

FUIT Two Limited
Financial Statements
For the year ended 30th June 1997

Registered number 2861345



FUIT Two Limited
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For the year ended 30th June 1997

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FUIT Two Limited

Company Information

Directors	R. A. M. Baillie (Chairman) A. F. Jackson P. Martin J. A. V. Townsend P. R. Withers Green
Secretary	H Spivey
Members' Agent	Wren Underwriting Agencies Limited Gan House 12 Arthur Street London EC4R 9AB
Auditors	Neville Russell 24 Bevis Marks London EC3A 7NR
Bankers	Bank of Scotland 38 Threadneedle Street London EC2P 2EH Rea Brothers Limited Alderman's House Alderman's Walk London EC2M 3XR
Company No.	2861345
Registered Office	Alderman's House Alderman's Walk London EC2M 3XR

FUIT Two Limited

Report of the Directors For the year ended 30th June 1997

The Directors present herewith their annual report, together with the audited financial statements of the Company for the year ended 30th June 1997. These statements have been prepared in accordance with Schedule 9A of the Companies Act 1985.

Results and Dividends

The Company made a profit after tax for the year of £525,000 (1996: £nil). A final dividend of £520,000 (1996: £nil) has been declared.

Review of the Business

The Company is authorised by the Council of Lloyd's to operate as a corporate member of Lloyd's. The Company has allocated premium income capacity as follows:

1997 Underwriting Year of Account	£14,023,222
1996 Underwriting Year of Account	£11,200,000
1995 Underwriting Year of Account	£10,500,000
1994 Underwriting Year of Account	£10,000,000

This is the first period for which the results of the Company's underwriting activities have been included in the financial statements. The 1994 Underwriting Year of Account closed on 31st December 1996 and the Company has made an underwriting profit of £743,000. The results of the 1995 to 1997 Underwriting Years of Account will be recorded in the financial statements when the respective Year of Account closes.

Under Lloyd's three year accounting rules it is not expected that the results for the 1997 Underwriting Year of Account will be known until the second quarter of the year 2000 (1996 and 1995 Underwriting Years of Account until the second quarter of 1999 and 1998 respectively) at which time these results will be included in the Company's results for that year.

The Company's underwriting activities are supported by a covenant from its ultimate parent company, Finsbury Underwriting Investment Trust Plc, to pay up to £6,499,627 where the Company's assets are insufficient to meet its liabilities at Lloyd's.

Directors and Directors' Interests

The Directors who served the Company during the year were:

R. A. M. Baillie
A. F. Jackson
P. Martin
J. A. V. Townsend
P. R. Withers Green

The interests of the Directors in the shares of the ultimate holding company, Finsbury Underwriting Investment Trust Plc, are dealt with in the accounts of that company.

No Director had, during or at the end of the year, any material interest in a contract which was significant in relation to the Company's business, otherwise than as disclosed in the financial statements of the ultimate holding company, Finsbury Underwriting Investment Trust Plc.

In accordance with the Articles of Association, Mr JAV Townsend retires and being eligible offers himself for re-election. The board proposes inviting Mr A Shone to become a director and being eligible he will offer himself for election at the forthcoming annual general meeting.

Managers and Advisors

Finsbury Asset Management Limited (Finsbury) provide company secretarial services to the Company. The agreement between Finsbury and the Company may be terminated by either party giving two years' notice but may not be terminated before 29th October 1997 without the agreement of both parties. Mr J. A. V. Townsend is a director of Finsbury.

Wren Underwriting Agencies Limited (Wren) provide Lloyd's members' agent services to the Company. The agreement may be terminated by either party giving written notice on 31st August in any year. Mr A. F. Jackson is the chairman of, and a shareholder in, Wren Holdings Group plc, the holding company of Wren. Mr A Shone is a director and shareholder of Wren Holdings Group plc.

