

MOTTRAM UNDERWRITING LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2003



A37
COMPANIES HOUSE

AAW6SZCP

0566
14/10/04

	Page
Report of the Directors	2
Statement of Directors' Responsibilities	3
Report of the Auditors	4 & 5
Profit and Loss Account	6 & 7
Balance Sheet	8 & 9
Cash Flow Statement	10
Accounting Policies	11 - 13
Notes to the Financial Statements	14 - 23

The Directors have pleasure in presenting their Report together with the Financial Statements for the year ended 31 December 2003.

Results and Dividends

The results for the year are set out on pages 6 and 7 of the Financial Statements. The Directors do not recommend the payment of a dividend.

Review of the Business

The principal activity of the Company in the year under review was that of a corporate underwriting member of Lloyd's. The Company commenced underwriting with effect from 1 January 1999.

The result for the year includes movements from Syndicates that closed the 2001 underwriting account and from Syndicates in run-off, compared to the provisions previously established for these losses. Overall the 2001 underwriting account closed with a loss. The syndicates identified in note 21 continue to be unable to obtain a reinsurance to close. The market is currently forecast to make an overall profit for the 2002 and 2003 underwriting accounts which will normally close at 31 December 2004 and 2005 respectively and are therefore not reflected in these financial statements. The company has continued to underwrite on the 2004 underwriting account where the market conditions are considered favourable for a profitable outcome subject to the level of claims experienced.

Directors and Directors' Interests

The Directors of the Company in office, during the year, and their interest in its share capital were as follows:

	31 December 2003	31 December 2002
	Ordinary 25p shares	Ordinary 25p shares
M B Sladden	5,000	5,000

Auditors

The auditors, Littlejohn Frazer, will be proposed for reappointment in accordance with Section 385 of the Companies Act 1985.

By Order of the Board



M B Sladden

Director

02 July 2004

Statement of Directors' Responsibilities

Company law requires the Directors to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing those Financial Statements the Directors are required to:

- select suitable Accounting Policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Independent Auditors' Report to the Shareholders of Mottram Underwriting Limited

We have audited the Financial Statements of Mottram Underwriting Limited on pages 6 to 23 for the year ended 31 December 2003 which comprise the General Business Technical Account, Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes.

These Financial Statements have been prepared under the historical cost convention as modified by the revaluation of investments and the accounting policies set out herein.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the Financial Statements 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 Financial Statements, 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 information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. This other information comprises only the Directors' Report. We consider the implications for our Report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

Basis of Opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Financial Statements, and of whether the Accounting Policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

Opinion

In our opinion the Financial Statements give a true and fair view of the state of the Company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Littlejohn Frazer

Chartered Accountants
and Registered Auditors

1 Park Place
Canary Wharf
London E14 4HJ

02 July 2004

MOTTRAM UNDERWRITING LIMITED
PROFIT AND LOSS ACCOUNT
Year Ended 31 December 2003
TECHNICAL ACCOUNT - GENERAL BUSINESS

	Note	2003	2002
Gross Premiums Written	1	1,308,539	1,320,152
Outward reinsurance premiums		(205,143)	(361,838)
Earned Premiums Net of Reinsurance		1,103,396	958,314
Allocated Investment Return (excluding expenses)	3	32,613	41,514
Claims Paid			
Gross amount		(561,782)	(656,707)
Reinsurers' share		205,706	301,097
Net claims paid		(356,076)	(355,610)
Change in Provision for Claims			
Gross amount		(103,677)	(549,480)
Reinsurers' share		(261,826)	202,186
Net change in provision for claims		(365,503)	(347,294)
Claims Incurred Net of Reinsurance		(721,579)	(702,904)
Net operating expenses	4	(446,524)	(332,738)
Investment expenses and charges		(1,176)	(1,008)
Balance on Technical Account for General Business		<u>£(33,270)</u>	<u>£(36,822)</u>

MOTTRAM UNDERWRITING LIMITED**PROFIT AND LOSS ACCOUNT**
Year Ended 31 December 2003**NON TECHNICAL ACCOUNT**

	Note	2003	2002
Balance on the General Business Technical Account	5	(33,270)	(36,822)
Investment income	6	8,943	213
Other income	7	31,887	(7,062)
Other charges		(20,188)	(11,385)
Profit/(Loss) on Ordinary Activities before Taxation	8	(12,628)	(55,056)
Tax on profit/(loss) on ordinary activities	16	40,790	-
Profit/(Loss) for the Financial Year	14	<u>£28,162</u>	<u>£(55,056)</u>

The Company has no recognised gains or losses other than the profit / loss for the financial year stated above.

