloyd's Settlement Offer might decide to pursue litigation against the Group. Nonetheless the Directors consider that the likelihood of any residual litigation having a material adverse effect on the financial position of the Group is minimal.

33. Capital commitments

Expenditure authorised which has not been provided for amounted to:

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Tangible fixed assets:				
Contracts placed	-	207	-	207

34. Lease commitments

The Group has annual operating lease commitments, a portion of which will either be paid directly by managed syndicates or recharged to them as incurred, as follows:

	Land and buildings	
	2000 £000	1999 £000
Commitments expiring:		
Within one year	-	99
Two to five years	138	329
Over five years	1,524	1,089
	1,662	1,517

Notes to the financial statements
for the year to 31st December 2000 (continued)

35. Related party transactions

The following information regarding related party transactions is given in accordance with FRS8 for the year to 31st December 2000:

(a) **Managed syndicates**

Expenses incurred by the Group and recharged to managed syndicates amounted to £14,253,000 (1999: £12,964,000). Amounts owed by managed syndicates to the Group were £245,973 (1999: 117,669).

Key management supported the managed syndicates for capacity of £104,000 during the 2000 year of account (1999: £269,000). The Group received managing agency fees of £1,040 (1999: £2,000) with respect to this underwriting and also received profit commission of £640 with respect to the 1997 year of account (1999: £5,000 with respect to the 1996 year of account).

Bank guarantees, which amounted to £78,000 at 31st December 2000 (1999: £78,000), have been granted by the Group to support underwriting by key management.

(b) **Bond Lovis Group**

Mr Q J Lovis, the active underwriter of Highway Motor Syndicates 37 and 2037, and his wife are directors of, and have equity interests in Bond Lovis Insurance Brokers Limited and C R Adams Insurance Brokers Limited.

Motor Syndicates which are managed by Ockham Personal Insurance Agency Limited paid commission of £92,621 (1999: £175,112) to those companies in 2000, in respect of insurance policies placed with the Syndicates.

(c) **Other transactions with key management**

Motor insurance has been purchased from Highway Motor Syndicates 37 and 2037. The value of these transactions are not material to the Group, the Syndicates or the key management concerned.

Consolidated Five Year Summary

Profit and loss account

	2000 (annual accounting) £000	1999 (annual accounting) £000	1998 (fund accounting) £000	1997 (fund accounting) £000	1996 (pro forma & unaudited) (fund accounting) £000
Technical account – general business					
Net premiums written	239,336	159,840	135,000	63,102	68,711
Allocated investment return	17,804	8,114	8,761	5,967	4,842
Loss from interests in associated undertakings	-	-	-	(583)	-
Claims incurred, net of reinsurance	(225,527)	(133,914)	(104,384)	(38,772)	(38,484)
Gross operating expenses	(41,434)	(41,927)	(36,646)	(17,732)	(24,612)
Personal expenses	853	(3,013)	(9,105)	(7,827)	(7,218)
Balance on the Technical account – general business	(8,968)	(10,900)	(6,374)	4,155	3,239
Non-technical account					
Balance on the technical account – general business	(8,968)	(10,900)	(6,374)	4,155	3,239
Other income	5,654	9,360	19,715	27,542	51,198
Total income	(3,314)	(1,540)	13,341	31,697	54,437
Operating expenses	5,535	10,234	22,332	23,087	46,651
Operating (loss)/profit	(8,849)	(11,774)	(8,991)	8,610	7,786
(Loss)/income from interests in associated undertakings	-	-	(805)	523	57
Future losses on discontinued operations					
utilised	-	-	377	400	1,821
written back	-	-	223	-	-
Exceptional items	-	1,326	10,977	639	343
Profit/(loss) before interest and taxation	(8,849)	(10,448)	1,781	10,172	10,007
Net interest and other income receivable	-	-	8,511	5,552	5,934
Profit/(loss) on ordinary activities before taxation	(8,849)	(10,448)	10,292	15,724	15,941
Taxation on profit/(loss) on ordinary activities	6,733	5,226	(3,496)	(5,227)	(7,488)
Profit/(loss) after taxation	(2,116)	(5,222)	6,796	10,497	8,453
Minority interests	-	-	106	2	-
Profit/(loss) for the financial period	(2,116)	(5,222)	6,902	10,499	8,453
Dividends	(6,028)	(5,966)	(9,098)	(5,884)	(3,824)
Retained (loss)/profit for the financial period	(8,144)	(11,188)	(2,196)	4,615	4,629
Earnings/(loss) per share	(1.7)p	(4.2)p	5.6p	8.6p	6.9p
Ockham dividends per share	4.9p	4.9p	4.8p	4.5p	4.0p
New London Capital dividends per share (see Note 1)	-	-	7.16p	6.0p	3.0p

