



**ANNUAL REPORT
AND ACCOUNTS**

2002

CELEBRATING
30
YEARS OF MSMI



MARINE SHIPPING MUTUAL INSURANCE COMPANY



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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the THIRTIETH ANNUAL GENERAL MEETING of the Members of the Company will be held at the Royal Automobile Club, 89 Pall Mall, LONDON, SW1Y 5HS, on Thursday 7 November 2002, at 10:00 hours when the following ordinary business will be transacted:

1. To receive and consider the reports of the Directors and the Auditors together with the Financial Statements for the year ended 30 June 2002.
2. To elect Directors.
3. To fix the Directors' remuneration.
4. To re-appoint Deloitte & Touche as Auditors and to authorise the Directors to fix their remuneration.
5. Any other business which may be transacted at the Annual General Meeting.

Form of proxy is enclosed.

By order of the Board

AA WILSON

Company Secretary

7 October 2002

DIRECTORS AND OFFICERS

DIRECTORS

M-K Reith (Chairman)†

IAJ Clark (Vice-Chairman)

JAF Cowderoy*

JP Crichton (Joint Managing Director)†

RC Eccleston (Joint Managing Director)†

D Ellis*

SB Goodacre

PJF Henderson

MAW Hendry

MG Parker*

RH Samuel* †

I Sigurpálsson

Orion Schiffahrtsgesellschaft Reith & Co

Grindrod Limited

Harrisons (Clyde) Limited

Graig Ship Management Limited

Time & Tide Shipping Limited

The Denholm Shipping Company Limited

Cenargo Limited

Andrew Weir Shipping Limited

RMC Aggregates (UK) Limited

Eimskip

* Member of the Audit Committee

† Member of the Executive Committee

COMPANY SECRETARY

AA Wilson

AUDITORS

Deloitte & Touche

Gainsborough House

34-40 Grey Street

Newcastle upon Tyne NE1 6AE

BANKERS

Barclays Bank Plc

71 Grey Street

Newcastle upon Tyne NE99 1JP



REPORT OF THE DIRECTORS

The Directors present their Report in respect of the financial year ended 30 June 2002 and submit to the Members the audited financial statements covering that period.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the Directors to prepare financial statements for each financial year which show a true and fair view of the state of affairs of the Company and of the surplus or deficit of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; 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.

ACTIVITIES

The Company's activities and operations continue to be the provision of marine insurance facilities for its Members' vessels on the mutual principle. During the year, the Company commenced offering loss of hire insurance to its Members. The Company reinsures 95% of this risk with a panel of high quality reinsurers. Handling of claims and the enforcement of Members' rights against the owners of other ships or property are part of the Company's day to day service to Members.

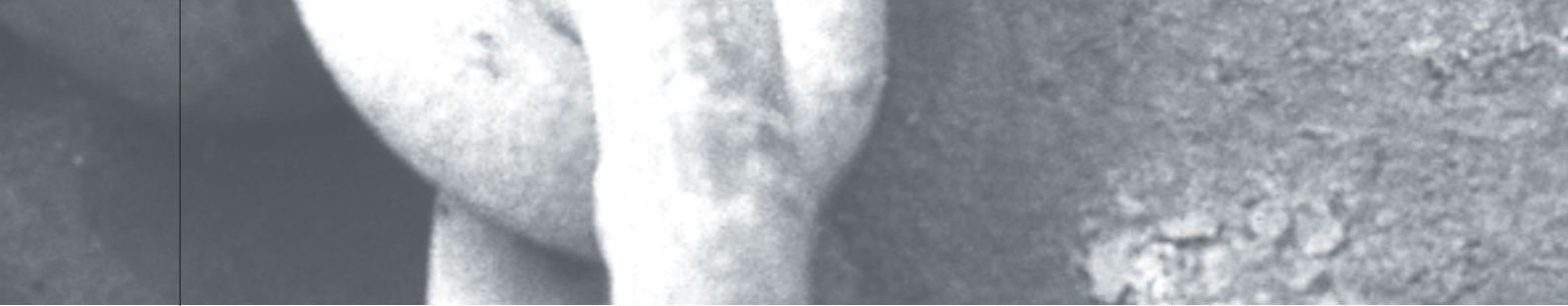
MEMBERSHIP

The Directors agreed that it would not be necessary to call the 15% deferred premium on the 2001/2002 policy for those Members renewing in 2002/2003. At the 1 July 2002 renewal, the entered tonnage stood at 3.9 million GT.