Directors' Responsibilities

The Directors are required by law to prepare financial statements which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year. The financial statements must be prepared in compliance with the requirements of the Companies Act 1985 and with applicable accounting standards. In addition the Directors are required: (a) to select suitable accounting policies and apply them consistently; (b) to make judgements and estimates that are reasonable and prudent; (c) to state whether applicable accounting standards have been followed; and (d) to prepare financial statements on a going concern basis unless it is inappropriate to assume the Company will continue in business.

The Directors confirm that the financial statements comply with these requirements.

The Directors are also responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution will be proposed at the forthcoming Annual General Meeting to re-appoint Neville Russell as auditors of the Company.

By order of the Board

A handwritten signature in black ink, appearing to read 'H Spivey', written in a cursive style.

H Spivey
Company Secretary
16th September 1997

Auditors' Report
to the Shareholders of FUIT Two Limited

We have audited the financial statements on pages 6 to 23 which have been prepared in accordance with the accounting policies set out on pages 11 to 16.

Respective Responsibilities of Directors and Auditors

As described on page 3 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with 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 have 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 affairs of the company as at 30th June 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



NEVILLE RUSSELL
CHARTERED ACCOUNTANTS
and Registered Auditors
24 Bevis Marks, London EC3A 7NR
16th September 1997

FUIT Two Limited
Technical Account - General Business Profit and Loss Account
For the year ended 30th June 1997

	Note	1997 £'000	1997 £'000	1996 Restated £'000	1996 Restated £'000
Earned premiums, net of reinsurance:					
Gross premiums written	1	9,223		11,255	
Outward reinsurance premiums		(1,440)		(1,579)	
		<hr/>		<hr/>	
Net premiums written			7,783		9,676
Allocated investment return transferred from the non-technical account			512		329
Claims paid:					
Gross amount	1	(3,594)		(2,255)	
Reinsurers' share		625		398	
		<hr/>		<hr/>	
		(2,969)		(1,857)	
Change in the provisions for claims:					
Gross amount	1	(3,801)		(6,980)	
Reinsurers' share		1,747		1,195	
		<hr/>		<hr/>	
		(2,054)		(5,785)	
Claims incurred, net of reinsurance	2		(5,023)		(7,642)
Net operating expenses	3		(2,529)		(2,363)
			<hr/>		<hr/>
Balance transferred to the non-technical account			743		-
			<hr/>		<hr/>

FUIT Two Limited
Non-Technical Profit and Loss Account
For the year ended 30th June 1997

	Note	1997 £'000	1996 Restated £'000
Balance on the general business technical account		743	-
Investment income		623	243
Realised (losses)/gains on investments		(102)	95
Investment expenses and charges		(9)	(9)
Allocated investment return transferred to the general business technical account		(512)	(329)
Other income	4	104	-
Other charges, including value adjustments	5	(51)	-
Profit on ordinary activities before tax		<u>796</u>	<u>-</u>
Tax on profit on ordinary activities	6	(271)	-
Profit for the financial year		<u>525</u>	<u>-</u>
Dividends		(520)	-
Profit retained for the financial year		<u>5</u>	<u>-</u>

There were no other recognised gains or losses in the year

FUIT Two Limited
Balance Sheet
As at 30th June 1997

	Note	As at 30th June 1997			As at 30th June 1996		
		Corporate £'000	Syndicate £'000	Total £'000	Restated Corporate £'000	Restated Syndicate £'000	Restated Total £'000
Investments:							
Financial Investments	7	-	6,726	6,726	-	4,702	4,702
Deposits with ceding undertakings		-	13	13	-	-	-
		-	6,739	6,739	-	4,702	4,702
Reinsurers' Share of Technical Provisions:							
Claims outstanding		-	3,553	3,553	-	2,115	2,115
Debtors:							
Arising out of direct insurance operations - due from intermediaries		-	2,472	2,472	-	2,513	2,513
Arising out of reinsurance operations		-	4,188	4,188	-	2,294	2,294
Premium trust fund releases		(573)	573	0	(239)	239	0
Other		12	187	199	-	169	169
		(561)	7,420	6,859	(239)	5,215	4,976
Other Assets:							
Cash at bank and in hand	8	530	896	1,426	(5)	771	766
Other	9	128	587	715	244	245	489
		658	1,483	2,141	239	1,016	1,255
Prepayments and Accrued Income	10	739	72	811	14	40	54
Total Assets		836	19,267	20,103	14	13,088	13,102

