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MARGENT CAPITAL MANAGEMENT LIMITED
(in Provisional Liquidation)

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2002



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The Directors present their Report together with the Financial Statements for the year ended 31 December 2002.

Results and 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 participated on the 1998 and 1999 underwriting years.

Following the underwriting losses suffered by the Company it has been placed in provisional liquidation and the accounts have therefore not been prepared on a going concern basis.

The results for the year are shown on page 6.

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 2002 Ordinary £1 shares	31 December 2001 Ordinary £1 shares
T G Brown	26,445	26,445
R A Hoare	14,167	14,167

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



Director

30 September 2003

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.

Subsequent to the joint provisional liquidators being appointed, the Directors are no longer responsible for keeping proper accounting records, as described above. At the same time they cease to be responsible for safeguarding the assets of the Company and hence from taking reasonable steps for the prevention of fraud and other irregularities.

Independent Auditors' report to the members of Margent Capital Management Limited (In Provisional Liquidation)

We have audited the Financial Statements of Margent Capital Management Limited (in Provisional Liquidation) on pages 6 to 13 for the year ended 31 December 2002 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These Financial Statements have been prepared under the accounting policies set out on pages 9 to 10.

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 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 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.

As described in note 1 and 2, the Company has been placed in provisional liquidation, and although a provision has been made to meet future costs it is uncertain whether it will be sufficient to meet all such costs.

As stated in note 12, underwriting losses incurred by the Company have been partly settled using funds or letters of credits made available to Lloyd's by the Company's shareholders under a number of shareholders' agreements. These agreements do not indicate how the amounts used to settle these losses should be accounted for. Accordingly, these amounts have been included within creditors arising out of insurance/reinsurance transactions.

Basis of Opinion (continued)

Contrary to the provisions of Schedule 9A of the Companies Act 1985, the Financial Statements of the Company do not include a General Business Technical Account showing the underwriting transactions of the Lloyd's Syndicates underwriting business on the Company's behalf, and nor are the assets and liabilities of those Syndicates included in the Balance Sheet of the Company. These omissions do not have any affect on either the result for the year shown in the Company Profit and Loss Account, nor on the net liabilities of the Company as shown on the Balance Sheet. Also, as a result of these omissions, the Financial Statements have not been prepared in accordance with the recommendations of the Statement of Recommended Practice on Accounting for Insurance Business as issued by the Association of British Insurers 1998.

In view of the provisional liquidation of the Company, the Directors are unable to confirm that the Financial Statements have been prepared in accordance with the requirements set out on page 3.

Opinion: disclaimer on view given by the accounts

Because of the fundamental nature of the uncertainties and omissions described to above, we are unable to form an opinion as to whether the Financial Statements give a true and fair view of the state of the Company's affairs as at 31 December 2002 or of its loss for the year then ended. In addition, in view of the nature of uncertainties and omissions described above, we are unable to form an opinion as to whether the Financial Statements have been prepared in accordance with the Company's Act 1985.



Littlejohn Frazer

Chartered Accountants
and Registered Auditors

1 Park Place
Canary Wharf
London E14 4HJ

6 October 2003

MARGENT CAPITAL MANAGEMENT LIMITED
(in Provisional Liquidation)

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2002

	Notes	2002	2001
Balance transferred from the General Business Technical Account	3	-	(3,518,483)
Interest payable less receivable	4	160	9,963
Other income		-	-
Other charges		(16,649)	(16,686)
		<hr/>	<hr/>
Loss on Ordinary Activities before Taxation	5	(16,489)	(3,525,206)
Tax on loss on ordinary activities		-	-
		<hr/>	<hr/>
Loss for the Financial Year	8	(16,489)	(3,525,206)
Retained Loss brought forward		(24,062,842)	(20,537,636)
		<hr/>	<hr/>
Retained Loss carried forward		£(24,079,331)	£(24,062,842)
		<hr/>	<hr/>

The Company has no recognised gains and losses other than the loss on ordinary activities after taxation stated above.

The Company has ceased to underwrite and is currently running off its activities.

The Accounting Policies and Notes on pages 9 to 13 form part of these Financial Statements.

