

BLAIR UNDERWRITING LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2001

Registered No. 3800934



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Directors	W K Blair V Blair
Company Secretary	Aequanimiter Limited
Registered Office	Peninsular House 36 Monument Street London EC3R 8LJ
Bankers	Leopold Joseph & Sons Limited 99 Gresham Street London EC2V 7NG
Auditors	Littlejohn Frazer 1 Park Place Canary Wharf London E14 4HJ
Solicitors	Eversheds Senator House 85 Queen Victoria Street London EC4V 4JL
Registered Number	3800934

The Directors have pleasure in presenting their Report together with the Financial Statements for the year ended 31 December 2001.

Results and Dividends

The loss for the year before taxation was £814,643 (2000 – loss of £84,862). The taxation charge was £Nil (2000 – £Nil), leaving a loss after taxation of £814,643 (2000 – loss of £84,862).

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 2000 and 2001 open underwriting accounts will normally close at 31 December 2002 and 2003 respectively. Accordingly, the Director is unable to comment on the open years in detail. However, provision has been made for potential losses estimated by the Members' Agent. As detailed in note 21, certain Syndicates on which the Company participates have material exposures to the losses arising from the 11 September 2001 terrorist attack in the United States of America. There is a greater than usual degree of uncertainty as to the eventual outcome of these losses.

Directors and Directors' Interests

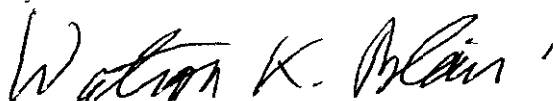
The Directors of the Company in office, during the year, and their interests in its share capital were as follows:

	At 31 December 2001 Ordinary £1 shares	At 1 January 2001 Ordinary £1 shares
W K Blair	500	500
V Blair (appointed on 21 February 2001)	-	-

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


W K Blair

Director

24 June 2002

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. The Directors confirms that suitable accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, have been used in the preparation of the Financial Statements and that applicable Accounting Standards have been followed.

Independent Auditors' report to the shareholders of Blair Underwriting Limited

We have audited the Financial Statements of Blair Underwriting Limited on pages 6 to 20 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

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 4.

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.

Fundamental Uncertainty

In forming our opinion, we have considered the adequacy of the disclosures in note 21 to the Financial Statements concerning the material exposure that the company faces to losses relating to the 11 September 2001 terrorist attacks in the United States of America. In view of the significance of this uncertainty we consider that it should be drawn to your attention but 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.



Littlejohn Frazer

Chartered Accountants
and Registered Auditors

1 Park Place
Canary Wharf
London E14 4HJ

24 June 2002

BLAIR UNDERWRITING LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2001

GENERAL BUSINESS TECHNICAL ACCOUNT

	Note	2001	2000
Gross Written Premiums	1	5,828,282	2,910,022
Outward reinsurance premiums		(1,235,808)	(763,465)
Net Written Premiums		4,592,474	2,146,557
Allocated Investment Income	3	61,669	11,258
Claims paid	4	(749,248)	(143,510)
Change in provision for claims	5,21	(3,600,462)	(1,381,718)
Claims Incurred Net of Reinsurance		(4,349,710)	(1,525,228)
Net operating expenses	6	(1,009,716)	(713,256)
Balance Transferred to Non Technical Account		£(705,283)	£(80,669)

The Accounting Policies and Notes on pages 10 to 20 form part of these Financial Statements.

BLAIR UNDERWRITING LIMITED**PROFIT AND LOSS ACCOUNT**
Year ended 31 December 2001**NON-TECHNICAL ACCOUNT**

	Note	2001	2000
Balance Transferred from General Business Technical Account	7	(705,283)	(80,669)
Loss on sale of syndicate participations		(1)	-
Investment income	8	187	10
Other charges		(109,546)	(4,203)
		<hr/>	<hr/>
Loss on Ordinary Activities before Taxation	9	(814,643)	(84,862)
Tax on loss on ordinary activities	10	-	-
		<hr/>	<hr/>
Loss for the Financial Year	16	£(814,643)	£(84,862)
		<hr/>	<hr/>

The company has no recognised gains and losses other than the loss for the financial year/period stated above.

