

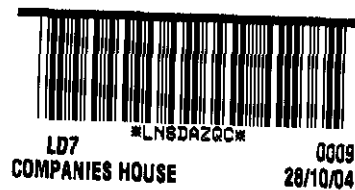
Registered Number 3800934

**BLAIR UNDERWRITING LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2003**



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The Directors have pleasure in presenting their Report together with the Financial Statements for the year ended 31 December 2003.

#### Results and Dividends

The results for the year are set out on pages 6 and 7 of the Financial Statements. The Directors do not recommend the payment of a dividend.

#### Review of the Business

The principal activity of the Company in the year under review was that of a corporate underwriting member of Lloyd's. The Company commenced underwriting with effect from 1 January 2000.

The result for the year includes movements from Syndicates that closed the 2001 underwriting account and from Syndicates in run-off, compared to the provisions previously established for these losses. Overall the 2001 underwriting account closed with a loss. The syndicates identified in note 21 continue to be unable to obtain a reinsurance to close. The market is currently forecast to make an overall profit for the 2002 and 2003 underwriting accounts which will normally close at 31 December 2004 and 2005 respectively and are therefore not reflected in these financial statements. The company has continued to underwrite on the 2004 underwriting account where the market conditions are considered favourable for a profitable outcome subject to the level of claims experienced.

#### Directors and Directors' Interests

The Directors of the Company in office, during the year, and their interest in its share capital were as follows:

	31 December 2003	31 December 2002
	Ordinary £1 shares	Ordinary £1 shares
W K Blair	500	500
V M Blair	-	-

#### Auditors

The auditors, Littlejohn Frazer, will be proposed for reappointment in accordance with Section 385 of the Companies Act 1985.

By Order of the Board



Director

24 June 2004

**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 and of the profit or loss of the Company for that year. In preparing those Financial Statements the Directors are required to:

- select suitable Accounting Policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the 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.

**Independent Auditors' Report to the Shareholders of Blair Underwriting Limited**

We have audited the Financial Statements of Blair Underwriting Limited on pages 6 to 23 for the year ended 31 December 2003 which comprise the General Business Technical Account, 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 investments and the accounting policies set out herein.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective Responsibilities of Directors and Auditors**

The Directors' 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 Directors' Responsibilities on page 3.

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 other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. This other information comprises only the Directors' 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 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 judgments 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.

**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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Littlejohn Frazer**

Chartered Accountants  
and Registered Auditors

1 Park Place  
Canary Wharf  
London E14 4HJ

24 June 2004

## BLAIR UNDERWRITING LIMITED

PROFIT AND LOSS ACCOUNT  
Year Ended 31 December 2003

## TECHNICAL ACCOUNT - GENERAL BUSINESS

	Note	2003	2002
Gross Premiums Written	1	4,153,573	4,682,153
Outward reinsurance premiums		(577,402)	(1,374,263)
Earned Premiums Net of Reinsurance		3,576,171	3,307,890
Allocated Investment Return (excluding expenses)	3	136,866	162,407
Claims Paid			
Gross amount		(2,051,780)	(2,325,971)
Reinsurers' share		794,276	1,104,380
Net claims paid		(1,257,504)	(1,221,591)
Change in Provision for Claims			
Gross amount		79,994	(2,212,111)
Reinsurers' share		(1,098,307)	1,167,339
Net change in provision for claims		(1,018,313)	(1,044,772)
Claims Incurred Net of Reinsurance		(2,275,817)	(2,266,363)
Net operating expenses	4	(1,392,996)	(1,189,364)
Investment expenses and charges		(5,576)	(4,202)
Balance on Technical Account for General Business		£38,648	£10,368

