

121262

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

CONTENTS

	Page
1. Notice of Meeting	1
2. Directors	2
3. Report of the Directors	3 - 7
4. Report of the Independent Auditors	8 - 9
5. Income and Expenditure Account	10
6. Balance Sheet	11
7. Cashflow Statement	12
8. Notes to the Financial Statements	13 - 24
9. Managers and Officers	25



ED2 *EN8YHK97* 0015
COMPANIES HOUSE 09/05/03

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

Limited by Guarantee

NOTICE OF MEETING

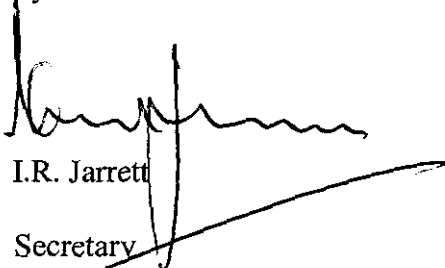
The Annual General Meeting of the Members of The United Kingdom Mutual War Risks Association Limited will be held in the offices of the Association, International House, 26 Creechurch Lane, London, EC3A 5BA on Tuesday 14th October 2003 at 11.00am for the following purposes:-

To receive the Directors' Report and the Financial Statements for the year ended 20th February 2003 and, if they are approved, to adopt them.

To elect Directors.

To re-appoint the auditors and authorise the Directors to fix their remuneration.

By Order of the Board



I.R. Jarrett
Secretary

29th April 2003

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

DIRECTORS

R.G. Crawford C.B.E. (Chairman)

J.G.M. Freeman

C.D. Wannell

D.T. Anderson (appointed – 20th August 2002)

E.C. Rothwell (appointed – 3rd September 2002)

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their Report and the Financial Statements of the Association for the year ended 20th February 2003.

PRINCIPAL ACTIVITY

The principal activity of the Association is the insurance against war risks of British owned ships and foreign flagged ships of existing Members. The total number of the ships entered for insurance with the Association at noon on 20th February 2003 was 435 ships valued at £7.5 billion compared with 394 ships valued at £7.161 billion for the previous year. Entry of ships in the Association is recorded in several currencies which have been converted to sterling at exchange rates applicable for the year and agreed with the reinsuring underwriters.

The Association is party to a Pooling Agreement under which its liabilities are pooled with six other similar Associations to form the Combined Group of War Risks Associations. In the year under review, the Group was reinsured without deductible but with the market automatic termination of cover clause.

CLAIMS PAID

No new claim notifications were received for the year ended 20th February 2003 in respect of ships entered in the Association.

CONTRIBUTIONS AND PREMIUMS

At the meeting of the Board on 14th January 2003, the Directors decided no return should be made of any proportion of the advance contributions due in respect of the 2002/2003 Policy Year upon the closing of that year.

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

REVIEW OF THE YEAR

The year under review opened under the shadow of the events in the United States on 11th September 2001 and remained dominated throughout by the tensions created by those acts of terrorism.

On land the situation between the Israelis and the Palestinians remained as far from a peaceful solution as ever. Suicide bombers continued to cause civilian and military casualties in Israel and Israeli responses to these attacks included the blockade of towns on the West Bank and major destruction of housing said to be used as hideouts by Hezbollah militants and other anti-Israeli groups.

In May relations between India and Pakistan over Kashmir reached a critical point and there were even threats that nuclear weapons might be deployed. Certain Indian ports became Additional Premium Areas from mid June. At much the same time the United Nations came under substantially increased pressure to impose stricter sanctions on Iraq through further resolutions, breaches of which might have provided the right to launch an attack on Iraq. Terrorist atrocities in Bali and Mombasa resulted in considerable loss of life and an unsuccessful rocket attack on an airliner flying out of Kenya served to emphasise the continuing dangers posed by terrorists cells.

At sea the single most significant war risks loss during 2002 was the terrorist attack on 6th October on the LIMBURG, a French tanker, off the Yemeni coast. The claim on the insurance market arising out of this incident was some \$70 million.