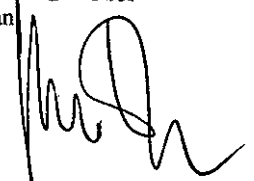
FUIT Two Limited
Balance Sheet (continued)
As at 30th June 1997

	Note	As at 30th June 1997			As at 30th June 1996		
		Corporate £'000	Syndicate £'000	Total £'000	Corporate £'000	Syndicate £'000	Total £'000
Capital and Reserves:							
Called up share capital	14	-	-	-	-	-	-
Revenue reserve	15	5	-	5	-	-	-
Equity Shareholders' Funds	16	5	-	5	-	-	-
Technical Provisions:							
Claims outstanding - gross		-	15,185	15,185	-	12,398	12,398
Provisions for losses foreseen on open years		-	138	138	-	-	-
		-	15,323	15,323	-	12,398	12,398
Provisions for other risks and charges:							
Provision for taxation		271	-	271	-	-	-
Creditors:							
Arising from direct insurance operations		-	155	155	-	216	216
Arising from reinsurance operations		-	2,564	2,564	-	221	221
Other creditors	12	521	1,210	1,731	14	238	252
		521	3,929	4,450	14	675	689
Accruals and Deferred Income:	13	39	15	54	-	15	15
Total Liabilities		836	19,267	20,103	14	13,088	13,102

The accounting policies and notes on pages 10 to 23 form part of these financial statements.

Signed on behalf of the Board


R. A. M. Baillie, Chairman


P. Martin, Director

Dated 16th September, 1997

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 1997

I. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

a) Change from previous years

In previous years the financial statements were prepared in accordance with Schedule 4 of the Companies Act 1985 ('the Act'). Since the approval of the financial statements for the 12 months ended 30th June 1996, the Department of Trade and Industry has directed that Lloyd's corporate members, such as the Company, must prepare their financial statements in accordance with Section 255 of and Schedule 9A to the Act.

As a consequence, the form of the Company's financial statements and the accounting policies have been revised to ensure compliance with that Section of the Act.

The financial statements are prepared under the historical cost convention 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 meant the Company recording its proportion of all the transactions undertaken by the Lloyd's syndicates in which it participates.

For each such syndicate, the Company's proportion of the underwriting transactions, investment return and operating expenses has been reflected within the Company's technical profit and loss account. Similarly, its proportion of each syndicate's assets and liabilities has been reflected in its balance sheet (under the column heading 'syndicate'). 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 its members' agent, who deals with the managing agent of the syndicate ('the Managing Agent'). 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 on open or run-off years of account of syndicates. These provisions are determined by the directors of the Company after consultation with the Members' Agent.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 1997

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 each syndicate ('the Returns'). These Returns have been subject 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 to reflect the differences in preparation between syndicate annual reports and financial statements in accordance with Schedule 9A.

The form 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.

The Returns cover the 12 months to 31 December 1996 and, exceptionally, the 12 months to 31 December 1995 (to enable comparative figures to be prepared). No syndicate transactions in respect of the period from 1st January 1997 to the Company's year end have been included in the financial statements, nor has any adjustment been made to the returns to reflect the fact that the Company's accounting periods to 30th June were not co-terminous with the returns.

II. ACCOUNTING POLICIES

a) 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 beginning in an accounting period ('the underwriting year') is carried forward as a technical provision until the end of the third year from the opening of the underwriting year. Consequently, no profit is recorded in respect of an underwriting year until that time at the earliest. Profit is only recorded if a syndicate has been able to effect a 'reinsurance to close' (see (e) below) in respect of that underwriting year.

