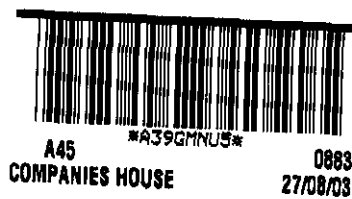


**KILLYGOWAN LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2002**



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The Directors have pleasure in presenting their Report together with the Financial Statements for the year ended 31 December 2002.

#### 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 2000.

The 2001 and 2002 open underwriting accounts will normally close at 31 December 2003 and 2004 respectively. However, provision has been made for the potential losses estimated by the Members' Agent. As detailed in note 21, certain Syndicates on which the Company participates have material exposures to the losses arising from the 11 September 2001 terrorist attack in the United States of America. There is a greater than usual degree of uncertainty as to the eventual outcome of these losses. The result for the year includes movements from Syndicates that closed the 2000 underwriting account and from Syndicates in run-off, compared to the provisions previously established for these losses. The syndicates identified in note 22 continue to be unable to obtain a reinsurance to close. The market is currently forecast to make an overall profit for the 2002 underwriting account. The company has continued to underwrite on the 2003 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 2002	1 January 2002
	Ordinary £1 shares	Ordinary £1 shares
Lord James Abercorn	200	200

#### 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

  
Lord James Abercorn

Director

20 June 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.

**Independent Auditors' Report to the Shareholders of Killygowan Limited**

We have audited the Financial Statements of Killygowan Limited on pages 6 to 23 for the year ended 31 December 2002 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.

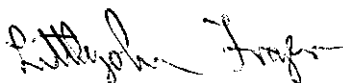
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity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

**Fundamental Uncertainty**

In forming our opinion, we have considered the adequacy of the disclosures in note 21 to the Financial Statements concerning the material exposure that the company faces to losses relating to the 11 September 2001 terrorist attacks in the United States of America. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

**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 2002 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

20 June 2003

**KILLYGOWAN LIMITED**
**PROFIT AND LOSS ACCOUNT**
**Year Ended 31 December 2002**
**TECHNICAL ACCOUNT - GENERAL BUSINESS**

	Note	2002	2001
Gross Premiums Written	1	1,015,390	1,379,502
Outward reinsurance premiums		(291,905)	(262,497)
Earned Premiums Net of Reinsurance		723,485	1,117,005
Allocated Investment Return	3	40,471	15,852
<b>Claims Paid</b>			
Gross amount		(582,408)	(300,520)
Reinsurers' share		262,339	104,618
Net claims paid		(320,069)	(195,902)
<b>Change in Provision for Claims</b>			
Gross amount		(451,803)	(1,344,976)
Reinsurers' share		257,950	470,575
Net change in provision for claims		(193,853)	(874,401)
Claims Incurred Net of Reinsurance		(513,922)	(1,070,303)
Net operating expenses	4	(253,711)	(241,143)
Investment expenses and charges		(1,000)	(302)
<b>Balance on Technical Account for General Business</b>		<u>£(4,677)</u>	<u>£(178,891)</u>

**KILLYGOWAN LIMITED****PROFIT AND LOSS ACCOUNT**  
**Year Ended 31 December 2002****NON TECHNICAL ACCOUNT**

	<b>Note</b>	<b>2002</b>	<b>2001</b>
<b>Balance on the General Business Technical Account</b>	5	(4,677)	(178,891)
Investment income	6	225	294
Other income	7	29,514	(12,147)
Other charges		(23,252)	(37,932)
<b>Profit/(Loss) on Ordinary Activities before Taxation</b>	8	1,810	(228,676)
Tax on profit/(loss) on ordinary activities	16	-	-
<b>Profit/(Loss) for the Financial Year</b>	14	<u>£1,810</u>	<u>£(228,676)</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.



**KILLYGOWAN LIMITED**
**BALANCE SHEET**  
**As at 31 December 2002**

	Note	Syndicate Assets	Corporate	2002 Total	2001 Total
<b>ASSETS</b>					
<b>Intangible Assets</b>					
Syndicate participation rights	9	-	18,625	18,625	30,305
<b>Investments</b>					
Financial investments	10	786,653	-	786,653	403,839
Deposits with ceding undertakings		1,904	-	1,904	1,637
		788,557	-	788,557	405,476
<b>Reinsurers' Share of Technical Provisions</b>					
Claims outstanding		1,040,094	-	1,040,094	501,386
<b>Debtors</b>					
Arising out of direct insurance operations					
- Policy holders		2,739	-	2,739	1,041
- Intermediaries		271,001	-	271,001	276,571
Arising out of reinsurance operations		621,161	-	621,161	560,195
Other debtors	11	18,120	148,022	166,142	90,027
		913,021	148,022	1,061,043	927,834
<b>Other Assets</b>					
Cash at bank	12	94,185	8,538	102,723	80,426
Other		62,015	-	62,015	25,012
		156,200	8,538	164,738	105,438
<b>Prepayments and Accrued Income</b>					
Other prepayments and accrued income		6,441	-	6,441	1,787
<b>Total Assets</b>		<u>£2,904,313</u>	<u>£175,185</u>	<u>£3,079,498</u>	<u>£1,972,226</u>

