

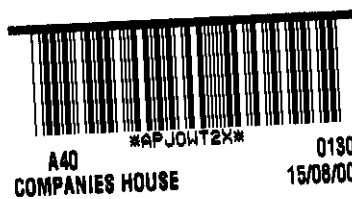
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MFB CORPORATE MEMBER LIMITED

**REPORT AND ACCOUNTS
FOR THE YEAR ENDED
31 DECEMBER 1999**

REGISTRAR'S COPY

Company Number: 03250931



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Directors

J S Barber
J R F Lee
M M Somerville

Company Secretary

M M Somerville

Registered Office

Holland House
1-4 Bury Street
LONDON
EC3A 5AT

Auditors

Littlejohn Frazer
Chartered Accountants
and Registered Auditors
1 Park Place
Canary Wharf
London E14 4HJ

Solicitors

D J Freeman
43 Fetter Lane
LONDON
EC4A 1JU

The Directors have pleasure in presenting their Report together with the Accounts for the year to 31 December 1999.

Results and Dividends

The loss for the year before taxation was £322,736 (1998 loss - £16,962). The taxation credit was £104 (1998 charge - £6,040), leaving a loss after taxation of £322,632 (1998 loss - £23,002).

The Directors do not recommend the payment of a dividend.

Review of the Business

In common with virtually the entire insurance industry 1999 has been a difficult year for our Company.

Unlike traditional Membership at Lloyd's, Corporate Membership recognises and provides for losses on unclosed years as soon as they are known. This is in accordance with section (iii) of the accounting policies as stated in the notes to the accounts. This means that the loss reported spans a number of underwriting years of accounts. The technical loss of £342,157 shown in the group profit and loss account includes a provision of £259,150 relating to the 1998 account. The balance of £82,647 is the difference on the 1997 account between the actual loss and the provision carried forward from the previous year.

The actual underwriting loss for the 1997 account, reported as at 31st December 1999 was £130,302 (4.4% of capacity).

In previous years, we have voiced our concern regarding the costs that might be associated with Schedule 9A costs. In the event, costs in this area have been £1,300, considerably less than had been anticipated.

Regrettably, there have been a number of cash calls made by syndicates for the 1998, 1999 and 2000 years of accounts reflecting the underwriting conditions and the requirement for syndicates to have sufficient working capital. It is expected that further such calls will be made during the next 12 months. However, we are happy to report that the existing capital in the Company is sufficient to accommodate these.

For the future, we know that the 1998 account will be an underwriting loss and we anticipate that the 1999 account will also be an underwriting loss. It is too early to predict the outcome of the year 2000. The company's performance is principally driven by the underwriting performance but, following the payment of the convertible loan stock last year, investment income will become material. Approximately £1.5 million was paid up, and is currently held as cash. The Board, however, regularly reviews the investment policy and may consider appointing an investment manager.

Despite the poor result your board is optimistic on a number of fronts.

Strenuous efforts have been made to improve the underwriting portfolio. Note 21 shows the changes to the portfolio since 1998 and we propose to continue this process for 2001 with the help of our advisors Sedgwick Oakwood Lloyd's Underwriting Agents Limited. We had concerns about the general underwriting climate in 1999 and 2000 and purchased stop loss for those accounts to protect the Company's assets.

Directors and Directors' Interests

The Directors of the Company in office during the year were as follows:

J S Barber
M M Somerville
J R F Lee

None of the Directors had any interest in the shares of the Company. The Directors' interests in the shares of the holding company are shown in that company's accounts.

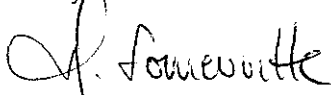
Year 2000

The Company's main software programmes are maintained by the Managing Agent for the Syndicates on which the Company participates. Lloyd's introduced central procedures to ensure these and the market-wide system, achieved Year 2000 compliance. There have been no adverse effects for the Company since the Millennium date change.

Auditors

The auditors, Littlejohn Frazer having shown their willingness to continue in office, will be proposed for reappointment in accordance with Section 385 of the Companies Act 1985.