All amounts above relate to continuing operations.

MOTTRAM UNDERWRITING LIMITED
BALANCE SHEET
As at 31 December 2003

	Note	Syndicate Assets	Corporate	2003 Total	2002 Total
ASSETS					
Intangible Assets					
Syndicate participation rights	9	-	18,079	18,079	20,150
Investments					
Financial investments	10	1,159,886	25,865	1,185,751	888,891
Deposits with ceding undertakings		1,966	-	1,966	3,146
		1,161,852	25,865	1,187,717	892,037
Reinsurers' Share of Technical Provisions					
Claims outstanding		851,598	-	851,598	1,052,618
Debtors					
Arising out of direct insurance operations					
- Policy holders		725	-	725	2,034
- Intermediaries		304,431	-	304,431	315,554
Arising out of reinsurance operations		745,307	-	745,307	720,463
Other debtors	11	100,469	79,741	180,210	69,115
		1,150,932	79,741	1,230,673	1,107,166
Other Assets					
Cash at bank	12	119,441	83,954	203,395	128,953
Other		108,754	-	108,754	68,472
		228,195	83,954	312,149	197,425
Prepayments and Accrued Income					
Other prepayments and accrued income		6,891	-	6,891	7,256
Total Assets		<u>£3,399,468</u>	<u>£207,639</u>	<u>£3,607,107</u>	<u>£3,276,652</u>

MOTTRAM UNDERWRITING LIMITED

BALANCE SHEET
As at 31 December 2003

	Note	Syndicate Liabilities	Corporate	2003 Total	2002 Total
LIABILITIES					
Capital and Reserves					
Called-up share capital	13	-	1,250	1,250	1,250
Share Premium Account	14	-	-	-	-
Profit and Loss Account	14	(101,852)	(143,975)	(245,827)	(273,989)
Shareholders' Funds Attributable to Equity Interests					
	15	(101,852)	(142,725)	(244,577)	(272,739)
Technical Provisions					
Claims outstanding - gross amount		3,180,462	-	3,180,462	3,033,173
Provisions for Other Risks and Charges					
Provision for taxation	16	-	-	-	-
Deposits Received from Reinsurers		13,510	-	13,510	36,308
Creditors					
Arising out of direct insurance operations		20,925	-	20,925	40,163
Arising out of reinsurance operations		135,405	-	135,405	213,836
Amounts due to credit institutions		1,795	-	1,795	40
Other creditors	17	145,182	303,423	448,605	217,499
		303,307	303,423	606,730	471,538
Accruals and Deferred Income		4,041	46,941	50,982	8,372
Total Liabilities		<u>£3,399,468</u>	<u>£207,639</u>	<u>£3,607,107</u>	<u>£3,276,652</u>

Approved by the Board on 2 July 2004



M B Sladden

Director

MOTTRAM UNDERWRITING LIMITED
CASHFLOW STATEMENT
Year Ended 31 December 2003

	Note	2003	2002
Net Cash Inflow/(Outflow)			
from Operating Activities	18	(272)	(40,767)
Returns on Investments and Servicing of Finance			
Interest and dividends received	<u>2,327</u>	<u>213</u>	
Net Cash Inflow/(Outflow) from Returns on Investments and Servicing of Finance		2,327	213
Taxation			
Corporation Tax paid		-	-
Capital Expenditure and Financial Investment			
Purchase of syndicate participations rights	(12,605)	(5,410)	
Proceeds from sale of syndicate participations rights	33,197	4,372	
Purchase of investments	(19,249)	-	
Proceeds from sale of investments	<u>-</u>	<u>-</u>	
Net Cash Inflow/(Outflow) from Capital Expenditure and Financial Investment		<u>1,343</u>	<u>(1,038)</u>
Net Cash Inflow/(Outflow) before Financing		3,398	(41,592)
Financing			
Funds lent to the Company by the Shareholders to meet expenses and cash calls	<u>80,553</u>	<u>40,927</u>	
Net Cash Inflow/(Outflow) from Financing		<u>80,553</u>	<u>40,927</u>
Increase/(Decrease) in Cash		<u><u>£83,951</u></u>	<u><u>£(665)</u></u>
Net Funds at 1 January 2003		3	668
Increase / (Decrease) in cash in the year		<u>83,951</u>	<u>(665)</u>
Net Funds at 31 December 2003		<u><u>£83,954</u></u>	<u><u>£3</u></u>

