

**THE CITY FIRE INSURANCE
COMPANY LTD**

Report and Accounts

31 December 2000

Signed

**Deloitte & Touche
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR
United Kingdom**



REPORT AND ACCOUNTS 2000

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REPORT AND ACCOUNTS 2000

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R K Bishop	(Chairman)
B C Ben-Gera	(Israel)
R W Fielding	
J D Hackmey	(Israel)
M C Izakson	(Israel)
G T Kanfer	
N V Kanfer	(Israel)
D N Vermont	
J M Warner	

MANAGEMENT

N Brooks FCII ACI Arb – General Manager
M E Feaver FCA – Company Secretary and Financial Controller

REGISTERED AND BUSINESS OFFICE

24b Lime Street
London
EC3M 7HR

AUDITORS

Deloitte & Touche
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR
United Kingdom

CHAIRMAN'S STATEMENT

DIRECTORS' REPORT

The directors present their report and the audited accounts for the year ended 31 December 2000.

PRINCIPAL ACTIVITY

The principal activity is the writing of a general account by way of direct insurance and reinsurance.

Market conditions resulted in the company implementing measures to cease writing direct property business from 1 August 2000.

PERFORMANCE REVIEW

Total gross premiums written amounted to £3,925,890.

The results for the year are set out on pages 7 and 8. The directors do not propose a dividend for the year (1999 - £nil).

DIRECTORS

The directors, none of whom have any interest in the share capital of the Company, are as follows:

R K Bishop (Chairman)
B C Ben-Gera
R W Fielding
J D Hackmey
M C Izakson
G T Kanfer
N V Kanfer
D N Vermont
J M Warner

All held office throughout the year.

CHARITABLE AND POLITICAL DONATIONS

During the year the company made donations for charitable purpose of £1,671 (1999 - £647).

EMPLOYEES

Employee involvement

During 2000 the company continued its policy seeking to inform and involve employees on matters which concern them and in the achievement of its business goals.

The company has a comprehensive system for consultation and communication involving regular meetings between management and employees, team briefings and the issue of various bulletins.

Employment of disabled persons

It is the company's policy to give the same consideration to disabled persons as to others in regard to applications for employment, continuation of employment, training, career development and promotion - having regard to their particular aptitudes and abilities.

DIRECTORS' REPORT (Continued)

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



M E Feaver

Company Secretary

14 March 2001


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 as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom 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 directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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.

Approved by the Board of Directors
and signed on behalf of the Board



M E Feaver

Company Secretary

14 March 2001

THE CITY FIRE INSURANCE COMPANY LTD

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 7 to 19 which have been prepared under the accounting policies set out on page 11 and 12.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of the financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

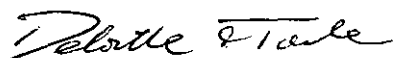
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Equalisation reserves

Our evaluation of the presentation of information in the financial statements has had regard to the statutory requirement for insurance companies to maintain equalisation reserves. The nature of equalisation reserves, the amounts set aside at 31 December 2000 and the effect of the movement in those reserves during the year on the balance on the general business technical account and profit before tax, are disclosed in note 15.

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 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



DELOITTE & TOUCHE
Chartered Accountants and Registered Auditors

14 March 2001

PROFIT AND LOSS ACCOUNT – TECHNICAL ACCOUNT – GENERAL BUSINESS
Year ended 31 December 2000

	Note	£	2000 £	£	1999 £
Earned premiums, net of reinsurance					
Gross premiums written	1, 2	3,925,890		4,368,610	
Outwards reinsurance premiums		(1,482,509)		(1,601,030)	
Net premiums written			2,443,381		2,767,580
Allocated investment return transferred from the non-technical account	4	418,393		153,127	
Other technical income, net of reinsurance		17,521		16,158	
			435,914		169,285
Total technical income			2,879,295		2,936,865
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(4,438,909)		(4,739,166)	
Reinsurers' share		1,452,014		1,953,735	
Net claims paid			(2,986,895)		(2,785,431)
Change in the provision for claims (Representing the movement in insurance funds)	15				
Gross amount		(555,577)		2,224,252	
Reinsurers' share		156,308		(1,430,106)	
Change in the net provision for claims			(399,269)		794,146
Claims incurred net of reinsurance			(3,386,164)		(1,991,285)
Operating expenses					
Acquisition costs	6	986,780		1,411,081	
Administrative expenses:					
Other	5, 7, 8	844,656		975,859	
Gross operating expenses		1,831,436		2,386,940	
Reinsurance commissions and profit participation		(388,890)		(477,488)	
Net operating expenses			(1,442,546)		(1,909,452)
Total technical charges			(4,828,710)		(3,900,737)
Balance on the technical account for general business before equalisation provisions					
Change in the equalisation provision	15		(64,000)		-
Balance on the technical account for general business after equalisation provisions			(2,013,415)		(963,872)