REINSURANCE

The Company renewed its existing reinsurance arrangements largely in the European and US professional reinsurance markets with a small placing in the London market.

The Quota Share reinsurance programme led by Partner Re remains in place, and for the 2002/03



policy year the limit has been increased from US\$25 million to US\$30 million. The Company's 20% retention is reinsured on an excess of loss basis with the Munich Re.

The Directors believe the reinsurance programme is comprehensive, secure and efficient in operation.

FINANCIAL STATEMENTS

Reserves increased by US\$0.1 million leaving overall reserves at US\$16.6 million. Funds under management produced a return of 2.99% compared to a benchmark performance of 4.46%. The benchmark is an amalgam calculated by applying the following weightings, all expressed in US Dollar terms:

- 53.5% SSB US Government Bond Market Performance index;
- 24.0% SSB UK Government Bond Market Performance index;
- 22.5% MSCI World index.

This reflects the Company's investment strategy.

The Directors have decided to allocate realised investment losses of US\$1,942,000 to closed policy years. Further information is contained within note 5 to the policy year statement.

DIRECTORS

The Directors at the date of this report are as shown on page 3. Since the date of the last report, Messrs. E Gillespie, DJC Habgood, RJ McKay and WM Rowland have resigned from the Company.

In accordance with Article 7, Messrs. IAJ Clark, D Ellis and PJF Henderson retire by rotation and, being eligible, offer themselves for re-election.

DIRECTORS' MEETINGS

The Directors met on three occasions during the year and considered various reports from the Management regarding the Membership of the Company, the financial position, reinsurance arrangements, loss of hire insurance, major claims, and received reports from the Audit Committee and the Loss Prevention Sub-committee.

AUDITORS

On 31 July 2002, Arthur Andersen resigned as auditors and on 1 August 2002, Deloitte & Touche were appointed to fill the casual vacancy. Deloitte & Touche offer themselves for re-election at the Annual General Meeting under Section 385 Companies Act 1985.

M-K REITH

Chairman

27 September 2002



INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MARINE SHIPPING MUTUAL INSURANCE COMPANY LIMITED

We have audited the financial statements of Marine Shipping Mutual Insurance Company Limited for the year ended 30 June 2002 which comprise the income and expenditure account, the balance sheet, the cash flow statement, and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We read the report of the directors' and the policy year statement contained in the annual report for the above year and consider the implications of any apparent misstatements or material inconsistencies with the financial statements.

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 judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

OPINION

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 30 June 2002 and of its surplus for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche
Chartered Accountants and Registered Auditors
Newcastle Upon Tyne
27 September 2002