The Company has no control over the disposition of assets and liabilities at Lloyd's. Consequently, the Cash Flow Statement is prepared reflecting only the movement in corporate funds, which includes transfers to and from the Syndicates at Lloyd's.

Accounting Policies

Basis of Accounting

The Financial Statements are prepared under the historical cost basis of accounting modified to include the revaluation of investments, and comply with applicable Accounting Standards.

The Company participates in insurance business as an underwriting member of various Syndicates at Lloyd's.

The Financial Statements have been prepared in accordance with Section 255 and Schedule 9A of the Companies Act 1985 and the recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in 1998. Accounting information in respect of the Syndicate participations has been provided by the Syndicate managing agents through an information exchange facility operated by Lloyd's and has been reported upon by the Syndicate auditors.

Amounts reported in the General Business Technical Account relate to the movements in the calendar year in respect of all relevant years of account of the Syndicates.

Assets and liabilities arising as a result of the underwriting activities are mainly controlled by the Syndicates' managing agents and are shown separately on the Balance Sheet as "Syndicate Assets" and "Syndicate Liabilities". The assets are held subject to trust deeds for the benefit of the Syndicates' insurance creditors.

In continuing to apply the going concern basis to this Company's Financial Statements the following factors have been taken into account: the likely timing of any underwriting and non-underwriting cashflows, any Funds at Lloyd's supporting the Company's underwriting and not reflected in the the Company's Balance Sheet and the continued support of the Directors and Shareholders including the potential deferral of balances due to them.

General Business

i. Premiums

Gross premiums are accounted for in the period in which the risk commences, together with adjustments to premium written in previous accounting periods. Future premiums relating to risks commencing in the period are based upon estimates made by the Syndicates' management. Other adjustments are accounted for as arising.

ii. Claims

Provision is made for the estimated cost of claims outstanding at the end of the year, including those incurred but not reported at that date, and for the related cost of settlement. Claims incurred comprise amounts paid or provided in respect of claims occurring during the current year, together with the amount by which settlement or reassessment of claims from previous years differs from the provision at the beginning of the year.

iii. Underwriting Results

Lloyd's current accounting practice mandates that Syndicates operate a three year fund basis of accounting.

The Company follows this basis to the extent that profits are recognised when declared by the Syndicate for the year of account after 36 months. Losses are recognised as soon as they are foreseeable.

iv. **Technical Provision**

In accordance with the above practice, the excess of premiums written and Syndicate investment income over the claims and Syndicate expenses paid in respect of business incepting in an underwriting year is carried forward for two years in a fund and no profit is recognised until the end of the third year following the start of each underwriting year when the underwriting account is normally closed. The fund is included as part of outstanding claims.

v. **Closed Years of Account**

At the end of the third year, the underwriting account is normally closed by reinsurance into the following year of account. The amount of the reinsurance to close premium payable is determined by the managing agent, generally by estimating the cost of claims notified but not settled at 31 December, together with the estimated cost of claims incurred but not reported at that date, and an estimate of future claims handling costs. Any subsequent variation in the ultimate liabilities of the closed year of account is borne by the underwriting year into which it is reinsured.

The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring Syndicate was unable to meet its obligations, and the other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle any outstanding claims.