All amounts above relate to continuing activities.

The Accounting Policies and Notes on pages 10 to 20 form part of these Financial Statements.

BLAIR UNDERWRITING LIMITED

BALANCE SHEET
At 31 December 2001

	Note	Assets and liabilities at Lloyd's	Corporate	2001 Total	2000 Total
Assets					
Intangible assets	11	-	176,795	176,795	15,328
Investments	12	1,674,765	-	1,674,765	496,024
Reinsurer's share of technical provision	18	2,125,192	-	2,125,192	320,658
Debtors	13	3,301,169	311,517	3,612,686	1,090,201
Cash at bank	14	323,174	1,481	324,655	68,054
Other		113,468	-	113,468	26,751
Prepayments and accrued income		4,799	-	4,799	2,437
		<u>£7,542,567</u>	<u>£489,793</u>	<u>£8,032,360</u>	<u>£2,019,453</u>
Liabilities and Reserves					
Called-up share capital	15	-	500	500	500
Share Premium Account	16	-	798	798	798
Profit and Loss Account	16	(785,952)	(114,140)	(900,092)	(85,449)
Shareholders' funds attributable to Equity interests		<u>(785,952)</u>	<u>(112,842)</u>	<u>(898,794)</u>	<u>(84,151)</u>
Technical Provisions:					
Provision for outstanding claims	18	7,414,911	-	7,414,911	1,702,376
Deferred Taxation	19	-	-	-	-
Creditors	20	826,760	600,403	1,427,163	394,112
Deposit received from reinsurers		79,250	-	79,250	-
Accruals and deferred income		7,598	2,232	9,830	7,116
		<u>£7,542,567</u>	<u>£389,793</u>	<u>£8,032,360</u>	<u>£2,019,453</u>

Approved by the Board on *24 June* 2002.

Watson K. Blair
W K Blair

Director

The Accounting Policies and Notes on pages 10 to 20 form part of these Financial Statements.

BLAIR UNDERWRITING LIMITED

CASH FLOW STATEMENT
Year ended 31 December 2001

	Note	2001	2000
Net Cash Outflow from Operating Activities	22	(259,833)	(17,403)
Return on Investments and Servicing of Finance			
Interest received		184	10
Net Cash Inflow from Returns of Investments and Servicing of Finance		184	10
Taxation			
Corporation Tax paid		-	-
Capital Expenditure and Financial Investment			
Purchase of syndicate capacity		(18,087)	(15,328)
Proceeds from sale of capacity		9	-
Net Cash Outflow from Capital Expenditure And Financial Investment		(18,078)	(15,328)
Net Cash Outflow before Financing		(277,724)	(32,721)
Financing			
Funds lent to the Company by the Directors to meet expenses and cash calls		273,513	38,413
Net Cash Inflow from Financing		273,513	38,413
(Decrease)/Increase in Cash	23	£(4,211)	£ 5,692

The Company has no control over the disposition of asset 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.

The Accounting Policies and Notes on pages 10 to 20 form part of these Financial Statements.

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. 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.

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 "Assets and Liabilities at Lloyd's". These assets are held subject to trust deeds for the benefit of the Syndicates' insurance creditors.

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 on 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 outstanding claims.

The Directors consider 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 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.

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, net of investment expenses and charges 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 notes 13 and 20 include the totals of all the Syndicates outstanding debit and credit transactions as processed by the Lloyd's Policy Signing Office; 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 Taxation is provided at anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the Financial Statements. Provision is made to the extent that it is likely that a liability will crystallise in the foreseeable future.

Cash Flow Statement

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.

