

Reports and Financial Statements

For the year ended 31 December 2000

Sunnylane Underwriting Limited

Company Number: 3420755



SUNNYLANE UNDERWRITING LIMITED

DIRECTOR:

M J Audain

SECRETARY:

Barlow Lyde & Gilbert

REGISTERED OFFICE:

Beaufort House
154 Botolph Street
LONDON EC3A 7NJ

REGISTERED NUMBER:

3420755

AUDITORS:

Mazars Neville Russell
24 Bevis Marks
LONDON
EC3A 7NR

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DIRECTOR'S REPORT

The director presents his report and financial statements for the year ended 31 December 2000.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company is that of a corporate capital member of Lloyd's. Both the level of business and the year end financial position were satisfactory.

RESULTS AND DIVIDENDS

The result for the year after taxation is set out on pages 4 and 5.

DIRECTOR

The director's beneficial interest in the shares of the company are set out below:

	Ordinary shares of £1 each	
	31 December 2000	31 December 1999
M J Audain	2	2

No right to subscribe for shares in, or debentures of, the company was granted or exercised during the period.

DIRECTOR'S RESPONSIBILITIES

Company law requires the director to prepare financial statements for each financial year which gives 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; and
- 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 maintaining 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'S REPORT (continued)

AUDITORS

Mazars Neville Russell have signified their willingness to continue in office and a resolution to reappoint them as auditors will be proposed at the forthcoming annual general meeting.

Approved by the board on
and signed on its behalf by

A handwritten signature in dark ink, appearing to be 'DA' or similar, written in a cursive style.

Director

6 July 2001

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
SUNNYLANE UNDERWRITING LIMITED**

We have audited the financial statements of Sunnyslane Underwriting Limited for the year ended 31 December 2000 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out therein.

Respective responsibilities of directors and auditors

The director's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Director's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Director's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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



MAZARS NEVILLE RUSSELL
CHARTERED ACCOUNTANTS
and Registered auditors
24 Bevis Marks
London EC3A 7NR

PROFIT AND LOSS ACCOUNT**For the year ended 31 December 2000**

	Note	2000 £	1999 £
TECHNICAL ACCOUNT - GENERAL BUSINESS			
Earned premiums, net of reinsurance			
Gross premiums written	3	3,023,555	2,490,554
Outward reinsurance premiums	3	(641,527)	(422,808)
		<u> </u>	<u> </u>
Net premiums written		2,382,028	2,067,746
Allocated investment return transferred from the non-technical account		104,197	12,500
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount	3	(1,228,442)	(547,207)
Reinsurers' share	3	569,066	171,496
		<u> </u>	<u> </u>
		(659,376)	(375,711)
		<u> </u>	<u> </u>
Change in the provision for claims:			
Gross amount	3	(1,773,689)	(2,052,564)
Reinsurers' share	3	481,666	783,852
Increase in provision for future losses	3	(102,929)	(62,718)
		<u> </u>	<u> </u>
		(1,394,952)	(1,331,430)
		<u> </u>	<u> </u>
Net claims incurred		(2,054,328)	(1,707,141)
Net operating expenses	4	(629,974)	(435,131)
Investment expenses and charges		(2,174)	(692)
		<u> </u>	<u> </u>
Balance transferred to the non-technical account		<u>£(200,251)</u>	<u>£(62,718)</u>

PROFIT AND LOSS ACCOUNT**For the year ended 31 December 2000**

	Note	2000 £	1999 £
NON-TECHNICAL ACCOUNT			
Balance on the general business technical account		(200,251)	(62,718)
Investment income		104,197	12,500
Investment expenses and charges			
Allocated investment return transferred to the general business technical account		(104,197)	(12,500)
Other income	5	276	27,244
Other charges		<u>(16,062)</u>	<u>(12,335)</u>
Loss on ordinary activities before tax	6	(216,037)	(47,809)
Taxation	7	<u>-</u>	<u>(426)</u>
Loss for the financial year		(216,037)	(48,235)
Dividends		<u>-</u>	<u>-</u>
Loss retained for the financial year	12	<u>£(216,037)</u>	<u>£(48,235)</u>

The company has no gains or losses other than the result for the year.

All items derive from continuing operations.

No operations were acquired or discontinued in the year.