The Director considers that the likelihood of such a failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close has been deemed to settle the liabilities outstanding at the closure of an underwriting account. The company has included its share of the reinsurance to close premiums payable as technical provisions at the end of the current year, and no further provision is made for any potential variation in the ultimate liability of that year of account.

vi. **Run-off Years of Account**

Where an underwriting year of account is not closed at the end of the third year (a "run-off" year of account) a provision is made for the estimated cost of all known and unknown outstanding liabilities of that year. The provision is determined initially by the managing agent on a similar basis to the reinsurance to close. However, any subsequent variation in the ultimate liabilities for that year remains with the corporate member participating therein. As a result any run-off year will continue to report movements in its results after the third year until such time as it secures a reinsurance to close, this will include any difference in the price that is ultimately charged for the reinsurance to close premium compared to the syndicate's current estimate.

vii. **Investments and Allocated Investment Income**

In accordance with Lloyd's current accounting practice, investments are stated at market value, including accrued interest at the Balance Sheet date. Investment income is included in the General Business Technical Account reflecting that earned on the investment portfolio managed by the Syndicates. The allocated investment income therefore comprises income received and investment profits and losses arising in the calendar year including appreciation/depreciation and accrued interest consequent upon the revaluation of investments at 31 December. All gains and losses on investments are treated as realised at the Balance Sheet date.

viii. **Basis of Currency Translation**

Syndicates maintain separate funds in Sterling, United States and Canadian dollars, and may also do so in certain other currencies. All transactions where separate currencies are maintained are translated into Sterling at the rates of exchange ruling at the Balance Sheet date. Transactions during the year in other overseas currencies are expressed in Sterling at the rates ruling at the transaction date.

ix. **Debtors/Creditors arising from insurance/reinsurance operations**

The amounts shown in the Balance Sheet include the totals of all the Syndicates outstanding debit and credit transactions as processed by Xchanging Ins-sure Services Limited; no account has been taken of any offsets which may be applicable in calculating the net amounts due between the Syndicates and each of their counterparty insureds, reinsurers or intermediaries as appropriate.

Deferred Taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities have not been discounted.

Intangible Assets

Costs incurred by the Company in the Corporation of Lloyd's auctions in order to acquire rights to participate on Syndicates' underwriting years are included within intangible fixed assets and amortised over a 3 year period beginning in the third year after the underwriting commences in respect of the purchased Syndicate participation.

Investments

Investments held directly by the company, by trustees of the Premium Trust Fund, or as the Lloyd's Deposit, are stated at market value.

1 Class of Business

	Gross written premiums	Gross claims incurred	Operating expenses	Reinsurance balance
2003				
Direct				
Accident and health	40,472	(9,734)	(17,441)	(7,383)
Motor - third party liability	7,627	(8,811)	(3,937)	5,189
Motor - other classes	21,860	(1,881)	(9,299)	3,774
Marine, aviation and transport	125,283	(8,195)	(47,431)	(46,936)
Fire and other damage to property	247,918	(56,742)	(94,360)	(110,703)
Third party liability	312,928	(234,626)	(103,305)	(50,301)
Credit and suretyship	20,091	(19,047)	(6,457)	1,871
Other	2,147	8,277	(3,297)	(9,692)
Total Direct	778,326	(330,759)	(285,527)	(214,181)
Reinsurance Business				
Reinsurance acceptances	446,209	(96,785)	(154,867)	(195,445)
Reinsurance to close	84,004	(237,915)	(6,130)	148,363
Total Reinsurance	530,213	(334,700)	(160,997)	(47,082)
Total	£1,308,539	£(665,459)	£(446,524)	£(261,263)
2002				
Direct				
Accident and health	47,661	(54,238)	(16,403)	6,005
Motor - third party liability	6,680	6,285	(3,498)	(6,504)
Motor - other classes	50,934	(64,211)	(16,058)	9,038
Marine, aviation and transport	169,920	(175,316)	(42,784)	18,784
Fire and other damage to property	296,222	(296,319)	(87,069)	30,251
Third party liability	353,015	(327,521)	(102,660)	33,897
Credit and suretyship	7,825	3,706	(2,772)	(4,250)
Other	11,312	(20,265)	(5,117)	26
Total Direct	943,569	(927,879)	(276,361)	87,247
Reinsurance Business				
Reinsurance acceptances	268,282	(274,218)	(56,377)	96,909
Reinsurance to close	108,301	(4,090)	-	(42,711)
Total Reinsurance	376,583	(278,308)	(56,377)	54,198
Total	£1,320,152	£(1,206,187)	£(332,738)	£141,445

