

Contents

**Financial statements for
the year ended 31 December 2003**

**Sands Underwriting
Limited**

Directors' report	1
Independent auditors' report	2
Technical account	3
Non-technical account	4
Balance sheet	5
Cash flow statement	7
Notes to the financial statements	8



Sands Underwriting Limited

Company information

Directors

J Chivers
D J Marshall

Secretary

SOC Company Secretarial Services Limited

Company number

3442377

Registered office

130 Fenchurch Street
London
EC3M 5DJ

Auditors

Mazars
24 Bevis Marks
London
EC3A 7NR

Sands Underwriting Limited

Directors' report For the year ended 31 December 2003

The directors present their report and financial statements for the year ended 31 December 2003.

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 period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 keeping 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.

Directors

The following directors have held office since 1 January 2003:

J Chivers
D J Marshall

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of 25p each	
	31 December 2003	31 December 2002
J Chivers	-	-
D J Marshall	7,650	15,000

Principal activities and review of the business

The principal activity of the company is that of a corporate capital member of Lloyd's.

The company suffered significant losses when the 2001 year of account of the syndicates upon which it participated closed. The company is, however, continuing to underwrite at Lloyd's in order to benefit from the upturn in the insurance cycle.

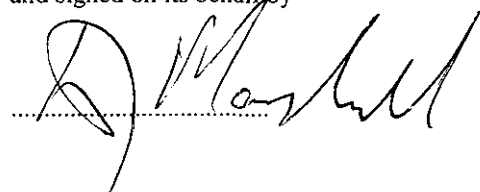
Results for the year

The results for the year are set out on pages 3 to 4.

Auditors

The company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with section 386(1) of the Companies Act 1985. Therefore, the auditors, Mazars, will be deemed to be reappointed for each succeeding financial year.

Approved by the Board on 3rd June 2004
and signed on its behalf by



Sands Underwriting Limited

Independent auditors' report To the members of Sands Underwriting Limited

We have audited the financial statements for the year ended 31 December 2003 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with the 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. 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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company, 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 loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Mazars

Mazars
CHARTERED ACCOUNTANTS
and Registered Auditors
24 Bevis Marks, London, EC3A 7NR

10 June 2004

Sands Underwriting Limited

Profit and Loss Account - Technical account - General business For the year ended 31 December 2003

		Year ended 31 December 2003 £	Year ended 31 December 2002 £
	Notes		
Earned premiums, net of reinsurance			
Gross premiums written	3	2,207,590	1,039,217
Outward reinsurance premiums	3	(273,323)	(409,536)
Net premiums written		1,934,267	629,681
Allocated investment return transferred from the non-technical account		17,181	4,550
Claims paid:			
Gross amount	3	(176,661)	(62,966)
Reinsurers' share	3	45,540	9,319
		(131,121)	(53,647)
Change in the provision for claims:			
Gross amount	3	(1,613,713)	(603,081)
Reinsurers' share	3	233,437	233,804
Change in the provision for future losses	3	-	-
		(1,380,276)	(369,277)
Net claims incurred		(1,511,397)	(422,924)
Net operating expenses	4	(449,750)	(219,567)
Investment expenses and charges		(681)	(179)
Balance transferred to the non-technical account		(10,380)	(8,439)

Sands Underwriting Limited

Profit and Loss Account - Non-technical account For the year ended 31 December 2003

		Year ended 31 December 2003 £	Year ended 31 December 2002 £
	Notes		
Balance on the general business technical account		(10,380)	(8,439)
Investment income	5	17,181	4,550
Allocated investment return transferred to the general business technical account		(17,181)	(4,550)
Other income		11,407	125
Other charges		(10,012)	(4,891)
Loss on ordinary activities before taxation	6	(8,985)	(13,205)
Tax on loss on ordinary activities	7	-	-
Loss on ordinary activities after taxation	13	(8,985)	(13,205)

The company has no gains or losses other than the profit or loss for the period.

All items derive from continuing activities.

