Company Number: 03407319

MARGENT CAPITAL MANAGEMENT LIMITED
(In Provisional Liquidation)

REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 2000

CONTENTS

Directors	T G Brown R A Hoare
Company Secretary	Excellet Investments Limited
Registered Office	Hill House 1 Little New Street London EC4A 3TR
Bankers	Royal Bank of Scotland plc 5-10 Great Tower Street London EC3P 3HX
Auditors	Littlejohn Frazer Chartered Accountants and Registered Auditors 1 Park Place Canary Wharf London E14 4HJ
Solicitors	*Eversheds* Senator House 85 Queen Victoria Street London EC4V 43L

The Directors present their Report together with the Accounts for the year ended 31 December 2000.

Results and Dividends

The loss for the year before and after taxation was £11,121,548 (1999 loss - £8,206,565).
The Directors do not recommend the payment of a dividend.

Review of the Business and Principal Activity

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 5.

Directors and Directors' Interests

The Directors during the year and their interests in the share capital of the Company were as follows:

	At 31 December 2000 *Ordinary £1 shares*	At 1 January 2000 *Ordinary £1 shares*
T G Brown	26,445	32,000
R A Hoare	14,167	14,167

Auditors

A resolution to reappoint Littlejohn Frazer will be put to the Annual General Meeting.

By Order of the Board

Director

14 March 2002

To the Members of Margent Capital Management Limited (In Provisional Liquidation)

We have audited the Accounts on pages 5 to 11 which have been prepared under the Accounting Policies set out on pages 8 to 9.

Respective Responsibilities of Directors and Auditors

As described on page 8 the Company's Directors are responsible for the preparation of Accounts. It is our responsibility to form an independent opinion, based on our audit, on those Accounts and to report our opinion to you.

Basis of Opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Accounts are free from material misstatement, whether caused by fraud or other irregularity or error.

As described in note 1 to these Accounts, 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.

Contrary to the provisions of Schedule 9A of the Companies Act 1945, the Accounts of the Company do not include a General Business Technical Accounts 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.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Accounts.

Opinion: disclaimer on view given by the accounts

Because of the fundamental nature of the omissions described to above, we are unable to form an opinion as to whether the Accounts give a true and fair view of the state of the Company's affairs as at 31 December 2000 or of its loss for the year then ended. Except for the omission described above, in all other respects, in our opinion the Accounts have been prepared in accordance with the Company's Act 1985.

Littlejohn Frazer

Littlejohn Frazer

Chartered Accountants
and Registered Auditors

1 Park Place
Canary Wharf
London E14 4HJ

22 March 2002

	Note	Year ended 31 December 2000	Year ended 31 December 1999
Balance Transferred from General Business Technical Account	3	(11,043,640)	(8,021,937)
Interest payable less receivable	4	(458)	64,515
Other income		2,873	-
		(11,041,225)	(7,957,422)
Other charges		(80,323)	(249,143)
Loss on Ordinary Activities before Taxation	5	(11,121,548)	(8,206,565)
Tax on profit on ordinary activities		-	-
Loss for the Year		(11,121,548)	(8,206,565)
Retained loss brought forward		(9,416,088)	(1,209,523)
Retained Loss carried forward		£(20,537,636)	£(9,416,088)

The Company had no recognised gains or losses other than the loss on ordinary activities after taxation stated above. There is no material difference between the reported loss for the year and the loss for the period restated on a historical cost basis.

The Accounting Policies and Notes on pages 8 to 11 form part of these Accounts.

MARGENT CAPITAL MANAGEMENT LIMITED
(In Provisional Liquidation)

BALANCE SHEET
At 31 December 2000

	Note	2000	1999
Assets			
Debtors	6	977	977
Cash at bank		7,673	83,082
Reinsurers share of technical provision		-	5,828,741
		£8,650	£5,912,800
Liabilities and Reserves			
Called-up share capital	7	100,000	100,000
Profit and loss account		(20,537,636)	(9,416,088)
Technical Provisions:			
Provision for outstanding claims	9	19,215,023	11,608,741
Provisions for run off costs		170,000	145,000
Creditors	10	1,061,263	81,176
Accruals and deferred income=		-	3,393,971
		£8,650	£5,912,800

Approved by the Board on 14 March 2002.