Intangible Assets

The Company acquired the rights to syndicate capacity of £2,659,666 from Mr W K Blair for the 2000 Underwriting Account. The cost of acquiring this capacity is determined by a 'participation agreement' and is dependent upon the Company's future results and the future value and disposals of this capacity. The "participation agreement" was terminated in December 2001 for a consideration of £250,000. The capacity to which this payment relates, is for the 2000 year of account, is being amortised in accordance with the policy below.

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.

1. Class of Business

	Gross written premiums	Gross claims incurred	Operating expenses	Reinsurance balance
2001				
Direct				
Accident and health	161,828	(96,540)	(49,410)	14,306
Motor - third party liability	25,221	(27,545)	(7,357)	3,747
Motor - other classes	260,599	(156,545)	(83,621)	(29,800)
Marine, aviation and transport	590,428	(519,219)	(128,123)	11,769
Fire and other damage to property	671,409	(648,760)	(167,009)	234,393
Third party liability	1,193,305	(849,808)	(279,783)	86,032
Credit and suretyship	88,590	(61,828)	(23,490)	79,151
Other	110,336	(90,001)	(25,753)	20,041
Total direct	3,101,716	(2,450,246)	(764,546)	419,639
Reinsurance business				
Reinsurance acceptances	1,205,399	(1,169,444)	(245,170)	199,151
Reinsurance to close	1,521,167	(2,542,316)	-	662,991
Total reinsurance	2,726,566	(3,711,760)	(245,170)	862,142
Total	£5,828,282	£(6,162,006)	£(1,009,716)	£1,281,781
2000				
Direct				
Accident and health	81,114	(76,486)	(27,137)	1,655
Motor - third party liability	15,073	(7,190)	(3,738)	454
Motor - other classes	243,833	(200,129)	(56,986)	5,660
Marine, aviation and transport	360,702	(312,877)	(76,641)	(31,534)
Fire and other damage to property	528,596	(355,225)	(121,526)	(30,752)
Third party liability	688,088	(453,086)	(156,999)	(40,666)
Credit and suretyship	89,528	(40,355)	(18,885)	1,092
Other	64,068	(34,153)	(79,258)	(5,721)
Total direct	2,071,002	(1,479,501)	(541,170)	(99,812)
Reinsurance business				
Reinsurance acceptances	839,020	(463,647)	(172,086)	(165,064)
Total	£2,910,022	£(1,943,148)	£(713,256)	£(264,876)

The above analysis excludes £705,283 (2000 - £80,669) in respect of the movement in the provision for open year losses as such analysis will not be available until the year closes.

2. Geographical Analysis

Direct Gross Premium Written in:	2001	2000
United Kingdom	3,097,707	1,866,734
Other EU Member States	(20,414)	20,414
Rest of the World	24,423	183,854
	<hr/>	<hr/>
	£3,101,716	£2,071,002
	<hr/>	<hr/>

3. Allocated Investment Income

Investment income	55,370	10,257
Realised (losses)/gain on investments	7,769	2,369
Investment expenses and charges	(1,470)	(1,368)
	<hr/>	<hr/>
	£61,669	£11,258
	<hr/>	<hr/>

4. Claims Paid

Gross amount	1,124,400	166,641
Reinsurers' share	(375,152)	(23,131)
	<hr/>	<hr/>
	£749,248	£143,510
	<hr/>	<hr/>

5. Change in Provision for Claims

Gross amount	5,742,899	1,857,176
Reinsurers' share	(2,142,437)	(475,458)
	<hr/>	<hr/>
	£3,600,462	£1,381,718
	<hr/>	<hr/>

6. Net Operating Expenses

Acquisition costs	805,572	534,952
Administrative expenses	217,633	178,454
(Profit)/loss on exchange	(13,489)	(150)
	<hr/>	<hr/>
	£1,009,716	£713,256
	<hr/>	<hr/>

