

# Reports & Financial Statements

For the year ended 31 December 2001

**Heico Underwriting Limited**

**Company Number: 3761393**



# HEICO UNDERWRITING LIMITED

**DIRECTORS:**

Mr C Oldham  
Mrs H Oldham

**SECRETARY:**

Mrs H Oldham

**REGISTERED OFFICE:**

122 Leadenhall Street  
LONDON  
EC3V 4SJ

**REGISTERED NUMBER:**

3761393

**AUDITORS:**

Mazars Neville Russell  
24 Bevis Marks  
LONDON  
EC3A 7NR

**CONTENTS****Page**

Directors' Report

1 - 2

Auditors' Report

3

Profit and Loss Account

4 - 5

Balance Sheet

6 - 7

Cashflow Statement

8

Notes to the Financial Statements

9 - 20

**DIRECTORS' REPORT**

The directors present their report and financial statements for the year ended 31 December 2001.

**PRINCIPAL ACTIVITY AND BUSINESS REVIEW**

The principal activity of the company is that of a corporate capital member of Lloyd's. The company is forecast to suffer significant losses when the 2000 and 2001 years of account of the syndicates on which it participated are closed. The company is, however, continuing to underwrite at Lloyd's in order to benefit from the upturn in the insurance cycle.

**RESULTS AND DIVIDENDS**

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

**DIRECTORS**

The directors' beneficial interests in the shares of the company are set out below:

	Ordinary shares of £1 each	
	2001	2000
Mr C Oldham	85	85
Mrs H Oldham	15	15

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

**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 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;
- comply with applicable accounting standards subject to any material departures disclosed and explained in the financial statements; and
- 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 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 financial statements 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.

**DIRECTORS' 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 black ink, appearing to be 'H. [unclear]', written in a cursive style.

Secretary

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HEICO UNDERWRITING LIMITED

We have audited the financial statements of Heico Underwriting Limited for the year ended 31 December 2001 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 Directors' 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 directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### 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 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.

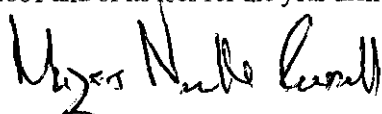
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

### Fundamental Uncertainty

In forming our opinion we have considered the overall adequacy of the disclosures made in the financial statements concerning the impact of losses arising from the US Terrorist Attacks on 11 September 2001 and the level of technical provisions which the company is carrying for its 2000 and 2001 underwriting. Because of the difficulty of assessing the ultimate cost of the US Terrorist Attacks the existing provisions may prove to be either excessive or inadequate. Details of the circumstances relating to this fundamental uncertainty are described in note 17. Our opinion is not qualified in this respect.

### 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 2001 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

28 May 2002

## PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2001

	Note	2001 £	2000 £
<b>TECHNICAL ACCOUNT - GENERAL BUSINESS</b>			
Earned premiums, net of reinsurance			
Gross premiums written	3	1,917,035	983,180
Outward reinsurance premiums	3	(422,541)	(269,016)
		<hr/>	<hr/>
Net premiums written		1,494,493	714,164
Allocated investment return transferred from the non-technical account		20,733	4,120
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount	3	(382,883)	(52,326)
Reinsurers' share	3	135,557	9,864
		<hr/>	<hr/>
		(247,326)	(42,462)
		<hr/>	<hr/>
Change in the provision for claims:			
Gross amount	3	(1,580,529)	(557,475)
Reinsurers' share	3	674,170	145,939
Increase on provision for future losses		(135,117)	-
		<hr/>	<hr/>
		(1,041,476)	(411,536)
		<hr/>	<hr/>
Net claims incurred		(1,288,802)	(453,998)
Net operating expenses	4	(361,076)	(263,899)
Investment expenses and charges		(465)	(387)
		<hr/>	<hr/>
Balance transferred to the non-technical account		<u>£(135,117)</u>	<u>-</u>

## PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2001 (continued)

	Note	2001 £	2000 £
<b>NON-TECHNICAL ACCOUNT</b>			
Balance on the general business technical account		(135,117)	-
Investment income	5	20,733	4,120
Allocated investment return transferred to The general business technical account		(20,733)	(4,120)
Other income		11,570	7,392
Other charges		(1,725)	(2,366)
		<hr/>	<hr/>
(Loss)/profit on ordinary activities before tax	6	(125,272)	5,026
Taxation on ordinary activities	7	1,005	(1,005)
		<hr/>	<hr/>
(Loss)/profit for the financial year after tax		(124,267)	4,021
Dividends		-	-
		<hr/>	<hr/>
(Loss)/profit retained for the financial year		<u>£(124,267)</u>	<u>£4,021</u>

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

All income and expenditure derive from continuing operations.