Sands Underwriting Limited
Balance sheet
As at 31 December 2003

		2003			2002		
	Notes	Syndicate £	Other £	Total £	Syndicate £	Other £	Total £
ASSETS							
Intangible assets	8	-	124,600	124,600	-	45,042	45,042
Investments							
Financial investments	9	774,281	-	774,281	253,565	-	253,565
Deposits with ceding undertakings		366	-	366	43	-	43
Reinsurers' share of technical provisions							
Claims outstanding		428,391	-	428,391	140,855	-	140,855
Debtors							
Debtors arising out of direct insurance operations:							
Due from intermediaries		415,799	-	415,799	195,461	-	195,461
Due from policyholders		2,711	-	2,711	-	-	-
Debtors arising out of reinsurance operations:							
Other debtors		636,240	-	636,240	150,951	-	150,951
		67,897	(9,557)	58,340	13,926	-	13,926
Other assets							
Cash at bank and in hand		30,692	541,652	572,344	35,592	266,826	302,418
Other		47,580	-	47,580	16,601	-	16,601
Prepayments and accrued income							
Other prepayments and accrued income		3,673	-	3,673	1,842	-	1,842
Total assets		<u>2,407,630</u>	<u>656,695</u>	<u>3,064,325</u>	<u>808,836</u>	<u>311,868</u>	<u>1,120,704</u>

Sands Underwriting Limited
Balance sheet
As at 31 December 2003

		2003			2002		
	Notes	Syndicate £	Other £	Total £	Syndicate £	Other £	Total £
LIABILITIES							
Capital and reserves							
Called up share capital	11	-	3,750	3,750	-	3,750	3,750
Share premium account	12	-	8,293	8,293	-	8,293	8,293
Profit and loss account	12	-	(130,593)	(130,593)	-	(121,608)	(121,608)
Shareholders' funds	13	-	(118,550)	(118,550)	-	(109,565)	(109,565)
Technical provisions							
Claims outstanding - gross amount		2,217,285	-	2,217,285	577,635	-	577,635
Deposits received from reinsurers		789	-	789	-	-	-
Creditors							
Creditors arising out of direct insurance operations		26,375	-	26,375	50,314	-	50,314
Creditors arising out of reinsurance operations		131,384	-	131,384	177,179	-	177,179
Amounts owed to credit institutions		1,993	-	1,993	-	-	-
Other creditors including taxation and social security	14	27,371	772,056	799,427	1,718	417,775	419,493
Accruals and deferred income		2,433	3,189	5,622	1,990	3,658	5,648
Total liabilities		2,407,630	656,695	3,064,325	808,836	311,868	1,120,704

Approved by the Board of directors on
and signed on its behalf by:

3rd June 2004

Director



Sands Underwriting Limited

Cash flow statement

For the year ended 31 December 2003

	Note	2003 £	2002 £
Operating activities			
Net cash inflow / (outflow) from operating activities	15(a)	364,092	297,079
Capital expenditure			
Payments to acquire intangible assets		(89,266)	(31,050)
		<u>(89,266)</u>	<u>(31,050)</u>
Net cash inflow / (outflow)		<u>274,826</u>	<u>266,029</u>
Cash flows were invested as follows			
Increase / (decrease) in cash holdings	15(b)	274,826	266,029
Net investment of cash flows		<u>274,826</u>	<u>266,029</u>
Movement in opening and closing portfolio investments net of financing			
Net cash inflow / (outflow) for the year		<u>274,826</u>	<u>266,029</u>
Total movement in portfolio investment net of financing		274,826	266,029
At 1 January 2003	15(b)	<u>266,826</u>	<u>797</u>
At 31 December 2003	15(b)	<u>541,652</u>	<u>266,826</u>

Note: The amounts above exclude the cash flows of syndicate underwriting except to the extent that sums are paid to or received from the company or its own premiums trust fund.

Sands Underwriting Limited

Notes to the financial statements For the year ended 31 December 2003

1 Basis of preparation of financial statements

1.1 Current basis

The financial statements have been prepared in accordance with Section 255 of, and Schedule 9A to, the Companies Act 1985 ("the Act") and in accordance with applicable Accounting Standards.

1.2 Recognition of insurance transactions

Preparing financial statements in accordance with Section 255 of, and Schedule 9A to, the Act has required the company to recognise its proportion of all the transactions undertaken by the Lloyd's syndicates in which it participates ("the Syndicates").

For each such syndicate, the company's proportion of the underwriting transactions, investment return and operating expenses has been reflected within the company's profit and loss account. Similarly, its proportion of the Syndicate's assets and liabilities has been reflected in its balance sheet (under the column heading "syndicate"). The Syndicate assets are held subject to trust deeds for the benefit of the company's insurance creditors.