	2000 Underwriting Account	2001 Underwriting Account	Total
7. Transfer from Technical Account			
Profit/(loss) previously transferred	(80,669)	-	(80,669)
Profit/(loss) for the year	(261,604)	(443,679)	(705,283)
	<u>£(342,273)</u>	<u>£(443,679)</u>	<u>£(785,952)</u>
8. Investment Income			
Bank interest receivable		£187	£ 10
		<u>£187</u>	<u>£ 10</u>
9. Loss on Ordinary Activities before Taxation			
This is stated after charging:			
Auditors' remuneration - audit		£ 600	£ 600
- other		£ 1,300	£ 1,300
Directors remuneration		£ -	£ -
Amortisation & syndicate capacity		£106,611	£ -
		<u>£106,611</u>	<u>£ -</u>
The Company has no employees			
10. Taxation			
Corporation Tax at 20%		-	-
Deferred Tax at 20%		-	-
		<u>£ -</u>	<u>£ -</u>

11. Intangible Assets

	Syndicate Participation
Cost	
At 1 January 2001	15,328
Additions	298,527
Disposal of capacity acquired under a 'participation agreement'	(30,440)
Disposal	(9)
	<hr/>
At 31 December 2001	283,406
	<hr/>
Amortisation	
At 1 January 2001	-
Charge for the year	(106,611)
Disposals	-
	<hr/>
At 31 December 2001	(106,611)
	<hr/>
Net Book Value	
At 31 December 2001	£176,795
	<hr/>
At 31 December 2000	£15,328
	<hr/>

Following an impairment review, the carrying value of the above syndicate participations has been reduced to the latest weighted average values obtained at the Lloyd's capacity auctions during 2001.

The amortisation charge for the year shown above represents £106,611 in respect of this impairment review.

12. Investments

<i>At market value</i>	Assets and liabilities at Lloyd's	Corporate	2001 Total	2000 Total
Shares and other variable yield securities	52,219	-	52,219	57,798
Debt securities and other fixed income securities	1,288,864	-	1,288,864	315,926
Participation in investment pools	77,910	-	77,910	22,525
Loans guaranteed by mortgage	1,310	-	1,310	1,128
Deposit with ceding undertakings	20,514	-	20,514	-
Deposits with credit institutions	223,023	-	223,023	98,401
Other	10,925	-	10,925	246
	<hr/>	<hr/>	<hr/>	<hr/>
	£1,674,765	£ -	£1,674,765	£496,024
	<hr/>	<hr/>	<hr/>	<hr/>
Listed investments included within the above	£1,328,193	£ -	£1,328,193	£466,985
	<hr/>	<hr/>	<hr/>	<hr/>

<i>At cost</i>	Assets and liabilities at Lloyd's	Corporate	2001 Total	2000 Total
Shares and other variable yield securities	205,459	-	205,459	8,700
Debt securities and other fixed income securities	1,168,338	-	1,168,338	390,677
Participation in investment pools	77,347	-	77,347	24,022
Loans guaranteed by mortgage	4,950	-	4,950	3,736
Deposits with credit institutions	51,152	-	51,152	95,614
Other	-	-	-	41
	<u>£1,507,246</u>	<u>£ -</u>	<u>£1,507,246</u>	<u>£522,790</u>

13. Debtors

	Assets and liabilities at Lloyd's	Corporate	2001 Total	2000 Total
Arising out of direct insurance operations:				
Policy holders	2,978	-	2,978	5,957
Intermediaries	1,232,473	-	1,232,473	699,031
Arising out of reinsurance operations	571,657	-	571,657	290,628
RITC received from earlier years	1,501,702	-	1,501,702	-
Other	(7,641)	311,517	303,876	94,585
	<u>£3,301,169</u>	<u>£311,517</u>	<u>£3,612,686</u>	<u>£1,090,201</u>

Other debtors includes £311,517 (2000 - £21,947) in respect of cash calls paid to Lloyd's syndicates. This amount will be recoverable when the year of account on whose behalf the call was made is closed at a profit, or will be treated as a payment on account if the year is closed at a loss. In any event the amount is not recoverable within one year.

