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ACE TARQUIN

FINANCIAL STATEMENTS

31 DECEMBER 2003

COMPANY REGISTRATION NUMBER: 2983302



DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003

The directors are pleased to submit their report and the audited financial statements for the year to 31 December 2003.

PRINCIPAL ACTIVITY

The principal activity of the company is that of an intermediate holding company.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The company continues to act as a holding company for subsidiary undertakings and is expected to do so for the foreseeable future.

RESULTS AND DIVIDENDS

The profit for the year to 31 December 2003 after taxation amounted to £2,200,000 (2002: £6,600,000). No interim dividend was declared during the year (2002: interim dividend of £0.51512 per US\$1 ordinary share amounting to £3,900,000). The directors recommend the payment of a final dividend of £0.29058 per US\$1 ordinary share amounting to £2,200,000 (2002: £0.35662 per US\$1 ordinary share amounting to £2,700,000).

DIRECTORS

The following have been directors from 1 January 2003 to the date of this report unless otherwise indicated:

ACE London Group Limited

The company has the benefit of a group directors' and officers' liability insurance policy effected by ACE Limited. No charge was made to the company during the year for this policy.

DIRECTORS' INTERESTS

In accordance with The Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985 (SI 1985/802), the directors' interests in ACE Limited, the ultimate holding company, are not disclosed in these financial statements.

AUDITORS

The company's auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. On 23 June 1999 the company passed an elective resolution to dispense with the obligation to appoint auditors annually.

By Order of the Board



for and on behalf of
ACE London Services Limited
Secretary, 11 March 2004

ACE Building
100 Leadenhall Street
London
EC3A 3BP

DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for the financial period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2003. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT

to the members of ACE Tarquin

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes, and which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.


Basis of audit 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 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 at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
11 March 2004

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2003**

	Note	2003 £	2002 £
TURNOVER	2	2,200,000	6,600,000
Operating expenses	4	-	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,200,000	6,600,000
Tax on profit on ordinary activities	5	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,200,000	6,600,000
Dividends	6	(2,200,000)	(6,600,000)
RETAINED PROFIT FOR THE FINANCIAL YEAR		-	-
Retained profit at beginning of the financial year		12,764,659	12,764,659
RETAINED PROFIT AT END OF THE FINANCIAL YEAR		12,764,659	12,764,659

All of the above results derive from continuing operations.

The company has no recognised gains or losses other than those presented and hence no separate Statement of Total Recognised Gains and Losses is presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the financial period stated above and their historical cost equivalents.

BALANCE SHEET AT 31 DECEMBER 2003

	Note	2003 £	2002 £
FIXED ASSETS			
Investments	7	81,535,091	81,535,091
CURRENT ASSETS			
Debtors – amounts falling due within one year	8	2,200,000	2,700,000
CURRENT LIABILITIES			
Creditors – amounts falling due within one year	9	(22,514,038)	(23,014,038)
NET CURRENT LIABILITIES			
		(20,314,038)	(20,314,038)
TOTAL ASSETS LESS CURRENT LIABILITIES			
		61,221,053	61,221,053
CAPITAL AND RESERVES			
Called-up share capital - equity	10	4,844,582	4,844,582
- non-equity	10	50,000	50,000
Share premium account	11	43,561,812	43,561,812
Profit and loss account	11	12,764,659	12,764,659
TOTAL SHAREHOLDER'S FUNDS			
	11	61,221,053	61,221,053

The financial statements on pages 3 to 7 were approved by the board of directors on 11 March 2004 and were signed on its behalf by:



for and on behalf of
ACE London Group Limited

Director

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with applicable accounting standards in the United Kingdom. No cash flow statement is presented since FRS 1 (revised) exempts the company from the requirement to do so as the consolidated financial statements of ACE Limited include a group cash flow statement. The company is exempt under Section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of ACE Global Markets Limited.

Investments

Unlisted investments are stated at the lower of cost and net realisable value.

Foreign currency transactions

Monetary assets and liabilities are translated into sterling at the exchange rates prevailing at the balance sheet date. Transactions in the profit and loss account are translated at the rate of exchange ruling at the dates of the transactions. Share capital dominated in United States dollars is translated into sterling at the historic exchange rate in force when it was issued.

2. TURNOVER

Turnover consists of dividends received from subsidiary companies.