By December although UN weapons inspectors were carrying out their brief in Iraq there were increasing indications that a US led attack on that country, whether under the aegis of the United Nations or otherwise was a distinct possibility. Armed forces from both the United States and the United Kingdom began being moved into the Gulf region in readiness for possible action. This grave situation has ensured that Additional Premium rates in the Arabian Gulf have remained very firm.

Although there has been considerable focus on the Gulf region and the potential risks of trading in that area, other parts of the world including the Malacca Straits and West Africa remained areas where shipping had to be on continuous alert against possible dangers from pirates. Shipping was also warned to be vigilant in the coastal regions of the Gulf of Aden and there were several incidents involving marauders attacking ships off the North East coast of Somalia. Ships were strongly recommended to keep to the middle of the waters of the Gulf of Aden and to avoid sailing within anything less than fifty miles of the shore.

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

REVIEW OF THE YEAR – (continued)

At the closure of the year the list of Additional Premium Areas was as follows:-

Algeria
Angola (including Cabinda)
Arabian Gulf and adjacent waters including Gulf of Oman north of 24° North
Democratic Republic of Congo
Egypt (including Suez Canal)
Eritrea
Gulf of Aqaba
Indian Ports – North of 18° N, West of 73° East
Indonesian Ports
Israel
Lebanon
Liberia
Libya (including Gulf of Sidra/Sirte)
Oman
Pakistan
Red Sea
Sierra Leone
Somalia
Sri Lanka
Syria
Republic of Yemen

DIRECTORS

The Directors of the Association are shown on page 2.

At the Annual General Meeting on 14th October 2003, Mr C.D. Wannell retires by rotation in accordance with Article 53 of the Articles of Association and, being eligible, offers himself for reappointment. In addition during the year Mr D.T. Anderson and Mr E.C. Rothwell have been appointed as Directors.

The Board of Directors have a Directors' and Officers' liability policy in place. The cost of this insurance is met by the Association and included in general expenses.

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

MEETINGS OF THE DIRECTORS

In the year under review, the Directors met formally in April 2002, October 2002 and January 2003. In addition they maintained contact with the Managers through telephone or correspondence between meetings, in order to fulfil the general and specific responsibilities entrusted to them by the Members in accordance with the Articles and Rules of the Association.

Reports and Items considered and discussed at these meetings were as follows:

Premiums and Reinsurance Rates

Closure of the 2002 Policy Year.

Rates to Members for the 2003 Policy Year after considering various alternative ratings.

Terms to Members for the 2003 Policy Year

Reinsurance for the 2003 Policy Year.

Additional Premium Areas.

Directors

Appointment of new Directors.

Directors' and Officers' Liability Insurance.

Financials and Audit

2002 Year End Financial Statements.

2002 FSA return.

Auditors' report on 2002 Financial Statements.

Auditors' Letter of Engagement.

Investments and investment strategy.

Change of Managers of Fixed Income Portfolio.

Other Matters

Amendments to Association's Rules.

Management Fee agreements.

Business Plan of the Association.

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

AUDITORS

The Association's auditors, Blueprint Audit Limited, have indicated their willingness to continue in office and a resolution will be proposed for their reappointment in accordance with Section 385 of the Companies Act 1985 at the Annual General Meeting to be held on Tuesday 14th October 2003.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company Law requires the Directors to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Association as at the end of the financial year including the surplus or deficit of the Association for that period. In preparing those Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume the Association will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Association enabling them to ensure that the Financial Statements comply with the Companies Acts. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



R.G. Crawford

Chairman

29th April 2003

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

REPORT OF THE INDEPENDENT AUDITORS

**TO THE MEMBERS OF THE UNITED KINGDOM MUTUAL WAR RISKS
ASSOCIATION LIMITED**

We have audited the Financial Statements of The United Kingdom Mutual War Risks Association Limited for the year ended 20th February 2003 which comprise the Income and Expenditure Account, the Balance Sheet and related notes. The Financial Statements have been prepared under the historic cost convention, as modified by the revaluation of investments, and the accounting policies set out therein.