14. Cash at Bank and in Hand

	Assets and liabilities at Lloyd's	Corporate	2001 Total	2000 Total
Lloyd's deposit	-	-	-	4,313
Cash at bank and in hand	323,174	1,481	324,655	63,741
	<u>£323,174</u>	<u>£1,481</u>	<u>£324,655</u>	<u>£ 68,054</u>

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.

15. Called-up Share Capital

	2001	2001	2000	2000
	Authorised	Allotted, called-up and fully paid	Authorised	Allotted, called-up and fully paid
Ordinary shares of £1 each	<u>£100,000</u>	<u>£500</u>	<u>£100,000</u>	<u>£500</u>

16. Reserves

	Share Premium Account 2001	Profit and Loss Account 2001	Share Premium Account 2000	Profit and Loss Account 2000
Balance at 1 January	798	(85,449)	798	(587)
Retained loss for the year	-	(814,643)	-	(84,862)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December	£798	£(900,092)	£798	£(85,449)
	<hr/>	<hr/>	<hr/>	<hr/>

17. Reconciliation of Movements in Shareholders' Funds

	2001	2000
Loss for the financial year	(814,643)	(84,862)
Opening shareholders' funds	(84,150)	712
Closing shareholder' funds	£(898,794)	£(84,150)
	<hr/>	<hr/>

18. Provision for Outstanding Claims

	Assets and liabilities at Lloyd's	Corporate	2001 Total	2000 Total
Gross claims	7,414,911	-	7,414,911	1,702,376
Reinsurers' share	(2,125,192)	-	(2,125,192)	(320,658)
	<hr/>	<hr/>	<hr/>	<hr/>
	£5,289,719	£ -	£5,289,719	£1,381,718
	<hr/>	<hr/>	<hr/>	<hr/>

19. Deferred Taxation

	2001	2001	2000	2000
	Provision	Potential liability/ (asset)	Provision	Potential liability/ (asset)
Short-term timing differences	£ -	£ -	£ -	£ -
	<hr/>	<hr/>	<hr/>	<hr/>

20. Creditors

	Assets and liabilities at Lloyd's	Corporate	2001 Total	2000 Total
Arising out of direct insurance operations	225,875	-	225,875	108,781
Arising out of reinsurance operations	441,498	-	441,498	184,845
Amount owed to credit institutions	37,006	-	37,006	210
Other creditors	122,381	2,820	125,201	56,647
Proprietors' loan account	-	597,583	597,583	43,629
	<u>£826,760</u>	<u>£600,673</u>	<u>£1,427,433</u>	<u>£394,112</u>

The above proprietors' loan has been included in the related party transaction, note 26.

21. Losses relating to 11 September 2001 Terrorist Attacks in the United States of America

As a result of the terrorist attack on 11 September 2001 the world insurance market is faced with unprecedented losses across a wide range of business underwritten. Many Lloyd's Syndicates, including Syndicates supported by this Company, will have material exposure to claims arising from this event. These claims will fall mainly on the 2001 underwriting year but significant levels of claims may also impact the 2000 underwriting year.

The loss provision established by the Company's Directors for 2000 and 2001 is based upon the estimate of losses as calculated by the management of the Syndicates together with other market information currently available to the Director's. The size and nature of the 11 September 2001 claims, the legal uncertainties that arise and the ability of Syndicates to collect amounts that may become due from reinsurers all increase the level of uncertainty of the total provision for outstanding claims that is necessary. As a result the losses currently estimated by the Directors have a greater degree of uncertainty than usual and may prove to be materially different to the eventual cost of these claims.