If in an underwriting year a loss is expected to be made, the loss is recorded 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 1997

b) Premiums

Premiums written comprise the total premiums receivable for the whole period of cover provided by contracts beginning during the financial year, together with any adjustments arising in the year to such premiums receivable in respect of business written in previous 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 (e) below for further details.

Premiums written by a syndicate may also include the reinsurance of other syndicates in 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.

c) 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 31st 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. For further details of 'reinsurance to close' payable, which is included in claims incurred, see (e) below.

d) Provision for claims

Provision is made for claims incurred but not paid in respect of events up to the balance sheet date. The provision includes the amounts required to ensure that neither a profit nor a loss is recorded before the end of the third year under the three year funded basis of accounting, see 1(b) above.

The provision has been increased as appropriate by the Directors to the extent that deficits are anticipated on underwriting years at the 12 and 24 months stages of development.

In deciding whether any such additional provision is necessary syndicate participations have been considered in aggregate as all Lloyd's underwriting is managed together.

Any additional provision is determined by Directors following discussions with the Company's Members' Agent.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30th June 1997

e) 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 limitations 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 groups of members are treated equitably and to set the reinsurance to close with the intention that neither a profit nor a loss accrues to either group.

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.

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 a element of reinsurance to close paid. This reflects the reduction in the company's exposure to risks previously written by the syndicate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 1997

The reinsurance to close is technically a reinsurance and, as such, the payment of a reinsurance to close does not remove from members of that year of account ultimate responsibility for claims payable on risks they have written. If the reinsuring members under the reinsurance to close become insolvent and the other elements of the Lloyd's chain of security also fail, the reinsured members remain theoretically liable for the settlement of any outstanding claims.

In the opinion of the directors, the chances of the reinsurance security failing are remote and, since payment of a reinsurance to close is conventionally considered as terminating a reinsured member's participation on a syndicate year of account, it is treated for accounts purposes as settling the company's gross liabilities arising out of the corresponding participation on the year of account closed.

f) Investments

Where investments represent the Company's share of syndicate investments, they are treated as sold and repurchased at each syndicate year end in recognition of the annual venture nature of participation on a syndicate. The cost of these investments is therefore their market value at that date.

Other investments are stated at mid market values.

g) 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.

Unrealised gains and losses are recognised in the profit and loss account.

h) 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 of 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 1997

i) Net operating expenses

Operating expenses have been charged to the underwriting year for which they were incurred. These include the company's share of syndicate operating expenses, the remuneration payable to Managing Agents (and the company's Members' Agent/licensed adviser) and the direct costs of membership of Lloyd's.

j) Foreign currencies

Transactions in foreign currencies other than sterling, United States dollars and Canadian dollars are converted at the rate 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 converted at the rate of exchange ruling at the end of the financial year or 31st December in respect of syndicate transactions. Exchange differences arising on conversion are dealt with in the profit and loss account.

k) 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 3 years. Amortisation begins at the end of the third year from the start of the Company's first underwriting year on the syndicate.

If, at any time, the directors become aware of a permanent diminution in the value of the Company's right to participate on a syndicate, the asset will be written down accordingly.

l) Taxation

The Company is taxed on its share of the underwriting results declared by syndicates and for tax purposes these are deemed to accrue evenly over the calendar year in which they are declared. The syndicate results included in these financial statements (excluding any additional provisions made by Directors) relate to the 1994 Year of Account and have been declared for tax purposes in the calendar year 1997.

The Inland Revenue determines the taxable results of individual syndicates on the basis of computations submitted by the Managing Agent. At the date of approval of these financial statements, none of the syndicate taxable results have been agreed. Any adjustments that may be necessary to the tax provisions established by the Company as a result of Inland Revenue agreement of the taxable results of individual syndicates will be reflected in the financial statements of subsequent periods.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 1997

Other profits are recognised and assessable to corporation tax in the same period, after adjustment in accordance with tax legislation.

m) 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 reported for accounting purposes and when they are declared for tax purposes.

n) Comparatives - Prior year adjustment

The financial statements for the year ended 30th June 1996 were prepared in accordance with Schedule 4 to the Companies Act 1985.