This report is made solely to the Association's Members, 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 Association's Members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As described on page 7, the Association's Directors are responsible for the preparation of the Financial Statements. It is our responsibility to form an independent opinion, based on our audit, on those Financial Statements 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 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 Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from 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.

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

REPORT OF THE AUDITORS (continued)

Opinion

In our opinion the Financial Statements give a true and fair view of the state of the Association's affairs as at 20th February 2003 and its deficit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Blueprint Audit Limited
Chartered Accountants and Registered Auditors

Blueprint Audit Limited

66 Chiltern Street
London
W1U 4JT

2 May 2003

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT
for the year ended 20th February 2003

TECHNICAL ACCOUNT	Note	2003 £000's	2002 £000's
Gross premium written	4	3,349	2,060
Outward reinsurance premium	5	<u>(3,332)</u>	<u>(2,353)</u>
		17	(293)
Other technical income	6	33	140
Claims incurred, net of reinsurance			
- Claims paid			
Gross claims paid		(7)	-
Reinsurer's share		7	-
- Change in the provision for claims			
Gross outstanding claims	15	(31)	-
Reinsurers' share	15	<u>31</u>	<u>-</u>
		-	-
Acquisition costs	7 & 16	(5)	(4)
Administration costs	8	<u>(234)</u>	<u>(212)</u>
Balance of the technical account		(189)	(369)
NON TECHNICAL ACCOUNT			
Balance of the technical account		(189)	(369)
Investment and other income	9	317	570
Gain/(loss) on the realisation of investments		117	(21)
Unrealised loss on investments	3	(495)	(759)
Deficit on ordinary activities before tax	3	<u>(250)</u>	<u>(579)</u>
Tax on ordinary activities	13(a)	(1)	66
Deficit on ordinary activities after tax		<u>(251)</u>	<u>(513)</u>
Income and Expenditure account brought forward		11,750	12,263
Income and Expenditure account carried forward		<u>11,499</u>	<u>11,750</u>

All activities represent continuing activities. There are no recognised gains or losses other than the surplus for the year.

The annexed notes form an integral part of these Financial Statements.

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

BALANCE SHEET

As at 20th February 2003

	Note	2003 £000's	2002 £000's
ASSETS			
Other Financial Investments	10	13,308	11,389
Reinsurers' share of technical provisions			
Claims outstanding	15	31	-
Debtors			
Debtors arising out of direct insurance operations			
- Policy holders		183	975
Debtors arising out of reinsurance operations		32	140
Other debtors		-	66
Cash at bank and in hand		469	307
Prepayments		2	-
Accrued Interest	11	13	48
		<u>14,038</u>	<u>12,925</u>
LIABILITIES			
Reserves			
Income and Expenditure		11,499	11,750
Technical Provisions			
Claims outstanding	15	31	-
Creditors			
Creditors arising out of direct insurance operations		113	80
Creditors arising out of reinsurance operations		2,360	1,067
Other creditors including taxation	13(b)	4	4
		<u>2,477</u>	<u>1,151</u>
Accruals	12	31	24
		<u>14,038</u>	<u>12,925</u>

These Financial Statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors:

Directors

R.G. Crawford
R.G. CRAWFORD

J.G.M. Freeman
J.G.M. FREEMAN

Director, Thomas Miller War Risks Services Limited as Managers.

P.N. Lindrea
P.N. LINDREA

The annexed notes form an integral part of these Financial Statements.

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

CASH FLOW STATEMENT
for the year ended 20th February 2003

	Note	2003 £000's	2002 £000's
Net cashflow from operating activities			
Premium received		4,173	1,079
Reinsurance premium		(2,039)	(1,420)
Other operating income received		141	-
Claims recovered		-	22
Other operating cash payments		(238)	(217)
	14	<u>2,037</u>	<u>(536)</u>
Interest received		358	638
Taxation received/(paid)		64	(167)
Increase/(decrease) in cash	14	<u>2,459</u>	<u>(65)</u>
CASH FLOWS WERE INVESTED/DISINVESTED AS FOLLOWS:			
Increase in cash		162	256
Net portfolio investment			
Disposal of fixed income securities		(3,275)	(1,225)
Purchase of units in unit trusts		5,599	877
Deposits with credit institutions		(27)	27
		<u>2,297</u>	<u>(321)</u>
Total	14	<u>2,459</u>	<u>(65)</u>

The annexed notes form an integral part of these Financial Statements.

