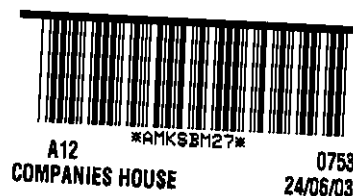


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**Financial statements for
the year ended 31 December 2002**

**Llewellyn House
Underwriting Limited**



Llewellyn House Underwriting Limited

Company information

Director	J E Sparkes
Secretary	S O C Company Secretarial
Company number	3829481
Registered office	122 Leadenhall Street London EC3V 4SJ
Auditors	Mazars 24 Bevis Marks London EC3A 7NR

Llewellyn House Underwriting Limited

Director's report For the year ended 31 December 2002

The director presents his report and financial statements for the year ended 31 December 2002.

Director's responsibilities

Company law requires the director 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 director is 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 financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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.

Director

The following director has held office since 1 January 2002:

J E Sparkes

Director's interests

The director's interest in the shares of the company was as stated below:

	Ordinary shares of £ 1 each	
	31 December 2002	31 December 2001
J E Sparkes	200	200

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

Results and dividends

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

Auditors

On 1 September 2002 our auditors, Mazars Neville Russell, changed their name to Mazars. A resolution to re-appoint Mazars as auditors will be proposed at the forthcoming annual general meeting.

Approved by the Board on

13th June 2003

and signed on its behalf by

J E Sparkes

Llewellyn House Underwriting Limited

Independent auditors' report

To the shareholders of Llewellyn House Underwriting Limited

We have audited the financial statements on pages 3 to 18 which 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 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the director and auditors

As described on page 1 the company's director is responsible for the preparation of financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, and by our profession's ethical guidance.

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 Director's 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 director's remuneration and transactions with the company is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. Our responsibilities do not extend to any other information.

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 financial statements. It also includes an assessment of the significant estimates and judgements made by the director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



MAZARS

CHARTERED ACCOUNTANTS

and Registered Auditors

24 Bevis Marks, London, EC3A 7NR

13 June 2003

Llewellyn House Underwriting Limited

Technical account - General business For the year ended 31 December 2002

	Notes	2002 £	2001 £
Earned premiums, net of reinsurance			
Gross premiums written	3	494,131	743,822
Outward reinsurance premiums	3	(120,065)	(124,888)
Net premiums written		374,066	618,934
Allocated investment return transferred from the non-technical account		21,129	8,840
Claims paid:			
Gross amount	3	(267,682)	(97,109)
Reinsurers' share	3	213,280	17,527
		(54,402)	(79,582)
Change in the provision for claims:			
Gross amount	3	(303,070)	(634,066)
Reinsurer's share	3	37,962	206,085
Change in the provision for future losses	3	90,896	(80,601)
		(174,212)	(508,582)
Net claims incurred		(228,614)	(588,164)
Net operating expenses	4	(141,185)	(120,072)
Investment expenses and charges		(488)	-
Balance transferred to the non-technical account		24,908	(80,462)

Llewellyn House Underwriting Limited

Non-technical account For the year ended 31 December 2002

	Notes	2002 £	2001 £
Balance on the general business technical account		24,908	(80,462)
Investment income	5	21,129	8,839
Investment expenses and charges	6	-	(138)
Allocated investment return transferred to the general business technical account		(21,129)	(8,840)
Other income		3,994	10,666
Other charges		(3,893)	(3,779)
Profit/(loss) on ordinary activities before taxation	7	25,009	(73,714)
Tax on profit / (loss) on ordinary activities	8	(442)	-
Profit/(loss) on ordinary activities after taxation	14	<u>24,567</u>	<u>(73,714)</u>

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

All items derive from continuing activities.

No operations were acquired or discontinued in the period.