22. Reconciliation of Operating Loss to Net Cash
Outflow from Operating Activities

	2001	2000
Operating loss before interest	(814,830)	(84,872)
Amortisation of capacity	106,611	-
Provision for open year losses	705,283	80,669
Loss on sale of capacity	1	-
Increase in creditors	2,233	2,232
Increase in debtors	(259,131)	(15,432)
	<u>£(259,833)</u>	<u>£(17,403)</u>
Net cash outflow from Operating Activities		

23. Reconciliation of Net Cash Flow to Movement in Net Funds

Balance at 1 January	5,692	-
(Decrease)/increased cash in the year	(4,211)	5,692
	<hr/>	<hr/>
Net funds at 31 December	£1,481	£5,692
	<hr/>	<hr/>

An analysis of the Company's net funds is given in Note 14.

24. Funds at Lloyd's

Funds at Lloyd's are those funds which are held under the terms of the Lloyd's Deposit Trust Deed as described in the Note 14.

In addition to these amounts, the shareholders of the Company have also made available to Lloyd's assets amounting to approximately £1,106,000 at the balance sheet date, which are also used by the Company to support its Lloyd's underwriting. The 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.

25. Syndicates

The Company is or was an Underwriting Member of the following Syndicates

Syndicate No.	Managing Agent	2002 Allocated capacity	2001 Allocated capacity	2000 Allocated capacity
2	BF Caudle Agencies	75,000	-	-
33	Hiscox Syndicates Limited	264,255	188,760	188,760
205	Jago Managing Agency Limited	-	-	120,000
218	Cox Syndicate Management Limited	173,125	144,271	115,417
260	KGM Underwriting Agencies Limited	90,000	90,000	60,000
340	St Paul Syndicate Management Limited	79,966	63,974	71,970
386	Limit Underwriting Limited	281,600	200,000	156,750
435	D P Mann Limited	-	200,000	165,000
557	R J Kiln & Co Limited	89,997	60,000	47,491
510	R.J. Kiln & Co. Limited	150,000	-	-
566	Limit Underwriting Limited	-	-	100,000
570	Atrium Underwriters Limited	292,207	150,622	113,250
588	XL Brockbank Limited	-	200,000	200,000
609	Atrium Underwriters Limited	325,050	165,000	165,000
623	Beazley Furlonge Limited	170,230	115,000	49,554
727	S A Meacock & Co. Limited	74,744	-	-
780	B F Caudle Agencies Limited	159,965	88,235	75,000
861	XL Brockbank Limited	-	100,000	100,000
958	Omega Underwriting Agents Limited	129,289	70,500	60,000
1003	Catlin Underwriting Agencies Limited	177,968	115,000	100,000
1007	SVB Syndicates Limited	75,000	75,000	75,000
1084	Chaucer Syndicates Limited	80,325	75,000	57,907
2010	Cathedral Underwriting Limited	49,500	40,000	-
2020	Wellington Underwriting Limited	550,000	399,656	343,702
2488	ACE London Underwriting Limited	-	235,455	194,865
2525	Abacus Syndicates Limited	200,042	156,250	100,000
2791	Managing Agency Partners Limited	50,000	-	-
		<hr/>	<hr/>	<hr/>
		£3,538,263	£2,932,723	£2,659,666
		<hr/>	<hr/>	<hr/>

26. Related Party Transactions

During 1999, the Company acquired syndicate participation rights of £2,659,666 of allocated capacity from Mr W K Blair under a 'participation agreement'. Mr Blair is a Director and shareholder of the Company. The consideration for this transfer was the right of Mr Blair to receive certain amounts dependent upon the Company's future results and the future disposal and value of the capacity acquired. During the year, £30,440 (2000 - £4,216) became due to Mr Blair under this agreement. This agreement with Mr Blair was terminated in December 2001 at a cost to the company of £250,000 for the balance of the transferred capacity.

During the year, Mr Blair provided funds of £273,513 (2000 - £43,629) to the Company to meet expenses.

Included within creditors at 31 December 2001 is £597,583 (See note 20) which is due to Mr Blair.