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Constitution

The Association is incorporated in England as a company limited by guarantee and not having a share capital.

In the event of the Company's liquidation any net assets of the Association are to be distributed amongst such Members and former Members in such proportions and amounts as the Directors shall decide.

2. Accounting policies

a) Accounting basis

These Financial Statements have been prepared under the provisions of Section 255 of, and Schedule 9A to the Companies Act 1985. The accounts comply with applicable accounting standards. The Financial Statements are prepared on an annual basis under the historical cost convention as modified by the revaluation of investments and comply with all material recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 1998.

b) Policy Year accounting

Contributions and premiums, claims paid, reinsurance recoveries, reinsurance premiums and the management fee are allocated to the Policy Years to which they relate.

Investment income and interest, profit/losses on sale of investments, exchange gains/losses and general expenses are allocated to the current Policy Year.

c) Foreign currencies

Foreign currency assets and liabilities have been translated at the closing sterling exchange rate. The resultant difference is included in the non-technical account.

Revenue transactions are translated into sterling at the rate applicable for the month in which the transaction took place. Differences between closing exchange rates and the rates applying to outstanding forward currency contracts are also recognised.

All exchange gains and losses, whether realised or unrealised, have been included in other income or expenditure in the non-technical account.

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Accounting policies (continued)

d) Contributions and premiums

Contributions and premium less returns are included in the Income and Expenditure Account when the policies incept; provisions are made for the return of contributions and premiums to Members.

Advance contributions are the amounts payable in each Policy Year by the insured owners calculated on a percentage basis of the total sums insured.

Additional Premiums are those amounts payable as a result of certain areas being specified as Additional Premium Areas in accordance with the Rules of the Association and are charged if the insured ships should enter those Areas. Premiums for a period of cover after the Year End are treated as unearned.

e) Claims incurred

Where claims are incurred, legal costs and expenses covered by the Association are included. Claims incurred during the year are included whether paid, estimated or unreported.

The estimates for known outstanding claims are based on the best estimates and judgment of the Managers of the likely final cost of individual cases based on current information. The individual estimates are reviewed regularly and include this Association's share of other Association's pool claims. There has been no deterioration of claims in prior years.

f) Reinsurance recoveries

The Directors are satisfied that the funds of the Association are adequately protected by reinsurance.

Reinsurance recoveries, including receipts and amounts due under these contracts on claims already paid and claims outstanding, are included in the Income and Expenditure Account.

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Accounting Policies (continued)

g) Reinsurance premiums

Reinsurance premiums payable by the Association are charged to the Technical Account on an accruals basis and, as noted above, to the Policy Year to which they apply.

h) Income from other investments

Income from other investments comprises interest received and accrued on bonds and bank deposits and distributions from equities.

i) Investments

Balance Sheet

Investments are valued at market value to comply with the Statement of Recommended Practice on Accounting for Insurance Business. It is not the intention of the Board to liquidate the portfolio and bonds will be held to maturity if considered appropriate.

Market value is calculated using the middle market price at the close of business on the date of the Balance Sheet. The cost of these investments is disclosed by way of note.

In the case of non-sterling investments, the market value is translated at the closing rate of exchange at the date of the Balance Sheet. The cost of non-sterling investments is translated into sterling at the date of purchase.

Non Technical Account

For investments purchased during the year, the unrealised gains and losses on the movement in their market value compared to the cost are shown in the Non Technical Account. Where the investments held have been purchased in a previous period, the unrealised gains and losses represent the movement in their market value from the start of the year to the end of the year.

j) Reserves

This amount is available to meet claims not passed or ascertained and liabilities which may arise under unexpired risks at the date of the Balance Sheet for which no specific provision has been made.