## BALANCE SHEET as at 31 December 2001

	Note	Syndicate £	2001 Other £	Total £	Syndicate £	2000 Other £	Total £
ASSETS							
FIXED ASSETS							
Intangible fixed assets	8	-	10,148	10,148	-	11,331	11,331
INVESTMENTS							
Financial investments	9	491,818	-	491,818	134,650	-	134,650
Deposits with ceding undertakings		2,218	-	2,218	114	-	114
REINSURERS' SHARE OF TECHNICAL PROVISIONS							
Claims outstanding		713,246	-	713,246	95,899	-	95,899
DEBTORS							
Debtors arising out of direct insurance					25,581	-	25,581
Operations:							
Due from policyholders		695	-	695	3,285	-	3,285
Due from intermediaries		361,251	-	361,251	220,192	-	220,192
Debtors arising out of reinsurance operations		790,948	-	790,948	98,141	-	98,141
Other debtors		6,237	140,463	146,700	17,818	13,355	31,173
OTHER ASSETS							
Cash at bank and in hand		82,841	-	82,841	30,318	1,375	31,693
Other		41,178	-	41,178	8,584	-	8,584
PREPAYMENTS AND ACCRUED INCOME							
Other prepayments and accrued income		2,268	-	2,268	1,278	-	1,278
<b>TOTAL ASSETS</b>		<b>£2,492,700</b>	<b>£150,611</b>	<b>£2,643,311</b>	<b>£635,860</b>	<b>£26,061</b>	<b>£661,921</b>



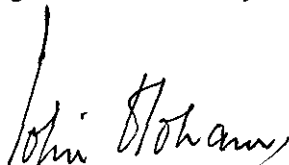
## HEICO UNDERWRITING LIMITED

7

## BALANCE SHEET as at 31 December 2001

	Note	Syndicate £	2001 Other £	Total £	Syndicate £	2000 Other £	Total £
<b>LIABILITIES</b>							
<b>CAPITAL AND RESERVES</b>							
Called up share capital	12	-	100	100	-	100	100
Profit and loss account	13	-	(124,065)	(124,065)	-	202	202
Equity shareholders' funds	14	-	(123,965)	(123,965)	-	302	302
<b>TECHNICAL PROVISIONS</b>							
Claims outstanding		2,202,916	-	2,202,916	516,886	-	516,886
Provision for future losses			135,117	135,117	-	-	-
<b>PROVISIONS FOR OTHER RISKS AND CHARGES</b>							
DEPOSITS RECEIVED FROM REINSURERS		10,813	-	10,813	-	-	-
<b>CREDITORS</b>							
Creditors arising out of direct insurance operations		56,167	-	56,167	40,459	-	40,459
Creditors arising out of reinsurance operations		168,226	-	168,226	63,846	-	63,846
Amounts owed to credit institutions		12,084	-	12,084	2	-	2
Other creditors	11	40,693	108,767	149,460	13,940	16,308	30,248
ACCRUALS AND DEFERRED INCOME		1,801	20,066	21,867	727	9,451	10,178
<b>TOTAL LIABILITIES</b>		<b>£2,492,700</b>	<b>£150,611</b>	<b>£2,643,311</b>	<b>£635,860</b>	<b>£26,061</b>	<b>£661,921</b>

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



Director

## CASH FLOW STATEMENT

For the year ended 31 December 2001

	Note	2001 £	2000 £
OPERATING ACTIVITIES			
Net cash (outflow)/inflow from operating activities	15(a)	(24,639)	1,262
Disposal of intangible fixed assets		12,638	113
		<u>£(12,001)</u>	<u>£1,375</u>
CASH FLOWS WERE INVESTED AS FOLLOWS			
(Decrease)/increase in cash holdings		(12,001)	1,375
Net portfolio investment		-	-
		<u>£(12,001)</u>	<u>£1,375</u>
MOVEMENT IN OPENING AND CLOSING PORTFOLIO INVESTMENTS NET OF FINANCING			
Net cash (outflow)/inflow for the period		(12,001)	1,375
Portfolio investments		-	-
		<u>(12,001)</u>	<u>1,375</u>
Total movement in portfolio investments net of financing		(12,001)	1,375
Portfolio investments net of financing at 1 January	15(b)	1,375	-
Portfolio investments net of financing at 31 December	15(b)	<u>£(10,626)</u>	<u>£1,375</u>

The cashflow statement excludes syndicate cashflows and cash held within Lloyd's premium trust funds on behalf of the company.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2001**

**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 each 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(f) 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 to the Act.