Consolidated Five Year Summary *(continued)*

Balance Sheet

	2000 (annual accounting) £000	1999 (annual accounting) £000	1998 (fund accounting) £000	1997 (fund accounting) £000	1996 (pro forma & unaudited) (fund accounting) £000
Assets					
Fixed assets	213,318	178,509	193,553	161,805	127,968
Current assets	398,980	367,897	247,663	243,131	215,459
Total assets	612,298	546,406	441,216	404,936	343,427
Liabilities					
Called-up share capital	25,286	25,286	25,286	24,984	24,520
Share premium account	7,587	7,587	7,671	759	701
Capital redemption reserve	710	710	710	710	710
Merger reserve	37,810	37,810	38,708	37,966	37,926
Other reserve	1,640	1,640	1,640	1,153	4,116
Profit and loss account	(18,499)	(10,355)	115	2,658	10,673
Minority interests	-	-	-	201	-
	54,534	62,678	74,130	68,431	78,646
Creditors due within one year	20,254	22,378	44,782	67,605	74,537
Creditors due after one year	22,500	500	2,000	9,025	521
Provisions	515,010	460,850	320,304	259,875	189,723
Total liabilities	612,298	546,406	441,216	404,936	343,427

Note: 1. The NLC dividend for the year to 31st December 1998 of 7.16p excludes the element of the final Ockham dividend payable to the former shareholders of NLC, which amounts to 3.2p per Ockham share or the equivalent of 3.84p per NLC share.

2. In 2000 the Group changed its accounting policy from a three year funded basis to a one year earned basis. The figures presented in the consolidated five year summary are on a one year earned premium basis for 2000 and 1999. The years 1998 to 1996 are presented on a three year funded basis.

Notice of Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at the City of London Club, 19 Old Broad Street, London EC2N 1DS on Tuesday, 26th June 2001 at 10.30 am to transact the following business:

Special Business (see explanation on page 57)

Resolution 1– to be proposed as an ordinary resolution

That:–

(a) The directors be authorised to make offers to the holders of Ordinary Shares in the Company to elect to receive new Ordinary Shares of 20p each in the capital of the Company in lieu of any dividend paid in respect of the Company's financial year ended on 31st December 2000 and in respect of all future financial years in such manner as may be approved by the Directors from time to time and the Directors are hereby authorised to capitalise such amount standing to the credit of the Company's reserves as may be necessary therefor; and

(b) Subject to the passing of a resolution declaring a final dividend on the Company's Ordinary Shares for the financial year ended 31st December 2000 the holders of Ordinary Shares on the Register of Members at the close of business on 25th May 2001 be permitted to elect to receive new Ordinary Shares of 20p each in the capital of the Company in lieu of the final dividend for the financial year of the Company ended 31st December 2000 in all respects in such manner as may be approved by the Directors and the conditional offers made in that regard by the Directors and any conditional acceptances made in that regard by shareholders be and they are hereby confirmed and ratified and the Directors are hereby authorised to capitalise such amount standing to the credit of the Company's reserves as may be necessary therefor; and

(c) any additional Ordinary Shares allotted pursuant to any offer made pursuant to paragraphs (a) and (b) above of this Resolution shall rank *pari passu* in all respects with the fully paid Ordinary Shares previously in issue save only as regards participation in the relevant dividend.

Ordinary Business

Resolution 2

To receive the directors' report and the accounts of the Company for the year ended 31st December 2000 together with the auditors' report thereon.

Resolution 3

That a final dividend of 3.3p per Ordinary Share be declared and paid in respect of the period ended on 31st December 2000 to all holders of Ordinary Shares on the Register of Members of the Company at the close of business on 25th May 2001 in respect of all Ordinary Shares then registered in their names, save that (in the event that the scrip dividend offer made by the Company on 29th May 2001 becomes unconditional in all respects) no such dividend shall (save as provided in the scrip dividend offer) be paid on Ordinary Shares in respect of which a valid acceptance of such scrip dividend offer shall have been received by the Company prior to 3 pm on 25th June 2001.

Resolution 4

To re-appoint Mr A L Thomas as a director of the Company.

Resolution 5

To re-appoint Mr D E Coleridge as a director of the Company.

Notice of Meeting *(continued)*

Resolution 6
To re-appoint Ernst & Young as auditors from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid and to authorise the directors to determine their remuneration.

Special Business (see explanation on page 57)

Resolution 7 – To be proposed as a special resolution
That the Company be and is hereby granted general and unconditional authority to make market purchases (as defined in section 163 of the Companies Act 1985) of any of its shares on such terms and in such manner as the directors of the Company may from time to time determine provided that the general authority conferred by this resolution shall:

(i) be limited to 12,643,200 ordinary 20p shares;

(ii) not permit the payment per share of more than 5% above the average of the middle market quotations of an ordinary 20p share of the Company as derived from the London Stock Exchange Daily Official List for the five business days immediately prior to the date of purchase or less than 20p (in each case exclusive of advance corporation tax payable (if any) and expenses); and

(iii) expire at the conclusion of the Annual General Meeting of the Company held in 2002 (except in relation to the purchase of shares the contract for which was concluded before the expiration of the said period and which might be executed wholly or partly after such date).