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Note of historical cost surpluses and deficits

	2003 £000's	2002 £000's
Reported deficit on ordinary activities before taxation	(250)	(579)
Change in adjustment of investments from book value to market value	495	759
Historical cost surplus on ordinary activities before taxation	245	180
Historic cost surplus for the year retained after taxation	244	246

4. Contributions and premiums

Contributions and premium have been charged as follows:

	2003 £000's	2002 £000's
Advance contributions		
UK flagged vessels advance contributions	2,677	59
Foreign flagged vessels of existing Members	144	27
Total advance contributions	2,821	86
Additional premiums	528	1,974
Total contributions and premiums	3,349	2,060

At the Directors' meeting held on 14th January 2003, it was decided that no return was to be made to Members of the advance contributions due in respect of the 2002/2003 Policy Year upon the closing of that year.

Additional Premiums are charged for cover in designated Additional Premium Areas as required by the reinsurance underwriters.

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Reinsurance premiums

	2003 £000's	2002 £000's
Advance contributions for UK flagged vessels	2,670	343
Foreign flagged vessels of existing Members	134	36
Total reinsurance for advance contributions	2,804	379
Additional premiums	528	1,974
Total reinsurance premium	3,332	2,353

The Association is a party to a pooling agreement whereby its liabilities are pooled with six other similar Associations forming the Combined Group of War Risks Associations. The Group is protected against the incidence of claims by reinsurance treaties under which the Group is, for the 2003/2004 Policy Year, fully reinsured without deductible up to £325 million or US\$500 million, but with the market automatic termination of cover clause.

6. Other technical income

	2003 £000's	2002 £000's
Commission income	33	140

Additional Premiums for breach of warranty are paid at 70% net of original rates agreed for individual breaches. A return is made to the Association to reduce the proportion payable to 65% net at expiry.

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Acquisition costs

Acquisition costs are those costs incurred by the Managers in underwriting the risks insured. These include the costs of processing proposals through to the issuing of policies.