**BLAIR UNDERWRITING LIMITED****PROFIT AND LOSS ACCOUNT**  
**Year Ended 31 December 2003****NON TECHNICAL ACCOUNT**

	<b>Note</b>	<b>2003</b>	<b>2002</b>
<b>Balance on the General Business Technical Account</b>	5	38,648	10,368
Investment income	6	312	271
Other income	7	12,722	47,284
Other charges		(83,408)	(83,317)
<b>Profit/(Loss) on Ordinary Activities before Taxation</b>	8	<u>(31,726)</u>	<u>(25,394)</u>
Tax on profit/(loss) on ordinary activities	16	129,156	-
<b>Profit/(Loss) for the Financial Year</b>	14	<u><u>£97,430</u></u>	<u><u>£(25,394)</u></u>

The Company has no recognised gains or losses other than the profit / loss for the financial year stated above.

All amounts above relate to continuing operations.



**BLAIR UNDERWRITING LIMITED**
**BALANCE SHEET**  
**As at 31 December 2003**

	Note	Syndicate Assets	Corporate	2003 Total	2002 Total
<b>ASSETS</b>					
<b>Intangible Assets</b>					
Syndicate participation rights	9	-	47,893	47,893	91,954
<b>Investments</b>					
Financial investments	10	4,029,811	-	4,029,811	3,343,155
Deposits with ceding undertakings		7,949	-	7,949	13,580
		4,037,760	-	4,037,760	3,356,735
<b>Reinsurers' Share of Technical Provisions</b>					
Claims outstanding		3,353,760	-	3,353,760	4,507,518
<b>Debtors</b>					
Arising out of direct insurance operations					
- Policy holders		8,785	-	8,785	-
- Intermediaries		1,009,886	-	1,009,886	1,348,811
Arising out of reinsurance operations		2,673,945	-	2,673,945	2,620,047
Other debtors	11	262,273	354,156	616,429	455,168
		3,954,889	354,156	4,309,045	4,424,026
<b>Other Assets</b>					
Cash at bank	12	521,337	50,934	572,271	503,158
Other		395,207	-	395,207	289,524
		916,544	50,934	967,478	792,682
<b>Prepayments and Accrued Income</b>					
Other prepayments and accrued income		20,692	-	20,692	20,367
<b>Total Assets</b>		<u>£12,283,645</u>	<u>£452,983</u>	<u>£12,736,628</u>	<u>£13,193,282</u>

**BLAIR UNDERWRITING LIMITED**
**BALANCE SHEET**  
**As at 31 December 2003**

	Note	Syndicate Liabilities	Corporate	2003 Total	2002 Total
<b>LIABILITIES</b>					
<b>Capital and Reserves</b>					
Called-up share capital	13	-	500	500	500
Share Premium Account	14	-	798	798	798
Profit and Loss Account	14	(412,405)	(415,651)	(828,056)	(925,486)
<b>Shareholders' Funds Attributable to Equity Interests</b>					
	15	(412,405)	(414,353)	(826,758)	(924,188)
<b>Technical Provisions</b>					
Claims outstanding - gross amount		11,880,264	-	11,880,264	12,364,971
<b>Provisions for Other Risks and Charges</b>					
Provision for taxation	16	-	-	-	-
Deposits Received from Reinsurers		36,468	-	36,468	80,849
<b>Creditors</b>					
Arising out of direct insurance operations		117,176	-	117,176	172,000
Arising out of reinsurance operations		378,514	-	378,514	774,600
Amounts due to credit institutions		7,785	-	7,785	91
Other creditors	17	260,892	736,365	997,257	710,159
		764,367	736,365	1,500,732	1,656,850
<b>Accruals and Deferred Income</b>					
		14,951	130,971	145,922	14,800
<b>Total Liabilities</b>		<u>£12,283,645</u>	<u>£452,983</u>	<u>£12,736,628</u>	<u>£13,193,282</u>