Resolution 8 – To be proposed as a special resolution
That the Articles of Association of the Company be and they are hereby amended with immediate effect by the insertion of the following paragraph as new Article 156:

"156 Electronic Communication

Notwithstanding anything in these Articles to the contrary, but subject to the Act:

(a) any notice or other document to be given or sent to any person by the Company is also to be treated as given or sent where:

  (i) the Company and that person have agreed that any notice or other document required to be given or sent to that person may instead be accessed by him on a web site;

  (ii) the meeting (in the case of a notice of meeting) or other document (in any other case) is one to which that agreement applies;

  (iii) that person is notified, in a manner for the time being agreed between him and the Company, of the publication of the notice or other document (as the case may be) on a web site, the address of that web site and the place on that web site where the notice or (as the case may be) other document may be accessed and how it may accessed; and

  (iv) in the case of a notice of meeting, the notification referred to in (iii) above shall state that it concerns a notice of a Company meeting served in accordance with the Act; shall specify the place, date and time of the meeting; and shall state whether the meeting is to be an annual or extraordinary general meeting;

  and, in the case of a notice of meeting so treated, such notice is to be treated as so given at the time of the notification mentioned in (iii) above; and

(b) the Directors may from time to time make such arrangements or regulations (if any) as they may from time to time in their absolute discretion think fit in relation to the giving of notices or other

Notice of Meeting *(continued)*

documents by electronic communication by or to the Company and otherwise for the purpose of implementing and/or supplementing the provisions of these Articles and the Act in relation to electronic communication; and such arrangements and regulations (as the case may be) shall have the same effect as if set out in this Article."

By order of the Board

M D Conway
Secretary

24th May 2001

Notes:

(i) *Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote. A proxy need not be a member of the Company. An instrument appointing a proxy is enclosed with this notice. To be effective, it must be completed and reach the Company's registrars not less than forty-eight hours before the time fixed for the meeting. Completion of a form of proxy does not preclude members from subsequently attending and voting in person at the meeting should they so wish.*

(ii) *The register of directors' shareholdings and transactions will be available for reference at the commencement of, and during, the meeting.*

(iii) *Pursuant to regulation 34 of the Uncertificated Securities Regulations 1995, the Company specifies that only those shareholders registered in the register of members of the Company as at 6.00pm on 24th June 2001 shall be entitled to attend and vote at the aforesaid Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after 6.00pm on 24th June 2001 shall be disregarded in determining the rights of any person to attend or vote at the meeting.*

Notice of Meeting *(continued)*

Explanation of Resolutions proposed under special business

Resolution 1

For a full explanation of the proposed Scrip Dividend Scheme please see the letter from the Chairman of the Company and its appendix and enclosures all of which are enclosed with this notice. The Directors consider that it would be appropriate and in the best interests of the Company and Shareholders that the resolution to operate the Scrip Dividend Scheme be passed and recommend you to vote in favour of it.

Resolution 7

The directors consider that it would be appropriate and in the best interests of the Company to seek to renew the authority previously granted to the Company to make market purchases of its ordinary shares on the London Stock Exchange. There may be occasions when, for a variety of reasons, the directors consider that it would be desirable to reduce the issued share capital by purchases in the market. The Board proposes to exercise the powers of purchase only when satisfied that any purchase will have a beneficial impact on the earnings per share and that it is in the interests of shareholders so to do. The authority being sought is for up to 12,643,200 ordinary shares (representing 10% of the present issued share capital) at a price which is not more that 5% above the average of the middle market quotations of ordinary shares in the Company on the London Stock Exchange on the five business days prior to the date of purchase and, in any event, not lower than the nominal value of each share (in each case exclusive of any advance corporation tax and expenses). Any shares purchased under this authority will be cancelled. At the close of business on 23rd May 2000, the latest practicable date before printing this document, the middle market quotation for ordinary shares of the Company as derived from the Stock Exchange Daily Official List was 55.5 pence per share. The authority proposed in the resolution will expire at the next Annual General Meeting of the Company. The Board intend to seek renewal of the authority at the next Annual General Meeting. Any purchase of the Company's shares would take place within the limits of available reserves.

Resolution 8

The directors consider that it would be appropriate and in the best interests of the Company to be able where appropriate and with the relevant Shareholders' inclusive consent to serve notices upon and communicate with Shareholders who so wish by means of e-mail and similar electronic methods of communication. This amendment to the articles is intended to facilitate this.

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