2	Geographical Analysis		2003	2002
	Direct Gross Premium Written In			
	United Kingdom		790,826	944,309
	Other EU Member States		(12,384)	2,545
	Rest of the World		(116)	(3,285)
			<u>£778,326</u>	<u>£943,569</u>
3	Allocated Investment Income		2003	2002
	Investment income		44,494	39,499
	Realised (loss)/gain on investments		(11,881)	2,015
			<u>£32,613</u>	<u>£41,514</u>
4	Net Operating Expenses		2003	2002
	Acquisition costs		261,592	173,993
	Administrative expenses		98,471	97,868
	(Profit)/loss on exchange		86,461	60,877
			<u>£446,524</u>	<u>£332,738</u>
5	Transfer from Technical Account	2001 & Prior	2002	2003
		Underwriting	Underwriting	Underwriting
		Accounts	Account	Account
				Total
	Loss previously transferred	(70,696)	-	-
	Loss for the year	(33,270)	-	-
		<u>£(103,966)</u>	<u>£-</u>	<u>£(103,966)</u>
6	Investment Income		2003	2002
	Income from other investments (including interest receivable)		2,327	213
	Realised gain / (loss) from other investments		-	-
	Unrealised gain / (loss) from other investments		6,616	-
			<u>£8,943</u>	<u>£213</u>
7	Other Income		2003	2002
	Profit / (loss) on sale of syndicate participation rights		31,887	(7,062)
	Other		-	-
			<u>£31,887</u>	<u>£(7,062)</u>

8 Profit/(Loss) on Ordinary Activities before Taxation**2003****2002**

This is stated after charging:

Auditors' remuneration - audit	£600	£1,400
Auditors' remuneration - other	£1,300	£400
Directors' remuneration	£-	£-
Amortisation of syndicate capacity	£13,366	£5,615

The Company has no employees.

9 Intangible Assets**Syndicate
Participation
Rights****Cost**

At 1 January 2003	58,715
Additions	12,605
Disposals	(2,547)
At 31 December 2003	68,773

Amortisation

At 1 January 2003	38,565
Charge for the year	13,366
Disposals	(1,237)
At 31 December 2003	50,694

Net Book Value

At 31 December 2003	£18,079
At 31 December 2002	£20,150

10 Investments	Syndicate	Corporate	2003 Total	2002 Total
Financial Investments				
<i>At market value</i>				
Shares and other variable yield securities	94,356	25,865	120,221	32,198
Debt securities and other fixed income securities	1,014,011	-	1,014,011	728,566
Participation in investment pools	14,573	-	14,573	18,715
Loans guaranteed by mortgage	263	-	263	51
Other Loans	-	-	-	22,388
Deposits with credit institutions	35,126	-	35,126	85,184
Other	1,557	-	1,557	1,789
	<u>£1,159,886</u>	<u>£25,865</u>	<u>£1,185,751</u>	<u>£888,891</u>
Listed investments included within the above	<u>£977,610</u>	<u>£25,865</u>	<u>£1,003,475</u>	<u>£690,358</u>
<i>At cost</i>				
Shares and other variable yield securities	84,220	19,249	103,469	81,466
Debt securities and other fixed income securities	1,145,614	-	1,145,614	678,525
Participation in investment pools	30,896	-	30,896	18,889
Loans guaranteed by mortgage	264	-	264	53
Other loans	-	-	-	25,679
Deposits with credit institutions	20,060	-	20,060	39,371
Other	224	-	224	324
	<u>£1,281,278</u>	<u>£19,249</u>	<u>£1,300,527</u>	<u>£844,307</u>
11 Debtors	Syndicate	Corporate	2003 Total	2002 Total
Deferred Tax	-	40,790	40,790	-
Other	100,469	38,951	139,420	69,115
	<u>£100,469</u>	<u>£79,741</u>	<u>£180,210</u>	<u>£69,115</u>

Corporate other debtors includes £37,217 (2002 : £52,280) in respect of cash calls paid to Syndicates.

These cash calls will be offset against the Syndicate result for the year on which the cash call is made when that year closes. These amounts may therefore not be recoverable within 12 months. Any amounts shown as deferred tax are unlikely to be recovered within 12 months.

12 Cash at Bank	Syndicate	Corporate	2003 Total	2002 Total
Lloyd's deposit	-	66,865	66,865	1
Cash at bank and in hand	119,441	17,089	136,530	128,952
	<u>£119,441</u>	<u>£83,954</u>	<u>£203,395</u>	<u>£128,953</u>

Any Lloyd's deposit is held in accordance with the constraints detailed in note 19.