The proportion referred to above is calculated by reference to the company's participation as a percentage of the Syndicate's total capacity.

The company has delegated sole management and control of its underwriting through each Syndicate to the managing agent of the Syndicate ("the Managing Agent") and it has further undertaken not to interfere with the exercise of such management and control. The Managing Agents of the Syndicates are therefore responsible for determining the insurance transactions to be recognised by the company. The only exception to this rule is the level of provision for outstanding claims. These provisions have been determined by the directors of the company (see 2.6 below).

1.3 Sources of data

The information used to compile the technical account and the "syndicate" balance sheet is based on returns prepared for this purpose by the Managing Agents of the Syndicates ("the Returns"). These Returns have been subjected to audit by the syndicate auditors and are based on the audited syndicate returns to Lloyd's and the audited annual reports to Syndicate members. This base data has been adjusted as necessary so that the Returns reflect the differences in preparation between syndicate annual reports and financial statements in accordance with Schedule 9A to the Act.

The format of the Returns has been established by Lloyd's and Lloyd's has also been responsible for collating the data at a syndicate level and analysing it into corporate member level results.

Sands Underwriting Limited

Notes to the financial statements (continued) **For the year ended 31 December 2003**

2 Accounting policies

2.1 Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of financial investments.

2.2 Going concern

As at 31 December 2003 the company had net liabilities of £118,550 (2002: £109,565).

The directors consider the company to be a going concern and have prepared the financial statements on that basis. It is anticipated that the company will be able to make good any solvency shortfall (the assets required to support underwriting) arising from the 2001 and prior years of account. The company is underwriting at Lloyd's for the 2004 year of account and should continue to enjoy the benefits of a harder market.

2.3 Basis of accounting for underwriting results

All classes of insurance business written are accounted for on a three year funded basis because it is the basis most similar to that followed by the Syndicates. The nature of the information Managing Agents can make available is insufficient for the company to make reliable estimates of the necessary technical provisions on an annual basis of accounting. Under the three year funded basis followed by the company, 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 at the earliest. Profit is only recognised if a syndicate has been able to effect a "reinsurance to close" (see (2.7) below) in respect of that underwriting year.

If an underwriting year is expected to make a loss, the loss is recognised as soon as it is foreseen by increasing the technical provision to make it sufficient to meet present liabilities and anticipated future claims and expenses.

2.4 Premiums

Premiums written comprise the total premiums receivable for the whole period of cover provided by the contracts incepting during the financial year, together with any adjustments arising in the year to such premiums receivable in respect of business written in prior years. Premiums are shown gross of commission payable to intermediaries and exclude insurance premium tax.

Gross premiums written may include "reinsurance to close" premiums receivable (see (2.7) below).

Outward reinsurance premiums may include "reinsurance to close" premiums payable (see (2.7) below).

Premiums written by a syndicate may also include the reinsurance of other syndicates on which the company participates. No adjustments have been made to gross premiums written or outward reinsurance premiums (or to gross and reinsurers' claims) to remove this intersyndicate reinsurance.

2.5 Claims incurred

Claims incurred include the costs of claims handling expenses. Recoverable amounts arising out of subrogation or salvage are deducted from the cost of claims. Claims incurred comprise amounts paid or provided in respect of claims occurring during the year to 31 December, together with the amount by which settlement or reassessment of claims from previous years differ from the provision at the beginning of the year.

Sands Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2003

2 Accounting policies

(continued)

2.6 Provision for claims

Provision is made for claims incurred but not paid in respect of events up to 31 December. The provision includes the amounts required to ensure no profit is recognised before the end of the third year under the three year funded basis of accounting (see (2.3) above).

The provision has been increased as appropriate by the company to the extent that deficits are foreseen on underwriting years before the 36 months point is reached.

In deciding whether any such additional provision is necessary, syndicate participations have been considered in aggregate as all Lloyd's underwriting is managed together.

The provision is based on the Returns and report from the Managing Agents and the company's licensed adviser. When appropriate, statistical methods have been applied to past experience of claims frequency and severity.