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2002

	Notes	Continuing Operations and Total 2002		Continuing Operations and Total 2001	
		US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's
Technical account					
Earned premiums, net of reinsurance					
Gross premiums written			16,388		13,477
Refund to members			-		(2,500)
Outward reinsurance premiums			(12,114)		(8,557)
			<u>4,274</u>		<u>2,420</u>
Allocated investment return transferred from the non-technical account			(79)		420
Gains/(Losses) on exchange			<u>666</u>		<u>(639)</u>
Total technical income			<u>4,861</u>		<u>2,201</u>
Claims paid					
Gross amount		6,672		7,183	
Reinsurers' share		<u>(5,476)</u>		<u>(6,159)</u>	
			1,196		1,024
Change in the provision for claims					
Gross amount		3,866		(6,120)	
Reinsurers' share		<u>(3,185)</u>		<u>5,644</u>	
			<u>681</u>		<u>(476)</u>
Claims incurred, net of reinsurance			1,877		548
Net operating expenses	4		<u>2,253</u>		<u>1,941</u>
Total expenditure			<u>4,130</u>		<u>2,489</u>
Balance on the technical account for general business			<u>731</u>		<u>(288)</u>
Non-technical account					
Balance on the general business technical account			731		(288)
Investment income	6	(772)		1,448	
Unrealised gains/(losses) on investments		782		(953)	
Investment expenses and charges		<u>(89)</u>		<u>(75)</u>	
			(79)		420
Allocated investment return transferred to the technical account			<u>79</u>		<u>(420)</u>
Surplus/(Deficit) on ordinary activities before tax			731		(288)
Tax on ordinary activities	7		<u>(608)</u>		<u>(381)</u>
Surplus/(Deficit) for the financial year			123		(669)
Reserves brought forward			<u>16,444</u>		<u>17,113</u>
Reserves carried forward			<u>16,567</u>		<u>16,444</u>

There were no gains or losses other than those shown in the Income and Expenditure account.
The notes on pages 10 to 15 form part of these financial statements.

BALANCE SHEET

AT 30 JUNE 2002

	Notes	2002		2001	
		US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's
Assets					
Investments					
Financial investments	8		24,452		21,527
Reinsurers' share of technical provisions					
Claims outstanding			17,647		14,462
Debtors					
Debtors arising out of direct insurance operations		15		168	
Debtors arising out of reinsurance operations		1,204		1,679	
Other debtors		<u>162</u>		<u>47</u>	
			1,381		1,894
Other assets					
Cash at bank and in hand		728		915	
Deferred taxation	7	<u>–</u>		<u>427</u>	
			728		1,342
Prepayments and accrued income	9		<u>282</u>		<u>266</u>
Total assets			<u>44,490</u>		<u>39,491</u>
Liabilities					
Reserves					
Income and Expenditure account			16,567		16,444
Technical provisions					
Claims outstanding			23,537		19,671
Provision for taxation	7		445		847
Creditors					
Creditors arising out of direct insurance operations		52		159	
Creditors arising out of reinsurance operations		3,682		2,269	
Other creditors	10	<u>117</u>		<u>42</u>	
			3,851		2,470
Accruals and deferred income			<u>90</u>		<u>59</u>
Total liabilities			<u>44,490</u>		<u>39,491</u>

These financial statements were approved by the Board on 27 September 2002.

M-K Reith
Chairman

RC Eccleston
Joint Managing Director

AA Wilson
Company Secretary

The notes on pages 10 to 15 form part of these financial statements

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2002

	Notes	2002 US\$ 000's	2001 US\$ 000's
Net cash inflow from operating activities	13	3,946	2,480
Corporation tax paid		<u>(617)</u>	<u>(694)</u>
	13	<u>3,329</u>	<u>1,786</u>
Cash flows were invested as follows:			
(Decrease)/Increase in cash holding		(269)	2,110
Net portfolio investment			
Cash placed on deposit		334	856
Bonds and securities		1,400	(2,515)
Equities		<u>1,864</u>	<u>1,335</u>
Net investment of cash flows	13	<u>3,329</u>	<u>1,786</u>

The notes on pages 10 to 15 form part of these financial statements.



NOTES ON THE ACCOUNTS

I. Accounting Policies

Preparation of accounts

These accounts have been prepared in accordance with Section 255 and Schedule 9A to the Companies Act 1985. These accounts also comply with the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993.

The accounts have also been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of investments.

The Company has adopted FRS18 "Accounting Policies" in the year, and there have been no changes in accounting policies resulting from the adoption of this Standard. FRS19 "Deferred Tax" has also been adopted during the year, and a prior year adjustment has not been required as a result.

Gross premiums written

Calls net of laid up returns are credited to the income and expenditure account in the year to which they relate.

Reinsurance premiums

Reinsurance premiums, less returns, are debited to the income and expenditure account in the financial year to which they relate, together with a provision for the future costs of existing reinsurance policies.