BALANCE SHEET as at 31 December 2000

	Note	Syndicate £	2000 Other £	Total £	Syndicate £	1999 Other £	Total £
ASSETS							
Intangible fixed assets	8	-	112,431	112,431	-	108,045	108,045
INVESTMENTS							
Financial investments	9	1,235,877	-	1,235,877	395,890	-	395,890
Deposits with ceding undertakings		1,312	-	1,312	521	-	521
		1,237,189	-	1,237,189	396,411	-	396,411
REINSURERS' SHARE OF TECHNICAL PROVISIONS							
Claims outstanding		1,286,919	-	1,286,919	886,098	-	886,098
DEBTORS							
Debtors arising out of direct insurance operations		19,517	-	19,517	-	-	-
Due from policyholders		8,688	-	8,688	-	-	-
Due from intermediaries		718,552	-	718,552	447,637	-	447,637
Debtors arising out of reinsurance operations		1,423,763	-	1,423,763	1,004,841	-	1,004,841
Other debtors		218,239	(49,383)	168,856	35,823	2,554	38,377
		2,388,759	(40,383)	(2,339,376)	1,488,301	2,554	1,490,855
OTHER ASSETS							
Cash at bank and in hand		130,634	9,296	139,930	62,253	11,867	74,120
Other		133,440	-	133,440	40,613	-	40,613
		264,074	9,296	273,370	102,866	11,867	114,733
PREPAYMENTS AND ACCRUED INCOME							
Other prepayments and accrued income		11,926	-	11,926	4,880	-	4,880
TOTAL ASSETS		£5,188,867	£72,344	£5,261,211	£2,878,556	£122,466	£3,001,022

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BALANCE SHEET as at 31 December 2000

	Note	Syndicate £	1999 Other £	Total £	Syndicate £	1998 Other £	Total £
LIABILITIES							
CAPITAL AND RESERVES							
Called up share capital	10	-	2	2	-	2	2
Profit and loss account	11	-	(269,428)	(269,428)	-	(53,391)	(53,391)
Shareholders' funds	12	-	(269,426)	(269,426)	-	(53,389)	(53,389)
TECHNICAL PROVISIONS							
Claims outstanding		4,748,823	-	4,748,823	2,647,020	-	2,647,020
Provision for future losses		-	165,647	165,647	-	62,718	62,718
		4,748,823	165,647	4,914,470	2,647,020	62,718	2,709,738
PROVISIONS FOR OTHER RISKS AND CHARGES							
DEPOSITS RECEIVED FROM REINSURERS							
		30	-	30	-	-	-
CREDITORS							
Creditors arising out of direct insurance operations		113,679	-	113,679	42,887	-	42,887
Creditors arising out of reinsurance operations		187,854	-	187,854	114,154	-	114,154
Amounts owed to credit institutions		460	-	460	-	-	-
Other creditors		133,009	174,360	307,369	69,786	113,137	182,923
		435,002	174,360	609,362	226,827	113,137	172,348
ACCRUALS AND DEFERRED INCOME							
		5,012	1,765	6,777	4,709	-	4,709
TOTAL LIABILITIES		£5,188,867	£72,344	£5,261,211	£2,878,556	£122,466	£3,001,022

Approved by the board of directors on
and signed on its behalf by:

6 July 2001



Director

CASH FLOW STATEMENT**For the year ended 31 December 2000**

	Note	2000 £	1999 £
OPERATING ACTIVITIES			
Net cash inflow from operating activities	14(a)	3,612	42,669
Taxation paid		-	(795)
CAPITAL EXPENDITURE			
Payments to acquire intangible assets		(12,657)	(71,084)
Proceeds from the sale of intangible assets		6,474	27,145
		<u>(2,571)</u>	<u>(2,065)</u>
MOVEMENT IN OPENING AND CLOSING PORTFOLIO INVESTMENTS NET OF FINANCING			
Cash (outflow)/inflow		<u>(2,571)</u>	<u>(2,065)</u>
Total movement in portfolio investments net of financing		(2,571)	(2,065)
Portfolio investments net of financing at 31 December 1999	13(b)	<u>11,867</u>	<u>13,932</u>
Portfolio investments net of financing at 31 December 2000	13(b)	<u><u>£9,296</u></u>	<u><u>£11,867</u></u>

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(a) 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.

(b) 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(e) below).

(c) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2000 (continued)

2 ACCOUNTING POLICIES

(a) Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of financial investments.

(b) 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 (f) 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.

(c) Premiums

Premiums written comprise the total premiums receivable for the whole period of cover provided by the contracts incepting 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" receivable (see (f) 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" payable (see (f) below).