The format of the Returns has been established by Lloyd's and Lloyd's has also been responsible for collating the data at a syndicate level and analysing it into corporate member level results.

**2 ACCOUNTING POLICIES**

**(a) Accounting convention**

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2001 (continued)**

**2 ACCOUNTING POLICIES (continued)**

**(b) Going Concern**

As at 31 December the company had net liabilities of £123,965. The directors consider the company to be going concern and have prepared the financial statements on that basis. It is anticipated that the company will be able to make good any solvency shortfall (the assets required to support underwriting) arising from 2001 year of account. The company is underwriting at Lloyd's for 2002 year of account and should enjoy the benefits of a hardening market.

**(c) 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 (g) 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.

**(d) 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" premiums receivable (see (g) below).

Premiums written by a syndicate may also include the reinsurance of other syndicates on which the company participates. No adjustments have been made to gross premiums written or outward reinsurance premiums (or to gross and reinsurers' claims) to remove this intersyndicate reinsurance.

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

**(e) 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 2001 (continued)**

**2 ACCOUNTING POLICIES (continued)**

**(f) 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 (c) above).

The provision has been increased as appropriate by the directors to the extent that deficits are foreseen on underwriting years before the end of the third year, or on underwriting years not closed at the 36 month stage.

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.

**(g) 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 and to set the reinsurance to close with the intention that neither a profit or loss accrues to either set of members.

To the extent that the company participates on successive years of account of the same syndicate and there is a reinsurance to close between those years, the company has offset its share of the reinsurance to close received against its share of the reinsurance to close paid.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2001 (continued)**

**2 ACCOUNTING POLICIES (continued)**

**(g) 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 premium 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.

**(h) 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.

**(i) 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 2001 (continued)**

**2 ACCOUNTING POLICIES (continued)**

**(j) 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.

**(k) 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.

**(l) 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.

**(m) Syndicate participation rights**

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

**(n) 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 2001.

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.

**(o) 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 2001 (continued)

**3 SEGMENTAL INFORMATION**

Period ended 31 December 2001	Gross premium written £	Gross claims incurred £	Gross operating expenses £	Reinsurance Balance £	Total £
<i>Direct business</i>					
Accident and health	44,195	(26,779)	(13,698)	5,681	9,399
Motor – third party liability	13,581	(11,992)	(5,223)	11	(3,623)
Motor – other classes	25,163	(10,654)	(10,269)	(7,616)	(3,376)
Marine, aviation and transport	187,429	(199,691)	(49,120)	12,113	(49,269)
Fire and other damage to property	202,076	(183,421)	(59,762)	67,704	26,597
Third party liability	423,651	(332,794)	(121,319)	65,079	34,617
Credit and suretyship	25,471	(14,300)	(7,899)	24,543	27,815
Legal expenses	2,877	(3,129)	(775)	625	(402)
Assistance	122	38	(41)	(125)	(6)
Other	25,012	(22,417)	(5,478)	1,837	(1,046)
<b>Total direct</b>	<b>949,577</b>	<b>(805,139)</b>	<b>(273,584)</b>	<b>169,852</b>	<b>40,706</b>
<i>Reinsurance business</i>					
Other reinsurance acceptances	388,040	(409,632)	(87,492)	63,419	(45,665)
Reinsurance to close	579,418	(883,758)	-	153,914	(150,426)
<b>Total reinsurance</b>	<b>967,458</b>	<b>(1,293,390)</b>	<b>(87,492)</b>	<b>217,333</b>	<b>(196,091)</b>
<b>Total</b>	<b>£1,917,035</b>	<b>£(2,098,529)</b>	<b>£(361,076)</b>	<b>£387,185</b>	<b>£(155,385)</b>
Period ended 31 December 2000	Gross premium written £	Gross claims incurred £	Gross operating expenses £	Reinsurance Balance £	Total £
<i>Direct business</i>					
Accident and health	29,301	(29,074)	(10,033)	810	(8,996)
Motor – third party liability	8,465	(5,974)	(2,626)	(162)	(297)
Motor – other classes	40,343	(38,075)	(9,932)	6,532	(1,132)
Marine, aviation and transport	124,617	(89,857)	(31,781)	(16,260)	(13,281)
Fire and other damage to property	180,717	(116,076)	(52,224)	(13,619)	(1,202)
Third party liability	282,974	(161,345)	(83,935)	(33,374)	4,320
Credit and suretyship	25,634	(12,383)	(6,967)	81	6,365
Legal expenses	4,038	(2,730)	(1,207)	339	440
Assistance	81	(148)	(14)	88	7
Other	15,113	(7,918)	(4,260)	(2,693)	242
<b>Total direct</b>	<b>711,283</b>	<b>(463,580)</b>	<b>(202,979)</b>	<b>(58,258)</b>	<b>(13,534)</b>
<i>Reinsurance business</i>					
Other reinsurance acceptances	271,897	(146,221)	(61,395)	(54,480)	9,801
Reinsurance to close	-	-	-	-	-
<b>Total reinsurance</b>	<b>271,897</b>	<b>(146,221)</b>	<b>(61,395)</b>	<b>(54,480)</b>	<b>9,801</b>
<b>Total</b>	<b>£983,180</b>	<b>£(609,801)</b>	<b>£(264,374)</b>	<b>£(112,738)</b>	<b>£(3,733)</b>