2.7 Reinsurance to close

A reinsurance to close is a particular type of reinsurance contract entered into by Lloyd's syndicates. Under it, underwriting members (the reinsured members) who are members of a syndicate for a year of account (the closed year), agree with underwriting members who comprise that or another syndicate for a later year of account (the reinsuring members) that the reinsuring members will indemnify, discharge or procure the discharge, of the reinsured members against all known and unknown liabilities of the reinsured members arising out of insurance business undertaken through that syndicate and allocated to the closed year in consideration of:

(a) a premium; and

(b) either

(i) the assignment, or agreement to assign, to the reinsuring members of all the rights of the reinsured members arising out of, or in connection with, that insurance business (including without limitation the right to receive all future premiums, reinsurances and other monies receivable in connection with that insurance business); or

(ii) an agreement by the reinsured members that the reinsuring members shall collect on behalf of the reinsured members the proceeds of all such rights and retain them for their own benefit so far as they are not applied in discharges of the liabilities of the reinsured members.

Where the reinsurance to close is between members on successive years of account of the same syndicate, the managing agent has a duty to ensure both sets of members are treated equitably and to set the reinsurance to close with the intention that neither a profit nor a loss accrues to either group of members.

To the extent that the company participates on successive years of account of the same syndicate and there is a reinsurance to close between those years, the company has offset its share of the reinsurance to close received against its share of the reinsurance to close paid.

If the company has increased its participation from one year of account to the next, the reinsurance to close paid is eliminated, as a result of this offset, leaving an element of the reinsurance to close received. This reflects the fact that the company has assumed a greater proportion of the business of the syndicate. If the company has reduced its participation from one year of account to the next, the reinsurance to close received is eliminated, leaving an element of the reinsurance to close paid. This reflects the reduction in the company's exposure to risks previously written by the syndicate.

Sands Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2003

2 Accounting policies

(continued)

2.7 Reinsurance to close (continued)

The reinsurance to close is technically a reinsurance contract and, as such, the payment of a reinsurance to close does not remove from members of that year of account ultimate responsibility for claims payable on risks they have written. *If the reinsuring members under the reinsurance to close become insolvent and the other elements of the Lloyd's chain of security also fail, the reinsured members remain theoretically liable for the settlement of any outstanding claims.*

However, payment of a reinsurance to close is conventionally accepted as terminating a reinsured member's participation on a syndicate year of account and it is treated for accounts purposes as settling all the company's outstanding gross liabilities in respect of the business so reinsured.

2.8 Investments

Syndicate: Where investments represent the company's share of syndicate investments, they are treated as sold and repurchased at each year end in recognition of the annual venture nature of participation on a syndicate. Consequently they are stated at cost, cost being the mid market value at 31 December.

Other: Listed investments held directly by the company, by the trustees of the Premiums Trust Fund, or as Lloyd's Deposit, are stated at market value. Unlisted investments held directly by the company are stated at cost less provision for any permanent diminution in value.

2.9 Investment income

Investment income comprises interest receivable and dividends received plus realised and unrealised gains on the disposal of investments. Realised gains and losses arise from the difference between proceeds and valuation at the previous year end, or cost if there has been no previous revaluation. Unrealised investment gains and losses are calculated as the difference between the valuation at the balance sheet date and the valuation at the last balance sheet date or purchase price, if acquired during the year.

The realised and unrealised gains reported by Syndicates are net of any realised losses.

All investment income arising on syndicate participations is allocated to the technical account. Other investment income is attributable to the non-technical account.

2.10 Investment expenses and charges

Investment expenses and charges comprise investment management expenses.

2.11 Net operating expenses

Operating expenses are recognised when incurred. They include the company's share of syndicate operating expenses, the remuneration payable to Managing Agents (and the company's Members' Agent/licensed adviser) and the direct costs of membership of Lloyd's. Where they relate to the company's underwriting, they are taken into account in calculating the technical provision required under the three year funded basis of accounting.

2.12 Foreign currencies

Transactions in foreign currencies other than sterling, United States dollars, Canadian dollars and Euros are translated at the rates of exchange ruling at the date the transaction is processed. Unless otherwise stated, transactions in United States dollars, Canadian dollars and Euros and assets and liabilities in currencies other than sterling are translated at the rates of exchange ruling at the end of the financial year. Exchange differences arising on translation are dealt with in the profit and loss account.

2.13 Syndicate participation rights

Where the company has purchased the right to participate on Syndicates, the cost is capitalised and amortised in equal annual instalments over five years, from the closure of the first year of account.

Sands Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2003

2 Accounting policies

(continued)

2.14 Taxation

The company is taxed on its share of the underwriting results declared by Syndicates and these are deemed to accrue evenly over the calendar year in which they are declared. The syndicate results included in these financial statements (excluding any losses on open years of account) are only declared for tax purposes in the calendar year following closure of the year of account.