As a result of the change in the basis of preparation of the financial statements described in note 1, the comparatives have been restated to show the position as if previous financial statements had been prepared in accordance with Schedule 9A and the current accounting policies.

1 Segmental Information - year ended 30th June 1997

	Gross Premiums Written £'000	Gross Claims Incurred £'000	Gross Operating Expenses £'000	Reinsurance Balance £'000	Total £'000
Direct Business:					
Accident & Health	1	(80)	(23)	23	(79)
Motor - third party liability	1,381	(979)	(328)	12	86
Motor - other classes	1,084	(1,270)	(259)	(13)	(458)
Marine, Aviation & Transport	1,508	(1,588)	(506)	44	(542)
Fire and other Damage to Property	849	(488)	(262)	(83)	16
Third Party Liability	388	(833)	(130)	939	364
Credit and Suretyship	35	(11)	(10)	(2)	12
Legal Expenses	3	(2)	(1)	(1)	(1)
Other	329	(197)	(91)	(49)	(8)
Total Direct	5,578	(5,448)	(1,610)	870	(610)
Reinsurance Business:					
Reinsurances Acceptances	3,286	(1,915)	(919)	8	460
Reinsurance to Close	359	(32)	-	54	381
Total Reinsurance	3,645	(1,947)	(919)	62	841
Total	9,223	(7,395)	(2,529)	932	231

Included in gross claims incurred is total reinsurance to close payable of £32,000

• 1 Segmental Information (continued) - year ended 30th June 1996

	Gross Premiums Written £'000	Gross Claims Incurred £'000	Gross Operating Expenses £'000	Reinsurance Balance £'000	Total £'000
Direct Business:					
Accident & Health	673	(536)	(253)	115	(1)
Motor - third party liability	982	(467)	(215)	(52)	248
Motor - other classes	(251)	(717)	(110)	(2)	(1,080)
Marine, Aviation & Transport	2,625	(1,715)	(459)	(224)	227
Fire and other Damage to Property	767	(1,048)	(248)	249	(280)
Third Party Liability	1,975	(1,179)	(490)	(119)	187
Credit and Suretyship	88	(56)	(15)	18	35
Legal Expenses	1	(2)	-	1	-
Other	316	(196)	(60)	(62)	(2)
Total Direct	7,176	(5,916)	(1,850)	(76)	(666)
Reinsurance Business:					
Reinsurances Acceptances	2,547	(1,939)	(513)	(127)	(32)
Reinsurance to Close	1,532	(1,380)	-	217	369
Total Reinsurance	4,079	(3,319)	(513)	90	337
Total	11,255	(9,235)	(2,363)	14	(329)

30th June	30th June
1997	1996
£'000	£'000

Gross premiums in respect of direct business written in:

United Kingdom	5,443	6,735
Other EU Member States	18	-
Rest of World	117	441
	5,578	7,176

2 Claims Incurred, Net of Reinsurance

	1997 £'000	1996 £'000
Gross		
1994 Year of Account	(3,643)	1,732
1995 Year of Account	4,284	7,503
1996 Year of Account	6,754	-
	<u>7,395</u>	<u>9,235</u>
Reinsurance		
1994 Year of Account	309	(172)
1995 Year of Account	(1,506)	(1,421)
1996 Year of Account	(1,175)	-
	<u>(2,372)</u>	<u>(1,593)</u>
Net claims incurred	<u>5,023</u>	<u>7,642</u>

3 Net Operating Expenses

	1997 £'000	1996 £'000
Acquisition costs	1,268	1,700
Administrative expenses	315	243
Profit/(loss) on exchange	250	(7)
Names' personal expenses on Lloyd's syndicates	696	427
	<u>2,529</u>	<u>2,363</u>