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



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2001 (continued)**

**4 NET OPERATING EXPENSES**

	2001 £	2000 £
Acquisition costs	256,647	192,451
Administrative expenses	47,530	40,590
	<u>304,177</u>	<u>233,041</u>
Personal expenses	56,899	30,858
	<u>£361,076</u>	<u>£263,899</u>

**5 INVESTMENT INCOME**

	2001 £	2000 £
Income from other investments	17,746	3,238
Gain on the realisation of investments	2,987	882
	<u>£20,733</u>	<u>£4,120</u>
Income from investments held other than by syndicates Included in the above, amounted to:	-	-

**6 LOSS ON ORDINARY ACTIVITIES BEFORE TAX**

	2001 £	2000 £
The loss on ordinary activities before tax is stated after charging:		
Auditors' remuneration		500
- audit services	500	575
- non-audit services	575	(156)
Exchange (profits)/losses	(4,497)	(829)

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2001 (continued)**

**7 TAXATION**

	<b>2001</b>	<b>2000</b>
	<b>£</b>	<b>£</b>
UK corporation tax at 20% (2000:20%)	-	£1,005
Release of prior years provision	£(1,005)	-
	<u>          </u>	<u>          </u>

**8 INTANGIBLE FIXED ASSETS**

	<b>2001</b>	<b>2000</b>
	<b>£</b>	<b>£</b>
<b>COST AND NET BOOK VALUE</b>		
At 1 January	10,502	4,145
Additions	4,006	11,229
Disposals	(4,360)	(4,043)
	<u>          </u>	<u>          </u>
At 31 December	£10,148	£11,331
	<u>          </u>	<u>          </u>

Intangible fixed assets represent the purchase cost of syndicate participation rights.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2001 (continued)**

**9 FINANCIAL INVESTMENTS**

**SYNDICATE**

	<b>2001</b>		<b>2000</b>	
	<b>Cost</b>	<b>Market</b>	<b>Cost</b>	<b>Market</b>
	<b>£</b>	<b>Value</b>	<b>£</b>	<b>Value</b>
Shares and other variable yield securities	69,551	20,234	7,271	17,423
Debt securities and other fixed income securities	376,115	372,945	105,975	96,533
Participation in investment pools	15,983	16,089	6,083	5,700
Loans guaranteed by mortgage	12,484	7,009	2,640	2,217
Other loans	-	8,243	-	-
Deposits with credit institutions	14,253	66,395	9,829	11,670
Other	895	903	1,399	1,107
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December	<u>£489,281</u>	<u>£491,818</u>	<u>£133,197</u>	<u>£134,650</u>
Whereof:				
Listed on a recognised stock exchange		394,472		108,426
Other listed		97,346		26,224
Other		-		-
		<u>          </u>		<u>          </u>
		<u>£491,818</u>		<u>£134,650</u>
<b>OTHER</b>				
		<b>2001</b>		<b>2000</b>
		<b>Cost</b>		<b>Cost</b>
		<b>£</b>		<b>£</b>
Other		-		-
		<u>          </u>		<u>          </u>

These funds are held in trust to support 2000 and 2001 underwriting activities (see note 10).

**10 FUNDS AT LLOYD'S**

In addition to the funds referred to in note 9, the company's 2000 and 2001 underwriting is additionally supported by funds made interavailable by the director.