Llewellyn House Underwriting Limited
Balance sheet
As at 31 December 2002

		2002			2001		
	Notes	Syndicate £	Other £	Total £	Syndicate £	Other £	Total £
ASSETS							
Intangible assets	9	-	7,116	7,116	-	7,545	7,545
Investments							
Financial investments	10	473,572	-	473,572	202,313	-	202,313
Deposits with ceding undertakings		648	-	648	106	-	106
Reinsurers' share of technical provisions							
Claims outstanding		456,295	-	456,295	224,678	-	224,678
Debtors							
Debtors arising out of direct insurance operations:							
Due from intermediaries		150,885	-	150,885	132,520	-	132,520
Due from policyholders		-	-	-	15,983	-	15,983
Debtors arising out of reinsurance operations:							
Other debtors		287,995	-	287,995	48,450	-	48,450
		71,390	45,497	116,887	272,154	26,910	299,064
Other assets							
Cash at bank and in hand		41,477	6,459	47,936	25,205	8,036	33,241
Other		38,299	-	38,299	12,560	-	12,560
Prepayments and accrued income							
Other prepayments and accrued income		5,174	-	5,174	851	-	851
Total assets		<u>1,525,735</u>	<u>59,072</u>	<u>1,584,807</u>	<u>934,820</u>	<u>42,491</u>	<u>977,311</u>

Llewellyn House Underwriting Limited
Balance sheet
As at 31 December 2002

	Notes	2002			2001		
		Syndicate	Other	Total	Syndicate	Other	Total
		£	£	£	£	£	£
LIABILITIES							
Capital and reserves							
Called up share capital	12	-	200	200	-	200	200
Share premium account	13	-	117	117	-	117	117
Profit and loss account	13	-	(63,405)	(63,405)	-	(87,972)	(87,972)
Shareholders' funds	14	-	(63,088)	(63,088)	-	(87,655)	(87,655)
Technical provisions							
Claims outstanding - gross amount		1,421,597	-	1,421,597	840,642	-	840,642
Provision for future losses		-	928	928	-	91,824	91,824
Deposits received from reinsurers		2,813	-	2,813	2,365	-	2,365
Creditors							
Creditors arising out of direct insurance operations		31,770	-	31,770	11,218	-	11,218
Creditors arising out of reinsurance operations		65,263	-	65,263	70,902	-	70,902
Amounts owed to credit institutions		-	-	-	1,264	-	1,264
Other creditors including taxation and social security	15	2,288	121,232	123,520	7,265	36,090	43,355
Accruals and deferred income		2,004	-	2,004	1,164	2,232	3,396
Total liabilities		<u>1,525,735</u>	<u>59,072</u>	<u>1,584,807</u>	<u>934,820</u>	<u>42,491</u>	<u>977,311</u>

Approved by the Board of directors on 18th JUNE 2003
and signed on its behalf by:



Director

Llewellyn House Underwriting Limited

Cash flow statement For the year ended 31 December 2002

	Note	2002 £	2001 £
Operating activities			
Net cash inflow/(outflow) from operating activities	16(a)	(5,778)	19,014
Capital expenditure			
Payments to acquire intangible assets		-	(7,545)
Proceeds from the sale of intangible assets		4,201	10,508
		4,201	2,963
Interest paid		-	(138)
Net cash inflow		(1,577)	21,839
Cash flows were invested as follows			
Increase / (decrease) in cash holdings	16(b)	(1,577)	8,036
Net investment of cash flows		(1,577)	8,036
Movement in opening and closing portfolio investments net of financing			
Net cash inflow / (outflow) for the year		(1,577)	8,036
Total movement in portfolio investment net of financing		(1,577)	8,036
At 1 January 2002	16(b)	8,036	-
At 31 December 2002	16(b)	6,459	8,036

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.

Llewellyn House Underwriting Limited

Notes to the financial statements For the year ended 31 December 2002

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 of 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.

Llewellyn House Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2002

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 2002 the company had net liabilities of £63,088.

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 2002 years of account. The company is underwriting at Lloyd's for the 2003 year of account and should 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 inception 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).

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.

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

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.

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.

Llewellyn House Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2002

2 Accounting policies

(continued)

2.6 Provision for claims (continued)

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.

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.

Llewellyn House Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2002

2 Accounting policies

(continued)

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: Investments held directly by the company, by the trustees of the Premiums Trust Fund, or as Lloyd's Deposit, 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 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.

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

All investment income, net of realised losses, arising on syndicate participations is allocated to the technical account. Other investment income is attributable to the non-technical account.

2.10 Investments expenses and charges

Investment expenses and charges comprise investment management expenses and losses on the realisation of investments. Realised losses arise from the difference between proceeds and valuation at the previous year end, or cost if there has been no previous revaluation. The realised losses reported by Syndicates are net of any realised gains.