Approved by the Board on 24 June 2004



W K Blair

Director

## BLAIR UNDERWRITING LIMITED

CASHFLOW STATEMENT  
Year Ended 31 December 2003

	Note	2003	2002
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	18	7,823	(159,711)
<b>Returns on Investments and Servicing of Finance</b>			
Interest received	312	271	
<b>Net Cash Inflow/(Outflow) from Returns on Investments and Servicing of Finance</b>		312	271
<b>Taxation</b>			
Corporation Tax paid		-	-
<b>Capital Expenditure and Financial Investment</b>			
Purchase of syndicate participations rights	-	-	-
Proceeds from sale of syndicate participations rights	20,024	94,995	
Purchase of investments	-	-	-
Proceeds from sale of investments	-	-	-
<b>Net Cash Inflow/(Outflow) from Capital Expenditure and Financial Investment</b>		20,024	94,995
<b>Net Cash Inflow/(Outflow) before Financing</b>		28,159	(64,445)
<b>Financing</b>			
Funds lent to the Company by the Shareholders to meet expenses and cash calls	22,775	62,964	
<b>Net Cash Inflow/(Outflow) from Financing</b>		22,775	62,964
<b>Increase/(Decrease) in Cash</b>		<u>£50,934</u>	<u>£(1,481)</u>
Net Funds at 1 January 2003		-	1,481
Increase / (Decrease) in cash in the year		50,934	(1,481)
<b>Net Funds at 31 December 2003</b>		<u>£50,934</u>	<u>£ -</u>

The Company has no control over the disposition of assets and liabilities at Lloyd's. Consequently, the Cash Flow Statement is prepared reflecting only the movement in corporate funds, which includes transfers to and from the Syndicates at Lloyd's.

## Accounting Policies

### Basis of Accounting

The Financial Statements are prepared under the historical cost basis of accounting modified to include the revaluation of investments, and comply with applicable Accounting Standards.

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

The Financial Statements have been prepared in accordance with Section 255 and Schedule 9A of the Companies Act 1985 and the recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in 1998. Accounting information in respect of the Syndicate participations has been provided by the Syndicate managing agents through an information exchange facility operated by Lloyd's and has been reported upon by the Syndicate auditors.

Amounts reported in the General Business Technical Account relate to the movements in the calendar year in respect of all relevant years of account of the Syndicates.

Assets and liabilities arising as a result of the underwriting activities are mainly controlled by the Syndicates' managing agents and are shown separately on the Balance Sheet as "Syndicate Assets" and "Syndicate Liabilities". The assets are held subject to trust deeds for the benefit of the Syndicates' insurance creditors.

In continuing to apply the going concern basis to this Company's Financial Statements the following factors have been taken into account: the likely timing of any underwriting and non-underwriting cashflows, any Funds at Lloyd's supporting the Company's underwriting and not reflected in the the Company's Balance Sheet and the continued support of the Directors and Shareholders including the potential deferral of balances due to them.

### General Business

#### i. Premiums

Gross premiums are accounted for in the period in which the risk commences, together with adjustments to premium written in previous accounting periods. Future premiums relating to risks commencing in the period are based upon estimates made by the Syndicates' management. Other adjustments are accounted for as arising.

#### ii. Claims

Provision is made for the estimated cost of claims outstanding at the end of the year, including those incurred but not reported at that date, and for the related cost of settlement. Claims incurred comprise amounts paid or provided in respect of claims occurring during the current year, together with the amount by which settlement or reassessment of claims from previous years differs from the provision at the beginning of the year.

#### iii. Underwriting Results

Lloyd's current accounting practice mandates that Syndicates operate a three year fund basis of accounting.

*The Company follows this basis to the extent that profits are recognised when declared by the Syndicate for the year of account after 36 months. Losses are recognised as soon as they are foreseeable.*

**iv. Technical Provision**

In accordance with the above practice, the excess of premiums written and Syndicate investment income over the claims and Syndicate expenses paid in respect of business incepting in an underwriting year is carried forward for two years in a fund and no profit is recognised until the end of the third year following the start of each underwriting year when the underwriting account is normally closed. The fund is included as part of outstanding claims.