The Inland Revenue agrees the taxable results of Syndicates at a syndicate level on the basis of computations submitted by the Managing Agent. At the date of approval of these financial statements, the syndicate taxable results of this year and the previous year have not been agreed. Any adjustments that may be necessary to the tax provision as a result of Inland Revenue agreement of syndicate taxable results will be reflected in the financial statements of subsequent periods.

2.15 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

Sands Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2003

3 Segmental Information

	Gross premiums written £	Gross claims incurred £	Gross operating expenses £	Reinsurance balance £	Total £
Year ended 31 December 2003					
Direct business					
Accident and health	79,676	(59,491)	(27,364)	(8,775)	(15,954)
Motor - third party liability	4,096	(6,657)	(2,103)	1,931	(2,733)
Motor - other classes	163,729	(127,691)	(46,295)	(2,025)	(12,282)
Marine, aviation and transport	103,252	(72,095)	(28,039)	(16,606)	(13,488)
Fire and other damage to property	293,858	(169,442)	(87,064)	(52,761)	(15,409)
Third party liability	480,074	(273,222)	(127,829)	(78,133)	890
Credit and suretyship	17,926	(8,084)	(4,778)	(6,428)	(1,364)
Legal expenses	4,475	(2,094)	(1,586)	(511)	284
Other	14,028	(7,585)	19,185	(25,915)	(287)
Total direct	1,161,114	(726,361)	(305,873)	(189,223)	(60,343)
Reinsurance business					
Other reinsurance acceptances	571,285	(297,273)	(143,877)	(100,138)	29,997
Reinsurance to close	475,191	(766,740)	-	295,015	3,466
Total reinsurance	1,046,476	(1,064,013)	(143,877)	194,877	33,463
Total	2,207,590	(1,790,374)	(449,750)	5,654	(26,880)
Year ended 31 December 2002					
Direct business					
Accident and health	29,510	(22,313)	(8,392)	(4,681)	(5,876)
Motor - third party liability	1,882	24,947	174	(9,816)	17,187
Motor - other classes	13,961	(12,470)	(4,198)	(5,720)	(8,427)
Marine, aviation and transport	105,662	(70,327)	(22,303)	(17,705)	(4,673)
Fire and other damage to property	271,396	(185,430)	(56,743)	(45,712)	(16,489)
Third party liability	320,439	(200,507)	(67,927)	(47,228)	4,777
Credit and suretyship	471	(84)	(231)	(103)	53
Legal expenses	669	(199)	(193)	(27)	250
Other	15,266	(8,031)	2,809	7,248	17,292
Total direct	759,256	(474,414)	(157,004)	(123,744)	4,094
Reinsurance business					
Other reinsurance acceptances	279,961	(151,601)	(62,563)	(42,669)	23,128
Reinsurance to close	-	(40,032)	-	-	(40,032)
Total	1,039,217	(666,047)	(219,567)	(166,413)	(12,810)

All insurance business is underwritten in the UK in the Lloyd's insurance market, which has been treated as one geographical segment for the purpose of SSAP25: Segmental Reporting.

Sands Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2003

4	Net operating expenses	2003	2002
		£	£
	Acquisition costs	326,922	161,292
	Administrative expenses	58,208	32,562
	Loss on exchange	14,813	878
		<hr/>	<hr/>
		399,943	194,732
	Personal expenses	49,807	24,835
		<hr/>	<hr/>
		449,750	219,567
		<hr/>	<hr/>
5	Investment income	2003	2002
		£	£
	Interest receivable	20,901	4,012
	Realised and unrealised (losses)/gains	(3,720)	538
		<hr/>	<hr/>
		17,181	4,550
		<hr/>	<hr/>
6	Loss on ordinary activities before taxation	2003	2002
		£	£
	The loss on ordinary activities before tax is stated after charging:		
	Amortisation of intangible assets	9,708	3,498
	Auditors' remuneration	575	550
	Remuneration of auditors for non-audit work	675	625
		<hr/>	<hr/>

Sands Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2003

7 Taxation	2003 £	2002 £
	-	-
Current tax charge	-	-
Tax on loss on ordinary activities	-	-
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(8,985)	(13,205)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2002: 20.00%)	(1,797)	(2,641)
Effects of:		
Other timing differences	1,797	2,641
	1,797	2,641
Current tax charge	-	-

The company has incurred trading losses of £130,593 (2002: £121,608) to date. To the extent that these are agreed with the Inland Revenue as being allowable for tax losses, these will be available for carry forward against future trading profits from the same trade. However no deferred tax asset has been recognised for this on the grounds that there is insufficient evidence that the asset would be recoverable. The asset would be recoverable were the company to make sufficient future taxable profits from the same trade.