Claims

Claims are charged to the income and expenditure account on an incurred basis. Provision is made for outstanding claims based on the Company's best estimate of the ultimate likely cost of claims notified but not paid at the balance sheet date. Provision is also made for claims incurred but not reported (IBNRs) based on statistical methods. Both the individual estimates and the IBNR methodology are reviewed on a regular basis. Although based on information currently available, the ultimate liability of the claims provisions may, as a result of

subsequent information and events, prove to be less than or in excess of the amount provided.

Provision for the cost of claims handling is included within the IBNRs.

Reinsurance recoveries

Reinsurance recoveries are accrued to match relevant claims.

Investment income

Investment income is recognised on a receivable basis. Variances in unrealised gains and losses are included in the income and expenditure account in the period in which they arise. Investment income is allocated in full to the technical account to reflect the mutual status of the Company.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

NOTES ON THE ACCOUNTS

I. Accounting Policies (continued)

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Investments

Investments are stated at the current value in the balance sheet, this being the mid-market value on the balance sheet date.

Foreign Currencies

Foreign currency assets and liabilities are translated into US Dollars at the rates of exchange ruling at the balance sheet date. Income and expenditure items are translated at a monthly average rate of exchange.

The rates of exchange ruling at the balance sheet date and used within these accounts were as follows:

	2002	2001
United Kingdom	£ 0.6560=US\$1	(£ 0.7110)
Euros	€ 1.0126=US\$1	(€ 1.1812)

2. Analysis of premiums, surplus before taxation and net assets

The Directors of the Company have taken advantage of the exemption from disclosure which is available within SSAP 25. Disclosure of the geographical analysis of gross premium income, surplus before taxation and net assets has therefore not been provided. The Directors consider that disclosure of this information would be prejudicial to the interests of the Company.

All gross premiums result from contracts concluded by the Company within the United Kingdom and arise from direct marine business.

3. Prior years' claims provisions

Over provisions for claims at the beginning of the year compared to payments and provisions at the end of the year in respect of prior years' claims are as follows:

	2002	2001
	US\$	US\$
	000's	000's
Over-provision for direct business	<u>1,123</u>	<u>1,202</u>

Claims are subject to prolonged delay both as to notification and settlement. Accordingly, quantification of outstanding claims is based on experience and judgement and the ultimate cost thereof cannot be ascertained with any degree of certainty at the date of the balance sheet. Full account is made in the financial statements of the estimated cost of all claims notified, together with a projection of the cost of claims incurred but not reported at the balance sheet date.

NOTES ON THE ACCOUNTS

4. Net operating expenses

	2002 US\$ 000's	2001 US\$ 000's
Brokerage	<u>882</u>	<u>573</u>
Administrative expenses		
Management charge	1,069	1,054
Collecting commission	–	4
Directors' remuneration (see Note 5)	40	43
Auditors' remuneration	27	25
General expenses	<u>235</u>	<u>242</u>
	<u>1,371</u>	<u>1,368</u>
Net operating expenses	<u>2,253</u>	<u>1,941</u>

The management charge is payable to The North of England Protecting and Indemnity Association Limited in respect of the provision of management services.

Amounts paid to Deloitte & Touche in respect of non-audit services were US\$ nil. Amounts paid to Arthur Andersen by the Company, while they were auditors of the Company, in respect of non-audit services were US\$8,769 (2001 – US\$2,207).

5. Directors' emoluments

The remuneration of the Directors was as follows:

	2002 US\$ 000's	2001 US\$ 000's
Fees paid	<u>40</u>	<u>43</u>

6. Investment income

	2002 US\$ 000's	2001 US\$ 000's
Income from listed investments	1,071	1,097
Bank and other interest receivable	59	82
Realised (losses)/gains	<u>(1,902)</u>	<u>269</u>
	<u>(772)</u>	<u>1,448</u>

NOTES ON THE ACCOUNTS

7. Taxation

	2002 US\$ 000's	2001 US\$ 000's
Income & Expenditure Account		
Current tax on investment income at 30%	420	875
Adjustment in respect of prior year Corporation Tax	(251)	–
Total current tax	<u>169</u>	<u>875</u>
Deferred taxation	<u>439</u>	<u>(494)</u>
	<u>608</u>	<u>381</u>
Balance Sheet		
Corporation Tax liability	445	847
Deferred taxation asset	–	(427)
	<u>445</u>	<u>420</u>

Corporation tax is charged on investment income. The mutual activities of the Company are not subject to corporation tax.