**v. Closed Years of Account**

At the end of the third year, the underwriting account is normally closed by reinsurance into the following year of account. The amount of the reinsurance to close premium payable is determined by the managing agent, generally by estimating the cost of claims notified but not settled at 31 December, together with the estimated cost of claims incurred but not reported at that date, and an estimate of future claims handling costs. Any subsequent variation in the ultimate liabilities of the closed year of account is borne by the underwriting year into which it is reinsured.

The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring Syndicate was unable to meet its obligations, and the other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle any outstanding claims.

The Director considers that the likelihood of such a failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close has been deemed to settle the liabilities outstanding at the closure of an underwriting account. The company has included its share of the reinsurance to close premiums payable as technical provisions at the end of the current year, and no further provision is made for any potential variation in the ultimate liability of that year of account.

**vi. Run-off Years of Account**

Where an underwriting year of account is not closed at the end of the third year (a "run-off" year of account) a provision is made for the estimated cost of all known and unknown outstanding liabilities of that year. The provision is determined initially by the managing agent on a similar basis to the reinsurance to close. However, any subsequent variation in the ultimate liabilities for that year remains with the corporate member participating therein. As a result any run-off year will continue to report movements in its results after the third year until such time as it secures a reinsurance to close, this will include any difference in the price that is ultimately charged for the reinsurance to close premium compared to the syndicate's current estimate.

**vii. Investments and Allocated Investment Income**

In accordance with Lloyd's current accounting practice, investments are stated at market value, including accrued interest at the Balance Sheet date. Investment income is included in the General Business Technical Account reflecting that earned on the investment portfolio managed by the Syndicates. The allocated investment income therefore comprises income received and investment profits and losses arising in the calendar year including appreciation/depreciation and accrued interest consequent upon the revaluation of investments at 31 December. All gains and losses on investments are treated as realised at the Balance Sheet date.

**viii. Basis of Currency Translation**

Syndicates maintain separate funds in Sterling, United States and Canadian dollars, and may also do so in certain other currencies. All transactions where separate currencies are maintained are translated into Sterling at the rates of exchange ruling at the Balance Sheet date. Transactions during the year in other overseas currencies are expressed in Sterling at the rates ruling at the transaction date.

**ix. Debtors/Creditors arising from insurance/reinsurance operations**

The amounts shown in the Balance Sheet include the totals of all the Syndicates outstanding debit and credit transactions as processed by Xchanging Ins-sure Services Limited; no account has been taken of any offsets which may be applicable in calculating the net amounts due between the Syndicates and each of their counterparty insureds, reinsurers or intermediaries as appropriate.

**Deferred Taxation**

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities have not been discounted.

**Intangible Assets**

Costs incurred by the Company in the Corporation of Lloyd's auctions in order to acquire rights to participate on Syndicates' underwriting years are included within intangible fixed assets and amortised over a 3 year period beginning in the third year after the underwriting commences in respect of the purchased Syndicate participation.

**Investments**

Investments held directly by the company, by trustees of the Premium Trust Fund, or as the Lloyd's Deposit, are stated at market value.