By Order of the Board



M M Somerville

Secretary

30 June 2000

To the Members of M F B Corporate Member Limited

We have audited the Accounts on pages 6 to 17 which have been prepared under the Accounting Policies set out on pages 9 to 11.

Respective Responsibilities of Directors and Auditors

As described on page 9 the Company's Directors are responsible for the preparation of Accounts. It is our responsibility to form an independent opinion, based on our audit, on those Accounts and to report our opinion to you.

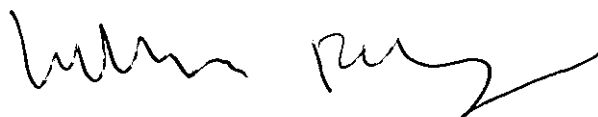
Basis of Opinion

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

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

Opinion

In our opinion the Accounts give a true and fair view of the state of the Company's affairs as at 31 December 1999 and of the loss 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

30 June 2000

	Note	1999 **	1998 *
Gross Written Premiums	1	3,095,366	3,461,321
Outward reinsurance premiums		(664,225)	(489,346)
Net Written Premiums		2,431,141	2,971,975
Allocated Investment Income	3	72,891	51,518
Claims paid	4	(1,688,719)	(681,293)
Increase in outstanding claims provisions	5	(440,938)	(1,727,258)
Claims Incurred Net of Reinsurance		(2,129,657)	(2,408,551)
Net operating expenses	6	(716,532)	(662,597)
Balance Transferred to Non Technical Account	7	£(342,157)	£(47,655)

* Calendar year 1998 relates to transactions undertaken by the 1997 and 1998 underwriting accounts during the 12 months ended 31 December 1998.

** Calendar year 1999 relates to transactions undertaken by the 1997, 1998 and 1999 underwriting accounts during the 12 months ended 31 December 1999.

The Accounting Policies and Notes on pages 9 to 17 form part of these Accounts.

MFB CORPORATE MEMBER LIMITED
PROFIT AND LOSS ACCOUNT
Year ended 31 December 1999

	Note	1999	1998
Balance Transferred from General Business Technical Account		(342,157)	(47,655)
Investment income	8	18,999	8,130
Other income	9	25,941	32,218
Other charges		(25,519)	(9,655)
Loss on Ordinary Activities before Taxation		(322,736)	(16,962)
Tax on loss on ordinary activities	11	104	(6,040)
Loss for the Financial Year		(322,632)	(23,002)
Retained Loss brought forward		(32,992)	(9,990)
Retained Loss carried forward		<u>£(355,624)</u>	<u>£(32,992)</u>

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

The Accounting Policies and Notes on pages 9 to 17 form part of these Accounts.

MFB CORPORATE MEMBER LIMITED

BALANCE SHEET
At 31 December 1999

	Note	Assets and liabilities at Lloyd's	Corporate	1999 Total	1998 Total
Assets					
Intangible assets	12	-	25,588	25,588	15,649
Investments	13	1,610,242	-	1,610,242	689,161
Debtors	14	2,703,866	473	2,704,339	2,223,105
Cash at bank	15	209,116	1,149,742	1,708,858	207,451
Other		145,174	10,300	155,474	80,405
Prepayments and accrued income		17,726	16,385	34,111	11,407
		<u>£4,686,124</u>	<u>£1,552,488</u>	<u>£6,238,612</u>	<u>£3,227,178</u>
Liabilities and Reserves					
Called-up share capital	16	-	2	2	2
Profit and Loss Account		(389,812)	34,188	(355,624)	(32,992)
Technical Provisions:					
Provision for outstanding claims	17	3,265,120	-	3,265,120	2,840,381
Creditors	18	1,795,440	1,508,319	3,303,759	402,096
Accruals and deferred income		15,376	9,979	25,355	17,691
		<u>£4,686,124</u>	<u>£1,552,488</u>	<u>£6,238,612</u>	<u>£3,227,178</u>

Approved by the Board on 30 June 2000.

M M Somerville

M M Somerville

) Directors

J R F Lee

J R F Lee

)

The Accounting Policies and Notes on pages 9 to 17 form part of these Accounts.