(d) 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 differs from the provision at the beginning of the year.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2000 (continued)

2 ACCOUNTING POLICIES (continued)

(e) 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 that no profit is recognised before the end of the third year under the three year funded basis of accounting (see (b) above).

The provision has been increased as appropriate by the company to the extent that deficits are foreseen on underwriting years before the end of the third year.

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 reports from the Managing Agents and the company's Licensed Adviser. Where appropriate, statistical methods have been applied to past experience of claims frequency and severity.

(f) 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 discharge 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2000 (continued)

2 ACCOUNTING POLICIES (continued)

(f) Reinsurance to close (continued)

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.

(g) 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 trustees of the Premiums Trust Fund, or as the Lloyd's Deposit, are stated at cost less provision for any permanent diminution in value.

(h) 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2000 (continued)

2 ACCOUNTING POLICIES (continued)

(i) Investment 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.

(j) 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 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.

(k) 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.

(l) Syndicate participation rights

Where the company has purchased the right to participate on Syndicates, the cost is capitalised and amortised in equal annual installments over five years from the closure of the underwriting year of account.

(m) 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. Any 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 1999.

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 provisions established by the company as a result of Inland Revenue agreement of syndicate taxable results will be reflected in the financial statements of subsequent periods.

(n) Deferred taxation

Deferred tax is provided in respect of the tax effect of all timing differences to the extent that it is probable that a liability or asset will crystallise in the foreseeable future, at the rates of tax expected to apply when the timing differences reverse. One such timing difference is that between when underwriting results are earned and when they are declared for tax purposes.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2000 (continued)

3 SEGMENTAL INFORMATION

Year ended 31 December 2000	Gross premiums written £	Gross claims incurred £	Gross operating expenses £	Reinsurance balance £	Total £
Direct business					
Accident and health	104,818	(133,913)	(34,281)	24,316	(39,060)
Motor – third party liability	44,532	(59,408)	(15,731)	5,734	(24,873)
Motor – other classes	196,193	(215,449)	(54,267)	6,150	(67,373)
Marine, aviation and transport	280,992	(313,293)	(64,872)	55,354	(41,819)
Fire and other damage to property	485,090	(469,441)	(132,656)	49,351	(67,656)
Third party liability	663,527	(513,318)	(184,071)	(4,298)	(38,160)
Credit and suretyship	90,556	(58,603)	(21,883)	13,068	23,138
Legal expenses	2,953	(10,709)	(1,240)	2,220	(6,776)
Assistance	264	(380)	(51)	154	(13)
Other	32,028	(29,312)	(8,633)	14,172	8,255
Total direct	1,900,953	(1,803,826)	(517,685)	166,221	(254,337)
Reinsurance business					
Other reinsurance acceptances	585,046	(485,295)	(118,796)	(51,343)	(70,388)
Reinsurance to close	537,556	(760,112)	-	300,834	78,278
	1,122,602	(1,245,407)	(118,796)	249,491	7,890
Total	£3,023,553	£(3,105,060)	£(636,481)	£415,712	£(302,274)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2000 (continued)

3 SEGMENTAL INFORMATION (continued)

Year ended 31 December 1999	Gross premiums written £	Gross claims incurred £	Gross operating expenses £	Reinsurance balance £	Total £
Direct business					
Accident and health	67,239	(56,344)	(19,087)	5,371	(2,821)
Motor – third party liability	30,151	(28,670)	(7,233)	5,515	(237)
Motor – other classes	225,850	(182,859)	(49,383)	2,435	(3,957)
Marine, aviation and transport	715,411	(251,453)	(46,436)	38,942	(43,536)
Fire and other damage to property	288,300	(272,227)	(73,484)	48,266	(9,145)
Third party liability	396,747	(294,073)	(93,040)	58,532	68,166
Credit and suretyship	30,137	(31,270)	(8,034)	6,150	(3,017)
Legal expenses	11,488	(3,499)	(2,314)	1,188	6,907
Assistance	134	(75)	(29)	(26)	4
Other	34,726	(24,509)	(8,626)	1,667	3,258
	<u>1,300,183</u>	<u>(1,144,935)</u>	<u>(307,666)</u>	<u>168,040</u>	<u>(15,622)</u>
Total direct					
	1,300,183	(1,144,935)	(307,666)	168,040	(15,622)
Reinsurance business					
Other reinsurance acceptances	1,190,370	(1,454,837)	(83,229)	365,607	(17,912)
	<u>1,190,370</u>	<u>(1,454,837)</u>	<u>(83,229)</u>	<u>365,607</u>	<u>(17,912)</u>
	<u>£2,490,554</u>	<u>£(2,599,772)</u>	<u>£(390,895)</u>	<u>£533,647</u>	<u>£(33,534)</u>