The difference between the current tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to investment income is as follows:

	2002 US\$ 000's	2001 US\$ 000's
Allocated investment return transferred to the technical account	(79)	420
Tax on the above at standard UK corporation tax rate of 30%	(24)	126
Non-taxable items	(5)	(5)
Double taxation relief	(10)	(8)
Equity losses not utilised	638	–
Unrealised (gain)/loss not subjected to tax	(155)	762
Adjustment in respect of prior year	(251)	–
Foreign exchange and other items	(24)	–
	<u>169</u>	<u>875</u>

The following is a summary of the Company's deferred tax assets:

	Provided		Unprovided	
	2002 US\$ 000's	2001 US\$ 000's	2002 US\$ 000's	2001 US\$ 000's
Realised equity losses	–	–	678	–
Unrealised equity losses	–	427	322	–
	<u>–</u>	<u>427</u>	<u>1,000</u>	<u>–</u>

A deferred tax asset has not been provided by the Directors due to continued uncertainty in the equity markets.

NOTES ON THE ACCOUNTS

8. Financial investments

A policy of holding high quality, low risk marketable investments which provide a necessary spread of currencies has been adopted in consultation with the merchant bank Joh. Berenberg, Gossler & Co, who were appointed as the Company's investment managers on 1 June 2000. The investments principally consist of listed fixed interest and government securities and equities.

	2002 US\$ 000's	2001 US\$ 000's
Market value		
Shares and other variable-yield securities	5,081	4,817
Fixed income securities	18,176	15,854
Unrealised gain on forward exchange contracts	5	-
Deposits with credit institutions	1,190	856
	<u>24,452</u>	<u>21,527</u>
Cost		
Shares and other variable-yield securities	5,995	6,231
Fixed income securities	17,223	15,173
Deposits with credit institutions	1,190	856
	<u>24,408</u>	<u>22,260</u>

9. Prepayments and accrued income

	2002 US\$ 000's	2001 US\$ 000's
Accrued interest	279	264
Other prepayments and accrued income	3	2
	<u>282</u>	<u>266</u>

10. Other creditors

	2002 US\$ 000's	2001 US\$ 000's
Bank overdraft	117	35
Other creditors	-	7
	<u>117</u>	<u>42</u>

11. Related Party Disclosure

Financial Reporting Standard 8 requires disclosure of material transactions with related parties. As all mutual members of the Company act as insurer whilst also being an insured, they are, in effect, related parties. No single transaction is of such materiality to require separate disclosure.

NOTES ON THE ACCOUNTS

12. Status

The Company is a non profit making mutual organisation limited by guarantee, and has no share capital.

13. Cash Flow Statement

Reconciliation of surplus for the financial year to net cash inflow from operating activities	2002 US\$ 000's	2001 US\$ 000's
Surplus/(Deficit) on ordinary activities before tax	731	(288)
Loss/(Gain) on sale of investments	1,902	(269)
Unrealised (gains)/losses on investments	(782)	953
Translation adjustment on investments	(413)	675
Increase/(Decrease) in net outstanding claims	681	(476)
Decrease in debtors	497	996
Increase in creditors	<u>1,330</u>	<u>889</u>
Net cash inflow from operating activities	<u>3,946</u>	<u>2,480</u>

Portfolio investments

Cash placed on deposit	(334)	(856)
Purchase of bonds and securities	(4,917)	(8,670)
Sale of bonds and securities	3,517	11,185
Purchase of equities	(7,745)	(6,189)
Sale of equities	<u>5,881</u>	<u>4,854</u>
	<u>(3,598)</u>	<u>324</u>