MARGENT CAPITAL MANAGEMENT LIMITED
(in Provisional Liquidation)

BALANCE SHEET
At 31 December 2002

	Note	2002	2001
Assets			
Debtors			
Other Debtors	6	4,989,237	977
Other Assets			
Cash at bank and in hand		3,671	5,512
		<hr/>	<hr/>
Total Assets		£4,992,908	£6,489
		<hr/>	<hr/>
Liabilities and Shareholders' Funds			
Capital and Reserves			
Called-up share capital	7	100,000	100,000
Profit and Loss Account		(24,079,331)	(24,062,842)
		<hr/>	<hr/>
Shareholders' funds attributable to Equity interests		(23,979,331)	(23,962,842)
Technical provisions:			
Claims outstanding	9	-	3,761,674
Run-off provision		120,000	145,000
		<hr/>	<hr/>
		120,000	3,906,674
Creditors			
Other creditors	10	28,777,724	20,023,157
Accruals and deferred income		74,515	39,500
		<hr/>	<hr/>
Total Liabilities		£4,992,908	£6,489
		<hr/>	<hr/>

Approved by the Board on 2 September 2003


Director

The Accounting Policies and Notes on pages 9 to 13 form part of these Financial Statements.

MARGENT CAPITAL MANAGEMENT LIMITED
(in Provisional Liquidation)

CASHFLOW STATEMENT
Year Ended 31 December 2002

		2002	2001
Net Cash (Outflow) from Operating Activities	13	(2,001)	(12,124)
Interest received		170	9,963
Interest paid		(10)	-
Net Cash Inflow/(Outflow) from Returns on Investments and Servicing of Finance		160	9,963
Taxation			
Corporation Tax paid		-	-
Decrease in Cash	14	£(1,841)	£(2,161)

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.

The Accounting Policies and Notes on pages 9 to 13 form part of these Financial Statements.

General Business

i. 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.

ii. 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.

iii. 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 in respect of that year.

The Directors consider that the likelihood of such a failure of the reinsurance to close is remote and consequently the reinsurance to close has been deemed to settle 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.

iv. 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.

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.

Cashflow Statement

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 Syndicates at Lloyd's.

1. Basis of Accounts Preparation

These accounts have not been prepared on a going concern basis for the reasons stated in note 2. Therefore the assets of the Company have been recorded at their expected realisable value and liabilities at the amount at which they are expected to settle. The Company has made a provision for future expenses amounting to £120,000. Further, Lloyds' of London has agreed to meet certain costs of the Company while in provisional liquidation. It is uncertain whether the provision for future costs is sufficient to meet all future liability/costs of the Company.

In addition, the accounts do not fully comply with schedule 9A of the Companies Act 1985. In particular, no general business technical account has been prepared for the Company and, therefore, the underwriting transactions undertaken by Lloyds' Syndicates on behalf of the Company and the detailed disclosure regarding the Company's underwriting activities have been omitted. The exclusion of these transactions have no impact on the Company's loss for the year.

The accounts also exclude assets and liabilities arising from the Company's underwriting and controlled by the managing agents of the Lloyds' Syndicates supported by the Company. Had these assets and liabilities been included they would have had no impact on the loss for the year or on the net assets for the Company at 31 December 2002.

As a result of these omissions, the Financial Statements have not been prepared in accordance with the recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in 1998.

2. Provisional Liquidation

As a result of the underwriting losses incurred by the Company, the Directors of the Company were of the opinion that the Company was unable to meet its liabilities as they fell due. On 27 February 2001 an order was made by the courts to place the Company in provisional liquidation. Messrs J R D Smith and S J Akers were appointed joint provisional liquidators.

3. Transfer from Technical Account

	Underwriting Account		Total
	1998	1999	
	£-	£-	£-
Loss for the underwriting year			

4. Interest Payable less Receivable

	2002	2001
Interest receivable	170	9,963
Interest payable	(10)	-
	<u>£160</u>	<u>£9,963</u>

5. Loss on Ordinary Activities before Taxation

This is stated after charging:

Auditors' remuneration - audit	£ 4,500	£ 4,500
Provisional liquidators estimated fees	£ 30,500	£ 30,500

The Company has no employees and no Directors emoluments were paid during the year.