	Note	Syndicate Liabilities	Corporate	2002 Total	2001 Total
<b>LIABILITIES</b>					
<b>Capital and Reserves</b>					
Called-up share capital	13	-	200	200	200
Share Premium Account	14	-	-	-	-
Profit and Loss Account	14	(213,094)	(55,060)	(268,154)	(269,964)
<b>Shareholders' Funds Attributable to Equity Interests</b>					
	15	(213,094)	(54,860)	(267,954)	(269,764)
<b>Technical Provisions</b>					
Claims outstanding - gross amount		2,892,528	-	2,892,528	1,850,452
<b>Provisions for Other Risks and Charges</b>					
Provision for taxation	16	-	-	-	-
Deposits Received from Reinsurers		16,976	-	16,976	10,380
<b>Creditors</b>					
Arising out of direct insurance operations		29,239	-	29,239	28,221
Arising out of reinsurance operations		166,452	-	166,452	119,233
Amounts due to credit institutions		39	-	39	8,975
Other creditors	17	9,972	227,813	237,785	221,067
		205,702	227,813	433,515	377,496
<b>Accruals and Deferred Income</b>					
		2,201	2,232	4,433	3,662
<b>Total Liabilities</b>		<u>£2,904,313</u>	<u>£175,185</u>	<u>£3,079,498</u>	<u>£1,972,226</u>

Approved by the Board on 20 June 2003


 Lord James Abercorn

Director

**KILLYGOWAN LIMITED**
**CASHFLOW STATEMENT**  
**Year Ended 31 December 2002**

	Note	2002	2001
<b>Net Cash Inflow/(Outflow)</b>			
<b>from Operating Activities</b>	18	(78,885)	(77,125)
<b>Returns on Investments and Servicing of Finance</b>			
Interest received		<u>225</u>	<u>294</u>
<b>Net Cash Inflow/(Outflow) from Returns on Investments and Servicing of Finance</b>		225	294
<b>Taxation</b>			
Corporation Tax paid		-	-
<b>Capital Expenditure and Financial Investment</b>			
Purchase of syndicate participations rights		-	-
Proceeds from sale of syndicate participations rights		35,517	157
Purchase of investments		-	-
Proceeds from sale of investments		<u>-</u>	<u>-</u>
<b>Net Cash Inflow/(Outflow) from Capital Expenditure and Financial Investment</b>		<u>35,517</u>	<u>157</u>
<b>Net Cash Inflow/(Outflow) before Financing</b>		(43,143)	(76,674)
<b>Financing</b>			
Funds lent to the Company by the Shareholders to meet expenses and cash calls		<u>42,869</u>	<u>83,528</u>
<b>Net Cash Inflow/(Outflow) from Financing</b>		<u>42,869</u>	<u>83,528</u>
<b>Increase/(Decrease) in Cash</b>		<u>£(274)</u>	<u>£6,854</u>
<b>Net Funds at 1 January 2002</b>		8,812	1,958
<b>Increase / (Decrease) in cash in the year</b>		<u>(274)</u>	<u>6,854</u>
<b>Net Funds at 31 December 2002</b>		<u>£8,538</u>	<u>£8,812</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 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 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
<b>2002</b>				
<b>Direct</b>				
Accident and health	8,464	(23,577)	(3,771)	3,205
Motor - third party liability	7,151	(21,314)	(3,017)	11,929
Motor - other classes	36,774	(79,650)	(15,000)	36,622
Marine, aviation and transport	114,099	(147,992)	(28,476)	(102,523)
Fire and other damage to property	199,714	(232,182)	(60,277)	96,829
Third party liability	254,591	(236,312)	(71,870)	77,094
Credit and suretyship	12,053	(2,972)	(3,602)	(28,772)
Other	9,144	(9,734)	(3,324)	944
<b>Total Direct</b>	<b>641,990</b>	<b>(753,733)</b>	<b>(189,337)</b>	<b>95,328</b>
<b>Reinsurance Business</b>				
Reinsurance acceptances	251,636	(375,362)	(61,198)	102,596
Reinsurance to close	121,764	94,884	(3,176)	30,460
<b>Total Reinsurance</b>	<b>373,400</b>	<b>(280,478)</b>	<b>(64,374)</b>	<b>133,056</b>
<b>Total</b>	<b>£1,015,390</b>	<b>£(1,034,211)</b>	<b>£(253,711)</b>	<b>£228,384</b>
<b>2001</b>				
<b>Direct</b>				
Accident and health	31,792	(12,359)	(8,151)	2,149
Motor - third party liability	13,312	(6,033)	(4,153)	(5,615)
Motor - other classes	8,763	25,737	(5,022)	(30,403)
Marine, aviation and transport	160,792	(148,381)	(37,839)	(11,322)
Fire and other damage to property	174,023	(183,491)	(45,905)	66,735
Third party liability	247,250	(189,886)	(59,483)	14,702
Credit and suretyship	27,812	(19,296)	(8,092)	25,172
Other	22,877	(19,510)	(5,322)	3,771
<b>Total Direct</b>	<b>686,621</b>	<b>(553,219)</b>	<b>(173,967)</b>	<b>65,189</b>
<b>Reinsurance Business</b>				
Reinsurance acceptances	294,378	(371,220)	(67,176)	97,480
Reinsurance to close	398,503	(721,057)	-	150,027
<b>Total Reinsurance</b>	<b>692,881</b>	<b>(1,092,277)</b>	<b>(67,176)</b>	<b>247,507</b>
<b>Total</b>	<b>£1,379,502</b>	<b>£(1,645,496)</b>	<b>£(241,143)</b>	<b>£312,696</b>