All the amounts shown above are in respect of continuing operations.

PROFIT AND LOSS ACCOUNT – NON-TECHNICAL ACCOUNT
Year ended 31 December 2000

	Note	£	2000 £	£	1999 £
Balance on the general business technical account			(2,013,415)		(963,872)
Investment income	4	2,062,716		757,060	
Unrealised (losses)/gains on investments	4	(1,497,243)		1,827,444	
Investment expenses and charges	4	(62,033)		(51,676)	
		503,440		2,532,828	
Allocated investment return transferred to the general business technical account	4	(418,393)		(153,127)	
			85,047		2,379,701
Other income			169,100		207,522
Other charges			(54,153)		-
(Loss)/profit on ordinary activities before tax			(1,813,421)		1,623,351
Tax credit/(charge) on (loss)/profit on ordinary activities	9		543,843		(446,530)
Profit retained for the financial year	14		(1,269,578)		1,176,821

There being no recognised gains or losses other than the retained profit for the period, no statement of total recognised gains and losses is presented.

All the amounts shown above are in respect of continuing operations.

BALANCE SHEET
31 December 2000

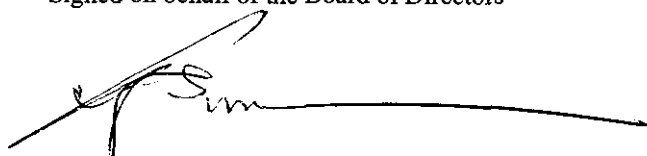
	Note	2000 £	1999 £
ASSETS			
Investments	10	21,151,416	21,921,116
Reinsurances' share of technical provisions			
Claims outstanding		2,257,090	2,100,782
Debtors			
Debtors arising out of direct insurance operations – intermediaries		446,341	768,773
Debtors arising out of reinsurance operations		1,190,937	917,273
Other debtors		483,156	364,796
		2,120,434	2,050,842
Other assets			
Tangible assets	11	57,328	119,753
Cash at bank and short term deposits		982,800	1,443,100
		1,040,128	1,562,853
Prepayments and Accrued Income			
Accrued interest		108,563	241,758
Other prepayments and accrued income		32,391	177,611
		140,954	419,369
TOTAL ASSETS		26,710,022	28,054,962

BALANCE SHEET
31 December 2000

	Note	2000 £	1999 £
LIABILITIES			
Capital and Reserves			
Called up share capital	12	12,500,000	12,500,000
Profit and loss account	14	5,459,183	6,728,761
Equity Shareholders' Funds	13	<u>17,959,183</u>	<u>19,228,761</u>
Technical provisions			
Claims outstanding		7,017,199	6,461,622
Equalisation provision	15	64,000	-
		<u>7,081,199</u>	<u>6,461,622</u>
Provisions for other risks and charges	16	991,233	1,535,076
Creditors			
Creditors arising out of direct insurance operations		351,572	525,959
Creditors arising out of reinsurance operations		43,148	136,653
Other creditors including taxation and social security		198,773	61,306
		<u>593,493</u>	<u>723,918</u>
Accruals and Deferred Income		<u>84,914</u>	<u>105,585</u>
TOTAL LIABILITIES		<u><u>26,710,022</u></u>	<u><u>28,054,962</u></u>

These financial statements were approved by the Board of Directors on 14 March 2000.