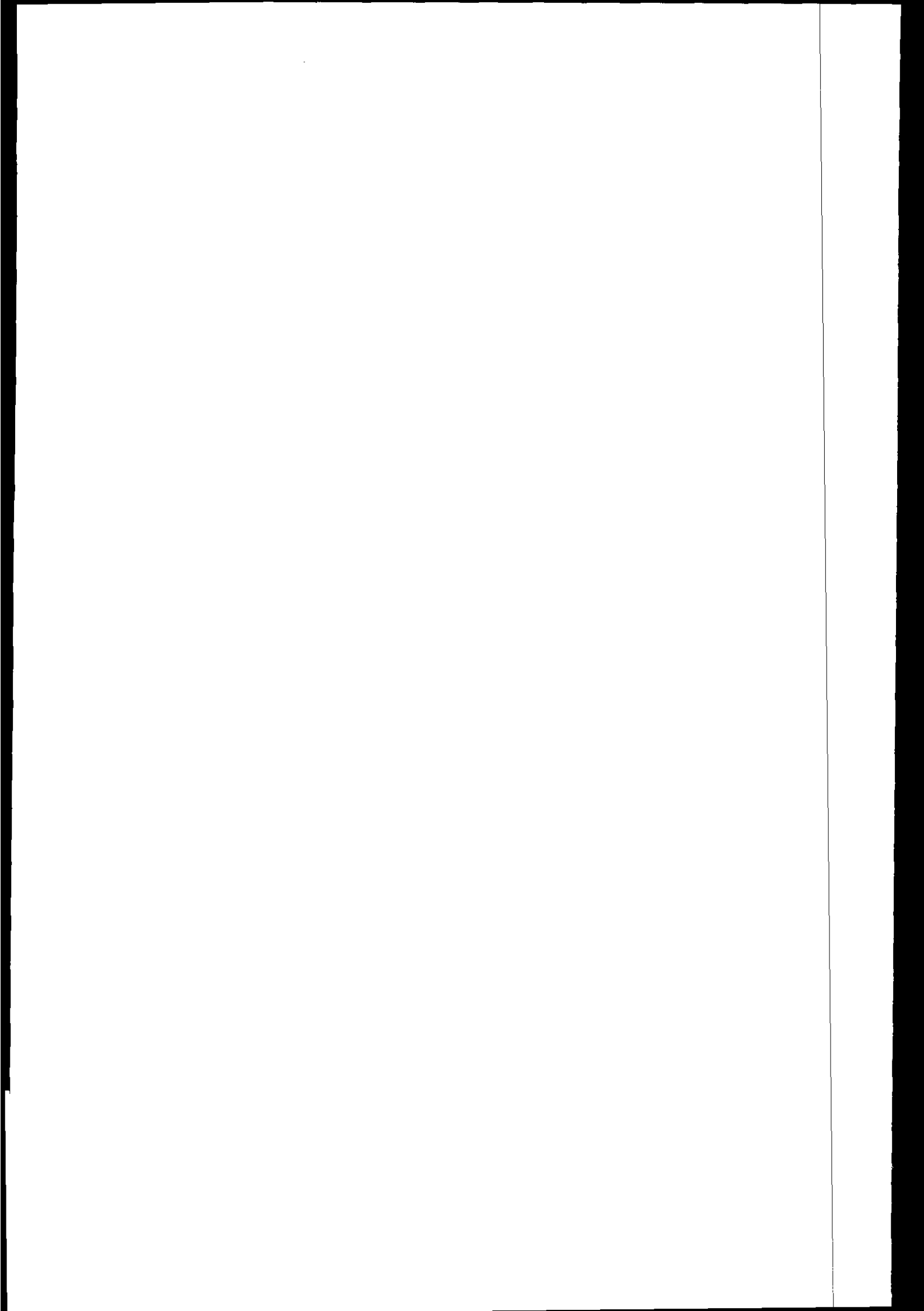
8. Administration costs

	2003 £000's	2002 £000's
Managers' cost (Note 16)	155	146
Directors' fees	14	13
Directors' and Officers' insurance	6	4
Group secretariat expenses	11	10
Audit fees	14	14
Other professional fees	9	7
Printing and Stationery (including Rule Books)	7	1
Communications – telephones, telex, facsimile and postage	2	1
Bank charges	2	1
	<hr/> 220	<hr/> 197
Investment Management Fees:		
Safe custody fees	14	15
	<hr/> 234	<hr/> 212

The Managers' costs cover the provision of staff and offices, other than the costs of processing proposals and the issuing of policies, which have been disclosed under acquisition costs.

No loans have been made to the Directors and none are contemplated.

Other than the Directors, the Association itself had no employees.



THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Investments and other income

	2003 £000's	2002 £000's
Distributions from unit trusts	25	27
Interest on bonds and Government stocks	249	507
Interest on bank deposits	40	42
	<u>314</u>	<u>576</u>
Exchange gain/(loss) arising during the year	3	(6)
	<u>317</u>	<u>570</u>