Sands Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2003

8 Intangible assets

Syndicate participation rights

	£
Cost	
At 1 January 2003	48,540
Additions	89,266
	<u>137,806</u>
At 31 December 2003	<u>137,806</u>
Amortisation	
At 1 January 2003	(3,498)
Charge for the year	(9,708)
	<u>(13,206)</u>
At 31 December 2003	<u>(13,206)</u>
Net book value	
At 31 December 2003	<u>124,600</u>
At 31 December 2002	<u>45,042</u>

9 Financial investments

Syndicate	2003 Market value £	Historic cost £	2002 Market value £	Historic cost £
Shares and other variable yield securities	93,635	93,947	13,604	39,186
Debt securities and other fixed income securities	666,922	661,465	200,465	173,727
Participation in investment pools	-	4,394	-	-
Loans guaranteed by mortgage	288	288	23	40
Other loans	-	-	14,612	15,508
Deposits with credit institutions	13,439	8,054	24,860	19,066
Other	(3)	-	1	-
	<u>774,281</u>	<u>768,148</u>	<u>253,565</u>	<u>247,527</u>
Analysis of market value				
Listed on the stock exchange	660,148		171,205	
Other listed	114,133		82,360	
	<u>774,281</u>		<u>253,565</u>	

Sands Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2003

10 Funds at Lloyd's

The company's underwriting is supported by assets made interavailable to it by the shareholders of the company.

11 Share capital	2003 £	2002 £
Authorised		
4,000,000 Ordinary shares of 25p each	1,000,000	1,000,000
Allotted, called up and fully paid		
15,000 Ordinary shares of 25p each	3,750	3,750

12 Reserves

	Share premium account £	Profit and loss account £
Balance at 1 January 2003	8,293	(121,608)
Retained loss for the year	-	(8,985)
Balance at 31 December 2003	8,293	(130,593)

13 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Loss for the financial year	(8,985)	(13,205)
Net depletion in shareholders' funds	(8,985)	(13,205)
Opening shareholders' funds	(109,565)	(96,360)
Closing shareholders' funds	(126,843)	(109,565)

14 Other creditors including taxation and social security

	2003 £	2002 £
Other creditors	772,056	417,775
	772,056	417,775

Sands Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2003

15 Cash Flow Statement	2003 £	2002 £
(a) Reconciliation of loss on ordinary activities before tax to net cash inflow / (outflow) from operating activities:		
Loss on ordinary activities before tax	(8,985)	(13,205)
Decrease / (increase) in debtors	9,557	800
(Decrease) / increase in creditors and accruals	353,812	374,959
(Decrease) / increase in provision for future losses	-	(68,973)
Amortisation of capacity	9,708	3,498
Net cash inflow / (outflow) from operating activities	<u>364,092</u>	<u>297,079</u>

Technical account transactions represent the company's share of the transactions undertaken by syndicates. The cashflows arising from these transactions are not remitted to or paid by the company but paid into or out of syndicate premiums trust funds held by trustees appointed by the Managing Agent of each syndicate. If the Syndicate premiums trust funds are insufficient for the Syndicate to meet its liabilities as they fall due, a cash call is made by the Managing Agents on all members of the Syndicate and the company pays its share pro-rata.

Once a syndicate has effected a reinsurance to close in respect of a year of account, any distributable profit is available for release from the syndicate premiums trust funds to the participating members and any loss is collected from them. The company receives or pays its pro-rata share of any profit distributed or loss collected.

(b) Movement in cash, portfolio investments and financing

	At 1 January 2003 £	Cashflow £	At 31 December 2003 £
Cash in hand	<u>266,826</u>	<u>274,826</u>	<u>541,652</u>
	<u>266,826</u>	<u>274,826</u>	<u>541,652</u>

16 Related party transactions

During the period, the directors made loans to the company. At the balance sheet date £761,676 (2002: £408,677) was owed to the directors.