Signed on behalf of the Board of Directors



R K Bishop
Chairman

NOTES TO THE ACCOUNTS
Year ended 31 December 2000**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with the provisions of Section 255 of, and Schedule 9A to, the Companies Act 1985.

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules as modified by the revaluation of investments, including land and buildings. The company has adopted all material recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued in December 1998 by the Association of British Insurers ("the ABI SORP 99).

The particular accounting policies adopted are described below.

Basis of accounting for underwriting activities

There is insufficient information available for the Company's business to enable reliable estimates to be made on an annual basis. Therefore, the underwriting results on all business are determined at the end of the second year following the year of account.

Premiums

Gross written premiums comprise the total premium accounted during the year and excludes insurance premium tax. As a consequence of fund accounting no unearned premium reserve is maintained.

Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards reinsurance business.

Technical provisions

Insurance provisions comprise retained premiums received net of commission less claims paid and expenses paid to date together with provision for claims outstanding and associated claims handling costs. The adequacy of the provisions is assessed annually by reference to the development of open underwriting years, reinsurance protection available and the provision necessary to close underwriting years at the end of the third year. Transfers to or from technical provisions are made accordingly. Provision for claims outstanding are based on information available to the directors and the eventual outcome may vary from the original assessment. The provision for unexpired risks is included within the technical provisions in the balance sheet.

Claims

Claims incurred comprise all claims payments and external settlement expense payments made in the financial year. Outwards reinsurance recoveries are accounted for in the same accounting period as the claims for the related direct or inwards reinsurance business being reinsured.

Provision is made for outstanding claims and settlement expenses incurred at the balance sheet date including an estimate for the cost of claims incurred but not reported at that date.

Equalisation provisions

Equalisation provisions arise from certain classes of business written in the United Kingdom and are calculated in accordance with the Insurance Companies (Reserves) Regulations 1996. The amounts provided are in addition to the provisions required to meet the anticipated ultimate cost of settlement of outstanding claims at the balance sheet date and, in accordance with Schedule 9A to the Companies Act 1985, are included within 'technical provisions' in the balance sheet. The movement in the equalisation provision for the period is taken to the technical account - general business.

Investments**i) Investment valuations**

Investments, consisting of listed investments, units in authorised unit trusts and deposits with credit institutions, are stated at their market values at the end of the year. Other listed investments are included in the balance sheet at mid-market value. Units in unit trusts are included at published bid prices. Deposits with credit institutions are included at cost.

NOTES TO THE ACCOUNTS**Year ended 31 December 2000****ii) Investment income and expenses**

Investment income includes dividends, interest, gains and losses on the realisation of investments and related expenses and is initially dealt with in the non-technical account. Dividends are accounted for on a cash received basis and exclusive of the imputed tax credits. Interest and expenses are accounted for on an accruals basis. A transfer of part of the net investment return, including realised gains and losses, is made from the non-technical account to the technical account in order to reflect the return on the assets directly attributable to the insurance business. The allocation of investment income from the non-technical account to the technical account is made on the basis of the relationship between average technical provisions and average shareholders' funds.

iii) Investment income and expenses

Realised gains and losses on investments are calculated as the difference between net sales proceeds and purchase price, or for investments previously valued, their valuation on the last balance sheet date.

iv) Unrealised Investment gains and losses

Unrealised gains or losses represent the difference between the valuation of investments at the balance sheet date and their purchase price. The movement in unrealised investment gains and losses therefore comprises the increase or decrease in the year in the value of investments held at the balance sheet date together with the reversal of previously recognised unrealised gains and losses on investments disposed of in the current year.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write-off the cost of the asset, on a straight line basis over four years.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future calculated at the rates at which it is expected that tax will arise.

Pension costs

The company operates a money purchase pension scheme. Charges in respect of employers' contributions are calculated on the basis of 10% of eligible employees' salaries. Such costs are charged to the profit and loss account.

Foreign currencies

All transactions in US and Canadian Dollars, French Francs, German Deutschmarks, Italian Lira, Irish Punts, Dutch Guilders, Euros and Australian Dollars are accounted for in the original currencies and translated to Sterling at the year end rates. Transactions in all other currencies are translated to Sterling at the rates of exchange applicable when recorded in the books. Exchange profits and losses arising during the period on transactions in foreign currencies are included in the non-technical profit and loss account.