13 Called-up Share Capital	2003	2003	2002	2002
		Allotted, Called-up and Fully Paid		Allotted, Called-up and Fully Paid
	Authorised		Authorised	
Ordinary shares of 25p each	<u>£100,000</u>	<u>£1,250</u>	<u>£100,000</u>	<u>£1,250</u>

14 Reserves	2003	2003	2002	2002
	Share Premium Account	Profit and Loss Account	Share Premium Account	Profit and Loss Account
Balance at 1 January	-	(273,989)	-	(218,933)
Retained profit / (loss) for the year	-	28,162	-	(55,056)
Balance at 31 December	<u>£-</u>	<u>£(245,827)</u>	<u>£-</u>	<u>£(273,989)</u>

15 Reconciliation of Movements in Shareholders' Funds	2003	2002
Profit / (loss) for the financial year	28,162	(55,056)
Opening shareholders' funds	(272,739)	(217,683)
Closing shareholders' funds	<u>£(244,577)</u>	<u>£(272,739)</u>
 16 Taxation	 2003	 2002
 Analysis of Charge in Year		
 Current tax		
UK Corporation Tax on profits of the year	-	-
Adjustments in respect of previous years	-	-
 Foreign tax	-	-
Total current tax	-	-
 Deferred tax		
Origination and reversal of timing differences	(40,790)	-
Changes in tax rates	-	-
Adjustment to the estimated recoverable amounts of deferred tax assets arising in previous years	-	-
Gain rolled over	-	-
Total deferred tax	£(40,790)	-
Tax charge / (credit) on ordinary activities	<u>£(40,790)</u>	<u>£-</u>

16 Taxation (Continued)

Factors Affecting Tax Charge for the Year

The tax assessed for the year is higher than the standard rate of Corporation Tax in the UK of 19% (2002: 19%). The differences are explained below:

	2003	2002
Profit/(loss) on ordinary activities before tax	<u>(12,628)</u>	<u>(55,056)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 19% (2002 - 19%).	(2,399)	(5,537)
Effects of:		
Expenses not deductible for tax purposes	31	-
Timing differences arising from the taxation of the underwriting results	(6,512)	7,157
Timing differences arising from the taxation of syndicate participation movements	-	2,085
Other	(2)	-
Tax Losses carried forward	<u>8,882</u>	<u>(3,705)</u>
Current tax charge for year	<u>£-</u>	<u>£-</u>

Factors that may affect Future Tax Charges

The Company has trading losses of approximately £148,367 (2002: £101,620) available for carry forward against future trading profits which if utilised should significantly reduce tax payments in subsequent years.

In addition the company has deferred tax losses carried forward of £168,022 (2002 : £202,297) in respect of open and closed years underwriting results and amortisation of syndicate participations in previous years, which are not yet assessable to Corporation Tax. These losses when they crystallise for tax purposes should, if utilised significantly reduce tax payments on trading profits in subsequent years.

After reviewing the profits forecasts for open years, the company has recognised a deferred tax asset of £42,279 in respect of the above losses. A deferred tax asset of £17,160 in respect of the above losses has not been recognised as its future recovery is uncertain.

Deferred Tax Asset	2003	2002
Asset at start of year	-	-
Deferred tax charge/(credit) in Profit and Loss Account for year	<u>(40,790)</u>	<u>-</u>
Asset at end of year	<u>£(40,790)</u>	<u>£-</u>

Full provision has been made for all timing differences apart from the recovery of taxation losses against future trading profits, which cannot be prudently anticipated at this time.

17 Other Creditors	Syndicate	Corporate	2003 Total	2002 Total
Other creditors	145,182	40,068	185,250	34,697
Corporation Tax	-	-	-	-
Proprietors' loan account	-	263,355	263,355	182,802
	<u>£145,182</u>	<u>£303,423</u>	<u>£448,605</u>	<u>£217,499</u>

The above proprietors' loan has been included in the related party transaction note 20.