## 1 Class of Business

	Gross written premiums	Gross claims incurred	Operating expenses	Reinsurance balance
<b>2003</b>				
<b>Direct</b>				
Accident and health	124,652	(12,052)	(59,054)	(30,238)
Motor - third party liability	14,245	(5,586)	(7,993)	(878)
Motor - other classes	306,500	(137,462)	(92,088)	(24,219)
Marine, aviation and transport	276,829	166,654	(135,502)	(232,246)
Fire and other damage to property	481,628	28,576	(224,911)	(293,225)
Third party liability	1,178,972	(694,446)	(355,335)	(334,237)
Credit and suretyship	32,057	(66,797)	(21,666)	(24,101)
Other	9,901	36,238	(10,827)	(50,044)
<b>Total Direct</b>	<b>2,424,784</b>	<b>(684,875)</b>	<b>(907,376)</b>	<b>(989,188)</b>
<b>Reinsurance Business</b>				
Reinsurance acceptances	1,317,413	(111,993)	(461,895)	(772,031)
Reinsurance to close	411,376	(1,174,918)	(23,725)	879,786
<b>Total Reinsurance</b>	<b>1,728,789</b>	<b>(1,286,911)</b>	<b>(485,620)</b>	<b>107,755</b>
<b>Total</b>	<b>£4,153,573</b>	<b>£(1,971,786)</b>	<b>£(1,392,996)</b>	<b>£(881,433)</b>
<b>2002</b>				
<b>Direct</b>				
Accident and health	135,924	(158,124)	(47,203)	4,278
Motor - third party liability	30,820	(28,194)	(8,271)	(3,862)
Motor - other classes	339,354	(260,476)	(91,122)	(33,509)
Marine, aviation and transport	524,144	(636,549)	(133,816)	161,327
Fire and other damage to property	910,398	(989,405)	(259,474)	124,701
Third party liability	1,297,324	(1,145,426)	(338,233)	185,803
Credit and suretyship	54,418	(24,113)	(17,212)	(77,294)
Other	46,515	(73,798)	(15,613)	49,471
<b>Total Direct</b>	<b>3,338,897</b>	<b>(3,316,085)</b>	<b>(910,944)</b>	<b>410,915</b>
<b>Reinsurance Business</b>				
Reinsurance acceptances	1,085,626	(1,691,033)	(258,715)	627,263
Reinsurance to close	257,630	469,036	(19,705)	(140,722)
<b>Total Reinsurance</b>	<b>1,343,256</b>	<b>(1,221,997)</b>	<b>(278,420)</b>	<b>486,541</b>
<b>Total</b>	<b>£4,682,153</b>	<b>£(4,538,082)</b>	<b>£(1,189,364)</b>	<b>£897,456</b>

2	Geographical Analysis	2003	2002		
	Direct Gross Premium Written In				
	United Kingdom	2,424,890	3,547,203		
	Other EU Member States	-	-		
	Rest of the World	(106)	(208,306)		
		<u>£2,424,784</u>	<u>£3,338,897</u>		
3	Allocated Investment Income	2003	2002		
	Investment income	175,587	155,629		
	Realised (loss)/gain on investments	(38,721)	6,778		
		<u>£136,866</u>	<u>£162,407</u>		
4	Net Operating Expenses	2003	2002		
	Acquisition costs	971,030	483,447		
	Administrative expenses	168,683	487,416		
	(Profit)/loss on exchange	253,283	218,501		
		<u>£1,392,996</u>	<u>£1,189,364</u>		
5	Transfer from Technical Account	2001	2002	2003	
		Underwriting Account	Underwriting Account	Underwriting Account	Total
	Loss previously transferred	(451,053)	-	-	(451,053)
	Profit for the year	38,648	-	-	38,648
		<u>£(412,405)</u>	<u>£-</u>	<u>£-</u>	<u>£(412,405)</u>
6	Investment Income	2003	2002		
	Income from other investments (including interest receivable)	312	271		
	Realised gain / (loss) from other investments	-	-		
	Unrealised gain / (loss) from other investments	-	-		
		<u>£312</u>	<u>£271</u>		
7	Other Income	2003	2002		
	Profit / (loss) on sale of syndicate participation rights	12,722	47,284		
	Other	-	-		
		<u>£12,722</u>	<u>£47,284</u>		



8 Profit/(Loss) on Ordinary Activities before Taxation	2003	2002
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This is stated after charging:

Auditors' remuneration - audit	£600	£600
Auditors' remuneration - other	£1,300	£1,300
Directors' remuneration	£-	£-
Amortisation of syndicate capacity	£36,759	£37,130
	<u>£36,759</u>	<u>£37,130</u>

The Company has no employees.