3. DIRECTORS AND EMPLOYEES

The company has no employees. The directors received no emoluments for their services to the company (2002: £Nil).

4. OPERATING EXPENSES

The company's audit fee is borne by ACE London Services Limited.

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in period

	2003 £	2002 £
Current tax (note 5(b))	-	-

(b) Factors affecting tax charge for period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2003 £	2002 £
Profit on ordinary activities before taxation	2,200,000	6,600,000
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	660,000	1,980,000
Effects of:		
Inter-company dividends not chargeable to corporation tax	(660,000)	(1,980,000)
Current tax charge for period (note 5(a))	-	-

NOTES TO THE FINANCIAL STATEMENTS

6. DIVIDENDS

	2003 £	2002 £
Interim dividend of £Nil (2002: £0.51512) per US\$1 ordinary share	-	3,900,000
Proposed final dividend of £0.29058 (2002: £0.35662) per US\$1 ordinary share	2,200,000	2,700,000
	<hr/> 2,200,000	<hr/> 6,600,000

7. INVESTMENTS

	2003 £	2002 £
Investment in ACE Capital V Limited	42,835,669	42,835,669
Investment in ACE Leadenhall Limited	38,699,422	38,699,422
	<hr/> 81,535,091	<hr/> 81,535,091

The investments comprise 100% of the ordinary share capital of each of the above unlisted undertakings, which are registered and incorporated in England and Wales. In the opinion of the directors the investments are worth not less than their carrying values.

8. DEBTORS - amounts falling due within one year

	2003 £	2002 £
Dividend receivable from subsidiary company	2,200,000	2,700,000
	<hr/> 2,200,000	<hr/> 2,700,000

9. CREDITORS – amounts falling due within one year

	2003 £	2002 £
Amounts due to group undertakings	20,314,038	20,314,038
Proposed final dividend	2,200,000	2,700,000
	<hr/> 22,514,038	<hr/> 23,014,038

NOTES TO THE FINANCIAL STATEMENTS

10. CALLED-UP SHARE CAPITAL

			2003 US\$	2002 US\$
Authorised equity shares:				
7,571,000 US\$1 ordinary shares			7,571,000	7,571,000
			<hr/>	<hr/>
			2003 £	2002 £
Authorised non-equity shares:				
50,000 £1 deferred shares			50,000	50,000
			<hr/>	<hr/>
	2003 US\$	2002 US\$	2003 £	2002 £
Called up and fully paid equity shares:				
7,571,000 US\$1 ordinary shares	7,571,000	7,571,000	4,844,582	4,844,582
	<hr/>	<hr/>	<hr/>	<hr/>
			2003 £	2002 £
Called up and fully paid non-equity shares:				
50,000 £1 deferred shares			50,000	50,000
			<hr/>	<hr/>

The holders of the deferred shares shall not, by virtue of or in respect of their holdings of sterling deferred shares, have the right to receive notice of any general meeting of the company, nor the right to attend, speak or vote at any such general meeting. The sterling deferred shares shall not entitle their holders to receive any dividend or other distribution. The sterling deferred shares shall on the return of assets in a winding-up entitle the holder only to the repayment of the amounts paid upon such shares after the repayment of the capital paid up on ordinary shares plus the payment of £10,000,000 per such ordinary share.

11. MOVEMENTS IN SHAREHOLDER'S FUNDS

	Equity share capital £	Non-equity share capital £	Share premium £	Profit and loss account £	Total £
Opening and closing shareholder's funds	4,844,582	50,000	43,561,812	12,764,659	61,221,053
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

12. TRANSACTIONS WITH RELATED PARTIES

Advantage has been taken of the exemption provided in FRS 8 from disclosing details of transactions with ACE Limited and its subsidiary undertakings.

13. ULTIMATE HOLDING COMPANY

The intermediate holding company that heads the smallest group of undertakings for which consolidated accounts, including the company, are prepared is ACE Global Markets Limited, a company registered in England and Wales. The ultimate holding company is ACE Limited, a company registered in the Cayman Islands, with its headquarters in Bermuda and quoted on the New York Stock Exchange. Copies of the ultimate holding company's consolidated accounts can be obtained from Investor Relations at ACE Global Headquarters, 17 Woodbourne Avenue, Hamilton HM 08, Bermuda.