The open year loss provisions, stop loss premiums and stop loss recoveries have been allocated across the classes of business by reference to the gross premiums written.

<b>2</b>	<b>Geographical Analysis</b>		<b>2002</b>	<b>2001</b>
	<b>Direct Gross Premium Written In</b>			
	United Kingdom		644,008	733,486
	Other EU Member States		(50)	(438)
	Rest of the World		(1,968)	(46,427)
			<u>£641,990</u>	<u>£686,621</u>
<b>3</b>	<b>Allocated Investment Income</b>		<b>2002</b>	<b>2001</b>
	Investment income		37,431	13,721
	Realised (loss)/gain on investments		3,040	2,131
			<u>£40,471</u>	<u>£15,852</u>
<b>4</b>	<b>Net Operating Expenses</b>		<b>2002</b>	<b>2001</b>
	Acquisition costs		123,466	194,854
	Administrative expenses		75,381	49,395
	(Profit)/loss on exchange		54,864	(3,106)
			<u>£253,711</u>	<u>£241,143</u>
<b>5</b>	<b>Transfer from Technical Account</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
		<b>Underwriting Account</b>	<b>Underwriting Account</b>	<b>Underwriting Account</b>
				<b>Total</b>
	Loss previously transferred	(98,764)	(109,653)	-
	Loss for the year	(7,803)	3,126	-
		<u>£(106,567)</u>	<u>£(106,527)</u>	<u>£-</u>
<b>6</b>	<b>Investment Income</b>		<b>2002</b>	<b>2001</b>
	Income from other investments (including interest receivable)		225	294
	Realised gain / (loss) from other investments		-	-
	Unrealised gain / (loss) from other investments		-	-
			<u>£225</u>	<u>£294</u>
<b>7</b>	<b>Other Income</b>		<b>2002</b>	<b>2001</b>
	Profit / (loss) on sale of syndicate participation rights		29,514	(12,147)
	Other		-	-
			<u>£29,514</u>	<u>£(12,147)</u>



8	Profit/(Loss) on Ordinary Activities before Taxation	2002	2001
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This is stated after charging:

Auditors' remuneration - audit	£600	£600
Auditors' remuneration - other	£1,300	£1,300
Directors' remuneration	£-	£-
Amortisation of syndicate capacity	£5,677	£33,890
	<u>£5,677</u>	<u>£33,890</u>

The Company has no employees.