All insurance business is underwritten in the UK in the Lloyd's market, which has been treated as one geographical segment for the purpose of SSAP25: Segmental Reporting.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2000 (continued)

4 NET OPERATING EXPENSES

	2000 £	1999 £
Syndicate operating expenses	481,732	397,591
Exchange movement	105,414	(2,801)
	<u>587,146</u>	<u>389,790</u>
Gross operating expenses	587,146	389,790
Names' personal expenses	42,829	45,341
	<u>42,829</u>	<u>45,341</u>
Net operating expenses	<u>£629,975</u>	<u>£435,131</u>

5 OTHER INCOME

	2000 £	1999 £
Profit on disposal of syndicate capacity	-	27,145
Other income	276	99
	<u>£276</u>	<u>£27,244</u>

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

	2000 £	1999 £
The profit on ordinary activities before tax is stated after charging:		
Auditors' remuneration		
- audit services	500	1,250
- non-audit services	575	250
Exchange (profits)/losses	(79,919)	-
	<u>(79,919)</u>	<u>-</u>

7 TAXATION

	2000 £	1999 £
Corporation tax at 20% (1999: 21%)	-	1,110
Overprovision in respect of prior years	-	(684)
	<u>-</u>	<u>£426</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2000 (continued)

8 INTANGIBLE FIXED ASSETS

	2000 £	1999 £
At 1 January	108,045	36,961
Additions	12,655	71,084
Disposals	(8,269)	(27,145)
Gains	-	27,145
	<u> </u>	<u> </u>
At 31 December	<u>£112,431</u>	<u>£108,045</u>

Intangible fixed assets represent syndicate participation rights.

9 FINANCIAL INVESTMENTS

	Cost		Market value	
	2000 £	1999 £	2000 £	1999 £
Shares and other variable yield securities	40,394	17,293	122,725	16,823
Debt securities and other fixed income securities	1,006,740	333,055	941,174	323,809
Participation in investment pools	46,070	8	45,702	8
Loans guaranteed by mortgage	6,987	19,317	4,461	19,043
Deposits with credit institutions	98,837	27,691	119,709	35,642
Other	795	252	2,108	565
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>£1,199,823</u>	<u>£397,616</u>	<u>£1,235,877</u>	<u>£395,890</u>
Whereof:				
Listed on a recognised stock exchange			1,040,283	262,682
Other listed			195,594	66,302
Other			<u> </u>	<u>66,966</u>
			<u>£1,235,877</u>	<u>£395,890</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2000 (continued)

10 SHARE CAPITAL

	2000 £	1999 £
Authorised: 50,000 ordinary shares of £1 each	£50,000	£50,000
Allotted, issued and fully paid: 2 ordinary shares of £1 each	£2	£2

11 RESERVES

	Profit and loss account 2000 £	1999 £
At 1 January	(53,391)	(5,156)
Loss for the year	(216,037)	(48,235)
At 31 December	£(176,212)	£(53,391)

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2000 £	1999 £
Loss for the year	(216,037)	(48,235)
Opening shareholder's funds	(53,389)	(5,154)
Closing shareholder's funds	£(269,426)	£(53,389)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000 (continued)

13 CASH FLOW STATEMENT

(a) Reconciliation of loss on ordinary activities before tax to net cash inflow from operating activities:

	2000 £	1999 £
Loss on ordinary activities before tax	(216,037)	(47,809)
Decrease/(increase) in debtors	51,937	1,393
(Profit)/loss on disposal of intangible assets	1,795	(27,145)
Increase in creditors	62,988	53,512
Increase in provision for future losses	102,929	62,718
	<u> </u>	<u> </u>
Net cash inflow from operating activities	<u>£3,612</u>	<u>£42,669</u>

Only direct cash flows of the company itself are reflected in the cash flow statement. 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 Agent 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 2000 £	Cash flow £	At 31 December 2000 £
Cash in hand	<u>£11,867</u>	<u>£(2,571)</u>	<u>£9,296</u>

14 RELATED PARTY TRANSACTIONS

During the period, Mr Audain made loans to the company. At the balance sheet date £174,360 was owed to Mr Audain.