9 Intangible Assets	<b>Syndicate Participation Rights</b>
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**Cost**

At 1 January 2003	234,410
Additions	-
Disposals	(26,044)
At 31 December 2003	<u>208,366</u>

**Amortisation**

At 1 January 2003	142,456
Charge for the year	36,759
Disposals	(18,742)
At 31 December 2003	<u>160,473</u>

**Net Book Value**

At 31 December 2003	<u>£47,893</u>
At 31 December 2002	<u>£91,954</u>

10 Investments	Syndicate	Corporate	2003	2002
Financial Investments			Total	Total
<i>At market value</i>				
Shares and other variable yield securities	387,042	-	387,042	110,190
Debt securities and other fixed income securities	3,538,191	-	3,538,191	2,741,076
Participation in investment pools	2,642	-	2,642	46,134
Loans guaranteed by mortgage	1,140	-	1,140	291
Other Loans	-	-	-	166,918
Deposits with credit institutions	100,342	-	100,342	278,026
Other	454	-	454	520
	<u>£4,029,811</u>	<u>£-</u>	<u>£4,029,811</u>	<u>£3,343,155</u>
Listed investments included within the above	<u>£3,336,615</u>	<u>£-</u>	<u>£3,336,615</u>	<u>£2,678,193</u>
<i>At cost</i>				
Shares and other variable yield securities	451,947	-	451,947	212,851
Debt securities and other fixed income securities	3,844,145	-	3,844,145	2,647,812
Participation in investment pools	11,927	-	11,927	47,489
Loans guaranteed by mortgage	1,141	-	1,141	284
Other loans	-	-	-	182,922
Deposits with credit institutions	48,630	-	48,630	127,081
Other	411	-	411	520
	<u>£4,358,201</u>	<u>£-</u>	<u>£4,358,201</u>	<u>£3,218,959</u>
11 Debtors	Syndicate	Corporate	2003	2002
			Total	Total
Deferred Tax	-	129,156	129,156	-
Other	262,273	225,000	487,273	455,168
	<u>£262,273</u>	<u>£354,156</u>	<u>£616,429</u>	<u>£455,168</u>

Corporate other debtors includes £000 (2002 : £000) in respect of cash calls paid to Syndicates.

These cash calls will be offset against the Syndicate result for the year on which the cash call is made when that year closes. These amounts may therefore not be recoverable within 12 months. Any amounts shown as deferred tax are unlikely to be recovered within 12 months.

12 Cash at Bank	Syndicate	Corporate	2003 Total	2002 Total
Lloyd's deposit	-	17,394	17,394	-
Cash at bank and in hand	521,337	33,540	554,877	503,158
	<u>£521,337</u>	<u>£50,934</u>	<u>£572,271</u>	<u>£503,158</u>

Any Lloyd's deposit is held in accordance with the constraints detailed in note 19.

13 Called-up Share Capital	2003	2003	2002	2002
		Allotted, Called-up and Fully Paid		Allotted, Called-up and Fully Paid
	Authorised		Authorised	
Ordinary shares of £1 each	<u>£100,000</u>	<u>£500</u>	<u>£100,000</u>	<u>£500</u>

14 Reserves	2003	2003	2002	2002
	Share Premium Account	Profit and Loss Account	Share Premium Account	Profit and Loss Account
Balance at 1 January	798	(925,486)	798	(900,092)
Retained profit / (loss) for the year	-	97,430	-	(25,394)
Balance at 31 December	<u>£798</u>	<u>£(828,056)</u>	<u>£798</u>	<u>£(925,486)</u>

15 Reconciliation of Movements in Shareholders' Funds	2003	2002
Profit / (loss) for the financial year	97,430	(25,394)
Opening shareholders' funds	(924,188)	(898,794)
Closing shareholders' funds	<u>£(826,758)</u>	<u>£(924,188)</u>