Statement of Directors' Responsibilities

Company law requires the Directors to prepare Accounts 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 Accounts the Directors are required to:

- select suitable Accounting Policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the Accounts;
- prepare the Accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Accounting Policies selected are set out below.

Accounting Policies

Basis of Accounting

The Accounts are prepared under the historical cost basis of accounting, and comply with applicable Accounting Standards.

The Company participates in insurance business as an underwriting member of various Syndicates at Lloyd's.

The Accounts have been prepared in accordance with Schedule 9A of the Companies Act 1985. 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.

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 "Assets and Liabilities at Lloyd's".

General Business

i. Premiums

Premiums are accounted for in the period in which the risk commences. Future premiums relating to risks commencing in the period are included based upon a prudent best estimate 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 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 to 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 of 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 outstanding claims.

vi. Run-off Years of Account

Where an underwriting year of account is not closed at the end of the third year (a "run-of" 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.

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, net of investment expenses and charges 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. All transactions expressed in United States and Canadian dollars 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 notes 14 and 18 include the totals of all the Syndicates outstanding debit and credit transactions as processed by the Lloyd's Policy Signing Office; 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 Taxation is provided at anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the Accounts. Provision is made to the extent that it is likely that a liability will crystallise in the foreseeable future.

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 fixed assets and amortised over a 3 year period beginning in the third year after the underwriting commences in respect of the purchased syndicate participation. This is a change in the policy previously adopted. The effect on the Accounts as a result of this change is not material.

Cash Flow Statement

The Company has taken advantage of the exemptions in Financial Reporting Standard No.1 from the requirement to produce a cash flow statement on the grounds that it is wholly-owned subsidiary undertaking.

1. Segmental Analysis

	Gross Premium Written	Gross Claims Incurred	Operating Expenses	Reinsurance Balance
	£'000	£'000	£'000	£'000
1999				
Motor 3rd party	508	(545)	(133)	61
Fire and property damage	456	(502)	(122)	165
Third party liability	568	(483)	(154)	48
Other	575	(656)	(157)	203
Reinsurance	988	(1,022)	(151)	226
	<u>3,095</u>	<u>(3,208)</u>	<u>(717)</u>	<u>703</u>
1998				
Motor 3rd party	388	(269)	(106)	(26)
Fire and property damage	404	(329)	(131)	26
Third party liability	457	(287)	(129)	15
Other	525	(472)	(144)	42
Reinsurance	1,687	(1,924)	(153)	326
	<u>3,461</u>	<u>(3,281)</u>	<u>(663)</u>	<u>383</u>

2. Geographical Analysis

	Calendar Year 1999	Calendar Year 1998
	Direct gross premium written	
United Kingdom	1,158,936	1,747,300
Other EU Member States	2,306	13,269
Rest of the World	945,710	14,017
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	£2,106,952	£1,774,586
	<hr/>	<hr/>

3. Allocated Investment Income

Investment income	116,277	44,730
Realised gain on investments	(41,154)	7,959
Investment expenses and charges	(2,232)	(1,171)
	<hr/>	<hr/>
	£72,891	£51,518
	<hr/>	<hr/>

4. Claims Paid

Gross amount	2,293,041	878,583
Reinsurers' share	(604,322)	(197,290)
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	£1,688,719	£681,293
	<hr/>	<hr/>

5. Change in the Provisions for Claims

Gross amount	913,838	2,354,578
Reinsurers' share	(732,410)	(674,975)
Provision for open year losses	259,510	47,655
	<hr/>	<hr/>
	£440,938	£1,727,258
	<hr/>	<hr/>

6. Net Operating Expenses

Acquisition cost	558,583	446,877
Administrative expenses	208,442	209,740
(Profit)/loss on exchange	(50,493)	5,980
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	£716,532	£662,597
	<hr/>	<hr/>

7. Technical Account Balance	1999 Year of Account	1998 Year of Account	1997 Year of Account	Total
Loss previously transferred	-	-	(47,655)	(47,655)
Balance for the year	-	(259,510)	(82,647)	(342,157)
	<u>£ -</u>	<u>£(259,510)</u>	<u>£(130,302)</u>	<u>£(389,812)</u>

In accordance with Standard Accounting Policies the loss for the year includes an amount of £259,510 which relates to losses estimated by the Managing Agents on a Syndicate by Syndicate basis in respect of the 1998 Year of Account.