NOTES TO THE ACCOUNTS
Year ended 31 December 2000**2. SEGMENTAL ANALYSIS****(1) Gross premiums written**

	Gross premiums written	
	2000	1999
	£	£
Direct insurance		
Accident and health	389,386	79,658
Fire and other damage to property	2,001,612	2,487,298
General Liability	253,374	472,639
Miscellaneous	-	1,977
	<u>2,644,372</u>	<u>3,041,572</u>
Reinsurance acceptances		
Marine and aviation	254	6,062
Non-proportional treaty	64,311	106,665
Proportional treaty	1,216,953	1,214,311
	<u>1,281,518</u>	<u>1,327,038</u>
	<u>3,925,890</u>	<u>4,368,610</u>

All gross written premiums in respect of direct business are written in the United Kingdom and those in respect of reinsurance business are written in the London Market.

(2) Gross claims incurred and gross operating expenses

	Gross claims incurred		Gross operating expenses	
	2000	1999	2000	1999
	£	£	£	£
Direct insurance				
Accident and health	239,525	165,758	125,721	36,658
Fire and other damage to property	2,598,822	1,114,234	1,023,624	1,353,555
General Liability	1,118,407	312,979	115,478	234,519
Miscellaneous	(451)	(31,577)	(7)	400
	<u>3,956,303</u>	<u>1,561,394</u>	<u>1,264,816</u>	<u>1,625,132</u>
Reinsurance acceptances				
Marine and aviation	21,047	151,653	1,348	2,145
Non-proportional treaty	96,998	226,077	14,504	31,220
Proportional treaty	920,138	575,790	550,768	728,443
	<u>1,038,183</u>	<u>953,520</u>	<u>566,620</u>	<u>761,808</u>
	<u>4,994,486</u>	<u>2,514,914</u>	<u>1,831,436</u>	<u>2,386,940</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2000**2. SEGMENTAL ANALYSIS (CONTINUED)****(3) Other segmental information**

	Reinsurance balances		Balance on the technical account		Gross technical provisions	
	2000 £	1999 £	2000 £	1999 £	2000 £	1999 £
Direct insurance						
Accident and health	4,929	3,462	41,122	(116,254)	139,390	135,682
Fire and other damage to property	539,575	(284,847)	(992,638)	(230,064)	2,454,370	2,190,693
General Liability	33,445	(408,588)	(760,721)	(430,697)	2,823,264	2,139,972
Miscellaneous	(731)	(25,409)	(86)	8,157	2,312	2,493
	<u>577,218</u>	<u>(715,382)</u>	<u>(1,712,323)</u>	<u>(768,858)</u>	<u>5,419,336</u>	<u>4,468,840</u>
Reinsurance acceptances						
Marine and aviation	-	-	(9,154)	(143,997)	131,344	151,788
Non-proportional treaty	(6,864)	185,134	1,302	61,396	826,297	986,072
Proportional treaty	(55,651)	(70,105)	(229,240)	(112,413)	640,222	854,922
	<u>(62,515)</u>	<u>115,029</u>	<u>(237,092)</u>	<u>(195,014)</u>	<u>1,597,863</u>	<u>1,992,782</u>
	<u>514,703</u>	<u>(600,353)</u>	<u>(1,949,415)</u>	<u>(963,872)</u>	<u>7,017,199</u>	<u>6,461,622</u>

An analysis of the profit/(loss) before taxation and net assets by class of business has not been provided because, in the opinion of the Directors, the above segmental analysis of the balance on the technical account and gross technical provisions (respectively) is the most appropriate to the nature of the business. The Directors consider that a segmental analysis of the gross technical provisions, although of a liability, provides a useful indication of the assets allocated to support the business.