18 Reconciliation of Operating Profit / (Loss) to Net Cash Inflow / (Outflow) from Operating Activities	2003	2002
Operating Profit / (Loss) before interest	(21,571)	(55,269)
Change in provision for open and closed year losses	33,270	36,822
Prior Year result distributable in year	(67,548)	-
(Profit) / Loss on sale of capacity	(31,887)	7,062
Increase / (Decrease) in creditors	60,769	(29,877)
(Increase) / Decrease in debtors	13,329	(5,120)
Amortisation and Impairment of capacity	13,366	5,615
Net cash Inflow / (Outflow) from operating activities	<u>£(272)</u>	<u>£(40,767)</u>

19 Funds at Lloyd's

Cash balances of £66,865 (2002 : £Nil) detailed in note 12 are held within the company's Lloyds deposit.

The Lloyd's deposit represents funds deposited with the Corporation of Lloyd's (Lloyd's) to support the Company's underwriting activities as described in the Accounting Policies. The Company has entered into a legal agreement with Lloyd's which gives the Corporation the right to apply these funds in settlement of any claims arising from the Company's participation on Lloyd's Syndicates. These funds can only be released from the provision of this deed with Lloyd's express permission and only in circumstances where the amounts are either replaced by an equivalent asset or after the expiration of the Company's liabilities in respect of its underwriting.

In addition to these amounts, the shareholders of the Company have also made available to Lloyd's assets amounting to approximately £437,500 (2002: £439,000) which are also used by the Company to support its Lloyd's underwriting. These funds are also available to Lloyd's to meet the personal underwriting liabilities of the shareholders for underwriting years commencing prior to 1 January 1999.

20 Related Party Transactions

M B Sladden is a Director and shareholder of the Company. During 2003 he provided funding of £80,553 (2002: £40,927). No amounts were repaid and included within the creditors at 31 December 2003 is £263,355 (2002: £182,805) which is due to M B Sladden. This amount is shown separately in note 17 under Proprietors' loan account. No interest is chargeable on the amount outstanding.

21 Syndicates

The Company is or was an Underwriting Member of the following Syndicates or MAPA's:

Syn. No.	Managing Agent	2004 Allocated Capacity	2003 Allocated Capacity	2002 Allocated Capacity	2001 Allocated Capacity
2	Advent Underwriting Limited	-	-	21,033	15,000 *
33	Hiscox Syndicates Limited	150,000	150,000	104,997	75,000 *
37	Highway Insurance Agency Limited	-	-	-	63,505 *
318	Ensign Managing Agency Limited	-	25,000	-	-
382	Hardy (Underwriting Agencies) Limited	-	-	-	29,088
386	Limit Underwriting Limited	100,000	100,000	80,000	40,000
435	Faraday Underwriting Limited	-	-	-	75,000 *
510	R.J. Kiln & Co. Limited	126,000	120,000	75,000	28,750
557	R.J. Kiln & Co. Limited	40,000	40,000	37,499	25,000
570	Atrium Underwriters Limited	79,662	79,662	62,698	32,319
609	Atrium Underwriters Limited	108,543	96,483	78,800	40,000
623	Beazley Furlonge Limited	111,610	100,000	75,000	69,000
727	S.A. Meacock & Co. Limited	75,316	70,000	40,102	32,100
780	Advent Underwriting Limited	23,751	25,000	30,000	20,000 *
807	R.J. Kiln & Co. Limited	50,000	-	-	-
958	Omega Underwriting Agents Limited	115,771	79,187	56,562	30,843
1007	SVB Syndicates Limited	-	-	30,000	30,000
2001	Amlin Underwriting Limited	-	49,068	78,511	56,428
2010	Cathedral Underwriting Limited	-	45,000	30,937	25,000
2020	Wellington Underwriting Agencies Limited	116,800	112,000	100,000	81,396
2488	ACE Underwriting Agencies Limited	-	-	-	30,207
2791	Managing Agency Partners Limited	87,947	85,447	68,865	35,000
7103	Anton Value MAPA	125,000	-	-	-
		<u>£1,310,400</u>	<u>£1,176,847</u>	<u>£970,004</u>	<u>£833,636</u>

* denotes a year of account in run -off.

In addition the company is still participating on the following syndicates or MAPA's in runoff.

Syn. No.	Managing Agent	1999 Allocated Capacity	2000 Allocated Capacity
37	Highway Insurance Agency Limited	55,222	55,222
138	R.F. Bailey (Underwriting Agencies) Limited	-	35,000
340	St. Paul Syndicate Management Limited	-	15,769
435	Faraday Underwriting Limited	-	60,000