Movement in cash and portfolio investments

	At 30 June 2001 US\$000's	Cash flows US\$000's	Changes to market value and currencies US\$000's	At 30 June 2002 US\$000's
Cash at bank and in hand	915	(187)	–	728
Overdrafts	<u>(35)</u>	<u>(82)</u>	–	<u>(117)</u>
	880	(269)	–	611
Deposits	856	334	–	1,190
Bonds and securities	15,854	1,400	922	18,176
Equities	<u>4,817</u>	<u>1,864</u>	<u>(1,600)</u>	<u>5,081</u>
	<u>22,407</u>	<u>3,329</u>	<u>(678)</u>	<u>25,058</u>

POLICY YEAR STATEMENT

	Closed years	1999/00	2000/01	2001/02	Claims handling reserve	Unrealised gains	Total
	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's
Premiums		12,760	12,970	15,551	-	-	41,281
Refund to members		(2,500)	(2,500)	-	-	-	(5,000)
Reinsurance premiums		(9,659)	(8,875)	(12,606)	-	-	(31,140)
		601	1,595	2,945	-	-	5,141
Investment income		1,489	1,448	(772)	-	44	2,209
Difference on translation		(174)	(639)	666	-	-	(147)
Expenses and taxation		(2,157)	(1,573)	(1,880)	-	-	(5,610)
Net claims paid		(1,289)	(567)	(674)	-	-	(2,530)
		(1,530)	264	285	-	44	(937)
Surplus available on 1998/99 & prior, before equity losses	23,394	-	-	-	-	-	23,394
Realised equity losses as per Note 5 below	(1,942)	-	-	1,942	-	-	-
Balance available for outstanding claims (a)	21,452	(1,530)	264	2,227	-	44	22,457
Outstanding claims	999	2,336	4,735	13,467	2,000	-	23,537
Reinsurance recoveries	(829)	(1,875)	(3,802)	(11,141)	-	-	(17,647)
Net outstanding claims (b)	170	461	933	2,326	2,000	-	5,890
Surplus at 30 June 2002(a-b)	21,282	(1,991)	(669)	(99)	(2,000)	44	16,567
Surplus at 30 June 2001	23,274	(2,980)	(1,112)	-	(2,000)	(738)	16,444

NOTES

- Premium income is net of brokerage.
- Outstanding claims include provision for claims incurred but not reported and for claims handling expenses.
- Expenses and taxation have been allocated as follows:

	Closed years	1999/00	2000/01	2001/02
	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's
General and administrative expenses	-	1,535	1,368	1,371
Investment expenses	-	61	75	89
Total tax charge	-	561	381	608
Taxation adjustment in respect of prior year	-	-	(251)	251
Adjustment in respect of deferred tax	439	-	-	(439)
	439	2,157	1,573	1,880

The deferred tax of US\$439,000 represents the reversal of a tax asset at 30 June 2001 on unrealised equity losses. Since the majority of the Club's funds relate to closed policy years, the Directors decided that it was appropriate to allocate the charge to those years.

- Future investment income has not been included in the statement and outstanding claims have not been discounted.
- Investment income, gains and losses on the sale of investments, and exchange movements are usually allocated to the same policy year as the financial year in which they arise. However, Berenberg changed their equity investment strategy during September and October 2001, when they disposed of almost the entire equity portfolio and re-invested in Global Titans stocks. This produced realised losses amounting to US\$1,942,000 which would have distorted the 2001/02 policy year result unduly if they were allocated in full to that year. The Directors decided to allocate the US\$1,942,000 to closed policy years, as the majority of the Club's funds, and therefore the realised investment losses, relate to those years. Unrealised gains and losses are not allocated to policy years until such time as gains and losses are realised.

MARINE SHIPPING
MUTUAL INSURANCE
COMPANY LIMITED

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VAT REGISTRATION NO 178 1133 65

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