6. Debtors	2002	2001
Amounts due from insurance / reinsurance transactions (note 9)	4,988,260	-
Other	977	977
	<u> </u>	<u> </u>
	£4,989,237	£977
	<u> </u>	<u> </u>

Amounts due from insurance / reinsurance transactions relate to cash calls paid in excess of the amount of losses declared by Lloyds syndicates.

7. Called-up Share Capital	2002	2002	2001	2001
	Authorised	Allotted, called-up and fully paid	Authorised	Allotted, called-up and fully paid
Ordinary shares of 25p each	£100,000	£100,000	£100,000	£100,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

8. Reconciliation of Movements in Shareholders' Funds	2002	2001
Loss for the financial year	(16,489)	(3,525,206)
Opening shareholders' funds	(23,962,842)	(20,437,636)
	<u> </u>	<u> </u>
Closing shareholders' funds	£(23,979,331)	£(23,962,842)
	<u> </u>	<u> </u>

9. Provisions for Outstanding Claims	2002	2001
1998 underwriting year	38,073	90,761
1999 underwriting year	5,036,915	19,107,899
Cash calls	(10,063,248)	(15,436,986)
	<u> </u>	<u> </u>
	£(4,988,260)	£3,761,674
	<u> </u>	<u> </u>

10. Other Creditors	2002	2001
Arising out of insurance/reinsurance transactions (note 12)	11,970,988	11,970,988
Amounts due to Lloyd's central fund	14,613,464	4,447,060
Underwriting loss to be settled	2,112,096	3,523,933
Other creditors	81,176	81,176
	<u> </u>	<u> </u>
	£28,777,724	£20,023,157
	<u> </u>	<u> </u>

11. Reinsurance Contract

The Company has entered into an excess of loss contract under which the reinsurer has made funds available at Lloyds to support the Company's underwriting. In return, premiums and interest are payable to the reinsurer. The contract also states that if the Company fails to pay the premium due under the contract, the reinsurer shall be entitled to terminate the contract. As a result of the Company being placed into provisional liquidation it is unlikely that any premiums will be payable. Although no notice has been received from the reinsurers to terminate the contract, the Financial Statements have been prepared on the basis that such notice will be received. The effect of this treatment has been to increase the Company's net liabilities by £2,459,770.

12. Underwriting Losses

During the year, the Company was required to settle losses arising on the 1998 and 1999 underwriting accounts. These losses were partly settled against funds or letters of credit made available to Lloyd's by the Company's shareholders and the reinsurer under the excess of loss contract referred to in note 11. Shareholders' agreements exist under which these funds and letters of credit were made available to Lloyd's on behalf of the Company. These agreements do not indicate how the Company should account for drawdowns on letters of credit or other funds used to meet underwriting losses. Accordingly, such amounts have been included within creditors arising out of insurance/reinsurance transactions as at 31 December 2002. Drawdowns under the reinsurer letter of credit referred to above have also been included within creditors arising out of insurance/reinsurance transactions at the year-end.

The level of the underwriting losses incurred by the Company has exceeded the funds made available to Lloyds by the Company's shareholders and the reinsurer party to the excess of loss contract referred to in note 11. Lloyd's has settled the excess over these amounts from its new central fund. The amount settled by Lloyd's has been included within creditors as at 31 December 2002.

13. Reconciliation of Operating Loss to Net Cash Outflow from Operating Activities

	2002	2001
Operating loss	(16,649)	(3,535,169)
Increase in creditors	8,754,567	18,966,394
Decrease in technical provisions	(8,749,934)	(15,453,349)
Decrease in other provisions	(25,000)	(25,000)
Increase in accruals and deferred income	35,015	35,000
	<hr/>	<hr/>
Net cash outflow from operating activities	£(2,001)	£(12,124)
	<hr/>	<hr/>

14. Analysis of Cash and Cash Equivalents as shown in the Balance Sheet

	2001	Change in year	2002
Cash at bank and in hand	£5,512	£(1,841)	£3,671
	<hr/>	<hr/>	<hr/>