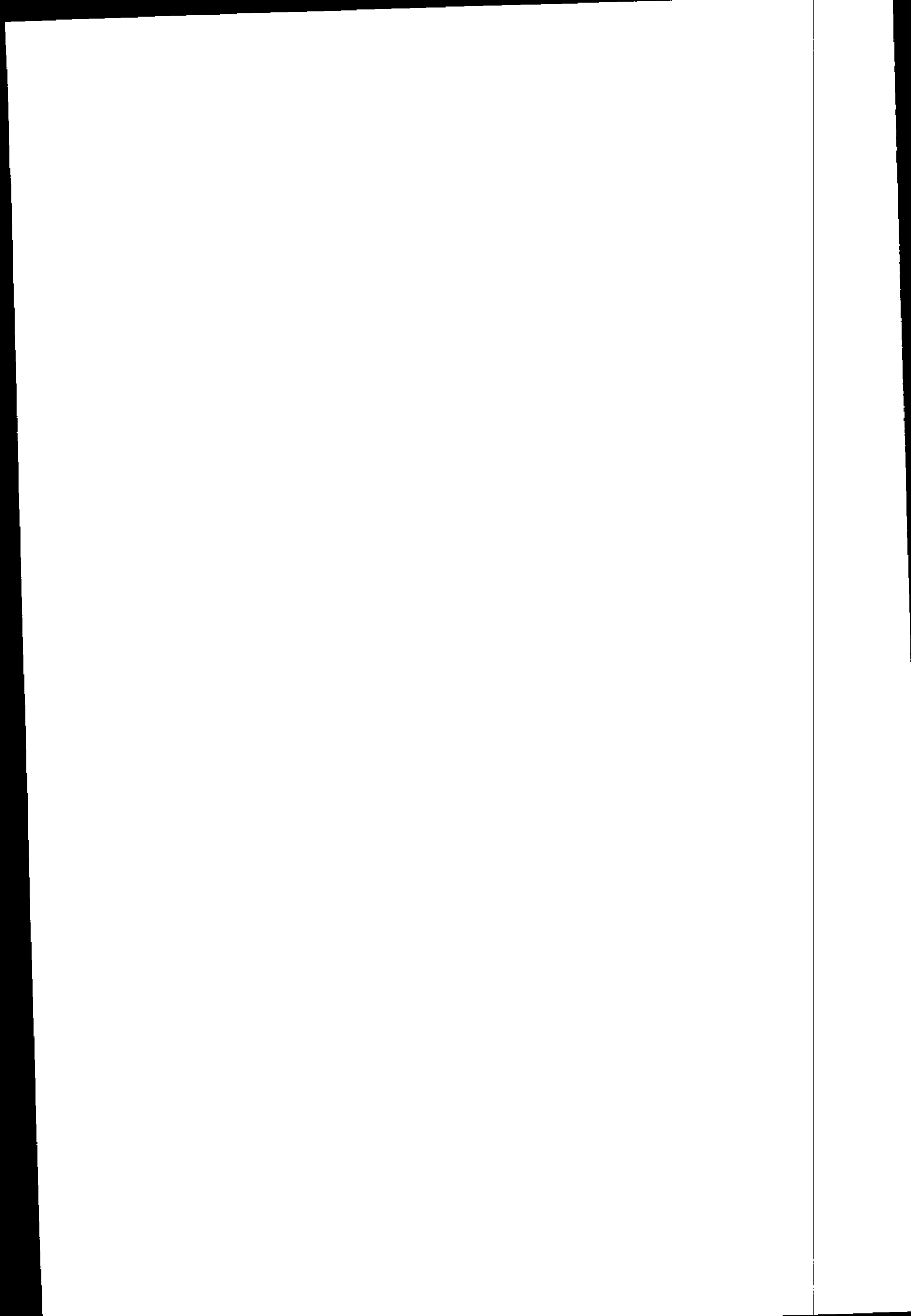
The year End rates of exchange equivalent to £1 were:

	2003	2002
US\$	1.5940	1.4278
Japanese Yen	188.778	191.118
Euro	1.4733	1.6379

10. Other financial investments

	2003 £000's	2002 £000's
Units in unit trusts	13,308	8,564
Debt securities and other fixed income securities	-	2,798
Deposits with credit institutions	-	27
	<u>13,308</u>	<u>11,389</u>

All investment in unit trusts is in authorised unit trusts. Debt securities and other fixed income securities are all listed on a recognised stock exchange.



THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Other financial investments (continued)

	Market Value 2003 £000's	Market Value 2002 £000's	Cost 2003 £000's	Cost 2002 £000's
Units in unit trusts	13,308	8,564	12,851	7,601
Fixed interest securities	-	2,798	-	2,807
Deposits with credit institutions	-	27	-	27
	<u>13,308</u>	<u>11,389</u>	<u>12,851</u>	<u>10,435</u>

	Market Value 2003 £000's	Market Value 2002 £000's	Cost 2003 £000's	Cost 2002 £000's
Unit trusts	2,407	3,263	2,343	2,317
UCITS – cash	6,858	1,284	6,858	1,284
UCITS – corporate bonds	4,043	4,017	3,650	4,000
	<u>13,308</u>	<u>8,564</u>	<u>12,851</u>	<u>7,601</u>