9	Intangible Assets		Syndicate Participation Rights
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**Cost**

At 1 January 2002	64,195
Additions	0
Disposals	(8,433)
At 31 December 2002	<u>55,762</u>

**Amortisation**

At 1 January 2002	33,890
Charge for the year	5,677
Disposals	(2,430)
At 31 December 2002	<u>37,137</u>

**Net Book Value**

At 31 December 2002	<u>£18,625</u>
At 31 December 2001	<u>£30,305</u>

10 Investments	Syndicate	Corporate	2002 Total	2001 Total
<b>Financial Investments</b>				
<i>At market value</i>				
Shares and other variable yield securities	26,720	-	26,720	12,796
Debt securities and other fixed income securities	643,923	-	643,923	306,749
Participation in investment pools	27,489	-	27,489	10,922
Loans guaranteed by mortgage	66	-	66	203
Other Loans	28,969	-	28,969	8,285
Deposits with credit institutions	59,275	-	59,275	63,664
Other	211	-	211	1,220
	<u>£786,653</u>	<u>£-</u>	<u>£786,653</u>	<u>£403,839</u>
Listed investments included within the above	<u>£595,594</u>	<u>£-</u>	<u>£595,594</u>	<u>£335,908</u>
<i>At cost</i>				
Shares and other variable yield securities	34,015	-	34,015	54,304
Debt securities and other fixed income securities	635,347	-	635,347	284,248
Participation in investment pools	27,489	-	27,489	10,819
Loans guaranteed by mortgage	64	-	64	1,619
Other loans	31,194	-	31,194	-
Deposits with credit institutions	34,252	-	34,252	17,766
Other	613	-	613	959
	<u>£762,974</u>	<u>£-</u>	<u>£762,974</u>	<u>£369,715</u>
<b>11 Debtors</b>	<b>Syndicate</b>	<b>Corporate</b>	<b>2002 Total</b>	<b>2001 Total</b>
Deferred Tax	-	-	-	-
Other	18,120	148,022	166,142	90,027
	<u>£18,120</u>	<u>£148,022</u>	<u>£166,142</u>	<u>£90,027</u>

Corporate other debtors of £130,740 (2001 : £86,712) represents 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	2002 Total	2001 Total
Lloyd's deposit	-	154	154	3,017
Cash at bank	94,185	8,384	102,569	77,409
	<u>£94,185</u>	<u>£8,538</u>	<u>£102,723</u>	<u>£80,426</u>

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

13 Called-up Share Capital	2002	2002	2001	2001
		Allotted, Called-up and		Allotted, Called-up and
	Authorised	Fully Paid	Authorised	Fully Paid
Ordinary shares of £1 each	<u>£100,000</u>	<u>£200</u>	<u>£100,000</u>	<u>£200</u>

14 Reserves	2002	2002	2001	2001
	Share Premium Account	Profit and Loss Account	Share Premium Account	Profit and Loss Account
Balance at 1 January	-	(269,964)	-	(41,288)
Retained profit / (loss) for the year	-	1,810	-	(228,676)
Balance at 31 December	<u>£-</u>	<u>£(268,154)</u>	<u>£-</u>	<u>£(269,964)</u>

<b>15 Reconciliation of Movements in Shareholders' Funds</b>	<b>2002</b>	<b>2001</b>
Profit / (loss) for the financial year	1,810	(228,676)
Opening shareholders' funds	(269,764)	(41,088)
Closing shareholders' funds	<u>£(267,954)</u>	<u>£(269,764)</u>
<b>16 Taxation</b>	<b>2002</b>	<b>2001</b>
<b>Analysis of Charge in Year</b>		
<b>Current tax</b>		
UK Corporation Tax on profits of the year	-	-
Adjustments in respect of previous years	-	-
Foreign tax	-	-
Total current tax	<u>-</u>	<u>-</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	-
Changes in tax rates	-	-
Adjustment to the estimated recoverable amounts of deferred tax assets arising in previous years	-	-
Gain rolled over	-	-
Total deferred tax	<u>-</u>	<u>-</u>
Tax on profit / (loss) on ordinary activities	<u>£-</u>	<u>£-</u>

## 16 Taxation (Continued)

**Factors Affecting Tax Charge for the Year**

The tax assessed for the year is lower than the standard rate of Corporation Tax in the UK of 19% (2001 : 20%). The differences are explained below:

	2002	2001
Profit/(loss) on ordinary activities before tax	<u>1,810</u>	<u>(228,676)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 19% (2001 - 20%).	344	(45,735)
Effects of:		
Expenses not deductible for tax purposes	-	-
Timing differences arising from the taxation of the underwriting results	889	35,778
Timing differences arising from the taxation of syndicate participation movements	-	6,778
Tax Losses carried forward / (utilised)	<u>(1,233)</u>	<u>3,179</u>
Current tax charge for year	<u>£-</u>	<u>£-</u>

**Factors that may affect Future Tax Charges**

The Company has trading losses of approximately £21,168 (2001 : £27,657) 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 £244,554 (2001 : £242,307) 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.