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 and Canadian dollars are translated at the rates of exchange ruling at the date the transaction is processed. Unless otherwise stated, transactions in United States dollars and Canadian dollars 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 year of account.

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.

Llewellyn House Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2002

2 Accounting policies

(continued)

2.15 Deferred taxation

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS 19 - Deferred tax. 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.

The above amounts to a change in accounting policy. The previous policy was to provide deferred tax only to the extent that it was probable that liabilities would crystallise in the foreseeable future.

The adoption of the standard has not required a prior period adjustment. If the new policy had been in place for the previous period no asset or liability would have been recognised as the conditions for recognition would not have been satisfied.

Llewellyn House Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2002

3 Segmental Information

	Gross premiums written	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
Period ended 31 December 2002	£	£	£	£	£
Direct business					
Accident and health	22,251	(26,156)	(8,863)	9,403	(3,365)
Motor - third party liability	1,627	(6,108)	(1,043)	1,995	(3,529)
Motor - other classes	13,029	(15,486)	(4,837)	1,690	(5,604)
Marine, aviation and transport	44,039	(36,037)	(11,954)	5,808	1,856
Fire and other damage to property	93,929	(82,312)	(24,644)	21,760	8,733
Third party liability	199,294	(175,368)	(56,105)	54,440	22,261
Credit and suretyship	2,711	(6,859)	(1,226)	5,257	(117)
Legal expenses	1,342	(943)	(458)	(78)	(137)
Assistance	(55)	41	10	(88)	(92)
Other	1,474	(12,888)	1,717	9,635	(62)
Total direct	379,641	(362,116)	(107,403)	109,822	19,944
Reinsurance business					
Other reinsurance acceptances	101,992	(145,228)	(33,782)	63,417	(13,601)
Reinsurance to close	12,498	27,488	-	(42,062)	(2,076)
Total reinsurance	114,490	(117,740)	(33,782)	21,355	(15,677)
Total	494,131	(479,856)	(141,185)	131,177	4,267
Period ended 31 December 2001					
Direct business					
Accident and health	29,173	(23,988)	(10,910)	363	(5,362)
Motor - third party liability	8,241	(2,684)	(2,049)	(1,123)	2,385
Motor - other classes	11,518	(7,999)	(3,226)	(727)	(434)
Marine, aviation and transport	37,079	(23,692)	(9,514)	(4,112)	(239)
Fire and other damage to property	74,364	(64,820)	(20,837)	11,216	(77)
Third party liability	215,431	(143,373)	(50,491)	(8,540)	13,027
Credit and suretyship	6,139	(7,300)	(1,739)	1,466	(1,434)
Other	2,545	10,521	(694)	(10,533)	1,839
Total direct	384,490	(263,335)	(99,460)	(11,990)	9,705
Reinsurance business					
Other reinsurance acceptances	107,552	(84,876)	(20,612)	(20,470)	(18,406)
Reinsurance to close	251,780	(382,964)	-	131,184	-
Total reinsurance	359,332	(467,840)	(20,612)	110,714	(18,406)
Total	743,822	(731,175)	(120,072)	98,724	(8,701)

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.

Llewellyn House Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2002

4	Net operating expenses	2002	2001
		£	£
	Acquisition costs	67,586	98,454
	Administrative expenses	32,737	3,824
	(Profit)/loss on exchange	28,948	(1,206)
		<u>129,271</u>	<u>101,072</u>
	Personal expenses	11,914	19,000
		<u>141,185</u>	<u>120,072</u>
5	Investment income	2002	2001
		£	£
	Interest receivable	23,512	-
	Realised (loss) / profit on the sale of investments	(2,383)	8,839
		<u>21,129</u>	<u>8,839</u>
6	Investment expenses and charges	2002	2001
		£	£
	Investment management expenses	-	138
7	Profit / (loss) on ordinary activities before taxation	2002	2001
		£	£
	Profit / (loss) on ordinary activities before tax is stated after charging:		
	Auditors' remuneration	550	600
	Remuneration of auditors for non-audit work	625	1,300
	(Profit) / loss on disposal of intangible fixed assets	(3,772)	(10,508)