16 Taxation	2003	2002
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**Analysis of Charge in Year****Current tax**

UK Corporation Tax on profits of the year	-	-
Adjustments in respect of previous years	-	-
Foreign tax	-	-
Total current tax	<u>-</u>	<u>-</u>

**Deferred tax**

Origination and reversal of timing differences	(129,156)	-
Changes in tax rates	-	-
Adjustment to the estimated recoverable amounts of deferred tax assets arising in previous years	-	-
Gain rolled over	-	-
Total deferred tax	<u>£(129,156)</u>	<u>-</u>
Tax charge / (credit) on ordinary activities	<u>£(129,156)</u>	<u>£-</u>

## 16 Taxation (Continued)

**Factors Affecting Tax Charge for the Year**

The tax assessed for the year is higher than the standard rate of Corporation Tax in the UK of 19% (2002 : 19%). The differences are explained below:

	2003	2002
Profit/(loss) on ordinary activities before tax	(31,726)	(25,394)
Profit/(loss) on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 19% (2002 - 19%).	(6,028)	(4,825)
Effects of:		
Expenses not deductible for tax purposes	-	-
Timing differences arising from the taxation of the underwriting results	(69,004)	(1,970)
Timing differences arising from the taxation of syndicate participation movements		-
Other	(5)	
Tax Losses carried forward	75,037	6,795
Current tax charge for year	£-	£-

**Factors that may affect Future Tax Charges**

The Company has trading losses of approximately £481,864 (2002: £86,932) available for carry forward against future trading profits which if utilised should significantly reduce tax payments in subsequent years.

In addition the company has deferred tax losses carried forward of £479,869 (2002 : £882,195) in respect of open and closed years underwriting results and amortisation of syndicate participations in previous years, which are not yet assessable to Corporation Tax. These losses when they crystallise for tax purposes should, if utilised significantly reduce tax payments on trading profits in subsequent years.

After reviewing the profits forecasts for open years, the company has recognised a deferred tax asset of £129,156 in respect of the above losses. A deferred tax asset of £53,573 in respect of the above losses has not been recognised as its future recovery is uncertain.

<b>Provision for Deferred Tax</b>	2003	2002
Provision at start of year	-	-
Deferred tax charge/(credit) in Profit and Loss Account for year	(129,156)	-
Provision at end of year	£(129,156)	£-

Full provision has been made for all timing differences apart from the recovery of taxation losses against future trading profits, which cannot be prudently anticipated at this time.

17 Other Creditors	Syndicate	Corporate	2003 Total	2002 Total
Other creditors	260,892	53,043	313,935	49,612
Corporation Tax	-	-	-	-
Proprietors' loan account	-	683,322	683,322	660,547
	<u>£260,892</u>	<u>£736,365</u>	<u>£997,257</u>	<u>£710,159</u>

The above proprietors' loan has been included in the related party transaction note 20.

18 Reconciliation of Operating Profit / (Loss) to Net Cash Inflow / (Outflow) from Operating Activities	2003	2002
Operating Profit / (Loss) before interest	(32,038)	(25,665)
Change in provision for open and closed year losses	(38,648)	(10,368)
Prior Year result distributable in year	(324,626)	-
(Profit) / Loss on sale of capacity	(12,722)	(47,284)
Increase / (Decrease) in creditors	181,193	(2,232)
(Increase) / Decrease in debtors	197,905	(111,292)
Amortisation and Impairment of capacity	36,759	37,130
Net cash Inflow / (Outflow) from operating activities	<u>£7,823</u>	<u>£(159,711)</u>

#### 19 Funds at Lloyd's

Cash balances of £17,394 (2002: £Nil) detailed in note 12 and investments of £Nil (2002: £Nil) detailed in note 10 are held within the company's Lloyds deposit.