	Calendar Year 1999	Calendar Year 1998
8. Investment Income		
Interest on Lloyd's deposits	£18,999	£8,130
9. Other Income		
Profit on sale of capacity	25,941	29,428
Sundry income	-	2,790
	<u>£25,941</u>	<u>£32,218</u>
10. Loss on Ordinary Activities before Taxation		
This is stated after charging:		
Auditors' remuneration	£ 4,875	£ 1,875
Amortisation of syndicate auction capacity	£ 647	£ -
	<u>£ 5,522</u>	<u>£ 1,875</u>

No Directors remuneration or staff costs are incurred by the company.

11. Taxation		
Corporation Tax at 21%	-	(6,040)
Adjustment in respect of prior year	104	-
	<u>£104</u>	<u>£(6,040)</u>

12. Intangible Assets	As at 31.12.1999	As at 31.12.1998
Cost		Auction capacity
Brought forward	16,916	4,396
Additions	13,695	13,012
Disposals	(3,461)	(492)
	<u>27,150</u>	<u>16,916</u>
Amounts carried forward		
Amortisation		
Brought forward	1,267	1,402
Charge for the year	647	-
Disposals	(352)	(135)
	<u>1,562</u>	<u>1,267</u>
Amount carried forward		
Net Book Value		
At 31 December 1999	<u>£25,588</u>	<u>£15,649</u>

Syndicate capacity acquired on the Lloyd's auction process is now being written off over a 3 year period beginning in the third year after underwriting commences in respect of the purchased syndicate participation.

13. Investments

	Assets and liabilities at Lloyd's	Corporate	As at 31.12.1999 Total	As at 31.12.1998 Total
Shares and other variable yield securities	32,616	-	32,616	32,136
Debt securities and other fixed income securities	1,404,804	-	1,404,804	545,878
Deposits with credit institutions	112,621	-	112,621	73,637
Other	60,201	-	60,201	37,510
	<hr/>	<hr/>	<hr/>	<hr/>
	£1,610,242	£ -	£1,610,242	£689,161
	<hr/>	<hr/>	<hr/>	<hr/>

14. Debtors

Arising out of direct insurance operations:	71,095	-	71,095	35,268
Policy holders	1,041	-	1,041	-
Intermediaries	723,907	-	723,907	714,006
Arising out of reinsurance operations	1,740,252	-	1,740,252	1,399,398
Other	167,571	473	168,044	74,433
	<hr/>	<hr/>	<hr/>	<hr/>
	£2,703,866	£473	£2,704,339	£2,223,105
	<hr/>	<hr/>	<hr/>	<hr/>

15. Cash at Bank and in Hand

Lloyd's deposit	-	1,499,742	1,499,742	111,000
Cash at bank and in hand	209,116	-	209,116	96,451
	<hr/>	<hr/>	<hr/>	<hr/>
	£209,116	£1,499,742	£1,708,858	£207,451
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The Lloyd's deposit represents monies 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 Lloyd's Deposit Trust Deed which gives the Corporation the right to apply these monies in settlement of any claims arising from the participation of the Syndicates. These monies 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.