NOTES TO THE ACCOUNTS
Year ended 31 December 2000**3. MOVEMENT IN PRIOR YEAR'S INSURANCE FUNDS OUTSTANDING**

	2000 £	1999 £
Insurance funds outstanding at 1 January:		
Gross amount	6,461,622	8,685,874
Reinsurers' share	(2,100,782)	(3,530,888)
	<u>4,360,840</u>	<u>5,154,986</u>
Net premiums received during the year in respect of prior years	708,337	923,874
Net claims paid during the year in respect of the insurance funds	(2,360,365)	(2,395,996)
Insurance funds carried forward in respect of claims outstanding at 1 January	<u>(3,977,323)</u>	<u>(3,693,519)</u>
Over/(under) provision of prior year's insurance funds	<u>(1,268,511)</u>	<u>(10,655)</u>
Analysed by class of business:		
Accident and health	158,653	(113,595)
Fire and other damage to property	(433,264)	202,201
General liability	(808,984)	(253,989)
Miscellaneous	(280)	8,145
Marine and aviation	(20,793)	(145,591)
Non-proportional treaty	(13,951)	89,922
Proportional treaty	(149,892)	202,252
	<u>(1,268,511)</u>	<u>(10,655)</u>

4. INVESTMENT RETURN SUMMARY

	2000 £	1999 £
Investment income		
Income from other investments	899,463	1,006,795
Gains on the realisation of investments	1,163,253	(249,735)
	<u>2,062,716</u>	<u>757,060</u>
Unrealised gains on investments	(1,497,243)	1,827,444
Investment management expenses	(62,033)	(51,676)
	<u>503,440</u>	<u>2,532,828</u>
Total investment return	<u>503,440</u>	<u>2,532,828</u>
Analysed between:		
Allocated investment return transferred to the general business technical account	418,393	153,127
Net investment return included in the non-technical account	85,047	2,379,701
	<u>503,440</u>	<u>2,532,828</u>
Total investment return	<u>503,440</u>	<u>2,532,828</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2000**5. AUDITORS' REMUNERATION**

The remuneration and expenses of the auditors for the audit of the accounts amounted to £24,000 (1999 - £13,708). Their remuneration in respect of other work amounted to £12,000 (1999 - £12,442).

6. COMMISSIONS

Included in acquisition costs, total commissions for direct insurance accounted for by the Company during the year excluding payments to employees, amounted to £655,172 (1999 - £860,617)

7. STAFF

	2000 £	1999 £
Wages and salaries	425,967	415,741
Social security costs	31,425	36,710
Other pension costs	26,557	33,812
	<u>483,949</u>	<u>486,263</u>

The average number of employees, during the year was as follows:

	2000 No.	1999 No.
Administration and finance	2	4
Underwriting	1	4
Claims	1	1
	<u>4</u>	<u>9</u>

8. DIRECTORS' REMUNERATION

The aggregate emoluments of the directors were as follows:

	2000 £	1999 £
For services as directors	93,702	94,184

No director received payments in respect of pension contributions.

9. TAXATION

	2000 £	1999 £
Corporation tax at 30% (1999 - 30.25%)	-	(300,317)
Adjustments to prior years	-	(23,996)
	<u>-</u>	<u>(324,313)</u>
Deferred tax	543,843	770,843
	<u>543,843</u>	<u>446,530</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

10. INVESTMENTS

Investments shown in the balance sheet comprise:

	Current value		Cost	
	2000	1999	2000	1999
	£	£	£	£
Financial investments				
Shares and other variable - yield securities and units in unit trusts				
- Listed	10,366,647	10,041,419	7,715,031	5,822,397
- Unlisted	1,131,461	1,636,640	478,969	711,791
Debt securities and other fixed income securities				
- Listed	9,536,365	10,193,057	9,061,127	10,060,339
- Unlisted	116,943	50,000	116,943	50,000
	<u>21,151,416</u>	<u>21,921,116</u>	<u>17,372,070</u>	<u>16,644,527</u>