4 Other income

	1997 £'000	1996 £'000
Interest Receivable	46	-
Interest on Premium Trust Fund releases	24	-
Sale of Syndicate capacity	34	-
	<u>104</u>	<u>-</u>

5 Other charges

	1997	1996
	£'000	£'000
Lloyd's Members fees	10	-
5% Profit Commission	37	-
Other	4	-
	<u>51</u>	<u>-</u>

6 Taxation

	1997	1996
	£'000	£'000
Corporation tax @ 33%	122	-
Deferred tax (see note 12)	149	-
	<u>271</u>	<u>0</u>

7 Financial investments

	1997	1996
	£'000	£'000
Shares and other variable yield securities	595	137
Debt securities and other fixed interest securities	5,015	3,881
Participation in investment pools	-	248
Loans guaranteed by mortgage	10	-
Deposits with credit institutions	987	428
Other investments	119	8
	<u>6,726</u>	<u>4,702</u>

8 Cash and Bank

	1997	1996
	£'000	£'000
Cash at Lloyd's	530	(5)

Included in cash at Lloyd's are early releases from Premiums Trust Funds in respect of the 1994 and 1995 Years of Account. This amount also includes interest earned on the Premiums Trust Funds releases.

9 Other assets

	1997	1996
	£'000	£'000
UK: Government bonds held in Premium Trust Funds at Lloyd's	128	244

10 Prepayments and Accrued Income

	1997	1996
	£'000	£'000
Accrued Income	739	-
Prepaid Expenses	-	14
	<u>739</u>	<u>14</u>

11 Provision for deferred taxation

	1997	1996
	£'000	£'000
Deferred tax	149	-
Represented by:		
Declared underwriting profits	159	-
Provision for future underwriting losses	(45)	-
Other timing differences	35	-
	<u>149</u>	<u>-</u>

12 Other creditors

	1997	1996
	£'000	£'000
Amounts due to Ultimate Parent Undertaking	1	14
Other	520	-
	<u>521</u>	<u>14</u>

13 Accruals and Deferred Income

	1997	1996
	£'000	£'000
Accrued Expenses	37	-
Deferred Income	2	-
	<u>39</u>	<u>-</u>

14 Share Capital

	1997	1996
	£	£
Authorised: 1,000 ordinary shares of £1	<u>1,000</u>	<u>1,000</u>
Allotted, issued and fully paid: 2 ordinary shares of £1	<u>2</u>	<u>2</u>

15 Reserves

	1997	1996
	£'000	£'000
Balance as at 1st July	-	-
Profit retained for the financial year	5	-
	<u>5</u>	<u>-</u>
Balance as at 30th June	<u>5</u>	<u>-</u>

16 Movement in Shareholders' Funds

	1997	1996
	£'000	£'000
Opening shareholders' funds	-	-
Total recognised gains for the year	525	-
Dividends	(520)	-
	<u>5</u>	<u>-</u>
Closing shareholders' funds	<u>5</u>	<u>-</u>

17 Contingent Liabilities

- (a) Lloyd's will be entitled to require any of the Group's subsidiaries to cease or reduce their underwriting; and/or
- (b) having regard to the fact that the Central Fund may be applied to discharge the obligations of the defaulting corporate member subsidiary, Lloyd's will be entitled to require each of the other corporate member subsidiaries of the Group to make contributions to the Central Fund up to the amount of their respective net profits held from time to time in Premiums Trust Funds, sufficient to reimburse the Central Fund in full for any payment made on behalf of the defaulting member.

At the date of these financial statements the Company is not aware of any of the other corporate member subsidiaries of the Group failing to meet any of their Lloyd's obligations.

18 Ultimate Holding Company

The Company regards Finsbury Underwriting Investment Trust PLC, which is registered in England, as its ultimate holding company.