16. Called-up Share Capital	As at 31.12.1999	As at 31.12.1998	As at 31.12.1999	As at 31.12.1998
	Authorised		Allotted, called-up and fully paid	
Ordinary shares of 25p each	£100	£100	£2	£2
	<hr/>	<hr/>	<hr/>	<hr/>
17. Provision for Outstanding Claims	Assets and liabilities at Lloyd's	Corporate	As at 31.12.1999 Total	As at 31.12.1998 Total
Gross claims	4,487,787	-	4,487,787	3,622,556
Reinsurers' share	(1,536,398)	-	(1,536,398)	(829,830)
Provision for open year losses	313,731	-	313,731	47,655
	<hr/>	<hr/>	<hr/>	<hr/>
	£3,265,120	£ -	£3,265,120	£2,840,381
	<hr/>	<hr/>	<hr/>	<hr/>
18. Creditors				
Arising out of direct insurance	94,423	-	94,423	66,254
Arising out of reinsurance operations	1,464,179	-	1,464,179	122,722
Amounts owed to group undertakings	-	1,508,319	1,508,319	102,196
Other creditors	236,838	-	236,838	104,884
Corporation Tax	-	-	-	6,040
	<hr/>	<hr/>	<hr/>	<hr/>
	£1,795,440	£1,508,319	£3,303,759	£402,096
	<hr/>	<hr/>	<hr/>	<hr/>
19. Contingent Liabilities				

The Company participates on insurance business written by Lloyd's Syndicates. As a result of this participation, the Company is exposed to claims arising on insurance business written by those Syndicates.

The net results of the Company's participation on those Syndicates for any underwriting year will not be calculated until the 3rd anniversary of that underwriting year at the earliest.

20. Ultimate Parent Company

The ultimate parent company is MFB Capital plc, a company incorporated in the United Kingdom and registered in England and Wales.

21. Syndicate Participation

Syndicate No:	Managing Agent	2000	1999	1998
		Allocated capacity per underwriting year		
		£'000	£'000	£'000
33	Hiscox Syndicates Limited		88	88
45	Limit Underwriting Limited		35	35
112	C I De Rougemont and Company Limited		-	50
138	R F Bailey (Underwriting Agencies) Limited	50	50	24
183	St Paul Syndicate Management Limited	56	65	65
205	Jago Managing Agency Limited	150	150	150
218	Cox Syndicate Management Limited	205	205	195
227	St Paul Syndicate Management Limited	50	-	-
250	Wren Syndicates Management Limited	61	-	-
260	KGM Underwriting Agencies Limited		21	21
314	St Paul Syndicate Management Limited	45	50	36
340	St Paul Syndicate Management Limited	33	37	14
382	Hardy (Underwriting Agencies) Limited	53	55	62
386	Limit Underwriting Limited	105	48	48
435	D P Mann Limited	55	50	35
510	R J Kiln & Company Limited	105	104	120
570	Atrium Cockell Underwriting Limited	65	65	65
609	Atrium Cockell Underwriting Limited	86	86	86
672	Wellington Underwriting Agencies Limited		-	215
727	S A Meacock & Company Limited	43	43	50
735	Wren Syndicate Management Limited		31	31
780	B F Caudle Agencies Limited	35	28	23
866	Archer Managing Agents Limited		-	62
877	Bates Cunningham Underwriting Limited		50	94
925	Ace London Aviation Limited		-	3
958	Omega Underwriting Agents Limited	173	173	173
960	Ace London Aviation Limited		39	39
962	Creechurch Underwriting Limited		36	36
980	Limit Underwriting Limited	50	36	28
990	Denham Syndicate Management Limited	151	301	346
991	A E Grant (Underwriting Agencies) Limited		97	78
994	Chartwell Managing Agents Limited		75	50
1003	Catlin Underwriting Agencies Limited	53	53	53
1028	Wellington Underwriting Agencies Limited		-	20
1047	Marlborough Underwriting Agency Limited	50		-
1084	Chaucer Syndicates Limited	16	21	17
1096	Chaucer Syndicates Limited	50	-	-
1101	Duncanson & Holt Syndicate Management Limited		86	86
1156	Limit Underwriting Limited		25	15
1173	Cottrell and Maguire Limited	50	-	-
1183	Venton Underwriting Agencies Limited		45	25
1202	Wren Syndicates Management Limited	31	25	25
1239	Octavian Syndicate Management Limited		45	40
1308	Duncanson & Holt Syndicate Management Limited		34	30
1485	L G Cox & Company Limited		-	127
2001	Amlin Underwriting Limited	192	205	239
2020	Wellington Underwriting Agencies Limited	203	189	-
2488	Ace Underwriting Agencies Limited	79	-	-
		£2,295	£2,746	£2,999