Director

The Accounting Policies and Notes on pages 8 to 11 form part of these Accounts.

	Note		Year ended 31 December 2000	Year ended 31 December 1999
Net Cash Outflow from Operating Activities	12		(74,951)	(11,383)
Return on Investments and Servicing of Finance				
Interest received		485		
Interest paid		(943)		
Net Cash Inflow from Returns on Investments and Servicing of Finance			(458)	(11,383)
Net Cash (Outflow)/Inflow before Financing				
Financing			-	-
(Decrease)/Increase in Cash			£(75,409)	£(11,383)

Reconciliation of Net Cash Flow to Movement in Net Funds

At 1 January	83,082	94,465
Decrease in cash in the year	(75,409)	(11,383)
Net funds at 31 December	£7,673	£83,082

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 8 to 11 form part of these Accounts.

Statement of Directors' Responsibilities

Company law requires the Directors to prepare Accounts for each financial period 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 period. In preparing those Accounts the Directors are required to:

- select suitable Accounting Policies and then apply them consistently;
- make judgements 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 Accounts;
- prepare the Accounts 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 Accounts 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. The Accounting Policies selected are set out below.

Accounting Policies

Basis of Accounting

The Accounts 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.

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.

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.

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 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.

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 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 of that year remains with the corporate member participating therein.

Deferred Taxation

Deferred Taxation is provided at anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the Accounts. Provision is made to the extent that it is likely that a liability will crystallise in the foreseeable future.

Cash Flow 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 the 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 £170,000. 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 Lloyd's 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 2000.

The results for 1999 have been restated on a comparable basis.

2. **Provisional Liquidation**

As a result of the underwriting losses expected to be incurred by the Company, details of which are shown in note 3, 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. **Technical Account Balance**

	1999 Year of Account	*1998* Year of Account	Total
Profit/(Loss) for the underwriting year	(15,638,817)	(4,553,794)	(20,192,611)
Less previously provided	-	-	9,148,971
Loss for the period			£(11,043,640)

In accordance with the Company's accounting policy, the loss for the year has been based on the estimates given by the Managing Agents on a Syndicate by Syndicate basis in respect of the 1998 and 1999 open and run off years.

4. **Interest payable less receivable**

	2000	1999
Interest receivable	£485	£64,515
Interest payable	£(943)	-
	£(458)	£64,515

5. **Loss on Ordinary Activities before Taxation**

This is stated after charging:

		2000	1999
Auditors' remuneration	- audit	£ 4,500	£ 5,640
	- other	£ -	£ 6,610

No Directors' remuneration or staff costs are incurred by the Company.

6. **Debtors**

	2000	1999
Other	£977	£977

7. Called-up Share Capital

	2000	1999	2000	1999
	Authorised		Allotted, called-up and fully paid	
Ordinary shares of £1 each	£1,000,000	£1,000,000	£100,000	£100,000

8. Reconciliation of Movements in Shareholders' Funds

	2000	1999
(Loss)/Profit for the year	(11,121,548)	(8,206,565)
Opening shareholders' funds	(9,316,088)	(1,109,523)
Closing shareholders' funds	£(20,437,636)	£(9,316,088)

9. Provision for Outstanding Claims

	2000
1998 underwriting year	4,553,794
1999 underwriting year	15,638,817
Cash calls	(977,588)
	£19,215,023

10 Creditors

	2000	1999
Other creditors	£1,061,263	£81,176

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 liquidations it is unlikely that any premiums will be payable. Although, no notice has been received from the reinsurers to terminate the contract the accounts have been prepared on the basis that such notice will be received. The effect of this treatment has been to increase the Company's loss for the year by £2,459,770.

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

	2000	1999
Operating (loss)/profit	(11,121,090)	2,699,412
(Decrease)/ increase in creditors	(2,413,884)	2,962,701
Decrease in debtors	-	7,485
Increase/(decrease) in technical provision	13,435,023	(5,828,741)
Increase in other provisions	25,000	147,760
Net Cash Outflow from Operating Activities	£(74,951)	£(11,383)