11. TANGIBLE ASSETS

Cost

	Fittings and Furniture	Office Machinery	Computer Equipment	Motor Vehicles	Computer develop- ment	Total
	£	£	£	£	£	£
Cost						
As at 1 January 1999	42,192	14,631	81,988	110,737	276,850	526,398
Additions	-	262	1,512	-	10,370	12,144
Disposals	-	-	(2,022)	(46,992)	-	(49,014)
As at 31 December 2000	<u>42,192</u>	<u>14,893</u>	<u>81,478</u>	<u>63,745</u>	<u>287,220</u>	<u>489,528</u>
Depreciation						
As at 1 January 1999	37,265	12,343	74,229	55,870	226,938	406,645
Charge for the year	3,808	843	4,632	18,844	28,134	56,261
Disposals	-	-	(2,022)	(28,684)	-	(30,706)
As at 31 December 2000	<u>41,073</u>	<u>13,186</u>	<u>76,839</u>	<u>46,030</u>	<u>255,072</u>	<u>432,200</u>
Net book value						
As at 31 December 2000	<u>1,119</u>	<u>1,707</u>	<u>4,639</u>	<u>17,715</u>	<u>32,148</u>	<u>57,328</u>
As at 31 December 1999	<u>4,927</u>	<u>2,288</u>	<u>7,759</u>	<u>54,867</u>	<u>49,912</u>	<u>119,753</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

12. CALLED UP SHARE CAPITAL

	2000 £	1999 £
Authorised: 20,000,000 ordinary shares of £1 each	20,000,000	20,000,000
Called up, allotted and fully paid 12,500,000 ordinary shares of £1 each	12,500,000	12,500,000

13. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2000 £	1999 £
(Loss)/profit for the financial year	(1,269,578)	1,176,821
Net (reduction)/addition to shareholders' funds	(1,269,578)	1,176,821
Shareholders' funds at beginning of the year	19,228,761	18,051,940
As at 31 December 2000	17,959,183	19,228,761

14. RESERVES

	Profit and loss account £
As at 1 January 2000	6,728,761
Profit retained for the year	(1,269,578)
As at 31 December 2000	5,459,183

15. TECHNICAL PROVISIONS

Claims outstanding:

	Gross £	Reinsurance £	Net £
1999			
Insurance funds	6,461,622	2,100,782	4,360,840
2000			
Insurance funds	7,017,199	2,257,090	4,760,109
Movement in insurance funds	555,577	156,308	399,269

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

15. TECHNICAL PROVISIONS (continued)

Equalisation

	£
1999	
Claims equalisation reserve	-
2000	
Claims equalisation reserve	64,000
Movement in insurance funds	64,000

Equalisation provision

The equalisation reserve has been established in accordance with the requirements of the Insurance Companies (Reserves) Act 1995. This reserve, which is required to be shown in the financial statements as a provision, amounts to £64,000 (1999 - £nil) and is in addition to the provisions required to meet the anticipated ultimate cost of settlement of outstanding claims at the balance sheet date. It is required by Schedule 9a to the Companies Act 1985 to be included within technical provisions in the balance sheet notwithstanding that they do not represent liabilities at the balance sheet date. The creation of this provision has reduced shareholders' funds at 31 December 2000 by £64,000 (1999 - £nil) net of taxation, with the balance on the general business technical account result and the loss before taxation for the year being increased by £64,000 (1999 - £nil increase).

16. PROVISIONS FOR OTHER RISKS AND CHARGES

	2000 £	1999 £
Deferred taxation		
As at 1 January	1,535,076	764,233
Deferred tax on unrealised appreciation on investments	(543,843)	770,843
As at 31 December	991,233	1,535,076

17. CREDITORS

Other creditors including taxation and social security:

	2000 £	1999 £
Other creditors	198,773	61,306

18. REINSURANCE ARRANGEMENTS

The Company has outward proportional treaties. In addition, the Company has excess of loss protection from both the open market and with The Israel Phoenix Assurance Company Limited and Hadar Insurance Company Limited, to protect the net retained account.

19. RELATED PARTIES

The Company has taken advantage of the exemption allowed by FRS 8 not to disclose related party transactions with The Israel Phoenix Assurance Company Limited and its subsidiaries.

NOTES TO THE ACCOUNTS

Year ended 31 December 2000

20. ULTIMATE PARENT COMPANY

The Company is a direct subsidiary of Hadar Insurance Company Limited, a company incorporated in Israel, and its ultimate parent and controlling company is The Israel Phoenix Assurance Company Limited, a company incorporated in Israel, whose address is P O Box 2070, 30 Levontin Street, Tel-Aviv 65116, Israel, from where copies of their accounts can be obtained.