The Lloyd's deposit represents funds deposited with the Corporation of Lloyd's (Lloyd's) to support the Company's underwriting activities as described in the Accounting Policies. The Company has entered into a legal agreement with Lloyd's which gives the Corporation the right to apply these funds in settlement of any claims arising from the Company's participation on Lloyd's Syndicates. These funds can only be released from the provision of this deed with Lloyd's express permission and only in circumstances where the amounts are either replaced by an equivalent asset or after the expiration of the Company's liabilities in respect of its underwriting.

In addition to these amounts, the shareholders of the Company have also made available to Lloyd's assets amounting to approximately £1,278,000 (2002: £1,604,000) which are also used by the Company to support its Lloyd's underwriting. These funds are also available to Lloyd's to meet the personal underwriting liabilities of the shareholders for underwriting years commencing prior to 1 January 2000.

**20 Related Party Transactions**

Mr W K Blair is a Director and shareholder of the Company. During 2003 he provided funding of £22,775 (2002: £62,964). No amounts were repaid and included within the creditors at 31 December 2003 is £683,322 (2002: £660,547) which is due to Mr W K Blair. This amount is shown separately in note 17 under Proprietors' loan account. No interest is chargeable on the amount outstanding.

**21 Syndicates**

The Company is or was an Underwriting Member of the following Syndicates or MAPA's:

Syn. No.	Managing Agent	2004 Allocated Capacity	2003 Allocated Capacity	2002 Allocated Capacity	2001 Allocated Capacity
2	Advent Underwriting Limited	-	-	75,000	-
33	Hiscox Syndicates Limited	300,000	350,000	264,255	188,760 *
218	Cox Syndicate Management Limited	207,750	207,750	173,125	144,271
260	KGM Underwriting Agencies Limited	-	75,000	90,000	90,000
340	St. Paul Syndicate Management Limited	-	-	79,966	63,974 *
386	Limit Underwriting Limited	400,000	400,000	281,600	200,000
435	Faraday Underwriting Limited	-	-	-	200,000 *
557	R.J. Kiln & Co. Limited	75,000	75,000	89,997	60,000
510	R.J. Kiln & Co. Limited	196,087	186,750	150,000	-
570	Atrium Underwriters Limited	300,000	30,000	292,207	150,622
588	XL London Market Limited	-	-	-	200,000 *
609	Atrium Underwriters Limited	447,743	397,994	325,050	165,000
623	Beazley Furlonge Limited	200,021	200,000	170,230	115,000
727	S.A. Meacock & Co. Limited	80,000	85,955	74,744	-
780	Advent Underwriting Limited	200,003	225,212	159,965	88,235 *
861	XL London Market Limited	-	-	-	100,000 *
958	Omega Underwriting Agents Limited	181,005	181,005	129,289	70,500
1003	Catlin Underwriting Agencies Limited	-	-	177,968	115,000
1007	SVB Syndicates Limited	80,000	75,000	75,000	75,000
1084	Chaucer Syndicates Limited	-	-	80,325	75,000
2010	Cathedral Underwriting Limited	103,331	82,665	49,500	40,000
2020	Wellington Underwriting Agencies Limited	450,000	450,000	550,000	399,656
2525	Abacus Syndicates Limited	250,000	175,062	200,042	156,250
2488	ACE Underwriting Agencies Limited	-	-	-	235,455
2791	Managing Agency Partners Limited	62,039	62,039	50,000	-
		<u>£3,532,979</u>	<u>£3,259,432</u>	<u>£3,538,263</u>	<u>£2,932,723</u>

\* denotes a year of account in run -off.

In addition the company is still participating on the following syndicates or MAPA's in runoff.

Syn. No.	Managing Agent	2000 Allocated Capacity
205	Jago Managing Agency Limited	120,000
340	St. Paul Syndicate Management Limited	71,970
435	Faraday Underwriting Limited	165,000
566	Limit Underwriting Limited	100,000