Llewellyn House Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2002

8 Taxation	2002 £	2001 £
U.K. corporation tax at 10% (2001 : 20%)	57	-
Adjustment in respect of prior years	385	-
Current tax charge	<u>442</u>	<u>-</u>
Tax on profit on ordinary activities	<u>442</u>	<u>-</u>
Factors affecting the tax charge for the year		
(Loss)/profit on ordinary activities before taxation	<u>25,009</u>	<u>(73,714)</u>
(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 10.00% (2001 : 20.00%)	<u>2,501</u>	<u>(14,743)</u>
Effects of:		
Expenses not deductible for tax purposes and other permanent differences	222	-
Adjustment in respect of prior years	385	-
Other timing differences	(2,666)	14,743
	<u>(2,059)</u>	<u>14,743</u>
Current tax charge	<u>442</u>	<u>-</u>

The company has incurred trading losses of £63,405 (2001: £87,972) to date. To the extent that these are agreed with the Inland Revenue as being allowable 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 taxable profits from the same trade.

Llewellyn House Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2002

9 Intangible assets

Syndicate participation rights

	£
Cost	
At 1 January 2002	7,545
Disposals	(429)
	<u>7,116</u>
At 31 December 2002	<u>7,116</u>
Amortisation	
At 1 January 2002	-
Amortisation on disposals	-
Charge for the year	-
	<u>-</u>
At 31 December 2002	<u>-</u>
Net book value	
At 31 December 2002	<u>7,116</u>
At 31 December 2001	<u>7,545</u>

10 Financial investments

Syndicate	2002 Market value £	Historic cost £	2001 Market value £	Historic cost £
Shares and other variable yield securities	52,942	112,560	20,395	22,602
Debt securities and other fixed income securities	405,765	349,850	157,482	177,111
Loans guaranteed by mortgage	2,246	2,188	4,694	6,648
Other loans	2,854	3,029	-	-
Deposits with credit institutions	9,501	7,042	12,661	7,208
Other	264	264	7,081	2,172
	<u>473,572</u>	<u>474,933</u>	<u>202,313</u>	<u>215,741</u>
Analysis of market value				
Listed on the stock exchange	401,990		124,998	
Other listed	71,582		-	
Unlisted	-		-	
	<u>473,572</u>		<u>124,998</u>	

Llewellyn House Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2002

11 Funds at Lloyd's

The company's 2000, 2001 and 2002 underwriting is supported by assets made interavailable to it by the shareholder of the company.

12 Share capital

	2002 £	2001 £
Authorised		
100,000 Ordinary shares of £ 1 each	100,000	100,000
Allotted, called up and fully paid		
200 Ordinary shares of £ 1 each	200	200

13 Reserves

	Share premium account £	Profit and loss account £
Balance at 1 January 2002	117	(87,972)
Retained profit for the year	-	24,567
Balance at 31 December 2002	117	(63,405)

14 Reconciliation of movements in shareholders' funds

	2002 £	2001 £
Profit/(Loss) for the financial year	24,567	(73,714)
Net (depletion in)/addition to shareholders' funds	24,567	(73,714)
Opening shareholders' funds	(87,655)	(13,941)
Closing shareholders' funds	(63,205)	(87,655)

15 Other creditors including taxation and social security

	2002 £	2001 £
Corporation tax	57	-
Other creditors	121,175	36,090
	121,232	36,090

Llewellyn House Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2002

16 Cash Flow Statement	2002 £	2001 £
(a) Reconciliation of profit or loss on ordinary activities before tax to net cash inflow / (outflow) from operating activities:		
Profit or loss on ordinary activities before tax	25,009	(73,714)
Decrease / (increase) in debtors	(18,587)	(26,910)
(Decrease) / increase in creditors and accruals	82,468	38,322
(Decrease) / increase in provision for future losses	(90,896)	91,824
Loss / (profit) on disposal of intangible assets	(3,772)	(10,508)
Net cash inflow / (outflow) from operating activities	<u>(5,778)</u>	<u>19,014</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 2002 £	Cashflow December 2002 £	At 31 December 2002 £
Cash in hand	<u>8,036</u>	<u>(1,577)</u>	<u>6,459</u>

17 Related party transactions

During the period, the director made loans to the company. At the balance sheet date £55,189 (2001: £36,090) was owed to the director.