**11 OTHER CREDITORS**

	<b>2001</b>	<b>2000</b>
	<b>£</b>	<b>£</b>
Bank overdraft	10,626	-
UK corporation tax	-	1,005
Other creditors	108,767	15,303
	<u>          </u>	<u>          </u>
At 31 December	<u>£119,393</u>	<u>£16,308</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2001 (continued)**

**12 SHARE CAPITAL**

	<b>2001</b>		<b>2000</b>	
	<b>Authorised</b>	<b>Allotted, Issued and fully paid</b>	<b>Authorised</b>	<b>Allotted, issued and fully paid</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Ordinary shares of £1 each	<u>£500,000</u>	<u>£100</u>	<u>£500,000</u>	<u>£100</u>

**13 RESERVES**

	<b>Profit and loss account</b>	
	<b>2001</b>	<b>2000</b>
	<b>£</b>	<b>£</b>
At 1 January	202	(3,819)
(Loss)/profit for the year	<u>(124,267)</u>	<u>4,021</u>
At 31 December	<u>£(124,065)</u>	<u>£202</u>

**14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>2001</b>	<b>2000</b>
	<b>£</b>	<b>£</b>
Profit/(loss) for the period	(124,267)	4,021
Opening shareholders' funds	<u>302</u>	<u>(3,719)</u>
Closing shareholders' funds	<u>£(123,965)</u>	<u>£302</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001 (continued)

## 15 CASH FLOW STATEMENT

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

	2001 £	2000 £
Profit/(loss) on ordinary activities before tax	(125,273)	5,026
(Increase) in other debtors	(127,109)	(13,355)
Increase in other creditors and accruals	104,080	16,890
Increase in provision for future losses	135,117	-
Profit from disposal of capacity	(11,454)	(7,299)
	<u>          </u>	<u>          </u>
Net cash (outflow)/inflow from operating activities	<u>£(24,639)</u>	<u>£1,262</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 2001 £	Cash flow £	At 31 December 2001 £
Cash in hand	1,375	(12,001)	(10,626)
Other financial investments	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>£1,375</u>	<u>£(12,001)</u>	<u>£(10,626)</u>

## 16 RELATED PARTY TRANSACTIONS

During the period, Mr Colin Oldham and Mrs Heidi Oldham made loans to the company. At the balance sheet date £108,767 was owed to the directors (2000:£16,308).

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2001 (continued)**

**17 US TERRORIST ATTACKS – 11 SEPTEMBER 2001**

The US Terrorist Attacks (“USTA”) of 11 September 2001 are anticipated to result in the largest loss suffered by the global insurance market.

Lloyd’s has announced an estimate of its exposure to this loss in the region of £1.9 billion. The company is exposed to USTA losses through the syndicates on which it participated for the 2000 and 2001 years of account.

As at 31 December 2001, the company is carrying gross technical provisions for its 2000 and 2001 underwriting of £2,338,033.

These reserves include provision for USTA losses.

The company participated on syndicates: 33, 1241 2001, 2020, 2488 and 2791, which received a “fundamental uncertainty” opinion (“opinion 3”) on their Lloyd’s solvency reserves from their syndicate actuary in respect of their exposure to the USTA losses.

These syndicates represent a significant proportion of the company’s underwriting at Lloyd’s and as such render the company’s technical reserves as at 31 December 2001 fundamentally uncertain. Because of the difficulty of assessing the ultimate cost of USTA losses, the existing provision may prove to be excessive or inadequate.

\*\*\*\*\*  
\* User name: KMW01 (209) Queue: NR1/BM2-HP8150N-2  
\* File name: Server: BM2-HP8150N-2\_PS  
\* Directory:  
\* Description: http://www.transdev.fr/html/ENG/qui\_chiffres2000.  
\* May 16, 2002 2:31pm  
\*\*\*\*\*

\*  
\* K K M M W W 000 1  
\* K K MM MM W W 0 0 11  
\* K K M M M W W 0 00 1  
\* KK M M M W W W 0 0 0 1  
\* K K M M W W W 00 0 1  
\* K K M M WW WW 0 0 1  
\* K K M M W W 000 11111  
\*  
\*  
\*

\*\*\*\*\*  
\*  
\* L SSS TTTT  
\* L S S T  
\* L S T ::  
\* L SSS T ::  
\* L S T  
\* L S S T ::  
\* LLLL SSS T ::  
\*  
\*  
\*  
\*\*\*\*\*

## Our Group

### Key figures

#### ■ ■ ■ Key figures for 2000

---

**Sales of businesses under management:** 869 million euros (FRF 5.7 billion)

**Consolidated group sales:** 396 million euros (FRF 2.96 billion)

**Net income:** 4.9 million euros (FRF 32 million)

The 2000 figures are particularly significant as they show that the Group reached its targets despite a more difficult economic environment. In effect, the economy was marked by two major developments in 2000: a surge in fuel prices, up 20% over 1999, and the reduction of the work week in France, a challenge which management had anticipated and met through successful negotiations.

**Back**