<b>Provision for Deferred Tax</b>	2002	2001
Provision at start of year	-	-
Deferred tax charge/(credit) in Profit and Loss Account for year	<u>-</u>	<u>-</u>
Provision at end of year	<u>£-</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	2002 Total	2001 Total
Other creditors	9,972	-	9,972	36,123
Corporation Tax	-	-	-	-
Proprietors' loan account	-	227,813	227,813	184,944
	<u>£9,972</u>	<u>£227,813</u>	<u>£237,785</u>	<u>£221,067</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	2002	2001
Operating Profit / (Loss) before interest	1,585	(228,970)
Change in provision for open and closed year losses	4,677	178,891
Prior Year result distributable in year	-	-
(Profit) / Loss on sale of capacity	(29,514)	12,147
Increase / (Decrease) in creditors	-	2,232
(Increase) / Decrease in debtors	(61,310)	(75,315)
Amortisation and Impairment of capacity	5,677	33,890
Net cash Inflow / (Outflow) from operating activities	<u>£(78,885)</u>	<u>£(77,125)</u>

#### 19 Funds at Lloyd's

Cash balances of £154 (2001 : £3,017) 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 £340,000 (2001 : £323,000) 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 2000.

**20 Related Party Transactions**

Lord Abercorn is a director and shareholder of the Company. During 2002 he provided funding of £42,869 (2001 : £83,528). No amounts were repaid and included within the creditors at 31 December 2002 is £227,813 (2001 : £184,944) which is due to Lord Abercorn. This amount is shown separately in note 17 under Proprietors' loan account. No interest is chargeable on the amount outstanding.

**21 Losses Relating to 11 September 2001 Terrorist Attacks in the United States of America**

As a result of the terrorist attack on 11 September 2001 the world insurance market is faced with unprecedented losses across a wide range of business underwritten. Many Lloyd's Syndicates, including Syndicates supported by this Company, have material exposure to claims arising from this event. These claims fall mainly on the 2001 underwriting year but significant levels of claims also impact the 2000 underwriting year. Although the 2000 underwriting year closed for most Syndicates this year, there are a number that are in run-off and include exposure to this event and their liabilities will be subject to reassessment prior to ultimate closure.

The loss provision established by the Company's Directors for 2000 and 2001 is based upon the estimate of losses as calculated by the management of the Syndicates together with other market information currently available to the Directors. The size and nature of the 11 September 2001 claims, the legal uncertainties that arise and the ability of Syndicates to collect amounts that become due from reinsurers all increase the level of uncertainty of the total provision for outstanding claims that is necessary. As a result the losses currently estimated by the Directors have a greater degree of uncertainty than usual and may prove to be materially different to the eventual cost of these claims.

## 22 Syndicates

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

Syn. No.	Managing Agent	2003 Allocated Capacity	2002 Allocated Capacity	2001 Allocated Capacity	2000 Allocated Capacity
2	Advent Underwriting Limited	-	28,044	20,000	-
33	Hiscox Syndicates Limited	117,596	69,998	50,000	50,000
62	Marlborough Underwriting Agency Limited	-	-	-	25,000 *
138	R.F. Bailey (Underwriting Agencies) Limited	-	-	-	15,000 *
205	Jago Managing Agency Limited	-	-	-	25,000 *
340	St. Paul Syndicate Management Limited	-	27,778	22,223	25,000 *
386	Limit Underwriting Limited	95,856	63,904	45,387	35,387
435	Faraday Underwriting Limited	-	-	50,000	50,000 *
587	Chaucer Syndicates Limited	-	-	-	38,791
588	XL London Market Limited	-	-	30,000	30,000
609	Atrium Underwriters Limited	72,362	59,100	30,000	20,000
623	Beazley Furlonge Limited	75,000	75,121	60,375	35,000
727	S.A. Meacock & Co. Limited	28,733	24,986	20,000	-
780	Advent Underwriting Limited	44,099	22,500	15,000	-
861	XL London Market Limited	-	-	50,000	50,000
958	Omega Underwriting Agents Limited	68,562	48,973	29,375	25,000
1003	Catlin Underwriting Agencies Limited	-	44,492	28,750	25,000
1007	SVB Syndicates Limited	30,798	30,798	30,798	30,798
1221	Navigators Underwriting Agency Limited	-	-	-	20,000
2001	Amlin Underwriting Limited	53,261	85,219	70,000	160,000
2020	Wellington Underwriting Agencies Limited	83,348	74,418	58,140	50,000
2010	Cathedral Underwriting Limited	30,998	18,562	15,000	-
2791	Managing Agency Partners Limited	36,618	29,512	15,000	-
		<u>£737,231</u>	<u>£703,405</u>	<u>£640,048</u>	<u>£709,976</u>

\* denotes a year of account in run-off.