11. Accrued interest

	2003 £000's	2002 £000's
On bonds and Government stocks	<u>13</u>	<u>48</u>

12. Accruals

	2003 £000's	2002 £000's
Directors' fees	10	9
Audit, accountancy and taxation	15	15
Accrued expenses	6	-
	<u>31</u>	<u>24</u>

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Taxation

a) The charge in the Income and Expenditure Account represents:

	2003 £000's	2002 £000's
UK corporation tax on investment income at 30%		
Current year	-	-
Income tax deducted at source – UK dividends	3	-
Prior year tax refund 2000/2001	(2)	(66)
	<u>1</u>	<u>(66)</u>

b) The tax amount outstanding in the Balance Sheet represents:

	2003 £000's	2002 £000's
Other creditors including taxation and social security		
Income tax payable	<u>4</u>	<u>4</u>

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Cash flow Statement

Movement in cash, deposits and investments

	As at 21/02/2002	Cash flow	Changes to market value, currencies and other changes	As at 20/02/2003
Cash at bank	307	162	-	469
Deposits with credit institutions	27	(27)	-	-
Fixed income securities	6,815	(3,275)	503	4,043
Units in unit trusts	4,547	5,599	(881)	9,265
	<u>11,696</u>	<u>2,459</u>	<u>(378)</u>	<u>13,777</u>

Reconciliation of the balance on the technical account to the net cash flow from operating activities.

	2003 £000's	2002 £000's
Balance on the technical account	(189)	(369)
Increase/(decrease) in technical provision for claims	31	-
(Increase)/decrease in reinsurers' share of technical provision for claims	(31)	22
Decrease/(increase) in debtors	900	(1,114)
Increase in creditors	1,326	925
Net cash flow from operating activities	<u>2,037</u>	<u>(536)</u>

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Claims

Technical account	2003 £000's	2002 £000's
<u>Claims paid</u>		
Claims paid to the combined group	-	-
Claims paid to policyholders	-	-
Claims handling expenses	-	-
	<u>-</u>	<u>-</u>
<u>Change in the provisions for claims</u>		
- Provisions brought forward		
Gross claims	-	-
Reinsurance	-	-
- Provisions carried forward		
Gross claims	(31)	-
Reinsurance	31	-
	<u>-</u>	<u>-</u>
 Balance sheet	 2003 £000's	 2002 £000's
<u>Technical provisions</u>		
- Claims outstanding		
Gross amount due to the combined group	(31)	-
Gross amount due to policyholders	-	-
	<u>(31)</u>	<u>-</u>
 <u>Reinsurers' share of technical provisions</u>		
- Claims outstanding	<u>31</u>	<u>-</u>

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Managers' remuneration

The Managers' remuneration has been allocated to the appropriate expense headings. The total comprises:

	2003 £000's	2002 £000's
Acquisition costs	5	4
Claims handling costs	-	-
Administration	155	146
	<u>160</u>	<u>150</u>

17. Related party disclosures

The Association has no share capital and is controlled by the Members who are also the insureds. The subsequent insurance transactions are consequently deemed to be between related parties but these are only transactions between the Association and the Members.

All the Directors are former or current representatives or agents of Member companies and other than the insurance and Member interests of the Directors' companies, the Directors have no financial interests in the Association.

18. Location and nature of business

All operations are direct war risks insurance written within the United Kingdom. All business is classified as marine, aviation and transport.

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

MANAGERS

THOMAS MILLER WAR RISKS SERVICES LIMITED

DIRECTORS

P.N. Lindrea
I.R. Jarrett
G.C. Drake
J.A. Culley

SECRETARY

I.R. Jarrett

REGISTERED OFFICE

International House
26 Creechurch Lane
London EC3A 5BA
Telephone: 020-7283 4646
Telex: 885271 & 8811589 MUTUAL
Facsimile: 020-7929 3918

REGISTERED NUMBER

1901415 ENGLAND